

714 FUND BALANCE POLICY

I. PURPOSE

The purpose of this policy is to ensure the fiscal integrity of Cyber Village Academy (CVA) is maintained, the cash position is always adequate to meet critical financial obligations, and to comply with the reporting guidelines specified in Statement No. 54 of the Governmental Accounting Standards Board (GASB).

II. GENERAL STATEMENT OF POLICY

The policy of Cyber Village Academy (CVA) 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 unassigned funds constrained by CVA’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 CVA’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 comprised of unassigned funds used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors and that remain binding unless removed by the Board of Directors 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 CVA 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. Since a charter school cannot assess or levy, only specific, external and restricted legislation would apply other than assessing or levying.

D. “Fund balance” means the arithmetic difference between the assets and liabilities reported in a CVA fund.

E. “Non spendable” 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 non-spendable, 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 non-spendable and restricted net resources. This amount can be determined by adding the committed, assigned, and unassigned fund balances.

IV. CLASSIFICATION OF FUND BALANCES

CVA shall classify its fund balances in its various funds in one or more of the following five classifications: non-spendable, restricted, committed, assigned, and unassigned.

V. MINIMUM FUND BALANCE

CVA will strive to maintain a minimum unassigned general fund balance of 15 percent of budgeted expenditures. This fund balance is needed for emergencies, unforeseen events, new program initiatives or capital improvements not covered by the landlord. The minimum unassigned fund balance target will be reviewed annually and during the setting of a subsequent operational year budget.

VI. ORDER OF RESOURCE USE

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

Board of Directors' policy to apply restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net assets are available.

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. The board may also delegate, through a specific board motion, the power to assign fund balances to the Finance Committee. 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 will conduct an annual review of the sufficiency of the minimum unassigned general fund balance level.

Note: The applicability and enforceability of this policy 714 is limited to, and qualified by, Minnesota or Federal law that, at the time any such circumstance within the scope of the policy arise, may be contrary to some aspect or all of the policy.