



3700

Fund Balance

Policy 3700

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I. PURPOSE

Sound financial record keeping and reporting is an essential element in maintaining the fiduciary duty of the Board of Education to the public. To that purpose compliance with requirements of the Governmental Accounting Standards Board Statements shall be the standard of this district. The purpose of this policy is to establish fund balance classifications and management in compliance with guidance received from the Governmental Accounting Standards Board (GASB).

II. GENERAL STATEMENT OF POLICY

- A. **Supremacy of GASB Statement.** To the extent that a specific conflict occurs between district policy and the provisions of GASB Statement No. 54, the GASB Statement shall prevail.
- B. **Applicability.** This policy shall apply to all governmental funds including the General, Food Service, Community Service, Capital Projects, and Debt Service Funds.
- C. **Classification of Fund Balances.** The district shall classify its fund balances in its various funds in one or more of the following classifications and report these on its balance sheet:
1. Non-spendable funds;
 2. Restricted funds;
 3. Committed fund;
 4. Assigned funds; or
 5. Unassigned funds.
- D. **Definitions of Classifications.**
1. “Non- spendable” funds are those that cannot be spent because they are:
 - (a) Not in spendable form, such as physical assets; or
 - (b) Subject to legal or contractual requirements requiring that they remain intact.
 2. “Restricted” funds are those that are externally constrained in their use due to:
 - (a) imposed constraints by creditors, grantors, contributors or laws or regulations of other governmental subdivisions; or
 - (b) constraints imposed by law through constitutional provisions or enabling legislation.
 3. “Committed” funds are those which are constrained in their use by a formal action of the Board of Directors.
 4. “Assigned” funds are those which designated to be used for a specific purpose by the Board of Directors, the Superintendent or a Superintendent’s designee.



5. “Unassigned” funds are those funds that are the residual of the General Fund that have not been reported in any other classification.
- E. **Minimum Fund Balance.** The district will take steps to attain a minimum unassigned General fund balance of no less than eight percent (8%) of the estimated General Fund expenditures for the following year.
- F. **Order of Resource Use.** If resources from more than one fund balance classification could be used for an expenditure, the district shall use resources from fund balance classifications in the following order:
1. 1st – restricted funds
 2. 2nd – committed funds
 3. 3rd – assigned funds
 4. 4th – unassigned funds.
- G. **Actions required to commit a fund balance.** In order to commit a fund balance for a specific purpose:
1. A resolution to commit the fund balance must be made at a regularly scheduled and noticed meeting of the Board of Directors; and
 2. The resolution must be part of the noticed and published agenda for the meeting; and
 3. A majority vote of the meeting’s quorum must approve the resolution to commit a fund balance; and
 4. The vote must be taken at a meeting before the end of the fiscal year, although the amount of the commitment may not be yet known.
- H. **Actions required to remove a commitment from a fund balance.** In order to remove or otherwise change a previously made commitment of a fund balance:
1. A resolution to change or remove the commitment of the fund balance must be made at a regularly scheduled and noticed meeting of the Board of Directors; and
 2. The resolution must be part of the noticed and published agenda for the meeting; and
 3. A majority vote of the meeting’s quorum must approve the resolution.
- I. **Assigning fund balances.**
1. The Board of Directors, by majority vote may assign fund balances to be used for specific purposes when appropriate; and
 2. The Board of Directors also delegates to the Superintendent and Superintendent’s administration the power to assign fund balances.
 - (a) Any assignment made under this delegation of authority must be reported to the Board of Directors on a monthly basis.
 - (b) The Superintendent is authorized to designate officers within the administration as having this authority, which designations shall be reported to the Board on a monthly basis.



3. If the Board of Directors appropriates an existing fund balance to eliminate a projected budgetary deficit in a subsequent fiscal year's budget in an amount no greater than the projected excess of the expected expenditures over expected revenues such an appropriation shall be classified as an assignment of a fund balance.

III. MINIMUM FUND BALANCE USE AND REPLENISHMENT PLAN

- A. Prior to use of the minimum fund balance funds the Superintendent shall institute one or more of the following actions:
 1. Reduction of expenditures through cost containment measures including purchasing freezes or hiring freezes, or reductions of force.
 2. Attempts to increase revenue.
- B. After use of the minimum fund balance funds the district shall replenish the fund balance within two fiscal years through use of both regular fund sources and additional sources when available.

IV. RESPONSIBILITY

- A. The Superintendent is authorized to promulgate regulations to implement this policy.
- B. The Board of Directors shall review the sufficiency of the fund balance level on no more than an annual basis and set an annual target fund balance. The Board of Directors may designate a subcommittee of the Board to review the sufficiency of the fund, its management and reporting on a more frequent basis.

Legal References:

Governmental Accounting Standards Board Statement No. 34
Governmental Accounting Standards Board Statement No. 54

Cross References:

MPS Policy 2100 (Superintendent Role and Functions)
MPS Policy 8110 (Purposes and Role of the Board)