Ephrata Area School District
Fund Balance Information

March 20, 2017
What is a Fund Balance?

- Difference between assets and liabilities
- When Assets are greater than Liabilities = Positive Fund Balance

Assets – Liabilities = Fund Balance
Why is a Fund Balance needed?

- Savings account/funds in reserve for unforeseen expenses
  - Emergency repairs
  - Unexpected interruptions in revenues
- Offset year-to-year
  - Cash flow (until all taxes collected – early fall)
  - Reduced subsidy from State
- Generates investment income
  - Helps keep tax rates lower
Benefits of maintaining Fund Balance:

- **Credit rating**
  - Little or no fund = high risk & poor rating

- **Cost of borrowing – district’s credit worthiness**

- **Reserve funds for emergency**
  - Financial safety net

- **Expected/specific one-time expense**
  - “One time” costs not budgeted in any other area
A primary concern of rating agencies for school bonds is the relative amount of **unassigned fund balance**.

Bond agencies view unassigned fund balances as a reflection of the **financial strength** of school districts and show concern when fund balances decrease.
An appropriate Fund Balance?

- Based upon circumstances of district
- Comfort of funding (local & State)
- Debt burden & needed borrowing
  - Desired creditor rating
- Planning for future reduced revenues
Components of Fund Balance

- Five categories:
  - Nonspendable
    - Nonspendable form: like inventory or deficit budget
  - Restricted
    - Can only be used for specific purposes: like prepaid expenses
  - Committed
    - Board Action to delegate amounts for a specific purpose
  - Assigned
    - District’s intent to use for a specific purpose
  - Unassigned
    - must be less than 8% of total expenditures in order to increase real estate taxes
Specific Funds

- **Capital Projects Fund**
  - Resources limited to expenditures for capital outlays
  - Include expenditures for
    - Capital facilities
    - Capital assets

- **Debt Service Fund**
  - Restricted, committed, or assigned
  - Payment of current debt
  - Accumulate for future debt services

Capital reserves & debt service funds – can’t be spent on school operating costs.
Specific Funds

- **Proprietary Fund**
  - Enterprise Fund – Food Service
    - Operations that are financed and operated in a manner similar to a private business where the costs of providing services is recovered primarily through fees or user charges rather than taxes or similar revenue

- **Fiduciary Funds**
  - Fiduciary Trust – Scholarship
    - Purely a trustee capacity
  - Agency Fund - Student Activities
    - Purely custodial capacity of receipt, temporary investment and remittance. Not available for school purposes.
Lincoln Benefit Trust

- Healthcare Consortium
  - Based on actuary review, District sets rate to be paid monthly (by member premium levels; including employees contributions) to an account held by Lincoln Benefit Trust for all claim paid by healthcare vendors, administrative fees and stop loss insurance on Districts behalf.
    - Any per individual claims, in any given year, that exceed $100,000 are paid from stop loss insurance
    - Required to have 3 months of expenses in account
    - How to reduce account balance
      - Rates are reset by District annually
      - District has option to take a funding holiday (not make a monthly premium if they qualify by LBT bylaws)
Next Steps

- Discuss Preliminary Budget
  - May Committee Meeting – May 1, 2017
- Vote Preliminary Budget
  - May Board Meeting – May 15, 2017
- Discuss Final Budget
  - June Committee Meeting – June 5, 2017
- Vote Final Budget
  - June Board Meeting – June 19, 2017
- Vote Homestead/Farmstead reductions
  - June Board Meeting – June 19, 2017
Questions