ST. CROIX PREPARATORY ACADEMY

Adopted: _____

Revised:_____

MSBA/MASA Model Policy 714 Charter
Orig. 2011 (as ISD Policy)
Orig. 2022 (as Charter Policy)

714 FUND BALANCES

I. PURPOSE

The purpose of this policy is to create new fund balance classifications to allow for more useful fund balance reporting and for compliance with the reporting guidelines specified in Statement No. 54 of the Governmental Accounting Standards Board (GASB).

II. GENERAL STATEMENT OF POLICY

The policy of this charter school is to comply with GASB Statement No. 54. To the extent a specific conflict occurs between this policy and the provisions of GASB Statement No. 54, the GASB Statement shall prevail.

III. DEFINITIONS

A. "Assigned" fund balance amounts are comprised of unrestricted funds constrained by the charter school's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the charter school's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number.

B. "Committed" fund balance amounts are composed of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board and that remain binding unless removed by the school board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number.

C. "Enabling legislation" means legislation that authorizes a charter school to assess, levy, charge, or otherwise mandate payment of resources from external providers and includes a legally enforceable requirement that those resources be used only for the specific purposes listed in the legislation.

D. "Fund balance" means the arithmetic difference between the assets and liabilities reported in a charter school fund.

E. "Nonspendable" fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

F. "Restricted" fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

G. "Unassigned" fund balance amounts are the residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

H. "Unrestricted" fund balance is the amount of fund balance left after determining both nonspendable and restricted net resources. This amount can be determined by adding the committed, assigned, and unassigned fund balances.

IV. CLASSIFICATION OF FUND BALANCES

The charter school shall classify its fund balances in its various funds in one or more of the following five classifications: nonspendable, restricted, committed, assigned, and unassigned.

The school's policy is to classify its fund balances based on the nature of the particular net resources reported in the separate funds of the School. Nonspendable net resources will be identified first followed by restricted**,** committed**,** assigned, and lastly unassigned as per the guidelines in Governmental Accounting Standards Board (GASB) Statement No. 54. The school's goal shall be to maintain an unrestricted general fund balance of not less than the amounts stated above for a Fund Balance Reserve Level. When the Unrestricted General Fund balance is projected to drop below the Reserve Level, the School shall initiate measures to either generate additional revenue or to reduce expenditures through a budget reduction, or a combination of both.

V. MINIMUM FUND BALANCE

The charter school will strive to maintain a minimum unassigned general fund balance of 20%-22% as a percentage of yearly general fund expenditures.

VI ORDER OF RESOURCE USE

If resources from more than one fund balance classification could be spent, the charter school will strive to spend resources from fund balance classifications in the following order: Restricted funds shall be spent first followed by unrestricted funds. For unrestricted funds, committed fund balances should be spent first, followed by assigned fund balances and lastly unassigned fund balances for amounts in which any of those fund balances may be used.

VII. COMMITTING FUND BALANCE

The board shall be responsible for committing any fund balance portions to specific purposes. Once the action has been taken, committed funds cannot be used for any other purpose unless the commitment is rescinded by the Board of Directors. Examples of committed general fund balances are general funds set aside for specific projects or school expansion.

A majority vote of the school board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board.

VIII. ASSIGNING FUND BALANCE

The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. Examples of assigned general fund balances are funds set aside for technology, employee severance costs, and fiscal stabilization.

The board also delegates the power to assign fund balances to the following: school director and chief financial officer. Assignments so made shall be reported to the school board on a

monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the school board.

An appropriation of an existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance.

IX. STABILIZATION ARRANGEMENTS

The School maintains a $500,000 line of credit at First State Bank and Trust to provide short-term liquidity in the event of unanticipated adverse financial or economic circumstances. The line of credit is intended to provide temporary access to cash in circumstances such as significant delays in the receipt of state or federal funding, an unexpected material disruption in revenue, or extraordinary and unanticipated expenditures necessary to maintain essential School operations.

The line of credit is not intended to finance routine operating expenditures, recurring budget shortfalls, or expenditures that are reasonably anticipated through the School's normal budgeting process.

Use of the line of credit is subject to the terms of the credit agreement and the School's applicable Board authorization and financial policies.

X. REVIEW

The school board will conduct an annual review of the sufficiency of the minimum unassigned general fund balance level.

During the annual budget process, the Board will review the fund percentage in light of current state aid holdback provisions and other financial circumstances and will approve the annual long range budget model to maintain the targeted fund balance.

Legal References: Statement No. 54 of the Governmental Accounting Standards Board

Cross References: None