



## **OPERATIONAL EXPECTATIONS**

Non-Instructional Operations and Business Services

**ISD 197 School Board**

Contact: Director of Finance

### **714 FUND BALANCE**

#### **I. PURPOSE**

The purpose of this policy include:

- To insure financial stability of the district.
- To provide adequate resources to preserve a positive cash flow and avoid or alleviate short-term borrowing.
- To provide a sound basis for continuation of the strong financial rating of the district.
- To provide an adequate reserve that will enable the district to deal with unexpected budget circumstances.
- To establish fund balance classifications to 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).

#### **II. GENERAL STATEMENT OF POLICY**

To ensure the financial strength and stability of the district, the School Board will maintain an unrestricted fund balance as of June 30<sup>th</sup> each year at a minimum of 8% of the district's general fund operating expenditure budget.

When the unrestricted fund balance is projected to decrease below 8% of the general fund operating expenditures budget, the district shall initiate one or more of the following measures to ensure that the year-end general fund unrestricted fund balance for the budget year in question does not fall below 8%.

1. Reduce expenditures through implementation of cost containment measures.
2. Seek opportunities to increase revenue.
3. Develop and initiate a plan to achieve a 8% unrestricted fund balance over a designated period of time.

The policy of this school district is to comply with GASB Statement No. 54. To the extent a specific conflict occurs between this policy and the provisions of GASB Statement No. 54, the GASB Statement shall prevail.

### III. DEFINITIONS

- A. “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.
- B. “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 school 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.
- C. “Enabling legislation” means legislation that authorizes 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.
- D. “Fund balance” means the arithmetic difference between the assets and liabilities reported in a school district fund.
- E. “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.
- F. “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.
- G. “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.

- H. “Unrestricted” fund balance is the amount of fund balance left after determining both nonspendable and restricted net resources. This amount can be determined by adding the committed, assigned, and unassigned fund balances.

#### **IV. CLASSIFICATION OF FUND BALANCES**

The school district shall classify its fund balances in its various funds in one or more of the following five classifications: nonspendable, restricted, committed, assigned, and unassigned.

#### **V. ORDER OF RESOURCE USE**

If resources from more than one fund balance classification could be spent, the school district will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

#### **VI. 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.

#### **VII. ASSIGNING FUND BALANCE**

The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the superintendent or the superintendent’s designee. Assignments so made shall be reported to the school board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the school board.

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.

#### **VIII. REVIEW**

The Superintendent or designee shall, each year, prepare a calculation of the district’s current financial position related to this fund balance policy for review by the school board. The fund balance calculation shall be accompanied by such written commentary as may be necessary for it to be clearly understood by the members of the school board and the public. Prior to the preparation of draft budget for each fiscal year, the school board shall review the fund balance

calculation and the sufficiency of the unrestricted general fund balance level to achieve the purposes enumerated above in section I.

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

**Cross References:** MSBA Service Manual, Chapter 7, Education Funding

**POLICY ADOPTED:** December 5, 2011

**POLICY REVIEWED/REVISED:** September 19, 2016; August 19, 2019;  
November 28, 2022

**Monitoring Method:** Administrative Review

**Monitoring Frequency:** Every three years