

FAIRFIELD AREA SCHOOL DISTRICT

FUND BALANCE

8750

8750.1

Purpose

The Board recognizes that the maintenance and control of a fund balance is essential to the preservation of the financial integrity of the school district and is fiscally advantageous for both the District and the taxpayer. This policy establishes the district's adherence to GASB #54 (Governmental Accounting Standards Board) effective for periods beginning after June 15, 2010.

8750.2

Definitions

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund. The Pennsylvania Department of Education defines Unreserved Undesignated fund balance as the sum of Assigned fund balance and Unassigned fund balance.

GASB Statement 54 establishes criteria for classifying fund balances into specifically defined classifications that should be based on a hierarchy that reflects the extent to which the government is bound to honor constraints on how those funds can be spent. Established classifications are:

**Nonspendable** – Amounts that cannot be spent because they are either in a (a) non-spendable form (i.e. inventories) or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

**Restricted** – Amounts constrained to be used for a specific purpose as per: external parties, contributors, or enabling legislation.

**Committed** – Amounts constrained to be used for a specific purpose as per: Board of School Directors.

**Assigned** – Amounts intended to be used for a specific purpose as per: Budget Committee or Board authorized individual

**Unassigned** – Amounts available for any purpose in the General Fund not previously categorized in the above.

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8750.3 Pennsylvania Department of Education Guidelines

The Pennsylvania Department of Education prohibits a school district from increasing real estate property taxes, unless it has adopted a budget that includes an estimated ending unreserved undesignated fund balance (unassigned) less than or equal to the specified percentage of its total budgeted expenditures. In the case of the Fairfield Area School District, our total budgeted expenditures are between \$15,000,000 and \$15,999,999, therefore our unassigned percentage limit must be less than or equal to 10% before implementing a real estate tax increase.

When an expenditure is incurred for purposes for which restricted and unrestricted are unavailable, the District's policy will be to spend resources in the following order:

1. Restricted
2. Unrestricted

Unless the Board specifically approves use of committed resources, or the Board or official designated by the Board specifically approves the use of assigned resources, the District's policy is to spend unrestricted resources in the following order:

1. Unassigned
2. Assigned
3. Committed

8750.4 Delegation of Responsibility

The formal action of the Board of School Directors that commits fund balance to a specific purpose should occur prior to the end of the reporting period, but the amount, if any, which will be subject to constraint, may be determined in the subsequent period.

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

1. Nonspendable – may be assigned by the Business Manager.

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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.

References:

School Code – 24 P.S. Sec. 218, 688

Revised November 14, 2011