

## **Policy #3**

### **FUND BALANCE POLICY FOR GOODHUE COUNTY EDUCATION DISTRICT #6051**

#### **I. PURPOSE**

The School Board recognizes that money management comprises the foundational support of the whole school system. To make that support as effective as possible the School Board will provide for advance budget planning.

The School Board recognizes that fund balances must be maintained in accordance with the Government Accounting Standards Board (GASB)'s statement number 54. Fund balance categories to be maintained would be non-spendable, restricted, committed, assigned, and unassigned.

#### **II. GENERAL STATEMENT OF POLICY – NON-SPENDABLE FUND BALANCES**

Goodhue County Education District (GCED)'s non-spendable fund balance will consist of non-cash assets such as pre-paid expenditures, inventories, endowments and long-term receivables.

#### **III. GENERAL STATEMENT OF POLICY – RESTRICTED FUND BALANCES**

GCED will place funds in a restricted fund balance if there are constraints on how resources are spent either by statute or creditors.

#### **IV. GENERAL STATEMENT OF POLICY – COMMITTED FUND BALANCES**

The School Board may elect to establish fund balances that are committed for a specific purpose. Such designations will be approved by a majority vote of the School Board. Committed fund balance cannot be used for any other purpose until the commitment is removed. The School Board may also, by a majority vote, remove dollars from a committed fund balance and place those dollars back into the unassigned fund balance.

#### **V. GENERAL STATEMENT OF POLICY – ASSIGNED FUND BALANCE**

The School Board designates that the Board Chair, Director, and Business Manager may opt to assign general fund balance for a specific purpose. Such assignment will only be made upon the agreement of the Board Chair, Director, and Business Manager. The School Board will be informed when funds are assigned, purpose of the assignment, and amount. Funds can be unassigned by the same four parties.

If GCED were to find the need to open funds other than the general fund, those positive balances would also be classified as assigned fund balances.

**VI. GENERAL STATEMENT OF POLICY – UNASSIGNED FUND BALANCE**

GCED's budget will be developed to maintain an adequate fund balance in the school's unassigned general fund. The school budget will be constructed to maintain a minimum of 7% of the prior fiscal year's expenditures and a maximum of 15% of the prior fiscal year's expenditures.

A. If there is a need to move below the set reserved figure the following criteria must be met:

1. The action must be temporary
2. There will be no action below the 7% level unless the Board declares an emergency exists and this action is approved by a majority vote.

B. If there is a need to move above the set reserve maximum the following criteria must be met:

1. The Director along with the Board will develop a plan to spend down or refund the excess fund balance in a manner that benefits GCED and its member districts.
2. If there is a situation in which a fund balance of greater than 15% must be maintained, the increase must be approved by a majority vote of the Board stipulating the amount of the increase and the duration of time it is to be maintained.

If GCED finds the need to open funds other than the general fund, the negative balances of these funds would be classified as unassigned fund balances.

**VII. PRIORITY OF SPENDING**

The School Board of GCED will make its priority to spend restricted, committed, and assigned fund balances first. Unassigned funds will be used only if the expenditure does not fit into any of the other categories.

Proposed: January 20, 2011 Adopted: March 24, 2011 Revised: