

CHESTER COUNTY
 INTERMEDIATE
 UNIT 24

SECTION: FINANCES

TITLE: RESERVE FUNDS/
 FUND BALANCE DISPOSITION

ADOPTED: JUNE 15, 2011

READOPTED: MARCH 16, 2016

<p>1. Authority</p> <p>2. Definitions</p>	<p style="text-align: center;">620. RESERVE FUNDS/FUND BALANCE DISPOSITION</p> <p>The Board recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the Intermediate Unit and is fiscally prudent for the Intermediate Unit. This policy establishes goals and provides guidance concerning the desired level of year-end fund balance to be maintained by the Intermediate Unit.</p> <p>Fund balance 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 54 distinguishes fund balance classification based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. The statement is explicitly for governmental funds and has no bearing on proprietary or fiduciary funds. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:</p> <p>Nonspendable - amounts that cannot be spent because they are in an unspendable form (e.g., inventory or prepaid items) or legally or contractually required to be maintained intact (e.g., restricted cash balances).</p> <p>Restricted - amounts limited by external parties, creditors, contributors or legislation.</p> <p>Unrestricted fund balances - committed, assigned and unassigned fund balances:</p> <ol style="list-style-type: none"> 1. Committed - amounts limited by Board policy or action. Once committed, it cannot be used for any other purpose unless changed by Board policy or action. 2. Assigned - amounts that are intended for a particular purpose, such as rate stabilization fund or segregation of an amount intended to be used at some time in the future. 3. Unassigned - amounts available that are not restricted in any manner.
---	---

<p>3. Guidelines</p>	<p>Board policy directs the development of the following fund balances in accordance with GASB 54. The disposition of the fund balances shall include the following guidelines:</p> <ol style="list-style-type: none">1. Order of use of fund balances - When amounts are available in the fund balances for a particular purpose, there are no restrictions on the order of the fund balances used for disbursements. Order of the fund balances used for disbursements is at the discretion of the Executive Director and/or designee.2. Nonspendable fund balances - Portion of net resources that cannot be spent because of their form or are legally or contractually required to remain intact. The following resources will be included in the nonspendable fund balance: prepaid expenses, inventory, restricted cash balances, principle portion of endowment funds, and any other nonspendable resources not listed above. The amount of nonspendable funds is to be determined first and removed to determine spendable fund balances.3. Restricted fund balances - Portions of resources that are subject to limitations imposed by grantors, creditors, contributors, laws and regulations of other government agencies.4. Unrestricted fund balances - Total fund balance in the General Fund in excess of nonspendable and restricted fund balances.<ol style="list-style-type: none">a. Order of use of unrestricted fund balances - When amounts are available in the unrestricted fund balances for a particular purpose, there are no restrictions on the order of the unrestricted fund balances used for disbursements. Order of the unrestricted fund balances used for disbursements is at the discretion of the Executive Director and/or designee.b. Disposition of fund balances - The Intermediate Unit shall establish the following specific unrestricted fund balances in accordance with GASB 54:<ol style="list-style-type: none">1) Committed fund balance - Establishment and purpose of committed fund balances should be approved by the Board by June 30 of each year, in accordance with GASB 54. Specific disbursements from the committed fund balances are at the discretion of the Executive Director and/or designee. Committed fund balances shall include, but are not limited to, the following:
----------------------	---

	<ul style="list-style-type: none">a) New Initiatives Fund<ul style="list-style-type: none">(1) Purpose - To pay for new and innovative services with future potential.(2) Annual funding - Board discretion for annual committed balance.b) Building Improvement Fund<ul style="list-style-type: none">(1) Purpose - To pay for current and future building renovations, new construction, and capital improvements.(2) Annual funding - Executive Director and/or designee will determine amount committed to this fund. Funds can be used to pay for the cost of major capital projects, building replacements or renovations, or debt service payments on loans used to finance the construction or renovations to any Intermediate Unit-operated building.c) Post-Employment Benefits Fund<ul style="list-style-type: none">(1) Purpose - To comply with GASB 45 and the requirement to fund future post-retirement benefit liabilities.(2) Annual funding - Executive Director and/or designee will determine amount committed to this fund. Funds can be used to pay post-retirement benefits or to deposit amounts in a qualified trust, in accordance with GASB 45 guidelines.d) Program Stabilization Fund<ul style="list-style-type: none">(1) Purpose - To provide funding for programs in transition, start-up, phase-out, or restructuring.(2) Annual funding - Executive Director and/or designee will determine amount committed to this fund.e) PSERS Stabilization Fund<ul style="list-style-type: none">(1) Purpose - To provide funding to lessen the impact of PSERS projected increases/changes in rates on Intermediate Unit programs.
--	--

- (2) Annual funding - Additional retirement expense based on a percentage of salaries charged to nongrant programs; determined annually by the Executive Director and/or designee.

Annually, by October each year, the Business Office shall calculate the estimated fund balances for every program. The Executive Director or designee will determine an appropriate amount to be placed in the committed fund balances based on the available balances and projected future obligations.

- 2) Assigned fund balances - For the General Fund, use of funds identified for a specific purpose but not considered restricted or committed. For funds other than the General Fund, all remaining funds not considered unspendable, restricted or committed. Expenditures from assigned fund balances at the discretion of the Executive Director or designee.

Annually, by October each year, the Business Office shall calculate the estimated fund balances for every program. The Executive Director or designee will determine an appropriate amount to be placed in the assigned fund balances based on the available balances and projected future obligations.

- 3) Unassigned fund balance - Total fund balance in the General Fund in excess of nonspendable, restricted, and committed and assigned fund balances. Expenditures from unassigned fund balances may be used for any purpose at the discretion of the Executive Director and/or designee.
 - a) Maximum balance -Ten percent (10%) of the General Fund prior year's expenditures, as established by the annual audit. Whenever the Intermediate Unit's unassigned fund balance exceeds the designated percentage of the prior year's expenditures, as established by the annual audit, the Executive Director and designee will determine the commitment or assignment of the excess funds.

References:

School Code – 24 P.S. Sec. 218, 688