

FINANCE – FUND BALANCE

I. PURPOSE

The purpose of this policy is to create new 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

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. MINIMUM FUND BALANCE

The school district will strive to maintain a minimum general fund committed, assigned and unassigned fund balance of 10 percent of the respective committed, assigned and unassigned expenditures.

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.

VIII. 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 following: Superintendent, Director of Business Services or Finance Committee. Assignments so made shall be reported to the school board on an annual 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.

IX. STABILIZATION ARRANGEMENTS

The District Office shall monitor the fund balance. If the fund balance reaches 12% the School Board shall implement a procedure to stabilize the District's financial position. This shall involve:

- A. No new programs will be added at the district level unless matched by a like revenue source;
- B. Allocations such as textbooks, supplies, etc., may be frozen; and
- C. The District will review other measures which will not immediately affect delivery of programs but could have a cost savings. An example might be areas where expenses have historically been lower than budgeted levels.

If the fund balance is projected to decrease below 10% of the General Fund expenditures, the District shall consider initiation one of the following measures to ensure that the year-end General Fund balance for the budget year in question does not fall below 10%:

- A. Generate additional revenue; and/or
- B. Reduce expenditures through budget reductions.

X. REVIEW

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

Legal References:

Statement No. 54 of the Governmental Accounting Standards Board

~~I. PURPOSE~~

~~The purpose of this policy is to ensure the financial stability of the District, to provide a sound basis to justify a strong financial rating, and to provide a reserve enabling the District to deal with unforeseen budget expenditures and revenue shortfalls.~~

~~II. GENERAL STATEMENT OF POLICY~~

~~The policy of the school district is to classify its fund balances based on the nature of the particular net resources reported in the separate funds of the district. Fund Balance categories will be identified according to the guidelines in Governmental Accounting Standards Board (GASB) Statement No. 54. Fund Balance categories will include Nonspendable, Restricted, Committed, Assigned and Unassigned. To ensure the financial strength and stability of the District, the Board will endeavor to maintain at least 10% of the District's General Fund operating budget, excluding those accounts associated within the Restricted category, in the combined total of the General Fund Committed, Assigned and Unassigned fund balances.~~

~~III. DEFINITIONS~~

- ~~A. Nonspendable fund balance—Represents amounts that cannot be spent due to form such as inventories, prepaids, long term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).~~
- ~~B. Restricted fund balance—Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.~~
- ~~C. Committed fund balance—represents amounts constrained for a specific purposes determined by the School District Board of Directors. It requires formal action by the same group to remove or change the constraints placed on resources.~~
- ~~D. Assigned fund balance—represents amounts constrained by the school district's intent to be used for a specific purpose, but are not restricted or committed. The School Board has delegated the authority to assign amounts to the district finance director and superintendent. Assigned amounts or changes to Assigned amounts will be presented to the school board for review.~~
- ~~E. Unassigned fund balance—Represents resources available to meet current and future years' expenditures.~~

~~IV. GUIDELINES~~

~~The school board hereby establishes the following order for resource use: Non-spendable fund balance, Restricted fund balance, Committed fund balance, Assigned fund balance, and Unassigned fund balance. Journal entries at the end of the fiscal year may be used to accomplish this.~~

~~When the combined total of the General Fund Committed, Assigned and Unassigned fund balance falls below 10% the district shall initiate the following measures:~~

- ~~1. Reduce expenditures through implementation of cost containment measures.~~
- ~~2. Seek opportunities to increase revenue. Consider fee increases where appropriate. Examine options to increase enrollment.~~
- ~~3. If permitted by state law, request from voters additional revenue through an increase in the operating referendum or other financial options.~~
- ~~4. A combination of the above.~~

