

Wissahickon School
District
Ambler, Pennsylvania 19002

SECTION: BUSINESS
TITLE: Fund Balance

FRIST READING: May 23, 2011
SECOND READING: June 13, 2011
ADOPTED: June 13, 2011
REVISED:

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. This policy establishes goals and provides guidance concerning the desired level of year-end fund balance to be maintained by the district.

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 distinguishes fund balance between amounts that are considered *nonspendable*, such as fund balance associated with inventories, and ~~o~~ other amounts that are classified based on the relative strength of the constraints that control the purposes for which the specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will 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.)

Restricted – amounts that can be spent only for specific purposes stipulated by external parties, (e.g., grant providers), constitutionally, or through enabling legislation, (i.e., legislation that creates a new revenue source and restricts its use.)

Committed – amounts limited by board policy or board action (e.g., future anticipated costs such as special education litigation settlements, future benefit payments and capital projects.)

Assigned – amounts that are intended for a particular purpose but do not meet the criteria of restricted or committed. Generally, balances in special revenue funds will be assigned (e.g., remaining balance of early retirement incentive payments.)

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; however, the unassigned general fund balance shall not be less than three percent (3%).

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The total fund balance, consisting of several portions including restricted, committed, assigned, and unassigned, may exceed eight percent (8%).

If the unassigned portion of the fund balance falls below the required minimum of three percent (3%) of budgeted expenditures, the Board will pursue options for increasing revenues or decreasing expenditures, or a combination of both, until three percent (3%) is attained.

If the unassigned portion of the fund balance exceeds eight percent (8%) of budgeted expenditures, the Board may utilize a portion of the fund balance by appropriating excess funds for expenditures. The goal is to use any excess fund balance for nonrecurring expenditures and not for normal operating costs.

Use of Fund Balance

Restricted fund balance will be reduced to the extent that the underlying reason for the restriction has been eliminated.

Should the District experience an excess of expenditures over revenues for a given fiscal year, fund balance will be used in the following order:

- Restricted Fund Balance - to the extent that expenditures related to the restriction contributed to the excess of expenditures over revenues.
- 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 School Board, committed fund balance will not be reduced by more than the amount designated in the plan.
- Assigned Fund Balance - to the extent that expenditures related to the assignment contributed to the excess of expenditures over revenues.
- Unassigned Fund Balance – for any remaining excess of expenditures over revenues.

Delegation of Responsibility

The Business Administrator may designate non-spendable, restricted and assigned fund balance for items deemed appropriate at any time prior to the issuance of the audited financial statements for a given year, subject to Board approval or, if prior Board approval is not feasible, subject to Board ratification.

The Board will designate Committed Fund Balance before the fiscal year end, although the specific amount may be determined after year end. The specific amount of the Committed Fund Balance, as determined by the Business Administrator, shall be subject to Board approval or, if prior Board approval is not feasible subject to Board ratification.