

701 FINANCIAL POLICIES

1. RESPONSIBILITY: Board Members, as legal directors of SBWS, are responsible for ensuring sound and responsible financial practices and management to ensure the healthy operation of the organization. To meet these ends, responsibility may be delegated but final and supervisory responsibility sits with the Board.

2. CONFLICT OF INTEREST: Refer to By-Laws and SBWS conflict of interest policy.

3. SECURITY OF ASSETS: The following directives shall be followed to safeguard the financial assets, records and technical equipment belonging to SBWS.

- Incoming payments are to be stamped for deposit immediately and secured.
- Financial computer records shall be password protected. A backup copy of financial records shall be kept off premises.

4. CAPITALIZATION: A central file is maintained listing all items over \$500.00 at purchase.

Fixed Assets Policy:

Capital asset definition. Capital assets will be defined as tangible and intangible assets that have initial estimated useful lives that extend beyond a single reporting period.

Capitalization method. All capital assets will be recorded at historical cost as of the date acquired or constructed, or fair market value at date of gift if donated. If historical cost information is not available, assets will be recorded, at estimated historical cost by calculating current replacement cost and deflating the cost using the appropriate price-level index.

Detailed records shall be maintained at the discretion of school administration for all items below the capitalization thresholds that should be safeguarded from loss. These items will be part of the annual physical inventory discussed below. These items include furniture and computer equipment that fall below the established thresholds and any other assets specified by school administration.

Depreciation and useful life. School administration will assign an estimated useful life to all assets for the purposes of recording depreciation. Asset lives will be adjusted as necessary depending on the present condition and use of the asset and based on how long the asset is expected to meet current service demands. Adjustments should be properly documented. Depreciation will be recorded based on the straight-line method using actual month convention and depreciated down to the assets salvage value.

Safeguarding; and controlling fixed assets. All machinery and equipment, vehicles and furniture will be assigned an asset number and identified with a fixed asset tag. As fixed assets are

purchased or disposed of, school administration or the responsible program authority will be responsible for preparing proper supporting documentation, which will then be forwarded to the School's business office to ensure proper recording into a software system. A physical inventory will be taken annually on or about June 30 and compared to the physical inventory records. The results will be forwarded to the School's business office where appropriate adjustments will be made to the fixed asset records system.

5. BUDGETS: Budgets shall be formulated and approved by the SBWS Board. of Directors prior to the July 1 start of each fiscal year. Quarterly budget reviews and revisions will be presented.

General Fund Balance Policy:

The purpose of this policy is to ensure that the fiscal integrity of Stonebridge World School is maintained and that the cash position is always adequate to meet its current financial obligations.

The school shall maintain an undesignated general fund balance of not less than the greater of the State of Minnesota's holdback percentage or 10% of its current expenditure budget.

- a. 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.
- b. If the undesignated unreserved fund balance drops below the stated general fund balance policy at the end of any fiscal year, the director shall advise the Board of the steps proposed to be taken to restore the fund balance to 4%.

Deficit Budget Policy:

The purpose of this policy is to insure that Stonebridge World School's budgeting process is guided by the goal of maintaining a healthy fund balance through the practice of a balanced budget establishment.

- a. The school shall refrain from approving a deficit budget unless the school's prior year fund balance is at or above the stated general fund balance policy.
- b. A surplus budget will be established if at the end of the prior fiscal year the fund balance is not in compliance with the schools' Fund Balance Policy.

Committed Fund Balance - The school board is the highest level of decision-making authority for Stonebridge World School. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the school board at a school board meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance -The school board of Stonebridge World School has authorized the School's Director as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Order of Expenditure of Funds

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the school, and unassigned fund balance), Stonebridge Community School will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Fund Equity - A fund's equity is generally the difference between its assets and its liabilities.

Fund Balance - An accounting distinction is made between the portions of fund equity that spendable and non-spendable. These are broken up into five categories:

1) Non-spendable fund balance - Includes amounts either not in spendable form or legally or contractually required to be maintained intact. This would include inventory, pre-paid, and non-current receivables such as long-term loan and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned). This also includes amounts that are legally or contractually required to be maintained intact (principal balance of endowments and permanent funds).

2) Restricted fund balance - Reflects the same definition as restricted net assets on the government wide Statement of Net Assets: constraints placed on the use of amounts are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Minnesota Department of Education (MDE) has retained balance sheet codes for statutorily required reserves, which will be titled Restricted/Reserved. This category of fund balances represents fund balances statutorily restricted for a particular use that were traditionally classified as "reserved".

3) Committed fund balance - Includes amounts that are committed for specific purposes by formal action of the school board. Amounts classified as "committed" are not subject to legal enforceability like restricted fund balance; however, those amounts cannot be used for any other purpose unless the school board removes or changes the limitation by taking the same form of action it employed to previously impose the limitation. The action to commit fund balances must occur prior to year-end; however, actual amounts can be determined in the subsequent period. Balance sheet code 418 is not allowed to go into deficit and continues to represent resources segregated from the Unassigned Fund Balance for retirement benefits, including compensated absences, other post-employment benefits and termination benefits (as defined by GASB Statement Nos. 16, 27, 45, 47 and 50).

