

IDEA Public Schools

# NET ASSETS



**IDEA PUBLIC SCHOOLS BOARD POLICY  
NET ASSETS**

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principles. As appropriate and necessary, the Delegates shall uniquely identify any donor-restricted endowment funds in IDEA's accounting records.

**Sec. 4. BOARD-DESIGNATIONS.**

Sec. 4.1. At the Finance Committee's request, from net assets without donor restrictions, the Delegates shall present to the Committee a proposal for the designation of surplus net assets for a specific purpose. Generally, the Committee's action under this section may be for capital campaigns, future programs, investments, contingencies, real property acquisitions, construction services or other capital outlays, or other uses.

Sec. 4.2. At the Finance Committee's request, from net assets without donor restrictions, the Delegates shall present to the Committee a proposal for the establishment of an endowment to be invested to provide income.

Sec. 4.3. In preparing a proposal, the Delegates shall:

- (a) Identify the amount of net assets without donor restrictions available for a Board designation or endowment;
- (b) Establish the purpose of the designation or endowment, including the period of time for when the designation or endowment shall exist;
- (c) Specify the fiscal impact to IDEA of designating net assets or creating an endowment, particularly concerns relating to legal requirements and covenants;
- (d) Describe the safeguards that will be effectuated to ensure that IDEA's overall financial condition shall remain favorable and in conformance with applicable legal requirements and covenants;
- (e) Provide the requirements that must be met to obtain a release of the designation or endowment from the Finance Committee;
- (f) Delineate the accounting classification(s) that will be used to discretely account for the designation or endowment; and
- (g) The statutorily authorized investments that will  ncernyinmentMsu

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**Sec. 5. MAINTENANCE OF ADEQUATE NET ASSETS.**

Sec. 5.1. To ensure that IDEA has adequate net assets to provide a balanced and firm financial foundation for its operations, the Delegates should ensure that net assets include the following general reserves.

- (a) A general reserve to provide cash flows for operating activities. This reserve may be calculated as the ratio of the number of days cash on hand, including current investments, to operating expenses. In this regard, IDEA should maintain at least 50 days cash on hand.
- (b) A general reserve to provide for IDEA's liquidity. This reserve may be calculated as the ratio of current assets to current liabilities. In this regard, IDEA should maintain a ratio of no less than 1.75.
- (c) A general reserve to provide cash flows for financing activities. This net asset element may be calculated as:
  - (1) The ratio of long-term liabilities to total assets, which should be no less than 0.70; and
  - (2) The ratio of the difference between total revenues and total expenses to debt service (i.e., interest and principal payments), which should be no less than 1.15.
- (d) A general reserve to address unanticipated expenses and/or a decline in revenue, which should be no less than twenty percent (20%) of total expenses.

Sec. 5.2. Upon approval by the Finance Committee, the Delegates may invest a general reserve in an authorized investment.

Sec. 5.3.

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**Sec. 8. DEFICIENCY IN NET ASSETS.**

The Delegates may not allow IDEA to operate with a deficit in net assets.

**Sec. 9. GRANT PROGRAMS.**

The Delegates shall not allow a grant program to operate at a financial deficiency or to maintain a surplus in net assets.

**Sec. 10. SCHOOL NUTRITION PROGRAM.**

The Delegates shall not allow the School Nutrition Program to maintain net assets to exceed three (3) month's average expenditures.

**Sec. 11. MONITORING OF NET ASSETS.**

At each regular meeting of the Board, the Delegates shall report to the Board IDEA's compliance with this policy, including the status of Board designations and endowments, and any projected deficit or deficiency in net assets.

**Sec. 12. TRAINING AND UPDATES.**

The Delegates or designee shall properly train or ensure training is provided to IDEA officers and employees on the requirements of this policy and any administra

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**Sec. 14. DATE ADOPTED AND EFFECTIVE.**

As set forth in the pertinent minutes to the meeting of the Board, the Board adopted this policy on MDY, and it became effective on MDY.

**Sec. 15. RETENTION.<sup>5</sup>**

This policy shall be retained until superseded, expired, or discontinued and for five (5) years thereafter in accordance with state law.

**Sec. 16. CERTIFICATION.**

The Undersigned, being the Secretary of the Corporation, hereby certifies that the foregoing represents a true copy of the Board Policy relating to Net Assets, as originally adopted by the Board on MDY, which Policy is in full force and effect and has not been revoked or amended.

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Name, Secretary

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Date Certified

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<sup>5</sup> Tex. Ed. Code §12.1052; 19 TAC §100.1203; See Record Number GR