

Adopted: _____

Revised:-----

714 FUND BALANCES

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 (GASS).

II. GENERAL STATEMENT OF POLICY

The policy of this Cooperative is to comply with GASB Statement No. 54. To the extent a specific conflict occurs between this policy and the provisions of GASS Statement No. 54, the GASS Statement shall prevail.

III. DEFINITIONS

Fund Balances

- A. "Fund balance" means the arithmetic difference between the assets and liabilities reported in a Cooperative fund.
- B. "Assigned" fund balance amounts are comprised of unrestricted funds constrained by the Cooperative'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 Cooperative'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.
- C. "Committed" fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the Cooperative board and that remain binding unless removed by the Cooperative 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.
- D. "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 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), granters, 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 non-spendable, 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 non-spendable and restricted net resources. This amount can be determined by adding the committed, assigned, and unassigned fund balances.

Other

- A. "Enabling legislation" means legislation that authorizes a Cooperative 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.

IV. REASONS FOR MAINTAINING A FUND BALANCE

- Unanticipated reductions of projected state aids such as prorations
- Mandated, but unfunded, state or federal programs
- Unanticipated cost increases due to abnormal price increases or inclement weather conditions
- Emergency repairs and/or costs incurred due to fire or other natural disasters
- Greater than anticipated inflation
- Higher than budgeted wage and salary settlements
- Implementation of programs for students not budgeted or higher than expected costs for student served outside the Cooperative
- Severance pay and benefits
- Cost of defending and/or settlement of legal actions brought against the Cooperative or required to be provided by the Cooperative.
- Delays in state or county payments
- Generate interest income for the Cooperative to support ongoing programs
- Avoid interest expense costs
- Revenue losses resulting from unanticipated enrollment declines

V. CLASSIFICATION OF FUND BALANCES

The Cooperative 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.

VI. MINIMUM FUND BALANCE

The Cooperative will strive to maintain a minimum unassigned general fund balance of 12% of operating expenses. If the fund balance falls below the level set forth in policy, the Board directs administration to develop a plan that details the manner in which the Cooperative will restore the fund balance, including time lines for implementing the plan. The plan must be approved by the Board prior to the end of the school year following the year end in which the Cooperative fell below the designated level.

It is fiscally responsible to prepare balanced budgets-revenues equal expenditures-on an annual basis. However, a balanced budget may not always be possible. Therefore, if an unbalanced budget is approved, administration will be directed to develop a financial plan that ensures an unbalanced budget will not create a financial problem for the Cooperative in the future.

VII. ORDER OF RESOURCE USE

If resources from more than one fund balance classification could be spent, the Cooperative will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

VIII. COMMITTING FUND BALANCE

A majority vote of the Cooperative 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.

IX. ASSIGNING FUND BALANCE

The Cooperative 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 and business manager. Assignments so made shall be reported to the Operations Committee.

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.

X. REVIEW

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

The Cooperative board will also make a determination of excessive fund balance. Once the fund balance reaches 32%, the board will make a determination if there is a project or program that should be completed with the excess fund balance or if the fund balance will be reimbursed to member districts. If the fund balance is reimbursed, it will be reimbursed to a 24% fund balance. The reimbursement will be based on the percent of use of cooperative programs for the past 5 years.

Legal References: Statement No. 54 of the Governmental Accounting Standards Board
Cross References: MSBA Service Manual, Chapter 7, Education Funding

