

Tyrone Area School District

SECTION: FINANCE
TITLE: FUND BALANCE
ADOPTED: MAY 13, 2014

<p>1. Purpose</p>	<p style="text-align: center;">621. FUND BALANCE</p> <p>The Tyrone Area School District Board of Directors (Board) believes in sound fiscal management and understands that keeping adequate working capital is fiscally responsible and advantageous for both the district and the taxpayer. The district will maintain a fund balance in accordance with Pennsylvania School Code provisions.</p> <p>The fund balance is essential to the preservation of the sound fiscal condition of the district, to the ability of the district to contain or reduce costs, and to protect the bond rating of the district. All assets contained in the fund balance shall be maintained in accordance with this policy. Therefore, the following practice will be used to assure proper management of school district funds. This policy establishes goals and provides guidance concerning the desired level of year-end fund balance to be maintained by the district.</p> <p>It is important for a district to have a financial plan for contingencies and for future plans and to be proactive in providing for those needs. Provision must be made for:</p> <ol style="list-style-type: none"> 1. Expenditures planned for the future. 2. Unanticipated expenditures in the current year. 3. Revenues not received as planned. 4. Designation of monies to the Capital Reserve Fund. 5. Uninsured loss. <p>By way of example and not limitation:</p> <ol style="list-style-type: none"> 1. To address cash flow deficits caused by a delay in receiving anticipated subsidies, grants or funding from state and/or federal sources; or caused by insufficient and/or sluggish tax receipts. 2. Unexpected expenditures such as health insurance settlements; other operating fund deficits; lawsuit defense; abnormal utility costs; etc.
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<p>2. Definitions</p> <p>3. Authority SC 218, 688</p> <p>4. Delegation of Responsibility</p>	<p>Other benefits of a proper fund balance are:</p> <ol style="list-style-type: none">1. Interest revenue that offsets the requirement for higher tax millage.2. A healthy fund balance is viewed favorably by financial analysts when establishing a bond rating for the district. <p>Note: A fund balance is not just cash in the bank. It is comprised of cash; investments; prepayments; inventory; and receivables. Receivables include tax receivables; other receivables; amount due from other funds; and amounts due from other governments (e.g., tuition).</p> <p>Fund Balance - A measurement of available financial resources. Fund balance is the difference between total assets and total liabilities in each fund. 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> <ol style="list-style-type: none">1. 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).2. Restricted - Amounts limited by external parties, or legislation (e.g., grants or donations).3. Committed - Amounts limited by Board policy (e.g., future anticipated costs).4. 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.5. Unassigned - Amounts available for consumption or not restricted in any manner. <p>The Board directs that the fund balance reporting shall be consistent with GASB 54 and with the Pennsylvania School Code, including but not limited to, 24 P.S. § 2-218 and 6-688.</p> <p>The responsibility for designating funds to specific classifications shall be as follows:</p> <ol style="list-style-type: none">1. Nonspendable – Recognized by the business administrator and/or superintendent.2. Restricted – Recognized as such by the business administrator and/or superintendent.
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<p>5. Guidelines</p> <p>53 P.S. Sec. 1431 et seq</p>	<ol style="list-style-type: none"> 3. Committed – Confirmed only by an affirmative vote of the Board of Directors. 4. Assigned – May be assigned by the business administrator. <p>The Superintendent or his/her designee shall be responsible for the enforcement of this policy.</p> <p>All references to fund balance shall be assumed to be the unrestricted, unassigned portion of the fund balance, unless specifically stated otherwise. At the time of budget planning and adoption for the next fiscal year, the current year's final fund balance is not yet determined. The June 30th fund balance becomes known several months after the June 30th fiscal year end when the annual financial reports are finalized in conjunction with the local auditor.</p> <p>The school district will strive to maintain an unrestricted, unassigned general fund balance of not less than two percent (2%) 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%).</p> <p>If the unrestricted, undesignated and unassigned portions of the fund balance fall below the threshold of one percent (1%), the Board shall pursue efforts to increase revenues and/or decrease expenditures, or a combination of both until one percent (1%) is attained. If the unassigned portions of the fund balance exceed eight percent (8%) of budgeted expenditures, the Board may either utilize a portion of the funds for nonrecurring expenditures, or in those circumstances where the fund balance exceeds five percent (5%), may designate the balance in excess of five percent (5%) to the capital reserve fund.</p> <p>Commitment of Fund Balance</p> <ol style="list-style-type: none"> 1. Commitments are permissible when the district achieves its goal for the unassigned general fund balance. 2. The excess of the general fund balance shall be assigned or committed upon completion of the end-of-year independent audit. 3. Assignments and commitments shall be made for the following purposes: <ol style="list-style-type: none"> A. Medical Claim Management: to moderate large variations in subsequent year's claims expenses. B. Post-Retirement Benefits: to set aside funds when the net OPEB (Other Post Retirement Employee Benefits) Obligation is a liability, as measured in accordance with GASB 45 (Government Accounting Standards Board). C. PSERS Retirement: to mitigate future large increases in the PSERS rate.
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	<p>D. Capital reserve: to plan for future contributions into the capital reserve fund.</p> <p>E. Other: School Board approved commitments allowable under the School Code.</p>
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