

**FUND BALANCE AND RESERVES**

Fund balance and reserve funds are an important component in the District's overall financial management plan to provide operational stability and plan for future projects, acquisitions or other lawful purposes. The District shall establish and maintain fund balance classifications and reserve funds in accordance with New York State Laws, Commissioner's Regulations and the rules and/or opinions of the Office of the New York State Comptroller, as applicable. The District shall comply with the reporting requirements of the General Municipal Law of the State of New York and with the generally accepted accounting standards as set forth by the Governmental Accounting Standards Board (GASB). This policy will help to assess the District's need to maintain fund balance and reserve funds in order to:

1. Provide sufficient cash flow to meet daily operational needs.
2. Secure and maintain investment grade bond ratings.
3. Afford a level of financial stability and flexibility when there is volatility of operating revenues, limited resource availability or significant economic downturn.
4. Provide funds for unforeseen expenditures and emergencies that may arise.

The Government Accounting Standards Board issued Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, which establishes fund balances classifications, in the general fund, that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of its fund balance resources. GASB 54 also mandates that governments establish a Fund Balance Policy to include specific requirements. This policy shall serve to address the mandated criteria to be approved by the Board of Education.

**Fund Balance Classifications**

District Fund Balance accounts shall be set up in accordance with GASB 54 classifications:

1. Non-Spendable Fund Balance: Amounts that cannot be spent due to form (inventories, prepaid amounts), long-term loans and notes receivable, and property held for resale unless proceeds are restricted, committed or assigned. Also includes amounts that must be maintained intact legally or contractually such as the principal of an endowment or capital of a revolving fund.
2. Restricted Fund Balance: Amounts restricted for a specific purpose by external parties, constitutional provision or enabling legislation. Examples include reserve funds for items such as Workers' Compensation, Unemployment Insurance, Retirement Contributions, Employee Benefits, Property Loss Insurance, Tax Certiorari, Capital Reserve, and Repair Reserve.
3. Committed Fund Balance: Amounts constrained for a specific purpose by the Board; committed fund balance is rarely used in school districts.
4. Assigned Fund Balance (Unrestricted): Amounts constrained for the intent to be used for a specific purpose by the Board. An example includes assigned appropriated fund balance (fund balance appropriated for the subsequent year's budget).

5. Unassigned Fund Balance (Unrestricted): Amounts not classified as non-spendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in the unassigned fund balance.

#### **Minimum Balance of Restricted Fund Balance**

The minimum balances to be retained in the Restricted Fund Balance accounts for workers' compensation claims, unemployment insurance claims, employee benefits and property losses shall be sufficient to cover anticipated expenses unless there are line items in the general fund budget to cover the annual expenditures. Should there be line items in the budget for these specific expenditures, the line item funds should be expended first before utilizing the applicable reserve fund. Excess funds remaining at the end of the year shall be handled in accordance with General Municipal Law, Section 6.

The minimum balance to be retained in the Restricted Fund Balance account for tax certiorari claims shall be based upon pending litigation, as determined by the district's attorney. Any monies deposited into the reserve fund which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies, as set forth in Education Law, Section 3651.1-a.

#### **Minimum Balance of Unassigned Fund Balance**

Unassigned Fund Balance shall be a minimum of 1.5% to a maximum of 4% of the next year's budget. Higher minimum balances, not to exceed the maximum percentage allowed by law, should be considered when there are factors such as:

- volatility in operating revenues;
- potential drain on resources from other funds;
- exposure to natural disasters;
- concentrations of revenue sources;
- rapidly escalating budgets;
- timing differences between revenue collections and expenditures; and
- the District's overall financial condition.

#### **Assigned Fund Balance**

Assigned Fund Balance shall be initially set by the Board of Education in conjunction with the annual proposed budget. Prior to the setting of tax levy and tax rates in August, this amount may be changed by the Board of Education in order to address budgetary/tax rate issues that arise subsequent to the initial budgetary estimate.

#### **Replenishment of Fund Balances Deficiencies**

Should the Unassigned Fund Balance fall below the minimum as set forth by the Board of Education, such deficiency should be addressed in the next budgetary cycle. Deficiencies in Restricted Fund Balance accounts, such as workers' compensation reserve or unemployment

insurance reserve, shall either be addressed through transfer of funds from the unassigned fund balance or through a line item in the budget of the forthcoming year.

**Process to Commit Funds**

The Superintendent and the Assistant Superintendent for Management Services and Strategic Planning shall review funding levels of all reserve funds. Based upon need, they shall make recommendations to the Board of Education to approve transfers within reserve funds (i.e., from Unassigned Fund Balance to Workers' Compensation Insurance Reserve).

Any and all District reserve funds shall be properly established and maintained to promote the goals of creating an open, transparent and accountable use of public funds. The District shall engage independent experts and professionals, including but not limited to, auditors, accountants and other financial and legal counsel, as necessary, to monitor all reserve fund activity and prepare any and all reports that the Board may require.

**Authority to Utilize Assigned Funds**

The District Treasurer shall have the authority to pay, without prior Board of Education authorization:

- Workers compensation claims from the Workers Compensation Reserve Fund;
- Unemployment insurance claims from the Unemployment Insurance Reserve Fund;
- Uninsured losses from the Uninsured Losses Reserve Fund;
- Employee benefits, as outlined by NYSED regulations, from the Employee Benefits Reserve Fund;
- Administrator disability claims from the Administrator Disability Reserve Fund; and
- any other previously Board approved restricted reserve fund, with the exception of a Capital Reserve Fund, which needs voter approval.

The District Treasurer shall have the authority to pay, upon Board of Education approval of such claim: Tax Certiorari claims from the Tax Certiorari Reserve Fund

The Board of Education shall authorize funds allocated for budgetary purposes, designated as Appropriated Fund Balance in the Assigned Fund Balance classification.

Reference: Education Law §§ 1604(36), 1709(37), 1709(8)(c), 1718(2), 3651  
General Municipal Law § 6  
Government Accounting Standards Board, Statement 54

Approved: January 17, 2012