

Adopted: February 12, 2015
Revised: _____

UMA Policy 701

701 Fund Balance Policy

Fund Balance Reserve Level

The Board of Directors at Upper Mississippi Academy recognizes the need to establish a general operations reserve fund balance amount in order to comply with the state Uniform Financial Accounting and Reporting Standards (UFARS), comply with the requirements of the School's Building Company Bond documents, and maintain an adequate fund balance needed for the school's cash flow needs.

It will be the policy of Upper Mississippi Academy to budget towards maintaining a 30% - 35% general fund unreserved fund balance as a percentage of yearly general fund expenditures.

Excess annual year-end budget surpluses will not be allocated in following year budgets until the target fund balance is achieved, unless specifically directed by the Board of Directors.

The fund balance to be used is presented in the audited annual financial statement. The percentage will be calculated as follows: $(\text{Prior Year Audited General Fund Balance} + \text{Current Year General Fund Surplus of Revenues less Expenditures}) / (\text{Total Current Year General Fund Expenditures})$.

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.

Classification of Fund Balances

The purpose of this policy is to establish the terms and maintenance of the various funds of the School.

The policy of the School is to classify its fund balances based on the nature of the particular net resources reported in the separate funds of the School. Non-spendable 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.

The Board of Directors 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.

The Board of Directors delegates to the school director and chief financial officer the authority to assign fund balances for specific purposes. Examples of assigned general fund balances are funds set aside for technology, employee severance costs, and fiscal stabilization.

The Board of Directors hereby establishes the following order for resource use: 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.