Fund Balances

I. Purpose

This policy defines fund balance classifications that allow for proper fund balance reporting and for compliance with the reporting guidelines specified in Statement No. 54 of the Governmental Accounting Standards Board (GASB) and the Minnesota Uniform Financial Accounting and Reporting Standards (UFARS).

II. General Statement of Policy

The school district recognizes that maintaining adequate fund balances is critical to being fiscally responsible and ensures the district's long-term ability to meet its financial obligations and provide appropriate educational services and programs to all. To the extent a specific conflict occurs between this policy and the provisions of GASB Statement No. 54 or the UFARS, the GASB Statement and the UFARS prevail.

III. Definitions

For purposes of this policy, the definitions included in this section apply.

A. "Assigned" fund balance amounts are ~~comprised~~ composed 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 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~~ composed 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 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 district fund.

E. “Nonspendable” fund balance amounts are ~~comprised~~ composed 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~~ composed 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 lawful 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.

I. “Unrestricted expenditures” means general fund expenditures that do not close to a restricted fund balance under UFARS.

IV. Classification of Fund Balances

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

V. ~~Minimum~~ Fund Balance Targets

~~The school district will strive to maintain a minimum unassigned general fund balance of between six and ten percent of the unassigned expenditures of the subsequent fiscal year. The fund balance is used for the purposes of cash flow, legislative shortfalls, innovation, tax abatement, and catastrophic needs. Fund balance reserves are not intended to be used for ongoing personnel or operational expenditures. If the operations of the district result in a general fund balance of less than six percent the administration must present a plan to the~~

~~school board to reestablish the fund balance to the acceptable level in the immediate subsequent fiscal year.~~

A. Unassigned General Fund. The school district will strive to maintain an unassigned general fund balance of between six and ten percent (6-10%) of the unrestricted expenditures in the adopted budget for the subsequent fiscal year.

B. Unrestricted General Fund. The school district will strive to maintain an unrestricted general fund balance of at least fifteen percent (15%), with a target of seventeen percent (17%), of the unrestricted expenditures in the adopted budget for the subsequent fiscal year.

C. Restricted Balances. No restricted fund balance category will be permitted to carry a deficit balance without a plan presented to the school board for its elimination.

D. Corrective Action. If any fund balance falls below, or is projected in the budget or multi-year forecast to fall below the minimum level in this section, administration will present a plan to the board to restore the balance within three fiscal years, with annual progress reports.

E. Balances Above Target. Unassigned fund balance in excess of the upper target may be prioritized for one-time expenditures and will not be used to support ongoing personnel or operational costs.

VI. 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.

VII. 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. The board will commit an additional two percent (2%) of the unrestricted expenditures in the adopted budget for the subsequent fiscal year to be used for cash flow purposes.

VIII. Assigning Fund Balance

The school board delegates the authority to assign fund balances to the superintendent and the executive director of ~~business services~~ finance and operations. Assignments so made must be disclosed to the ~~school~~ board at the time of budget adoption or revision and when presenting the audited financials of the school district.

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.

IX. Review

The school board will conduct an annual review of the sufficiency of the minimum unassigned general fund balance level.

Legal References

Minn. Stat. § 123B.77 Accounting, Budgeting, and Reporting Requirement
~~Statement No. 54 of the Governmental Accounting Standards Board~~

Cross References

Statement No. 54 of the Governmental Accounting Standards Board

Policy

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