

World Learner School



Policy: **519 FUND BALANCE POLICY**

Effective: 5.23.11

Revised: 6.3.13 2.26.18

I. Purpose:

The purpose of this policy is to ensure that the fiscal integrity of The World Learner School of Chaska is maintained and that the cash position is always adequate to meet its current financial obligations. This policy also outlines 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:

World Learner School shall maintain an undesignated unreserved general fund balance of not less than 30% of its current expenditure budget.

The administration shall monitor the fund balance and the school's cash position on an ongoing basis so as to ensure that there is adequate cash available to meet all current obligations.

If the undesignated unreserved fund balance drops below 30% at the end of any fiscal year, the director shall advise The World Learner School Board of Directors of the steps proposed to be taken to restore the fund balance to 30%.

III. Definitions

A. "Assigned" fund balance amounts are compromised of unrestricted funds constrained by the school district'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 school district'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 compromised 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 the fiscal year end; however, the specific amounts actually committed can be determined the subsequent fiscal year. A committed fund balance cannot be a negative number.

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

D. "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.

E. “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.

F. “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.

G. “Unrestrictive” 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

World Learner 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.

V. Minimum Fund Balance

World Learner School will strive to maintain a minimum unassigned general fund balance of 30% of the annual budget. World Learner School shall refrain from approving a deficit budget unless the school's prior year fund balance is at or above the 30% target as outlined in the school's Fund Balance Policy. A surplus budget will be established if at the end of the prior fiscal year the fund balance is not in compliance with the school's Fund Balance policy.

VI. Order of Resource Use

If resources from more than one fund balance classification could be spent, World Learner School will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned and unassigned.

VII. Committing Fund Balance

A majority vote of the Board of Directors 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 Board of Directors, by majority vote, may assign fund balances to be used for specific purposes when appropriate.

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. Review

The Board of Directors of World Learner School will conduct an annual review of the sufficiency of the minimum unassigned general fund balance level.

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

Cross References: MSBA Service Manual, Chapter 7, Education Funding