THIEF RIVER FALLS PUBLIC SCHOOLS

Policy 750

Fund Balance Policy

I. PURPOSE

It is the desire of the Board of Education to contribute to the successful education of students through sound fiscal management by maintaining a reasonable and responsible fund balance. Maintenance of an adequate, stable fund balance is important to the establishment of a good credit rating for the District and maintaining appropriate cash-flow. A fund balance allows the District to meet unforeseen contingencies such as enrollment shifts, unfunded state and federal mandates, economic downturn, increased utility costs, inflation and salary settlements. The purpose of this policy is to establish guidelines for maintaining an acceptable fund balance and establish the authority levels for fund balance classifications in compliance with Governmental Accounting Standards Board (GASB) Statement No. 54.

II. GENERAL STATEMENT OF POLICY

The policy of the School District is to classify its fund balances based on the guidelines in Governmental Accounting Standards Board (GASB) Statement No. 54, which classifies the fund balances into five categories: Nonexpendable, Restricted, Committed, Assigned, and Unassigned.

III. DEFINITIONS

A. "Fund balance" means the arithmetic difference between assets and liabilities reported in a school district fund.
B. "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.
C. "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.
D. "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 government, or are imposed by law through constitutional provisions or enabling legislation.
E. "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 the 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.

F. "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.

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. FUND BALANCE MONITORING

The District's goal shall be to maintain an Unrestricted General Fund balance, defined as the total of the Committed and Unassigned fund balance categories, of not less than 10% and not more than 25% with the optimal fund balance of 15% of the General Fund's current annual operating expenditure budget.

The Business Office shall monitor the District's fund balances. If the Unrestricted General Fund Balance falls below 15%, the Superintendent or Business Manager shall alert the Board of Education and implement procedures necessary to stabilize the District's financial position. This process shall involve any or all of the following:

A. Seek additional revenue sources such as grants or referendum;

B. No new programs will be added unless matched by an equal revenue source;

C. Allocations for equipment, textbooks, supplies, etc. shall be frozen or reduced;

D. Review programming and staffing levels for possible reductions.

V. COMMITTING FUND BALANCE

The Board of Education shall be responsible for committing any fund balance portions to specific purposes by formal board action through a majority vote. Once the action has been taken, committed funds cannot be used for any other purpose unless the commitment is rescinded by the Board of Education.

VI. ASSIGNING FUND BALANCE

The Board of Education, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The Board of Education also delegates to the Business Manager the authority to assign fund balances for specific purposes. Assignments so made shall be reported to the Board of Education on a monthly basis, either separately or as part of ongoing reporting by the Business Manager.

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.

VII. ORDER OF RESOURCE USE

The Board of Education hereby establishes the following order for resource use: Restricted funds shall be spent first followed by Unrestricted funds. For Unrestricted funds, Committed fund balances should be spent first, followed by Assigned fund balances and lastly Unassigned fund balances for amounts in which any of those fund balances may be used.

VIII. REVIEW

The Board of Education will conduct an annual review of the sufficiency of the minimum Unrestricted General Fund balance level.

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

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

Date Adopted ____10/2014____ Next Scheduled Revision _____10/2017____