

SHALER AREA SCHOOL DISTRICT

No: 620

SECTION: FINANCES
TITLE: FUND BALANCE
ADOPTED: JUNE 18, 1998
REVISED 8/17/11

| 620. FUND BALANCE | |
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| 1. Purpose | <p>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. This policy establishes goals and provides guidance concerning the desired level of year-end fund balance to be maintained by the district.</p> |
| 2. Definitions | <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 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:</p> <p>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).</p> <p>Restricted - amounts limited by external parties, or legislation (e.g., grants or donations).</p> <p>Committed - amounts limited by Board policy (e.g., future anticipated costs).</p> <p>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.</p> <p>Unassigned - amounts available for consumption or not restricted in any manner.</p> |
| 3. Guidelines | <p>The school district will strive to maintain an unassigned general fund balance of not less than</p> <p style="padding-left: 40px;">Four percent (4%)</p> <p>and not more than</p> <p style="padding-left: 40px;">Eight percent (8%)</p> |

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Unassigned Fund Balance:

24 PS 6-688 places limitations on certain unassigned fund balances. No school district with a budget greater than \$19,000,000 shall approve an increase in real property taxes unless it has adopted a budget that includes an estimated ending unassigned fund balance of less than 8% of budgeted General Fund expenditures.

In order to meet this requirement, the district will calculate the amount of Unassigned Fund balance that is available at the conclusion of the annual audit by the local auditors for the previous fiscal year in approximately October or November of each year.

The budgeted General Fund expenditures of the current fiscal year will be used to perform the calculation of Unassigned Fund Balance. If the post-closing Unassigned Fund Balance for the previous fiscal year exceeds eight percent (8%) of the budgeted General Fund expenditures for the current fiscal year, the resulting excess portion will be designated by the Board to Committed Fund Balance in order to fund future specific district expenditures increases.

Committed Fund Balance:

The Committed Fund Balance represents designation(s) of financial resources previously approved by the Board to fund tentative future expenditures, as such, the composition of all Board designated amounts that comprise the balance of the Committed Fund Balance will be accounted for and indentified accordingly.

Specific designations of the Committed Fund Balance must be approved by the Board, but any money designated can later be re-designated by action of the Board.

The Board may, at any time, authorize changes in designation of the Committed Fund Balance to meet the financial needs of the District.

Use of Fund Balance

The restricted fund balance shall be reduced to the extent that the underlying reason for the restriction has been eliminated.

If the district experiences an excess of expenditures over revenues for a given fiscal year, the fund balance shall be consumed in the following order:

1. Restricted fund balance to the extent that expenditures related to the restriction contributed to the excess of expenditures over revenues.

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| <p>4. Authority</p> | <ol style="list-style-type: none">2. Committed fund balance to the extent that expenditures related to the commitment contributed to the excess of expenditures over revenues. If a plan for periodic use of committed fund balance is reviewed and approved by the Board, the committed fund balance will not be reduced by more than the amount designated in the plan.3. Assigned fund balance to the extent that expenditures related to the assignment contributed to the excess of expenditures and revenues.4. Unassigned fund balance for any remaining excess of expenditures over revenues. <p><u>The responsibility for designating funds to specific classifications shall be as follows:</u></p> <ol style="list-style-type: none">1. Nonspendable – may be assigned by the Director of Business Affairs.2. Restricted – may be assigned by the Director of Business Affairs.3. Committed – shall be assigned by the Board.4. Assigned – may be assigned by the Board or the Director of Business Affairs. <p>The Director of Business Affairs shall be responsible for the enforcement of this policy.</p> <p>References:</p> <p>School Code – 24 P.S. Sec. 218, 688</p> <p style="text-align: right;">cag</p> |
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