

6 **I. PURPOSE**

7 This Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the
8 General Fund financial statements. Certain commitments and assignments of fund balance will
9 help ensure that there will be adequate financial resources to protect the District against unforeseen
10 circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy
11 also authorizes and directs the Director of Business Operations to prepare financial reports which
12 accurately categorize fund balance as per Governmental Accounting Standards Board (GASB)
13 Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

14 **II. GENERAL POLICY**

15 Fund balance is essentially the difference between the assets and liabilities reported in a
16 governmental fund. There are five separate components of fund balance, each of which identifies
17 the extent to which the District is bound to honor constraints on the specific purpose for which
18 amounts can be spent.

- 19 • Non-spendable fund balance (inherently non-spendable) - examples include inventory and
20 the corpus of an endowment fund
- 21 • Restricted fund balance (externally enforceable limitations on use) - by enabling legislation
22 or by grantors, bondholders, or constitutional provisions
- 23 • Committed fund balance (self-imposed limitations on use) - essentially the General Fund
24 Reserve Balance
- 25 • Assigned fund balance (limitation resulting from intended use) - by the District or by an
26 official designated by the Board of Trustees
- 27 • Unassigned fund balance (residual net resources) - General Fund Budget amount available
28 for any purpose

29 The first two components listed above are not addressed in this policy due to the nature of their
30 restrictions. This policy is focused on the financial reporting of Unrestricted Fund Balance, or
31 Committed Fund Balance, Assigned Fund Balance and Unassigned Fund Balance.

32 **III. PROVISIONS**

33 **Committed Fund Balance**

34 The School Board, as the District's highest level of decision-making authority, may commit fund
35 balance for specific purposes pursuant to constraints imposed by formal actions taken, such as a
36 majority vote or resolution. These committed amounts cannot be used for any other purpose unless

1 the School Board removes or changes the specific use through the same type of formal action taken
2 to establish the commitment. School Board action to commit fund balance needs to occur within
3 the fiscal reporting period, no later than June 30th; however, the amount can be determined
4 subsequent to the release of the financial statements. At the time of adoption of this policy, the
5 District does not have any reserves that meet this component of fund balance.

6 **IV. MINIMUM FUND BALANCE**

7 The school district will strive to maintain the Committed General Fund Balance to 10% percent of
8 the annual budget.

9 **Assigned Fund Balance**

10 Amounts that are constrained by the District's intent to be used for specific purposes, but are
11 neither restricted nor committed, should be reported as assigned fund balance. This policy hereby
12 delegates the authority to assign amounts to be used for specific purposes to the Director of
13 Business Operations for the purpose of reporting these amounts in the annual financial statements.

14 **Unassigned Fund Balance**

15 These are residual positive net resources of the general fund in excess of what can properly be
16 classified in one of the other four categories. There are some reserves that do not meet the
17 requirements of the fore mentioned components of fund balance. For financial statement reporting
18 purposes these reserves are included in the unassigned fund balance. This includes:

19 **Fund Balance Classification**

20 The District considers restricted fund balances to have been spent first when an expenditure is
21 incurred for purposes for which both restricted and unrestricted fund balance is available.
22 Similarly, when an expenditure is incurred for purposes for which amounts in any of the
23 unrestricted classifications of fund balance could be used, the District considers committed
24 amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

25 This policy is in place to provide a measure of protection for the District against unforeseen
26 circumstances and to comply with GASB Statement No. 54. No other policy or procedure
27 supersedes the authority and provisions of this policy.

28 Legal References:

29 Statement No. 54 of the Governmental Accounting Standards Board
30 MCA 20-9-104 General Fund Operating Reserve

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32 Policy History:

33 Adopted on: July 25, 2011

34 Revised on: November 14, 2016

35 Revised on: January 14, 2019