

# MIDDLETOWN AREA SCHOOL DISTRICT

SECTION: FINANCE

TITLE: FUND BALANCE

ADOPTED: September 20, 1999

REVISED: May 23, 2011

	<p style="text-align: center;">620. FUND BALANCE</p> <p>1. Purpose The Board believes that the maintenance 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 goals and provides guidance concerning the desired level of year-end fund balance to be maintained by the district.</p> <p>2. Definitions <b>Fund balance</b> is a measurement of available financial resources. Fund balance is the difference between total assets and total liabilities in each fund.</p> <p>GASB Statement No. 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:</p> <p><b>Nonspendable</b> – amounts that cannot be spent because they are in a nonspendable form (e.g. inventory) or legally or contractually required to be maintained intact (e.g. principal of a permanent fund).</p> <p><b>Restricted</b> – amounts limited by external parties, or legislation (e.g. grants or donations).</p> <p><b>Committed</b> – amounts limited by Board policy (e.g. future anticipated costs).</p> <p><b>Assigned</b> – amounts that are intended for a particular purpose, such as a rate stabilization fund or segregation of an amount intended to be used at some time in the future.</p> <p><b>Unassigned</b> – amounts available for consumption or not restricted in any manner.</p>
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<p>3. Guidelines</p>	<p>The school district will strive to maintain an unassigned general fund balance of not less than five percent (5%) and not more than eight percent (8%) of the budgeted expenditures for that fiscal year.</p> <p>The total fund balance, consisting of several portions including committed, assigned and unassigned, may exceed eight percent (8 %).</p> <p>If the unassigned portion of the fund balance falls below the threshold of five percent (5%), the Board will pursue variations of increasing revenues and decreasing expenditures, or a combination of both until five percent (5%) is attained. If the assigned and unassigned portions of the fund balance exceed sixteen percent (16%) of budgeted expenditures, the Board may utilize a portion of the fund balance by appropriating excess funds for nonrecurring expenditures only.</p>
<p>4. Delegation of Responsibility</p>	<p>The responsibility for designating funds to specific classifications shall be as follows:</p> <ol style="list-style-type: none"><li>1. Nonspendable – may be assigned by the Assistant to the Superintendent for Finance and Operations.</li><li>2. Restricted – may be assigned by the Assistant to the Superintendent for Finance and Operations.</li><li>3. Committed – shall be assigned by the Board.</li><li>4. Assigned – may be assigned by the Finance/Operations Committee of the Board or the Assistant to the Superintendent for Finance and Operations.</li></ol> <p>The Superintendent or designee shall be responsible for the enforcement of this policy.</p> <p>References:</p> <p>School Code – 24 P.S. Sec. 218, 688</p>