

**SCHOOL DISTRICT OF PITTSVILLE
BOARD POLICY**

FISCAL MANAGEMENT

MANAGEMENT OF FUNDS

TYPES OF FUNDS

DISTRICT FUND BALANCE / RESERVE FUNDS

662.3

Purpose

The Board of Education recognizes the need to maintain an operating reserve in the general fund for the following purposes:

1. Hold adequate working capital to meet cash flow needs during the fiscal year.
2. Reduce the need for short term borrowing.
3. Serve as a safeguard for unanticipated expenses of the District.
4. Show fiscal responsibility to maintain a high credit rating which will help reduce future borrowing costs.

Any under-budgeted account balances in a given fiscal year will be added to the District fund balance. The District will maintain a general fund balance at a minimum of 20% of operational expenses. If the District, as of June month-end of a given fiscal year, shows an operating fund balance below 20% of the subsequent year budget, the Board will take proactive actions to raise the district fund balance to 20%.

Long-Term Goals

The District's long-term goals for fund balance is to achieve and maintain a general fund balance that would alleviate the need to short-term borrow for operational cash flow needs. Fund balance in excess of this goal may be used for expenses as defined below.

Use of District Fund Balance

Use of the general fund balance shall be restricted to one-time expenses as a result of a District initiative or unforeseen cost (i.e. damages). The general fund balance shall not be designated for any recurring costs in the operating budget.

The District has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

Financial Disclosures

Fund balance amounts will be reported in conformance with generally accepted accounting principles and shall be reclassified not less than the end of each fiscal year for general purpose financial statements. The district shall report inventories (when applicable), long-term receivables and amounts legally or contractually required to be maintained intact as non-spendable. The fund balance for the spendable portion of permanent funds and balance, if any, in the special revenue trust fund, debt service funds, food service fund, community service fund, and any other fund established by regulatory authority shall be classified as restricted.

The Board may, from time to time, commit additional amounts of fund balance to a specific purpose. Such action shall be taken in open meeting and require the approval of a majority of the Board. Commitments of fund balance, once made, can be modified only by majority vote of the Board.

The School Board authorizes and directs the District Administrator to assign fund balance, to the extent such assignment does not create a negative unassigned fund balance, as follows:

- An amount sufficient to liquidate open encumbrances that are reasonably expected to result in an expenditure in the subsequent year and
- An amount estimated to be sufficient to cover the cost of unsettled labor agreements, if any.

Approval:

June 13, 2011

Update:

September 12, 2011