



## **Schoolcraft Learning Community**

### **Fund Balance Policy**

### **Reserve Balance and Fiscal Management Practices**

Revised 6-15-2011

#### **Section One: Introduction and Responsibilities**

Schoolcraft Board of Directors 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). The Board further understands the need to be ever mindful of its obligation to the public trust and the rightful demand for accountability from the Board. Therefore, the Schoolcraft Board of Directors establishes a policy on fund balance reserves and fiscal management principles.

#### **Section Two: General Operations Reserve**

Schoolcraft Learning Community (SLC) Fund Balance Policy is to classify its fund balances based on the nature of the particular net resources reported in the separate funds of the district. Fund Balance categories will be identified according to the guidelines in Governmental Accounting Standards Board (GASB) Statement No. 54. Fund Balance categories will include Nonspendable, Restricted, Committed, Assigned and Unassigned. To ensure the financial strength and stability of SLC, the Board will endeavor to maintain at least 20% – 25% of the Charter's General Fund operating budget, excluding those accounts associated within the Restricted category, in the combined total of the General Fund Committed, Assigned and Unassigned fund balances.

#### **Section Three: Definitions**

- A. Nonspendable fund balance – Represents amounts that cannot be spent due to form such as inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).
- B. Restricted fund balance – Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- C. Committed fund balance – represents amounts constrained for a specific purposes determined by the School District Board of Directors. It requires formal action by the same group to remove or change the constraints placed on resources.
- D. Assigned fund balance – represents amounts constrained by the school district's intent to be used for a specific purpose, but are not restricted or committed. The School Board has delegated the authority to assign amounts to the district finance director and superintendent. Assigned amounts or changes to Assigned amounts will be presented to the school board for review.
- E. Unassigned fund balance - Represents resources available to meet current and future years' expenditures

#### **Section Four: Guidelines**

The school board hereby establishes the following order for resource use: Non-spendable fund balance, Restricted fund balance, Committed fund balance, Assigned fund balance, and Unassigned fund balance. Journal entries at the end of the fiscal year may be used to accomplish this.

The district's encumbrance policy is for fiscal year end individual encumbrances exceeding \$5,000 to be considered significant encumbrances. All encumbrances will be classified as either Assigned Fund Balance or Restricted Fund Balance.

When the combined total of the General Fund Committed, Assigned and Unassigned fund balance falls below 20% the district shall initiate the following measures:

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.

### **Section Five: Special Fiscal Practices**

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

1. All funds will operate with a positive balance. No fund, including food service, will be allowed to operate in the negative.
2. Approved budgets that guide the school will be balance, never allowing for excess spending of reserves, except to adjust fund balances to meet previously established and acceptable targets.
3. 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. This is particularly applicable during events including, but not limited to, negotiations or enrollment declines.

### **Section Six: Board Assurances**

The Schoolcraft Board of Directors assures that sufficient balances exist in each fund to equal or exceed the balances needed to meet or exceed requirements of that fund. Fund balances must meet the demands of current and future obligation of each fund, including, but not limited to:

- Obligation to overcome all negative balances in all funds
- Obligation from capital, transportation, and technology initiative
- Obligation from personnel and program initiatives

Calculations for appropriate balances needed for each fund will be made following each annual audit. Calculation will enter into the process for final budget approval in any given year (October/November) as well as enter into the design of the subsequent year budget building process. Current and estimated future unreserved balances will be reported by fund at the board meeting for final approval of the current budget and any meeting where subsequent revision to the budget are addressed.

If there is a recommended deviation from this policy during the building of any budget in any given year, only a unanimous vote of the Board can be used to set the policy aside, and then for the specific purpose only. Deviations cannot be in conflict with any statute or prior approved Statutory Operating Debt plan.