

Book	Policy Manual
Section	(G) FINANCES
Title	Policy G124 -Budgetary Reserves, Fund Types And Fund Balance Reporting
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Section: Finances

I. Purpose

The Joint Committee acknowledges the need for the budget to be designed to reflect the Area Vocational-Technical Board’s objectives for the education of the students of EASTERN consistent with the budget practices in the participating school districts.

The maintenance of a budgetary reserve is recognized by the Pennsylvania Department of Education to be a sound management practice given that there are certain variables over which control is not possible regardless of the care with which the budget is prepared. These variables include unpredictable changes in the cost of goods and services as well as the occurrence of events which are vaguely perceptible during the time of budget preparation, but which, nevertheless, may require expenditures by the School during the year for which the budget is prepared. The Joint Committee also recognizes that the maintenance of a fund balance is essential to the preservation of the sound financial condition of EASTERN.

II. Authority

The Joint Committee, in accordance with Sections 6-609 and 6-687 of the Public School Code of 1949, as amended, may establish a budgetary reserve in the amount of at least one-half of one percent (1/2%) of total budget operating expenditures in order to provide for operating and budgetary contingencies as a sound management practice. Determinations as to fund balance allocation will be made by the Joint Committee on a periodic basis as part of the budget development process.

III. Definitions

Fund balance is a measurement of available financial resources. Fund balance is the difference between total assets and total liabilities in each fund. The standards and definitions of EASTERN’s fund balance reporting shall interpret and apply the standards set forth in GASB Statement No. 54, as amended. 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:

Non-spendable fund balance represents amounts that are not in a spendable form (such as inventory, prepaid, long-term receivables, property held for sale) or are required to be maintained intact (such as the corpus of an endowment fund). In essence, non-spendable is the term to indicate that the resources are not available to be spent due to their very nature and/or their lack of availability.

Restricted fund balance represents any amount that is restricted in its use to specific purposes by: (a) external parties (such as grantors, bondholders, and higher levels of government); (b) constitutional provisions; or (c) enabling legislation (i.e., Debt Service Funds).

Committed fund balance represents amounts for which the Joint Committee itself, using its highest level of decision-making authority, imposes constraints on how funds may or may not be used. In such a case, the only way a constraint can be removed or changed is by the same type of action of the Joint Committee.

Assigned fund balance represents amounts intended by the Joint Committee to be used for specific purposes. The intent can be expressed by the Joint Committee or by an official or body to which the Joint Committee delegates the authority. With the exception of the General Fund, amounts in all other governmental funds that are not non-spendable, restricted or committed will be considered to be assigned.

Unassigned fund balance represents amounts that are available for any purpose. It is anything that does not meet the above definitions and is reported only in the General Fund.

IV. Delegation of Responsibility

Expenditures made from the budgetary reserve must be ratified by the Joint Committee. The expenditures will not be made through the budgetary reserve, but only against the line items, which appear throughout the functional appropriations. The transfer from the budgetary reserve to the functional line item will be approved by the Joint Committee and may only be made during the last nine (9) months of the fiscal year.

In accordance with the Articles of Jointure, EASTERN shall limit any increase in the proposed annual budget for secondary programs to the aggregate percentage increase in the operating budgets of all of the participating districts for the preceding school year. Exceptions such as identifiable new programs or other extraordinary expenses shall be as provided for in the Articles of Jointure. The portion of the budget covering EASTERN's post-secondary programs (which programs are designed to be self-sustaining) shall not be subject to the cap on budget increases.

V. Guidelines

The following guidelines shall govern the establishment of reasonable Budgetary Reserves and appropriation during the fiscal year in which the reserve is used.

EASTERN will maintain non-spendable, restricted, committed, assigned and unassigned fund balance classifications in the amounts annually authorized by the Joint Committee by a formal action to consider funds committed and to rescind any prior authorization.

EASTERN will annually designate a portion of the fund balance classified as unassigned during the budget approval process to Budgetary Reserve to provide for contingencies identified and authorized by the Joint Committee, including:

Additional staffing needs;

Program growth;

Facility needs; and

Post-employment benefits.

If the budgetary reserve fund balance, in conjunction with the current annual budget, should fall below the fund balance reserve guideline, additional monies may be added to the budgetary reserve in order to meet the minimal fund balance guideline.

Fund balance classified as either restricted or committed shall be calculated based on estimates and other statistical information available at the time of budget preparation.

Funds transferred from the Budgetary Reserve to the General Fund Operating Budget for appropriation shall be considered part of that year's basic budget for the purpose of Budget Cap calculations for the ensuing budget year.

At the end of each fiscal year, up to twenty percent (20%) of the unassigned Secondary General Fund Balance, as certified by the local auditors, may be transferred to the Capital Reserve Fund or such other reserve fund as authorized by the Joint Committee upon recommendation of the Director.

The remaining portion of the unreserved, unassigned fund balance shall respect the limitations on certain unreserved fund balances as provided in Section 6-688 of the Public School Code of 1949, as amended. It shall not be utilized as a revenue source to offset current operating expenditures.

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