



## **Policy #42. Fund Balances and Fiscal Management Practices**

**Adopted by The St. Cloud Math and Science Academy Board of Education: June 1, 2014**

### **I. PURPOSE**

The 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 Board of Directors establishes a policy on fund balance reserves and fiscal management principles.

### **II. GENERAL STATEMENT OF POLICY**

The Board of Directors recognizes the need to establish a general operations reserve fund balance amount in balance code 422 of the state Uniform Financial Accounting and Reporting Standards (UFARS) to guard against unanticipated calamities and future Statutory Operating Debt (SOD) circumstances. The amount in this fund is within a range of \_\_\_% to \_\_\_% of the yearly general fund expenditures.

### **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 funds will operate with a positive balance. 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. 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.
- C. 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, community education offerings or enrollment declines.

- D. The Board of Directors assures that sufficient reserves exist in each fund balance 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 obligations of each fund, including, 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
- E. 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 (October/November) as well as enter into the design of the subsequent year budget building process. Current and estimated future reserves will be reported by fund at the board meeting for final approval of the current budget and any meetings where subsequent revisions to the budget are addressed.
- F. If there is a recommended deviation from this policy during the building of any budget in any given year, only a 2/3 vote of sitting board members can be used to set the policy aside. Deviations cannot be in conflict with any statute or prior approved SOD plan.

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