



## Fund Balance Policy

Developed for GASB 54

### *Purpose*

The Robert Frost Public Charter School Board of Trustees (the Board) recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the Robert Frost Public Charter School (the School) and is fiscally advantageous for both the School and the taxpayer. This policy establishes goals and provides guidance concerning the desired level of fund balance maintained by the School to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances.

### *Definitions*

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund.

GASB Statement 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

- 1) **Nonspendable fund balance** – amounts that are not in a spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).
- 2) **Restricted fund balance** – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).
- 3) **Committed fund balance** – amounts that can be used only for the specific purposes determined by a formal action of the Board. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally (e.g., the Board's commitment in connection with future construction projects).
- 4) **Assigned fund balance** – amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the Board or by a designee to whom the governing body delegates the authority. In governmental funds other than the general fund,

assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

- 5) **Unassigned fund balance** – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

### ***Policy***

The responsibility for designating funds to specific classifications shall be as follows:

**Committed Fund Balance** – The Board is the School’s highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board.

**Assigned Fund Balance** – The Board has authorized the Head of School as an official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

### ***Minimum Unassigned Fund Balance***

It is the goal of the School to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 1% of annual gross income. If the unassigned fund balance at fiscal year end falls below the goal, the School shall develop a restoration plan to achieve and maintain the minimum fund balance.

### ***Order of Expenditure of Funds***

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

Adopted by the Robert Frost Charter School  
Board of Trustees on 3/17/2021