

Adopted: February 24, 2015

MSSPA Policy 701
Orig. 2011

Revised: _____

GENERAL FUND BALANCE POLICY

I. PURPOSE:

The purpose of this policy is to ensure the financial stability of the School, to provide a sound basis to justify a strong financial rating, and to provide a reserve enabling the School to deal with unforeseen budget expenditures and revenue shortfalls.

II. GENERAL STATEMENT OF POLICY

The policy of the School is to classify its fund balances based on the nature of the particular net resources reported in the separate funds of the School. Fund Balance categories will be identified according to the guidelines in Governmental Accounting Standards Board (GASB) Statement No. 54. Fund Balance categories will include Nonspendable, Restricted, Committed, Assigned and Unassigned. To ensure the financial strength and stability of the School, the Board will endeavor to maintain at least 30% of the School's General Fund operating budget, including those accounts associated within the Restricted category, in the combined total of the General Fund Committed, Assigned and Unassigned fund balances.

III. DEFINITIONS

A. Nonspendable Fund Balance

Represents amounts that cannot be spent due to form such as inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).

B. State Revenue

“State revenue” means state revenue as one component of the legislatively set formulas for funding public education.

C. Restricted Fund Balance

Represents amounts that can be spent only for the specific purposes stipulated by

constitution, external resource providers, or through enabling legislation.

D. Committed Fund Balance

Represents amounts constrained for a specific purposes determined by the School Board of Directors. It requires formal action by the same group to remove or change the constraints placed on resources.

E. Assigned Fund Balance

Represents amounts constrained by the school School's intent to be used for a specific purpose, but are not restricted or committed. The School Board has delegated the authority to assign amounts to the Director of Operations. Assigned amounts or changes to Assigned amounts will be presented to the school board for review.

F. Unassigned Fund Balance

Represents resources available to meet current and future years' expenditures.

IV. REQUIREMENT

- A. The school board hereby establishes the following order for resource use: Non-spendable fund balance, Restricted fund balance, Committed fund balance, Assigned fund balance, and Unassigned fund balance. Journal entries at the end of the fiscal year may be used to accomplish this.
- B. When the combined total of the General Fund Committed, Assigned and Unassigned fund balance falls below 20%, the School shall initiate the following measures:
 1. Reduce expenditures through implementation of cost containment measures.
 2. Seek opportunities to increase revenue. Consider fee increases where appropriate. Examine options to increase enrollment.
 3. A combination of the above.
- C. When the combined total of the General Fund Committed, Assigned and Unassigned fund balances approaches 22%, the School shall implement other budget control measures which do not adversely affect delivery of instructional programs.

V. PROCEDURES FOR POLICY FUND BALANCE

- A. Regular updating of the long-range budget projection by administration is an important component to the management of fund balance. Update of the budget may help identify resources available for program enhancement or may help determine if cost containment efforts are required.

- B. The School budget is tied to a variety of unpredictable and uncontrollable factors which are to be monitored in the long-range budget projection, including the following:
 - 1. Receipt of state revenue is subject to change by the Legislature.
 - 2. Receipt of revenue from state and local sources is irregular when compared to the expenditure of funds, thereby creating periodic cash flow deficits during the year.
 - 3. Unexpected events can alter the budget by unexpectedly reducing revenues or adding costs. Examples include:
 - a. Rescission of state revenue
 - b. Mandated, but not funded, state or federal programs
 - c. Increased utility costs due to abnormal price increases or unusually cold weather
 - d. Greater than expected inflation
 - e. Higher than expected wage and salary settlements
 - f. Unexpected deficits in other operating funds (Food Service, and Community Education)
 - g. Decrease in projected enrollment

- C. The following are consequences related to fund balances in a school School's General Fund:
 - 1. Schools without sufficient funds on hand must borrow money on a short-term basis to cover cash flow deficits.
 - 2. Maintenance of an adequate, stable fund balance decreases interest expense on bonded debt through an approved bond rating.
 - 3. When cash is not needed to meet operating expenses, cash on hand will be invested to generate additional income for the School.