

**FUND BALANCE POLICY FOR MOUNTAIN IRON-BUHL  
INDEPENDENT SCHOOL DISTRICT NUMBER 712**

**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**

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**

Mountain Iron-Buhl ISD #712 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 Superintendent and Finance Committee may opt to assign or unassign a general fund balance for a specific purpose. Such assignments will only be made upon the recommendation of the Superintendent and Finance Committee with Board approval. The School Board will be informed when funds are assigned, purpose of the assignment, and amount. Funds can be unassigned by the same parties.

For all funds other than the general fund, any positive balances not already classified as non-spendable, restricted or committed would also be classified as assigned fund balances.

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

Mountain Iron-Buhl'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 15% of the prior fiscal year's expenditures and a maximum of 25% of the prior fiscal year's expenditures. When the Unassigned General Fund Balance is projected to drop below 8%, the District shall initiate measures to either generate additional revenue or to reduce expenditures through a budget reduction, or a combination of both.

- 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, meaning the district must regain a minimum 8% fund balance by the close of the ensuing fiscal year.
  
- B. If there is a need to move above the set reserve maximum the following criteria must be met:
  - 1. The Finance Committee along with the Board will develop a plan to spend down the excess fund balance in a manner that benefits the District.
  - 2. If there is a situation in which a fund balance of greater than 25% 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.
  
- C. When applicable, the District shall develop a plan for Statutory Operating Debt that outlines how the District will get out of SOD. Said plan will include the intended date when the mandated fund balance requirement described herein shall be in effect.

In 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 Mountain Iron-Buhl ISD #712 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.

**VIII.** Date Adopted by Board: March 12, 2012