

COMMONWEALTH CHARTER
ACADEMY

SECTION: FINANCES

TITLE: FUND BALANCE

ADOPTED: April 11, 2018

REVISED:

<p>24 P.S. §§ 218, 1714-A, 1715-A</p>	<p style="text-align: center;">620. FUND BALANCE</p> <p>§ 1. <u>Purpose</u></p> <p>The Board recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the School. This policy establishes goals and provides guidance concerning year-end fund balances of the School.</p> <p>§ 2. <u>Definitions</u></p> <p>Fund Balance is a measurement of available financial resources. Fund balance is the difference between total assets and total liabilities in each fund.</p> <p>GASB Statement 54 distinguishes fund balance classifications based on the relative strength of 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 year-end audited financial statements in the following categories:</p> <ol style="list-style-type: none"> 1. Nonspendable fund balance – amounts that are not in a spendable form (e.g. prepaid expenditures) or are legally or contractually required to be maintained intact. 2. Restricted fund balance – amounts that can be spent only for a specific purpose stipulated by external parties either constitutionally or through enabling legislation (e.g. acquisition or construction of capital facilities and qualifying capital assets). 3. Committed fund balance – amounts that can be used only for specific purposes determined by a formal action of the School Board. Commitments may be changed or lifted only by referring to the formal action by the School Board. 4. Assigned fund balance – amounts intended to be used by the School for specific purposes. Intent can be expressed by the School Board or by a designee to whom the Board delegates authority. In funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other funds are, at a minimum, intended to be used for the purpose of the fund.
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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.

§ 3. Authority

Actions taken by the Board will establish, modify or rescind fund balance classifications based upon the nature of the action. These actions will be adhered to upon preparation of the year-end financial statements. Audit approval by the Board will ratify classifications contained within.

§ 4. Guidelines

The School does not have a minimum fund balance policy. In order to calculate the amounts of restricted, committed, assigned, and unassigned fund balances, a flow assumption is made about the order in which the resources are considered to be applied. In circumstances where an expenditure is made for a purpose for which the amounts are available in multiple fund balance classifications, the order in which resources will be expensed is as follows: restricted, followed by committed, assigned and unassigned fund balance.

§ 5. Delegation of Responsibility

Recommendations as to the classifications of fund balance and the assignment of fund balance shall be the responsibility of the COO and/or the Sr. Director of Business Operations.