4) Assigned fund balance - Amounts that are intended by the school district to be used for specific purposes, but are neither restricted nor limited, should be reported as assigned fund balance. Intent should be expressed by the school board itself or a subordinate high-level body or official possessing the authority to assign amounts to be used for specific purposes in accordance with policy established by the school board. This would include ANY

activity reported in a fund other than the General Fund that is not otherwise restricted more narrowly by the above definitions. The school district is not allowed to assign balances that result in a residual deficit.

5) Unassigned fund balance - includes any remaining amounts after applying the above definitions (amounts not classified as non-spendable, restricted, committed or assigned). Planned spending in the subsequent year's budget would be included here and can no longer be described as "designated" unless formally committed or assigned. Special rules exist for using this classification in funds other than the General Fund. In funds other than the General Fund unassigned only used if the balance is negative, therefore, the General Fund is the only fund that will report a positive unassigned balance.

6. FISCAL YEAR: SCS's fiscal year is July 1- June 30.

7. ACCOUNTING: Accounting methods will comply with UFARS. Accurate and usable records are to be maintained of all funds received and spent by SCS. Electronic files, paper documentation, and bank statements are to be maintained as records for 7 years.

Cash receipts - The Director will record cash or checks in the receipt ledger and stamp for deposit. The Start-up Coordinator or Financial Manager will review deposit records for comparison to receipt ledger.

Copies of SCS's 990 Federal Forms are to be available to the public as are any audit reports. Monthly reports shall be presented by the Board Treasurer to the board detailing all financial activity for SCS, including a comparison of actual to budgeted revenues and expenses. Balance sheets and financial reports presented to the Board will be approved and maintained with permanent Board records.

8. SIGNATURES: The Director and Board Chair are signers on SCS accounts. Checks require two signatures. It is SCS policy that check signers are prohibited from signing payroll or reimbursement checks payable to themselves. The Board has approved the use of electronic signatures on checks.

9. DISBURSEMENTS: Written check requests will be used for all checks not accompanied by an invoice. Check requests will indicate staff requesting check, payee, reason for payment and budget category. The Start-up Coordinator, Director or Treasurer will authorize payments according to budget.

10. PURCHASING POLICY: The purpose of this policy is to assure that all purchases are made in the best interest of the school. It is the policy of the school to purchase competitively without prejudice and in accordance with the applicable provisions of law and to seek maximum value for every dollar expended. The Director shall employ purchasing procedures, which comply with all applicable laws and rules of the state.

Relations with Vendors:

- The district will seek business and bids from all eligible vendors, regardless of race, creed, color, sex, national origin, age, or handicap.
- No favoritism will be extended to any vendor. Each order will be placed on the basis of quality, price, and delivery; past services being a factor if all other considerations are equal.

No person officially connected with or employed by the school will be an agent for, or have any pecuniary or beneficial interest in, or receive any compensation or reward of any kind from any vendor for sale of supplies, materials, equipment or services.

Soliciting Prices (Bids and Quotations): Competitive bidding will be practiced and in accordance with the applicable provisions of law.

Paying for Goods and Services:

All payments for goods and services are to be made promptly. It is the School's intent to maintain continuing good will of vendors to assure the maximum educational value for every dollar expended.

11. GIFTS AND BEQUESTS: If approved by the School Board, specific gifts, grants or bequests involving money or materials may be accepted by the school and such gifts become the property of the school and under the control of the School Board.

12. SALES, RENTAL AND TRADING OF REAL PROPERTY AND DISPOSAL OF

EQUIPMENT AND MATERIALS: All sales, rental, disposal and trading of school property shall be approved by the School Board, conducted in conformity with state law and serve to forward the education of students.

13. INSURANCE: The School Board shall procure liability insurance covering the school, its present and past board members and employees for damages resulting from wrongful acts, errors and omissions. Such insurance will be compliant with state law, consistent with sound risk management, and provide coverage based upon the most economical cost.

14. CASH MANAGEMENT:

Borrowing: It is the policy of the Board to limit borrowing to correct circumstances that cause cash liquidity problems.

Investments: The funds of the school shall be deposited or invested in accordance with this policy, MN Statute Chapter 118A and any other applicable law or written administrative procedures.

The primary criteria for the investment of the funds of the school district, in priority order, are:

1. Safety and Security: Safety of principal is the first priority. The investments of the

school shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall investment portfolio.

2. Liquidity: The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll and accounts payables.

3. Return and Yield: The investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Delegation of Authority

The Treasurer, or designee, of the board is designated as the investment officer of the district and is responsible for investment decisions and activities under the direction of the board. The investment officer shall operate the district's investment program consistent with this policy. The investment officer may delegate certain duties to a designee or designees, but shall remain responsible for the operation of the program.

All officials and employees that are a part of the investment process shall act professionally and responsibly as custodians of the public trust, and shall refrain from personal business activity that could conflict with the investment program or which could reasonably cause others to question the process and integrity of the investment program. The investment officer shall avoid any transaction that could impair public confidence in the school.

Approved 10.29.11
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