

INDEPENDENT SCHOOL DISTRICT 196  
Rosemount-Apple Valley-Eagan Public Schools  
*Educating our students to reach their full potential*

Series Number 712 Adopted June 2011 Revised \_\_\_\_\_

Title Fund Balances

1. **Purpose** – Prudent fiscal management requires the maintenance of reasonable fund balances to mitigate financial risk from unforeseen circumstances and provide cash flow liquidity for general operations. Fund balance classifications described in this policy allow for more useful fund balance reporting and for compliance with the reporting guidelines specified in Statement No. 54 of the Governmental Accounting Standards Board (GASB).
2. **General Statement of Policy** – The intent of this policy is to comply with GASB Statement No. 54. Should a conflict occur between this policy and the provisions of GASB Statement No. 54, the GASB statement shall prevail.
3. **Classification of Fund Balances** – The school district shall classify fund balances in its various funds in one or more of the following five classifications: nonspendable, restricted, committed, assigned and unassigned.
4. **Definitions** – In accordance with GASB Statement No. 54, definitions are as follows.
  - 4.1 “Fund balance” means the arithmetic difference between the assets and liabilities reported in a school district fund.
  - 4.2 “Nonspendable” fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.
  - 4.3 “Restricted” fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.
  - 4.4 “Unrestricted” fund balance is the amount of fund balance remaining after determining both nonspendable and restricted net resources. This amount can be determined by adding the committed, assigned and unassigned fund balances.
  - 4.5 “Committed” fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number.
  - 4.6 “Assigned” fund balance amounts are comprised of unrestricted funds constrained by the school district’s intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district’s intended use of those

resources. The action to assign a fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number.

- 4.7 “Unassigned” fund balance amounts are the residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.
- 4.8 “Enabling legislation” means legislation authorizing a school district to assess, levy, charge or otherwise mandate payment of resources from external providers and includes a legally enforceable requirement that those resources be used only for the specific purposes listed in the legislation.
5. **Minimum Fund Balance** – District 196 will plan annual revenue and expenditure budgets that provide an operating funds balance of no less than five percent of annual operating fund expenditures.
6. **Order of Resource Use** – If resources from more than one fund balance classification could be spent, the district will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned and unassigned.
7. **Committing Fund Balance** – A majority vote of the School Board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board.
8. **Assigning Fund Balance**
  - 8.1 The School Board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The School Board also delegates the power to assign fund balances to the superintendent or designee. Assignments so made shall be reported to the board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the School Board.
  - 8.2 An appropriation of an existing fund balance to eliminate a projected budgetary deficit in the subsequent year’s budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance.
9. **Stabilization Arrangements** – When the superintendent becomes aware of conditions that may cause the operating funds balance to fall below 5 percent of annual operating expenditures within a given year, he or she will alert the School Board to the situation and recommend appropriate short-term actions to maintain the desired balance.
10. **Review** – The School Board will conduct an annual review of the sufficiency of the minimum unassigned general fund balance level.

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**References:** - Statement No. 54 of the Governmental Accounting Standards Board