

# **MORRIS AREA SCHOOL DISTRICT POLICY #701.2**

ADOPTED – JANUARY 2006  
**REVISED – JUNE 2011, MAY 2013**  
**REVIEWED – JULY 2016, OCT. 2019, DEC. 2022\***

## **#701.2 POLICY FISCAL MANAGEMENT PRACTICES**

I.

### **INTRODUCTION AND RESPONSIBILITIES**

The School Board recognizes the struggles to achieve a healthy, viable, fiscal future amidst the fluctuations that occur from population shifts, program and client demands, unfunded mandates, 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 mindful of its obligation to the public trust and the rightful demand for accountability from its constituencies. Therefore, the School Board establishes a policy on fund balance reserves and fiscal management.

II.

### **RETIREMENT AND SEVERANCE FUND**

The School Board recognizes the need to be forthright in its accountability for conditions of any contract of any employee it approves, including those conditions that state future obligations for severance and retirement. This section addresses future obligations for severance purposes. Therefore, the Board will enact the following activities:

1. A special designation will be created within the budget to provide for the accounting of future obligations incurred by the School Board through the approval of any and all contracts for all employees of the District. This technique will be compliant with other fiscal statutes and accounting requirements. The District will seek advice regarding this matter from the District auditor.
2. The Superintendent, or his or her designee, will create a calculation of all future obligations that result from severance and retirement contract conditions of all employees, on an individual and collective basis.
3. The Superintendent, or his or her designee, will report the calculation of all future obligations to the School Board during the early stages of any budget building process for any subsequent year. The report will contain the individual and collective calculations necessary to assure that the obligations are adequately funded in the given year.
4. This fund may be used as part of the mechanism to provide a healthy cash flow for the district.

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 School Board, the management and the staff.

1. It will be the intent of the district that all funds will operate in a positive condition. No fund, including food service, community service and its sub parts and the general fund and its sub parts, will operate in a negative condition, unless approved by the School Board.
2. Approved budgets that guide the district will not allow for excess spending of reserves, except to adjust fund balances to meet previously established and acceptable targets, to comply with UFARS recommended removal of certain reserve accounts, or if approved by the School Board.
3. If a circumstance appears to force the Board to spend in excess of acceptable budget limits, the Board must have discussion about a 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 the events including, but not limited to, negotiations, state funding decisions, and changes adversely affecting revenue, and fluctuations in enrollment.

The School Board assures that sufficient reserves exist in each fund balance to meet the requirements of that fund. Fund balances must meet the demands of current and future obligations of each fund, but not limited to:

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

Calculations for appropriate balances needed for each fund will be made following each annual audit. Calculations will enter into the process for final budget approval in any given year as well as enter into the design of the subsequent year budget building process. Actual and estimated future reserves will be reported by fund at the Board Meeting for final approval of the current budget and at the annual Truth in Taxation meeting (or its substitute).

If there is a recommended deviation from this policy during the building of any budget in any given year, a majority roll call vote of the Board can be used to set the policy aside,

If there is a recommended deviation from this policy during the revising of any budget in any given year, a majority roll call vote of the Board can be used to set the policy aside. Deviations cannot be in conflict with any statute or prior approved SOD plan.

Statutory References: Minn. Statute 123A. 73-Reorganization;  
Minn. Statute 123B.10-Publication of financial information;  
Minn. Statute 123B.79-Permanent fund transfers;  
Minn. Statute 123B.80-Exceptions for permanent fund transfers;  
Minn. Statute 123B.81-Statutory Operating Debt;  
Minn. Statute 123B.82-Reorganization operating debt;  
Minn. Statute 123B.83-Expenditure limitations;  
Minn. Statute 126C.01-Definitions (funding);  
Minn. Statute 126C.43 Levies; Statutory obligations