

## LIONSGATE ACADEMY

### 402 FUND BALANCE

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#### I. PURPOSE

Lionsgate Academy recognizes the struggles to achieve a healthy, viable, fiscal future amidst the fluctuations that occur from population shifts, program and client demands, and state finance formulas. It embraces its responsibility to adhere to Minnesota statutes and Generally Accepted Accounting Practices (GAAP). Lionsgate Academy further understands the need to be ever mindful of its obligation to the public trust and the rightful demand for accountability from the Board.

#### II. DEFINITIONS AND ADAPTATIONS

- A. *Fund Equity* - A fund's equity is generally the difference between its assets and its liabilities.
- B. *Fund Balance* - An accounting distinction is made between the portions of fund equity that are spendable and nonspendable. These are broken up into five categories:
  - 1. **Nonspendable fund balance** - Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.. This also includes amounts that are legally or contractually required to be maintained intact (principal balance of endowments and permanent funds).
  - 2. **Restricted fund balance** - Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
  - 3. **Committed fund balance** - Consists of amounts that have internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
  - 4. **Assigned fund balance** - Amounts that are intended by the school district to be used for specific purposes, but are neither restricted nor limited, should be reported as assigned fund balance. Intent should be expressed by the Board of Directors itself or a subordinate high-level body or official possessing the authority to assign amounts to be used for specific purposes in accordance with policy established by the Board of Directors. This would include ANY activity reported in a fund other than the General Fund that is not otherwise restricted more narrowly by the above definitions. The school district is not allowed to assign balances that result in a residual deficit.

5. **Unassigned fund balance** - The residual classification for the General Fund, which also reflects negative residual amounts in other funds. (i.e., amounts not classified as nonspendable, restricted, committed or assigned).

### III. SPECIAL FISCAL PRACTICES

In addition to other generally accepted accounting principles and sound fiscal management and business practices, the following principles of operation are enacted for special attention by the Board of Directors, the management and the staff.

- A. All governmental funds will operate with a positive balance for purposes of UFARS. No fund, including food service, community education and its sub parts and the general fund and its sub parts, will be allowed to operate in the negative.
- B. Entity-wide fund balance will be positive for purposes of UFARS and for Generally Accepted Accounting Principles, except to the extent entity-wide financial statements reflect a negative fund balance solely pursuant to the provisions of Governmental Accounting Standards Board Statement No. 68, related to reflecting Lionsgate's pro rata share of the actuarially determined long-term unfunded pension plan liabilities for the TRA and the PERA.
- C. Decisions made by the Board regarding fund balance designations will comply with the guidance provided by Governmental Accounting Standards Board Statement No. 54.
- D. When both restricted and unrestricted resources are available for use, it is Lionsgate's policy to first use restricted resources, then unrestricted resources as they are needed.  
When committed, assigned, or unassigned resources are available for use, it is Lionsgate's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.
- E. Approved budgets that guide the school will be balanced, never allowing for excess spending of reserves, except to adjust fund balances to meet previously established and acceptable targets.
- F. Any time an event, situation or circumstance appears to force the Board to spend in excess of acceptable budget expenditure targets, the Board must have a companion plan to increase revenues or reduce expenditures to accommodate the excess, at the time of the approval of the excess.

The Board of Directors will assure that sufficient reserves exist in each fund balance, considered together with Lionsgate's established lines of credit, to equal or exceed the balances needed to meet or exceed requirements of each fund. Fund balances must meet the demands of current and future obligations of each fund, including, but not limited to:

- A. Obligations to overcome all negative balances in all funds
- B. Obligations from capital, transportation, and technology initiatives
- C. Obligations from personnel and program initiatives

**References:**

*MN Stat 124E.16 - Audit Reporting*

*MN Stat 124E.20 - 26 Charter School Finance*