

The Board of Education recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the School District and is fiscally advantageous for both the School District and the taxpayer. This policy establishes goals and provides guidance concerning the desired level of year-end fund balance to be maintained by the School District.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance reporting and Governmental Fund Type Definitions* (GASB 54). The objective of this Statement 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied.

Fund Balance Classifications (pursuant to GASB Statement 54)

Fund Balance is a measurement of available financial resources and represents the difference between total assets and total liabilities in each fund.

GASB 54 distinguishes fund balance classifications based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. These classifications must be reported on the School District's Financial Statements.

Fund balance amounts will be reported by the School District according to the following classifications:

Nonspendable - consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted - consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Because the State regulates the establishment, funding and use of School District reserves, generally, reserves will be classified as restricted fund balance.

Committed - consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The New York State Office of the State Comptroller at the present time believes that New York State school districts will not have any committed fund balance.

Assigned - consists of amounts that are subject to a purpose constraint that represents an intended use established by the Board of Education or by their designated official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned Fund Balance generally includes encumbrances and appropriated fund balance.

Unassigned - represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, the School District will spend the restricted fund balance before it spends the unrestricted fund balance.

The order by which the School District will spend the unrestricted fund balance is as follows:

- First - committed fund balance
- Second - assigned fund balance
- Third - unassigned fund balance

General Policy

Fund balance measures the net financial resources available to finance expenditures within current or future periods. The School District's Unassigned General Fund Balance will be maintained to provide the School District with financial stability and a margin of safety to fund unanticipated contingent expenditures that may occur unexpectedly during the fiscal year. The Unassigned General Fund Balance used for these purposes may only be appropriated by resolution of the Board of Education unless voter approval is required.

The School District will maintain an Unassigned General Fund Balance in accordance with New York State guidelines.

For various restricted fund balances the School District will follow the formulas reviewed and approved by the Board of Education at the School District's reorganization meeting.

The School District will follow GASB 54 guidelines to expend funds and for funding these fund balance accounts.

Any portion of Fund Balance may be applied or transferred for a specific purpose either by voter approval if required by law or by formal action of the Board of Education if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

The Board of Education shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the Board of Education will assess the current financial condition of the School District and then determine the order of application of expenditures to which fund balance classification will be charged.

Reserve funds (essentially a legally authorized savings account designated for a specific purpose) are an important component in the School District's financial planning for future projects, acquisitions and other lawful purposes. To this end, the School District may establish and maintain reserve funds in accordance with New York State Laws, Commissioner's Regulations and the rules and/or opinions issued by the Office of the New York State Comptroller, as applicable. The School District shall comply with the reporting requirements of Article 3 of the General Municipal Law of the State of New York and the Governmental Accounting Standards Board (GASB) issued GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Any and all School District reserve funds shall be established and maintained to promote the goals of creating an open, transparent and accountable use of public funds. The School District may 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 of Education may require.

Periodic Review and Annual Report

The Board of Education will periodically review all reserve funds. The School District will also prepare and submit an annual report of all reserve funds to the Board of Education. The annual report shall include the following information for each reserve fund:

- a) The type and description of the reserve fund;
- b) The date the reserve fund was established and the amount of each sum paid into the fund;
- c) The interest earned by the reserve fund;
- d) Capital gains or losses resulting from the sale of investments of the reserve fund;
- e) The total amount and date of each withdrawal from the reserve fund;
- f) The total assets of the reserve fund showing cash balance and a schedule of investments; and
- g) An analysis of the projected needs for the reserve fund in the upcoming fiscal year and a recommendation regarding funding those projected needs.

The Board of Education shall utilize the information in the annual report to make necessary decisions to maintain and manage the School District's reserve fund balances while mindful of its role and responsibility as a fiduciary of public funds.

The Superintendent of Schools or his/her designee shall develop any necessary and/or appropriate regulations to implement the terms of the Board of Education's policy.

In general, the School District shall adhere to the following principles with respect to the creation and funding of any or all reserve funds for the School District:

- 1) Consult with legal counsel and other financial experts as necessary for guidance on the authority to establish the reserve fund;

- 2) Identify the financial need or purpose to be served by the prospective reserve fund, including an assessment of whether the reserve fund will complement the long-term financial or capital plans of the School District;
- 3) Communicate clearly and effectively to School District residents the specific purpose of and the financial objectives for the reserve;
- 4) Maintain open and transparent records of all reserve fund transactions for the benefit of School District residents and voters;
- 5) Determine optimal funding levels for the reserve, as well as the conditions under which the reserve assets will be utilized;
- 6) Periodically assess the reasonableness of the amounts accumulated in the reserve and when conditions warrant (and subject to any/all legal requirements) reduce reserve funds to a reasonable level or liquidate and discontinue a reserve fund that is no longer needed or whose purpose has been achieved; and
- 7) Provide the Board of Education with regular updates on reserve fund activity.

Cross-ref: 3110 Annual Budget
3120 Fiscal Accounting and Reporting
3290 Investments

Ref: Education Law §§1709(8-c); 3651
General Municipal Law Article 3
General Municipal Law, §§6-d, 6-j, 6-l, 6-m, 6-n, 6-p
GASB Statement No. 54

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