

USE OF SURPLUS FUNDS

Background

Mt. Lebanon School District maintains a fund balance in each year's budget. By definition, this fund balance is the excess of assets of a fund over its liabilities and reserves. During the fiscal year prior to closing, it represents the excess of the fund's assets and estimated revenues for the period over its liabilities, reserves and appropriations for the period.

In past years, the fund balance has been a topic of discussion with the Mt. Lebanon School District Board of Directors (the Board) concerning the adequacy or excess of funds it contains. Moody's Investor Service recommends that districts maintain an unassigned fund balance between five and ten percent of the expenditure budget as a measure of fiscal responsibility and to maintain our strong bond rating. Section 688 of Pennsylvania School Code mandates that the District may not approve an increase in real estate taxes unless it has adopted a budget that includes an estimated unreserved, undesignated fund balance ("Unreserved Fund Balance") that is less than eight percent of that budget. The Board recognizes the need to set a level of funding in the Unreserved Fund Balance that is consistent with State law and financially prudent.

Objectives

The objectives of this policy are to:

1. Set an adequate funding level for the Unreserved Fund Balance that helps to ensure District fiscal stability;
2. Prevent undue pressure on board members to use the Unreserved Fund Balance in any manner that jeopardizes the long-term fiscal health of the District; and
3. Provide guidelines to prepare sound budgets that do not cause major fluctuations in millage from year to year.

Policy

It is the policy of the Board that:

1. The Unreserved Fund Balance will be set at six percent of budgeted expenditures;
2. Upon the completion of the annual fiscal audit, all funds in excess of this amount will be transferred to the Capital Projects Fund and/or the Post Employment Benefits Trust Fund, unless such funds exceed 8% of budgeted expenditures. If such funds exceed 8%, those funds in excess of 8% will be allocated at the Board's discretion;
3. The millage rate for each subsequent budget year will be set to replenish the Unreserved Fund Balance at six percent of the then proposed budget; and
4. The Unreserved Fund Balance shall not be allocated to fund operating expenditures in the General Fund.

Administrative Responsibility

It shall be the responsibility of the Superintendent to:

1. Inform the Board of the results of the annual fiscal audit and provide the Board with the calculation of amount of funds in the Unreserved Fund Balance (and as a percentage of the budget) at the conclusion of said audit.
2. Direct the Business Office to implement a transfer of funds as specified above if the fund balance is in excess of six percent.
3. Prepare a subsequent fiscal year budget that includes sufficient millage to replenish the Unreserved Fund Balance to six percent of proposed expenditures in said budget in its proposal to the Board.

Communication

This policy shall be communicated to the public and to all school personnel involved in its implementation.

Adopted May 24, 2004
Revised September 15, 2008
Revised January 20, 2020