

Adopted: December 2018

MSBA/MASA Model Policy 714
Orig. 2011

Revised: December 2020

714 FUND BALANCES

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

Howard Lake-Waverly-Winsted ISD 2687’s budget will be developed to maintain an adequate fund balance in the school’s unassigned general fund. The school budget will be constructed to maintain a minimum of 8% of the prior fiscal year’s expenditures and a maximum of 20% of the prior fiscal year’s expenditures. When the Unassigned General Fund balance is projected to drop below 8%, the district shall initiate measures to either generate additional revenue or to reduce expenditures through a budget reduction, or a combination of both.

- A. If there is a need to move below the set reserved figure the following criteria must be met:
 - 1. The action must be temporary, meaning the district must regain a minimum 8% fund balance by the close of the ensuing fiscal year.
- B. If there is a need to move above the set reserve maximum the following criteria must be met:
 - 1. The Finance Committee along with the Board will develop a plan to spend down the excess fund balance in a manner that benefits the district.

2. If there is a situation in which a fund balance of greater than 20% must be maintained, the increase must be approved by a majority vote of the Board stipulating the amount of the increase and the duration of time it is to be maintained.

C. When applicable, the District shall develop a plan for Statutory Operating Debt that outlines how the District will get out of SOD. Said plan will include the intended date when the mandated fund balance requirement described herein shall be in effect. In funds other than the general fund, the negative balances of these funds would be classified as unassigned fund balances.

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. Assignments so made shall be reported to the school board on a monthly 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. REVIEW

The school board will conduct bi-annual review of the sufficiency of the minimum unassigned general fund balance level, at the time of the adoption of the preliminary yearly budget and the revision of the yearly budget.

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

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