| | |
|---|---|
| Book | Policy Manual |
| Section | 600 Finances |
| Title | Fund Balance |
| Code | 620 - New |
| Status | Second Reading |
| Legal | 24 P.S. 218<br>24 P.S. 688 |
| Last Revised | February 18, 2019 |
| Last Reviewed | February 18, 2019 |

**Purpose**

**The Joint Operating Committee recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the career and ~~vocational~~ technical school and is fiscally advantageous for both thecareer and ~~vocational~~ technical school and the community. This policy establishes goals and provides guidance concerning the desired level of year-end fund balance to be maintained by the career and ~~vocational~~ technical school**.

**Definitions**

**Fund balanceis 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 non-spendable, 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 Joint Operating Committee policy or Joint Operating Committee action (e.g., future anticipated costs). Action shall be taken by the Joint Operating Committee 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**.

**Authority**

**An official Joint Operating Committee resolution shall be required to establish, modify or rescind a commitment of fund balance**.

~~**Guidelines**~~
~~**IMPORTANT NOTE:** There are blank spaces in the 'Guidelines' section indicating percentages regulating the fund balances -- **the Business Managers should determine these percentages in accordance with school practice**. There are financial industry recommendations for a fund balance range between certain percentages; however, this is only a recommendation, not law. Due to the volatile economic environment that school entities are faced with, PSBA does not make recommendations for percentages for the ranges in Policy 620.~~
~~**The school will strive to maintain an unassigned general fund balance of not less than**~~

~~**_____ percent (__%)**~~
~~**and not more than**~~
~~**_____ percent (__%)**~~
~~**of the budgeted expenditures for that fiscal year**.~~
~~**The total fund balance, consisting of several portions including restricted, committed, assigned and unassigned, may exceed**~~
~~**_____ percent (__%)**.~~
~~**If the unassigned portion of the fund balance falls below the threshold of**~~
~~**_____ percent (__%),**~~
~~**of budgeted expenditures, the Joint Operating Committee will pursue options for increasing revenues and decreasing expenditures, or a combination of both until**~~
~~**_____ percent (__%)**~~
~~**is attained. If the unassigned portion of the fund balance exceeds**~~
~~**_____ percent (__%)**~~
~~**of budgeted expenditures, the Joint Operating Committee 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**

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

**If the school 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 the committed fund balance is reviewed and approved by the Joint Operating Committee, 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**.

**<u>Delegation of Responsibility</u>**

**The Business Manager 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 Business Manager or designee shall be responsible for the enforcement of this policy**.

Last Modified by Terri Birchard on February 18, 2019