

Fund Balances Management

The fund balances addressed in this regulation are General, Capital and Food Service.

General Fund Balance:

The **General Fund** accounts for the current operating revenues and expenditures of the District. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

The **General Fund Balance** is the accumulated difference between General Fund assets and General Fund liabilities.

Other than pursuant to the budget development process, the General Fund Balance should not be utilized as a revenue source to offset operating expense deficiency. However, operating contingency expenses may be funded through a contribution from the General Fund Balance. The District maintains both committed and unassigned General Fund Balances.

1. Committed General Fund Balance:

This is the portion of the General Fund Balance which has been specifically set aside by the Board for future identified needs or any other purposes the Board deems appropriate.

2. Unassigned General Fund Balance:

For ongoing financial security, Pennsylvania law currently requires the District to maintain an unassigned General Fund Balance that is less than eight percent of the next fiscal year's budgeted expenditures as a condition of increasing real estate property taxes. The monies in this unassigned General Fund Balance will only be expended with the specific authorization of the Board of School Directors for unexpected financial obligations.

At the close of each fiscal year, the Business Manager shall determine whether the unassigned General Fund Balance exceeds eight percent (8%) of the following year's budgeted expenditures as certified by the local auditors of the District. The Superintendent shall submit to the Board for its consideration, proposals to commit any unassigned or currently assigned General Fund Balance in one or more of the following ways by committing the balance of unassigned General Fund Balance or a portion thereof to:

- The following budget year's operating contingencies;
- The District's capital plan;

- The long-term liabilities (e.g. Other Post Employee Benefits), as determined by the actuarial report of the most current fiscal year available or as recommended by the Administration with input from the Board Finance Committee;
- The District's self-funded medical and prescription drug program's liabilities;
- The mandatory contributions to the Pennsylvania School Employee's Retirement System;
- Other obligations as approved by the Board.

Capital Fund Balances:

Capital Funds account for revenues and expenditures of the District related to capital assets such as land, improvements to land, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Capital Fund Balances consist of, among other sources, General Fund transfers, bond proceeds, and major private donations

Capital improvements, acquisition or construction of capital facilities, bond proceeds for capital projects and the servicing of debt are represented in one of these funds: Capital Reserve Fund, Capital Projects Fund or Debt Service Fund.

Capital Reserve Fund Balance

The Capital Reserve Fund is established to reserve funds to be used only for providing resources for capital expenditures. The funds are committed and may be spent only on capital improvements; replacement of, addition to and improvements to land and buildings; deferred maintenance and for the replacement of school buses. Receipts of this type of capital reserve fund come from transfers during the fiscal year from appropriations in the general fund. Receipts may also come from the general fund at the end of the fiscal year. The interest earnings on monies in this fund remain within the Capital Reserve Fund.

Capital Projects Fund Balances

These funds are used for the purchase or construction of major capital facilities. Separate capital projects funds are used for individual capital projects to maintain financial management. These funds are not used to account for minor maintenance or construction costs, or for the acquisition of furniture or equipment, unless authorized by a bond indenture.

Debt Service Fund Balance

These funds, formerly known as Sinking Funds, account for and accumulate resources for the payment of general long-term debt principal and interest. Bonds are repayable, both interest and principal, in installments; interest is usually paid semi-annually and principal annually on bonds. Thus debt service for bonds requires accumulation of resources only for current year payments of principal and interest. School Districts are required under the Pennsylvania Local Government Unit Debt Act to maintain a sinking fund for each bond issue. This may be done through the Debt Service Fund. If debt payments are not reported in a debt service fund, they must be reported in the general fund.

Food Service Fund Balance:

The **Food Service Fund Balance** is the net difference between the cost of the Food Service operation and the revenues from providing goods and services. Food Service Fund Balance will be utilized for the improvement or maintenance of the District's Food Service operation.

The Food Service Fund provides goods and services to the students on a continuing basis and is financed through user charges where the intent is that the costs (expenses, including depreciation and indirect cost) of providing goods or services on a continuing basis be financed or recovered primarily through fees and user charges rather than taxes or similar revenues. The District will attempt to maintain an adequate fund balance, consistent with State and Federal guidelines in an attempt to maintain operations and provide contributions to the District's capital needs of the Food Service operation.