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To: Robert J. O'Donnell

From: Randy L. Brown

RE: Board Policy 620  
Fund Balance

Date: August 7, 2014

Policy 620, Fund Balance is presented for a second reading by the Board, following comments at the July 28<sup>th</sup> board meeting.

This policy is scheduled for approval on September 8, 2014.

STATE COLLEGE  
 AREA  
 SCHOOL DISTRICT

SECTION: FINANCES

TITLE: FUND BALANCE

ADOPTED:

620. FUND BALANCE	
1. Purpose	<p>The Board recognizes the importance of maintaining and managing a fund balance. This policy establishes guidance concerning the desired level of fund balance maintained by the District to preserve the overall sound fiscal condition of the district, to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. All assets contained in the fund balance shall be maintained in accordance with this policy.</p>
2. Definition	<p>Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund.</p> <p>GASB Statement 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:</p> <ol style="list-style-type: none"> <li>1) <b>Nonspendable fund balance</b> – amounts that are not in a spendable form (e.g., inventory and prepaid amounts) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).</li> <li>2) <b>Restricted fund balance</b> – amounts that can be spent only for the specific purposes stipulated by external parties, such as creditors, grantors, contributors or other governments either constitutionally or through enabling legislation (e.g., grants, debt covenants or donations).</li> <li>3) <b>Committed fund balance</b> – amounts that can be used only for the specific purposes determined by a formal action of the Board of School Directors. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally (e.g., the board’s commitment in connection with future construction projects). Action must be taken by the Board to commit fund balance prior to the end of the fiscal year.</li> </ol>

<p>3. Authority</p> <p>4. Guideline</p> <p>5. Delegation of Responsibility</p>	<p><b>4) Assigned fund balance</b> – amounts intended to be used by the district for specific purposes. Intent can be expressed by the Board of School Directors or by a designee to whom the governing body delegates the authority. In funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other funds are, at a minimum, intended to be used for the purpose of that fund.</p> <p><b>5) Unassigned fund balance</b> – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.</p> <p>A resolution, approved by the Board of School Directors, is required to establish, modify, or rescind a fund balance commitment or assignment.</p> <p>It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than five percent (5%) and not more than the percentage allowed by the Pennsylvania Department of Education of budgeted general fund expenditures for that fiscal year. The annual budget resolution will include authorization for the transfer of any excess unassigned fund balance.</p> <p>Expenditures from the Committed and Assigned Fund Balance may be made only for the amount budgeted as approved in the annual budget resolution approved by the board, or upon the passing of a separate board resolution.</p> <p>When multiple categories of fund balance are available for expenditure (e.g., a project is being funded partly by a grant, funds set aside by the Board, and unassigned fund balance), the District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.</p> <p>The responsibility for designating funds to specific classifications shall be recommended by the Superintendent and/or Business Administrator with approval by the board.</p> <p>References: School Code – 24 P.S. Sec. 218, 688</p>
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