



## **Schoolcraft Learning Community**

### **Fund Balance Policy**

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

#### **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 Board of Directors recognizes the need to establish a general operations balance amount in balance code 422 of the state Uniform Financial Accounting and Reporting Standards (UFARS) to guard against unanticipated calamities. The minimum amount in this fund is within a range of 20 – 25% of the yearly general fund expenditures in any given year. This is a reserve for emergencies, though it is not technically labeled ‘reserved funds’.

#### **Section Three: 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 Four: 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.