LENAPE AREA VOCATIONAL TECHNICAL SCHOOL

SECTION: FINANCES

TITLE: FUND BALANCE

ADOPTED: January 18, 2018

REVISED:

621. Fund Balance

1. Purpose

The Joint Operating Committee recognizes that from time-to-time the maintenance of a fund balance would be fiscally prudent for both the School and the Member Districts.

The School will maintain any reservations of Fund Balance as defined herein in accordance with Governmental Accounting and Financial Standards Board State No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This policy shall apply to the School's General Fund and all other governmental funds. Funds balance may be composed of nonspendable, restricted, committed, assigned, and unassigned amounts.

2. Definitions

Fund balance is a measurement of available financial resources. Fund balance is the difference between total assets and total liabilities in the governmental funds balance sheet. Governmental funds for the School consist of the General Fund, Capital Projects and the Debt Service Fund.

GASB 54 classifies fund balances based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. The statement is explicitly for the government funds of the school district and has no bearing on the proprietary or fiduciary funds. Beginning with the most binding constraints, fund balance amounts shall be reported in the following classifications:

Nonspendable – amounts that are not in a spendable form such as inventory and prepaid expenses or are required to be maintained intact such as the principal of an endowment. The nonspendable portion of fund balance must be identified before any other categories are determined.

Restricted – amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers. A five-year capital reserve fund created pursuant Section 1850.4 of the Public School Code is a restricted fund balance.

	Committed – amounts that can be used only for a specific purpose determined by a formal action of the Joint Operating Committee. Committed funds may only be changed or lifted by formal action taken to commit them. Assigned – Amounts that the School intends to use for a specific purpose such as the intent to use fund balance in a subsequent year budget. Unassigned – The residual classifications that are not included within the other categories noted. Unassigned amounts are the portion of the fund balance not obligated or specifically designated and is available for any purpose. A negative fund balance should be reported in governmental funds other than the general fund when a deficiency in fund balance exists. These amounts are referred to as "unreserved, undesignated fund balance" in Section 688 of the Pennsylvania Public School Code. "Committed," "assigned" or "unassigned" fund balances are **unrestricted**.
3. Guidelines	Disbursement of Fund Balance Reserves When an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned or unassigned fund balance, there are no restrictions placed on the order of the unrestricted fund balances used. Order if the unrestricted fund balances used for disbursements is at the discretion of the Business Administrator. Annual Review and Determination of Fund Balance Reserve Amounts During annual budget adoption procedures, the amounts of the restricted, committed, assigned, and nonspendable fund balance shall be reviewed by the Joint Operating Committee. The Administrative Director will be responsible for enforcing this policy.
4. Delegation of Responsibility	Nonspendable – determined first and removed to determine spendable fund balance. Responsibility for determining and monitoring lies with the Administrative Director. Restricted – determined by limitations imposed by external parties such as grantors or enabling legislation. Responsibility for determining and monitoring lies with the Administrative Director.

	Unrestricted Committed – an amount to be used for a specific purpose through a motion of the Joint Operating Committee. Commitments are either satisfied through future expenses or through a similar motion of the Joint Operating Committee to uncommit the funds. The formal action to commit fund balance to a specific purpose should occur prior to the end of the reporting period, but the amount, which will be subject to the constraint, may be determined in the subsequent period. Assigned – an amount that is intended to be used for specific purpose. Assignments of fund balance are made by motion of the Joint Operating Committee. Assignments of fund balance cannot create a negative unassigned fund balance in the General Fund. Unassigned – the residual amount of the fund balance not obligated or specifically designated for a specific purpose. Assignments of fund balance are made by motion of the Joint Operating Committee. References: School Code – 24 P.S. Sec. 218, 688