

SECTION: FINANCES

TITLE: FUND BALANCE

ADOPTED: May 21, 2007

REVISED: December 13, 2010  
June 27, 2011

# NAZARETH AREA SCHOOL DISTRICT

	<p style="text-align: center;"><b>623. FUND BALANCE</b></p> <p>1. Purpose The Nazareth Area School Board believes in sound fiscal management and understands that keeping adequate working capital is fiscally responsible and advantageous for both the district and the taxpayer. The district will maintain a fund balance in accordance with Pennsylvania School Code provisions. The fund balance is essential to the preservation of the sound fiscal condition of the district, to the ability of the district to contain or reduce costs and to protect the bond rating of the district. All assets contained in the fund balance shall be maintained in accordance with this policy.</p> <p>2. Definitions <b>Fund Balance</b> – is a measurement of available financial resources. It is the difference between total assets and total liabilities in each fund. 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: <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). <b>Restricted</b> – amounts limited by external parties, or legislation (e.g., grants or donations). <b>Committed</b> – amounts limited by Board policy or resolution (e.g., future anticipated costs).   <ol style="list-style-type: none"> <li>1) Capital Projects (formerly Capital Reserve) Fund</li> <li>2) Other Board-approved designation fund</li> <li>3) Medical Claim Management Fund - EBTEP</li> <li>4) Retirement Fund (PSERS)</li> <li>5) Tax Stabilization Fund</li> <li>6) GASB 45 – Other Post Employment Benefits (OPEB)</li> </ol> </p>
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The following commitments shall be:

1. Sufficient funds shall be maintained in the Tax Stabilization Fund or be used as a revenue source to balance the General Operating Budget under the following conditions:
  - a. Tax Stabilization Fund contribution in subsequent years may be based on the previous year's experience up to a maximum of the value of one mill of real estate taxes.
  - b. It will be used for "one-time" expenditures.
2. The Medical Claim Management Fund (EBTEP) shall maintain sufficient funds to:
  - a. Assist in mitigating subsequent year's claims expenses.
  - b. Maintain the reserve balance required by the District's EBTEP Agreement, currently it is four months of expenses.
3. Retirement Fund (PSERS):
  - a. Assist in mitigating future year's rate increases, if necessary, when the rates increase by 10% or more..

Should funds remain after the committed allocations to the Tax Stabilization Fund, Medical Claim Management Fund (EBTEP), and Retirement Fund (PSERS), those remaining funds may be committed or assigned to either the Capital Projects Fund for future capital projects, summer maintenance and long-range improvements or to another Board-approved designation fund. The Capital Reserve Fund projects may include large-cost projects such as re-roofing, classroom upgrades, and safety-related expenses.

The Board of Education may, at any time, authorize changes in committed and/or assigned to meet the financial needs of the school district.

References: School Code – 24 P.S. Sec. 2-218, 6-688