

Adopted: 5.18.16

Revised: 8.14.19

**NORTH METRO FLEX ACADEMY  
POLICY No. 7.14  
FUND BALANCE**

**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 North Metro Flex Academy (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**

“Assigned” fund balance amounts are comprised of unrestricted funds constrained by the Board of Directors 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.

“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 Board of Directors 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.

“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.

“Fund balance” means the arithmetic difference between the assets and liabilities reported in a school district fund.

“Non-spendable” 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 un-spendable, 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.

“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.

“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 non-spendable, restricted, and committed fund balances exceed the total net resources of that fund.

“Unrestricted” fund balance is the amount of fund balance left after determining both non-spendable 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: non-spendable, restricted, committed, assigned, and unassigned.

#### **V. MINIMUM FUND BALANCE**

A. The school district will strive to maintain an unassigned general fund balance as stated in the school district’s Performance Framework:

1. Reserve is at least three months’ expenditures (20%) as measured by end of year reserves. This is awarded an exemplary rating.
2. Reserve is enough to cover one full payroll as measured by end of year reserves. This is awarded a satisfactory rating.
3. Reserve is less than one full payroll as measured by end of year reserves. This is awarded a not satisfactory rating.

- B. In the event of a combined fund balance less than above measurements, the Principal and Board of Directors will take immediate financial and budgetary action to attain such measurements.

**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**

The Board of Directors, by majority vote, may 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**

- A. The Board of Directors, 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 Business Manager after approval of the 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.
- B. 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 balances.

**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

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