

Pennsbury School District

School Board Policy

Effective Date	Supercedes Index No.	Index No.
00/00/00	New	620.1

Title: Fund Balance

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 responsible and advantageous for both the District and the taxpayer. The District will maintain the fund balance in accordance with the provisions of the Pennsylvania School Code. The fund balance is essential to maintaining the sound fiscal condition of the School District and the ability of the District to meet unanticipated expenditures and to protect the bond rating of the District. All assets contained in the fund balance shall be maintained in accordance with this policy.

For the financial stability of the District, annual revenues should equal or exceed annual expenditures. For short term, the fund balance can be used as a revenue to offset anticipated expenditures, thereby reducing the amount of the fund balance. The Board will not deplete the fund balance and will provide sufficient means to restore the fund balance to prudent levels.

References: 24 P.S. 218
24 P.S. 688

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

1. Nonspendable – Business Administrator
2. Restricted – Business Administrator
3. Committed – Board through formal action. This can be changed by another Board action at a later date. The Board action designating funds to a committed fund balance must be taken on or before June 30 of the fiscal year to which it applies. The Board action must state the purpose that the funds are being committed for, but does not have to specify the amount. The amount can be determined after the audit is completed, but prior to the financial statements being finalized.
4. Assigned – may be delegated to the Board Finance Committee at the

recommendation of the Business Administrator.
The Board may, at any time, authorize changes to the committed and/or assigned fund balances to meet the financial needs of the district.

Definitions: **Definitions**

Fund Balance – is a measurement of available financial resources. It is the difference between total assets and total liabilities in each fund. GASB 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 remain intact (e.g. principal of a permanent fund.)

Restricted – amounts limited by external parties or legislation and are not available for appropriation (e.g. grants or donations.)

Committed – amounts limited by Board policy or actions and are not available for appropriation (e.g. future anticipated costs.)

Assigned – amounts that are intended for a particular purpose or segregation of an amount intended to be used at some future time.

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

Policy: 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 five percent (5%), the Board will pursue variations of increasing revenues and decreasing expenditures until the five percent (5%) threshold is attained. If the unassigned portion of the fund balance exceeds the threshold of eight percent (8%), the Board may utilize the excess funds for nonrecurring expenditures only.

Responsible Administrator: Business Administrator or Designee