



|              |                  |
|--------------|------------------|
| Book         | Policy Manual    |
| Section      | 600 Finances     |
| Title        | Fund Balance     |
| Code         | 620              |
| Status       | Second Reading   |
| Adopted      | April 19, 2011   |
| Last Revised | January 13, 2015 |

### **Purpose**

The Board recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the school district and is fiscally advantageous for both the district and the taxpayer. The district will maintain a fund balance in accordance with Pennsylvania School Code provisions. The fund balance is essential to the preservation of the sound fiscal condition of the district, to the ability of the district to contain or reduce costs, and to protect the bond rating of the district. This policy establishes goals and provides guidance concerning the desired level of year-end fund balance to be maintained by the district.

It is important for a district to have a financial plan for contingencies, future plans, and to be proactive in providing for those needs. Provision must be made for:

1. Expenditures planned for the future.
2. Unanticipated expenditures in the current year.
3. Revenues not received as planned.
4. Designation of monies to the Capital Reserve Fund.
5. Uninsured loss.

Examples of potential use of funds include, but are not limited to:

1. To address cash flow deficits caused by a delay in receiving anticipated subsidies, grants or funding from state and/or federal sources; or caused by insufficient and/or sluggish tax receipts.

2. Unexpected expenditures such as health insurance settlements, other operating fund deficits, lawsuit defense, abnormal utility costs, etc.
3. Interest revenue generated can offset the requirement for higher tax millage.
4. A healthy fund balance is viewed favorably by financial analysts when establishing a bond rating for the district.

Note: A fund balance is not just cash in the bank. It is comprised of cash, investments, prepayments, inventory, and receivables. Receivables include tax receivables, other receivables, amount due from other funds, and amounts due from other governments (e.g., tuition).

### **Definitions**

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

**GASB Statement 54** classifies fund balances 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 shall be reported in the following classifications:

**Nonspendable** - amounts that cannot be spent because they are in a nonspendable form (e.g., inventory) or legally or contractually required to be maintained intact (e.g., principal of a permanent fund, such as a scholarship trust that can only spend earnings).

**Restricted** - amounts limited by external parties, or legislation (e.g., grants or donations).

**Committed** - amounts limited by Board policy (e.g., future anticipated costs).

**Assigned** - amounts that are intended for a particular purpose, such as a rate stabilization fund or segregation of an amount intended to be used at some time in the future.

**Unassigned** - amounts available for consumption or not restricted in any manner.

### **Guidelines**

The school district will strive to maintain an unassigned general fund balance of not less than five percent (5%) and not more than eight percent (8%) of the budgeted expenditures for that fiscal year. The total fund balance, consisting of several portions including committed, assigned, and unassigned, may exceed eight percent (8%).

If the unassigned portion of the fund balance falls below the threshold of three percent (3%), the Board will pursue variations of increasing revenues and decreasing expenditures, or a combination of both until three percent (3%) is attained. If the assigned and unassigned portions of the fund balance exceed eight percent (8%) of budgeted expenditures, the Board may utilize a portion of the fund balance by appropriating excess funds for nonrecurring expenditures only.

### **Delegation of Responsibility**

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

1. Nonspendable – may be assigned by the Chief Financial & Operations Officer.
2. Restricted – may be assigned by the Chief Financial & Operations Officer.
3. Committed – shall be assigned by the Board.
4. Assigned – may be assigned by the Finance Committee and Chief Financial & Operations Officer.

The Chief Financial & Operations Officer or designee shall be responsible for the enforcement of this policy under purview of the Board.

Legal

24 P.S. 218

24 P.S. 688