

714 GENERAL FUND BALANCES

I. PURPOSE

The purpose of this policy is to establish; 1. fund balance classifications to allow for useful fund balance reporting and for compliance with the reporting guidelines specified in Statement No. 54 of the Governmental Accounting Standards Board (GASB) and 2. a minimum unassigned General Fund balance.

II. GENERAL STATEMENT OF POLICY

Maintaining a general fund balance reserve is important for sound financial management of the St. Anthony-New Brighton School District. An adequate fund balance is important to maintain appropriate cash-flow, to serve as a cushion against unpredictable annual funding from the legislature, to establish and retain a good credit rating for the district and to comply with GASB Statement No. 54.

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. “Fund balance” means the arithmetic difference between the assets and liabilities reported in a school district fund.
- D. “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.
- E. “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.
- F. “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.
- G. “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. MINIMUM FUND BALANCE

The school district will strive to maintain a minimum unassigned general fund balance of between eight (8) and ten (10) percent of the annual budget which is the amount needed to cover 1 month of average operating expenses. An adequate, stable fund balance is important to maintain appropriate cash flow. District 282 auditors have recommended the district maintain the equivalent of one to two months of cash flow as reserve. It is also important to maintain a cushion against the unpredictable annual funding from the legislature. Maintaining a strong reserve means program managers and teaching staff can serve the educational needs of students without wondering about year to year changes based on legislative funding. Maintaining a stable fund balance also helps to establish and retain a good credit rating for the district.

V. 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.

VI. ASSIGNING FUND BALANCE

The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate.

VII. REVIEW

The school board will conduct an annual review of the sufficiency of the minimum unassigned general fund balance level. The board will also conduct an annual review of specific monetary assignments that have been made to the assigned, committed, and restricted funds.

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

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