

**Lower Merion School District**

<b>Policy No.</b>	<b>620</b>
Section:	FINANCES
Title:	FUND BALANCE
Date Adopted:	2/21/12
Date Last Revised:	12/6/19 Review; 5/21/18; 4/16/18

**620 FUND BALANCE**

1. Purpose

The Board recognizes that the maintenance of a fund balance is essential to the preservation of the long-term financial integrity of the District and is fiscally advantageous for both the District and the taxpayers. This Policy establishes goals and provides guidance concerning the desired level of year-end fund balance to be maintained by the District and outlines the procedures in place to ensure periodic review by the Board of fund balance reserves and its intended purpose(s).

2. 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 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 be maintained intact (e.g., principal of a permanent fund).
- Restricted – amounts that can be used only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors (e.g., grants or donations).
- Committed – amounts that can be used only for specific purpose determined by a formal action by the Board. This includes the budget reserve account. In addition, committed amounts cannot be uncommitted except by removing the constraints through the same type of action. (e.g., future anticipated costs).
- 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.
- Unassigned – amounts available for any purpose or not restricted in any manner, reported only in the general fund.

### 3. Guidelines

The Business Manager shall be responsible for monitoring the District's unassigned fund balance. The Business Manager shall further be responsible for recommending to the Board any transfers from the District's unassigned fund balance in order to comply with law or achieve the District's financial objectives.

The total fund balance, consisting of any nonspendable, restricted, committed, assigned and unassigned balances, may exceed eight percent (8%) as a percentage of total budgeted expenditures to the extent permitted by law.

### 4. Delegation of Responsibility

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

1. Nonspendable – may be assigned by the Business Manager.
2. Restricted – may be assigned by the Business Manager.
3. Committed – shall be assigned by the Board.
4. Assigned – may be assigned by the Board or Business Manager.

Notwithstanding the above framework for the designation of funds to specific fund balance classifications, the Business Manager may assign fund balance for items deemed appropriate at any time prior to the issuance of the audited financial statements for a given year.

On an annual basis, as part of the budget development process, the Business Manager or designee shall ensure that an item is included on the agenda of a Finance Committee meeting for the Finance Committee to review the District's general fund commitments and reserves to determine whether they should be maintained, increased, or used for their designated and authorized purposes. Any recommendations by the Committee to modify the level or planned use of general fund commitments and reserves shall then be presented to the full Board for consideration.

The Business Manager shall be responsible for the enforcement of this Policy.

References: School Code – 24 P.S. Sec. 2-218, 6-688