

## FUND BALANCE POLICY

*[Note: The provisions of this policy include the provisions of Statement No. 54 of the Governmental Accounting Standards Board (GASB).]*

### 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 unassigned general fund balance of 8 % of the annual budget, with a target maximum of 16% of the expenditure budget in the General Fund, excluding the Special Education Cooperative Fund 12. The fund balance range is the equivalent of 1-2 months of expenditures. The fund balance shall be defined as the Unassigned fund balance, the Restricted Next Year's Approved Budget Deficit fund balance, and the Nonspendable fund balances. It will not include the remaining Restricted,

Committed, or Assigned fund balances created by the School Board, District Administration, State or Federal guidelines. The effective date of this calculation shall be June 30, the last day of each fiscal year. The fund balance and fund balance guidelines will be reviewed by the school district on an ongoing basis.

#### **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. The school board determines this order.

#### **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 school board will commit severance retirement in the Committed for Separation/Retirement Benefits fund balance. The initial calculation shall be based on the latest actuarial study and will be reduced annually by severance payments made to retired employees.

#### **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 less than \$25,000.00 to the Budget 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 8%, the School Board shall implement a procedure to stabilize the District's financial position. This shall involve:

- No new programs will be added at the district level unless matched by a like revenue source;
- Allocations such as textbooks, supplies, etc., may be frozen; and

- 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.

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If the fund balance is projected to decrease below 6% of the General Fund expenditures, the District shall consider initiating one of the following measures to ensure that the year-end General Fund balance for the budget year in question does not fall below 6%:

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

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