

MINNETONKA PUBLIC SCHOOLS

POLICY #703: FUND BALANCE

I. PURPOSE

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

II. GENERAL STATEMENT OF POLICY

To ensure the financial strength and stability of the District, the Board will endeavor to maintain an unassigned fund balance of at least six percent (6%) of the District's General Fund operating budget, excluding operating capital programs and other expenses from assigned fund balances.

III. DEFINITIONS

A. Fund Balance Categories Required by GASB 54:

1. Non Spendable Fund Balance—amounts that cannot be spent due to form such as inventories and prepaid amounts.
2. Restricted Fund Balance—amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed Fund Balance—amounts committed for specific purposes by formal action of the school board.
4. Assigned Fund Balance—amounts that are assigned for a specific purpose by administration, but are not restricted or committed.
5. Unassigned Fund Balance—amounts available to meet current and future years' expenditures. These are resources that are not restricted and have not been committed or assigned.

B. Bonded Debt—Financing which provides funds for facility improvements. Must be voter approved.

C. Bond Rating—Independent Agency (i.e. Moody or Standard & Poor) provides financial rating of the District.

D. State Revenue—State revenue as one component of the legislatively set formulas for funding public education. The other major component is property taxes.

IV. REQUIREMENTS

- A. Assigned Balances will be determined by the Superintendent, and/or the Executive Director of Finance and Operations, as authorized by the Board.
- B. When the unassigned fund balance in the General Fund budget approaches six percent (6%), the District shall implement other budget control measures, which do not adversely affect delivery of instructional programs.
- C. When the General Fund unassigned fund balance is projected to decrease below six percent (6%) of the General Fund budget, the District shall initiate one or more of the following measures to ensure that the year-end General Fund unassigned balance for the budget year in question does not fall below six percent (6%).
 - 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. If permitted by state law, request from voters additional revenue through an increase in the operating referendum or other financial options.
 - 4. A combination of the above options.
- D. The Fund Balance policy shall also apply to the administration of the Minnetonka Nutrition Services Fund and the Minnetonka Community Education Fund.

Adopted: August 1987

Revised: September 1997, August 1999, February 2003, September 2011, January 2013