

IVY PREPARATORY ACADEMY

Financial Policy

Financial Data Reporting

Purpose

The purpose of this policy is to describe how the Ivy Preparatory Finance Office records and reports financial data.

Accounting System

A Georgia Department of Education Chart-of-Accounts is utilized for reporting budget and financial data. The COA must be used to accurately post expenses to designated budgets based on established accounts or funds within their accounting system to track the various activities within the school; clearly defining their intent and the overseer of each fund.

In addition, the school must track sources of revenue. As funds are collected, the Finance Office must define the purpose of the funds.

Fund Types

Funds are self-balancing accounts. Each fund and all funds must be balanced at least monthly. Each new fiscal year must begin on July 1 with the same figures that ended the prior fiscal year on June 30 in each fund. Each fiscal year's financial records must be kept separate. If an error is found in a prior fiscal year after the books are closed for that year, the error must be corrected through a journal entry adjustment to fund balance in the current fiscal year.

There are two main types of funds: Restricted and Discretionary

- A. Restricted Funds are those whose expenditures must be limited to the educational purpose for which the monies were collected. Transfers "out" from these funds should have the prior approval of the Head of Schools/Principal or Chief Financial Officer. Examples are athletics, student clubs, field trips, yearbooks, student council, instructional area organizations (vocational, band, math, etc.), and donations for specific purposes, etc. Normally these funds will carry over from year to year. An inactive restricted fund may be closed to the school's General Fund on authorization of the Head of Schools/Principal, if the activity is no longer active or viable.
- B. Discretionary or Non-Restricted Funds are those whose monies that may be transferred at the Head of Schools/Principal or Chief Financial Officer's discretion to other funds that are used for the benefit of students and are expended for educational purposes (**1934-56 Op Attorney Gen. P.269**). Examples are concession, school store, fundraising/money-making donations with no restrictions, etc. Upon dissolution of any function, the school Head of Schools/Principal or Chief Financial Officer shall insure that any liabilities of that function are paid.

IVY PREPARATORY ACADEMY

Financial Policy

Fund Balance/Net Position

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – The Academy recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the Academy and is fiscally advantageous for the Academy. The policy adopted establishes guidance concerning the desired level of fiscal year end fund balance to be maintained by the Academy and the management of fund balance levels and is applicable only to the General Fund of the Academy.

Fund balance is a measurement of available financial resources defined as the difference between total assets/deferred outflows and total liabilities/deferred inflows in each fund.

The Governmental Accounting Standards Board (GASB) Statement 54 distinguishes between fund balance classifications based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

Non-spendable - Fund balance reported as “non-spendable” represents fund balance associated with inventory, prepaid items, long-term amounts of loans and notes receivable, property held for resale (however, if the use of the proceeds from the collection of receivables or sale of the property is restricted, committed, or assigned, then the receivables or property should be reported in those categories), and corpus of a permanent fund (legally/contractually required to be maintained).

Restricted - Fund balance reported as “restricted” represents amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources (such as bond resolutions and covenants and grant agreements).

Committed - Fund balance reported as “committed” includes amounts that can be used only for the specific purposes determined by a formal action of the Board. The Board, as the highest level of decision making authority, will have the sole authority to commit fund balance. Constraints can be removed or changed only by the Board through a formal resolution voted on by the Board. Actions to constrain resources should occur prior to the end of the Academy’s fiscal year, through the exact amount may be determined subsequently.

Assigned - Fund balance reported as “assigned” represents amounts intended to be used for specific purposes, but not meeting the criteria to be reported as committed or restricted fund balance. The intent is expressed by the Board. If these funds should have a deficit fund balance, those deficits are required to be reported as unassigned fund balance. The intent should be expressed by (i) the Board or (ii) the budget or finance committee, or (iii) the Superintendent, or designee, to assign amounts to be used for specific purposes.

IVY PREPARATORY ACADEMY

Financial Policy

Unassigned - Fund balance reported as “unassigned” represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications. The General Fund is the only fund which can report positive unassigned fund balance.

If expenditures incurred exceed the amounts that have been restricted, committed and assigned to a specific purpose and results in a negative residual amount for that specific purpose, amounts assigned to other purposes in that governmental fund are reduced to eliminate the deficit.

The Academy applies restricted resources first when an expenditure/expense is incurred for purposes for which both restricted and unrestricted equity is available. If restricted resources are not available, the Academy’s policy is to use committed first, then assigned funds, and lastly the unassigned.

Capital Assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the government-wide financial statements, all purchased capital assets are valued at cost. The Academy maintains a capitalization threshold of \$1,000 and a useful life over one year. Donated capital assets are recorded at estimated acquisition value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The Academy does not capitalize book collections or works of art. Depreciation is used to allocate the actual or estimate historical cost of all capital assets over estimated useful lives.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Estimated Useful Life
Computer Software and Equipment	3 – 5 years
Furniture and Fixtures	5 – 7 years
Buildings and Improvements	10 – 60 years

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the period in which they occur.

In the fund financial statements, government fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt (bonds or notes) issued is reported as other financing sources while discounts on debt

IVY PREPARATORY ACADEMY

Financial Policy

issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

Deferred Outflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Governmental Activities report two types of deferred outflows of resources related to the reporting of the net pension liability. The two deferred outflows of resources being recognized are: (1) a deferred outflow of resources for changes in the Academy's proportionate share of the net pension liability and the difference between the Academy's actual contributions towards the pension plan and the Academy's proportionate share of contributions; and (2) the Academy's actual contributions to the pension plan during the fiscal year ended June 30 which will be applied to the next measurement period. The difference between the Academy's actual contributions toward the pension plan and the Academy's proportionate share of contributions will be amortized over the remaining service period of plan members.

Deferred Inflows of Resources

The statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy has two items that qualify for reporting in this category, both of which occur only in the governmental activities.

The Governmental Activities report a deferred inflow of resources for: (1) the net difference between projected and actual investment earnings on the pension assets which are amortized over five years; and (2) experience gains or losses resulting from periodic studies by the Academy's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed which is amortized over the remaining service lives of plan members.

Pensions

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

IVY PREPARATORY ACADEMY

Financial Policy

Effective Date: 11/15/2018

Approved: 11/15/2018

Authority and/or Cross-Reference