



## **404 FUND BALANCE POLICY**

### **I. FUND BALANCE RESERVE LEVEL**

The Board of Directors at Spero Academy Charter School recognizes the need to establish a general operations reserve fund balance amount in order to comply with the state Uniform Financial Accounting and Reporting Standards (UFARS) and maintain an adequate fund balance needed for the school's cash flow needs.

It is the policy of Spero Academy Charter School to budget towards maintaining a minimum 10% general fund unreserved fund balance as a percentage of annual general fund expenditures, with an eye toward growing the fund balance as operational conditions allow. The Board reviews the fund balance computed each year based on the audited financial statements, and discusses that balance and future goals for fund balance in light of current strategic initiatives, enrollment, adherence to budget, etc. Additionally, the Finance Committee monitors the trend in estimated fund balance percentage each month to understand changes and whether or not they are in alignment with Board direction. Based on that monthly review, the Finance Committee may initiate a Board conversation when changes in fund balance warrant discussion.

The fund balance percentage will be calculated as follows: (Prior Year Audited General Fund Balance + Current Year General Fund Surplus of Revenues less Expenditures) / (Total Current Year General Fund Expenditures).

Additionally, during the annual budget process, the Finance Committee will review the fund percentage in light of current state aid holdback provisions and other financial circumstances and will approve the annual long-range budget model to maintain the targeted fund balance. The Finance Committee will bring any recommendations to the Board for discussion and approval.

### **II. FUND BALANCE TRANSFER**

A transfer from the general fund to the food service will be made at year-end to ensure the food service fund balance is not negative.

### **III. CLASSIFICATION OF FUND BALANCES**

The policy of the School is to classify its fund balances based on the nature of the particular net resources reported in the separate funds of the School. Nonspendable net resources will be identified first followed by restricted, committed, assigned, and lastly unassigned as per the guidelines in Governmental Accounting Standards Board

(GASB) Statement No. 54. The School's goal is to maintain an Unrestricted general fund balance of not less than the amounts stated above for a Fund Balance Reserve Level. When the Unrestricted General Fund balance is projected to drop below the Reserve Level, the School may initiate measures to either generate additional revenue or to reduce expenditures through a budget reduction, or a combination of both.

The Board of Directors is responsible for committing any fund balance portions to specific purposes. Once the action has been taken, committed funds cannot be used for any other purpose, unless the commitment is rescinded by the Board of Directors. Examples of committed general fund balances are general funds set aside for specific projects or school expansion.

The Board of Directors delegates to the School Director and Finance Committee the authority to assign fund balances for specific purposes.

The Board of Directors hereby establishes the following order for resource use: Restricted funds shall be spent first followed by unrestricted funds. For unrestricted funds, committed fund balances should be spent first, followed by assigned fund balances and lastly unassigned fund balances for amounts in which any of those fund balances may be used.