

SECTION: FINANCES

EAST STROUDSBURG AREA SCHOOL DISTRICT

TITLE: GENERAL OPERATING FUND
BALANCE

ADOPTED: DRAFT (NEW POLICY)

REVISED:

620. GENERAL OPERATING FUND BALANCE

1. 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.

2. Definitions

Fund balance is a measurement of available financial resources. (The term “fund balance” throughout this policy shall refer specifically to the “General Operating Fund Balance.”) Fund balance is the difference between total assets and total liabilities in each fund. For the purposes of this policy, Fund Balance shall exclude the following:

- Enterprise Fund (Cafeteria)
- Capital Reserve Fund
- Scholarship Fund
- Special Activity Fund
- Student Activity Fund

GASB Statement 54 distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified 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:

Restricted - amounts limited by external parties, or legislation (e.g., debt covenants and grants).

Committed - amounts limited by Board policy or Board action (e.g., future anticipated costs). Action must be taken by the Board to commit fund balance for the designated purpose prior to the end of the fiscal year.

Assigned - amounts that are intended for a particular purpose. Generally, balances in special revenue funds or capital project funds will be designated as assigned.

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

3. Authority

An official Board resolution shall be required to establish, modify or rescind a commitment of fund balance.

4. Guidelines

The school district will strive to maintain an unassigned general fund balance of not less than three percent (3%) and not more than eight percent (8%) of the budgeted expenditures for that fiscal year.

The total fund balance, consisting of several portions including restricted, committed, assigned and unassigned, may exceed ten percent (10%).

If the unassigned portion of the fund balance falls below the threshold of three percent (3%) of budgeted expenditures, at the Board's discretion they could pursue options for increasing revenues and decreasing expenditures, or a combination of both until three percent (3%) is attained. If the unassigned portion of the fund balance exceeds three percent (3%) of budgeted expenditures, the Board may utilize a portion of the fund balance by appropriating excess funds for expenditures. The goal shall be to use any excess fund balance for nonrecurring expenditures, not for normal operating costs.

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.
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 over revenues.
4. Unassigned fund balance for any remaining excess of expenditures over revenues.

5. Delegation of Responsibility

The Chief Financial Officer or designee may assign fund balance for items deemed appropriate at any time prior to the issuance of the audited financial statements for a given year.

The Chief Financial Officer or designee shall be responsible for the enforcement of this policy.

Legal References:

24 P.S. 218

24 P.S. 688