

POLICY: 701.2
ADOPTED: 10/02/00
REVISED: 12/02/02
REVISED: 03/15/04
REVISED: 11/21/05
REVISED: 11/24/08
REVISED: 02/08/10
REVISED: 06/27/11
REVISED: 03/26/12

INDEPENDENT SCHOOL DISTRICT 199
Inver Grove Heights Community Schools
2990 80th Street East
Inver Grove Heights, Minnesota

FUND BALANCE

I. Purpose

The purpose of this policy is to establish the parameters that will guide the School Board and school district administration in maintaining an Unreserved and Designated Fund Balances.

II. General Statement of Policy

The policy of this school district is to comply with Governmental Accounting Standards Board (GASB) 54. To the extent a specific conflict occurs between this policy and the provisions of GASB Statement No. 54, the GASB Statement shall prevail.

A stable unassigned fund balance is critical for the school district's overall financial stability. It is the policy of this school district to establish and maintain an unassigned fund balance at a minimum level of six weeks of operating or eight percent (8%), whichever is greater, of the total annual general fund operating budget, thus allowing for ongoing and long-term financial stability. A stable unassigned fund balance allows the school district to meet those unexpected expenses including, but not limited to, sharp increases in energy costs and the unpredictability of federal and/or state aid. Additionally, a stable unassigned fund balance can generate additional revenue through interest earnings that can be utilized by the school district.

An additional restricted fund within the unassigned fund account is essential to assist with funding future liabilities of the school district associated with severance payments and post retirement insurance.

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 Balance

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. 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.

VI. 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.

VII. 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, business manager, and the School Board finance committee. 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.

VIII. Stabilization Arrangements

- A. The School Board shall determine and establish a specified dollar amount to be committed for future financial liabilities in accordance with GASB 34 and GASB 45 and other post-employment benefits. This amount is to be a committed fund within the unassigned fund.
- B. The School Board shall be notified by the business manager within 15 days of when the unassigned fund balance, less the committed fund associated with severance payments and post retirement benefits, falls below the prescribed six weeks of operating or eight percent (8%), whichever is greater, of the total annual general fund. If the unassigned fund balance, less the committed fund associated with severance payments and post retirement benefits, falls below six weeks of operating or eight percent (8%), whichever is greater, of the total annual general fund operating budget of the school district, the superintendent in consultation

with the business manager and other administrators shall present a plan of corrective action to the School Board within 60 days of the unassigned fund balance going below the prescribed level.

- C. If revenues become available to the school district that may be allocated to the unassigned fund in accordance with the provisions of the law and in a fiscally responsible manner necessary to achieve the six weeks of operating or eight percent (8%) level, whichever is greater, the superintendent shall present to the School Board the percentage of these specific revenues that should be utilized toward improvement of the unassigned fund balance.
- D. When the unassigned fund balance, less the committed fund associated with severance payments and post retirement benefits, exceeds the prescribed level of six weeks of operating or eight percent (8%), whichever is greater, of the total annual general fund operating budget, the superintendent, in consultation with other administrators, shall bring forth recommendations as to the utilization of such revenues.

IX. Review

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

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