

SUBJECT: MAINTENANCE OF FUND BALANCE**Purpose**

This policy is adopted by the Board of Education in order to address the implications of Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the District and jeopardize the continuation of necessary public services. This policy will ensure that the District maintains adequate fund balances and reserves in order to:

- a. Provide sufficient cash flow for daily financial needs.
- b. Secure and maintain investment grade bond ratings,
- c. Offset significant economic downturns or revenue shortfalls, and
- d. Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgated under it supersede all previous regulations regarding the District’s fund balance and reserve policies.

Fund Type Definitions

The following definitions will be used in reporting activity in governmental funds across the District. The District may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

The *general fund* is used to account for all financial resources not accounted for and reported in another fund.

Special revenue funds are used to account and report the proceeds of special revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Capital project funds are used to account for all financial resources restricted, committed, or assigned to expenditure for the acquisition or construction of capital assets.

Debt service funds are used to account for resources for all financial resources restricted, committed, or assigned to expenditure for debt principal and interest.

Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the District’s purposes.

Private purpose trust funds are used to account for trust arrangements in which principal and income benefits annual third-party awards and scholarships for students.

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SUBJECT: MAINTENANCE OF FUND BALANCE (Cont'd.)**Fund Balance Reporting In Governmental Funds**

Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

Nonspendable Fund Balance

Definition – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Classification – Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

The District will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance).

The District will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained intact.

Restricted Fund Balance

Definition – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

Committed Fund Balance

Definition – includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Education.

Authority to Commit – Commitments will only be used for specific purposes pursuant to a formal action of the Board of Education. A majority vote is required to approve a commitment or to remove a commitment.

Assigned Fund Balance

Definition – includes amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Authority to Assign – The Board of Education delegates to the Superintendent or their designee, the authority to assign amounts to be used for encumbrances. The Board of Education will annually determine the amount of fund balance appropriated for the ensuing year's budget. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

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SUBJECT: MAINTENANCE OF FUND BALANCE (Cont'd.)Unassigned Fund Balance

Definition – includes the residual classification for the District’s general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Operational Guidelines

The following guidelines address the classification and use of fund balance in governmental funds:

Classifying Fund Balance Amounts

Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include Nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

Encumbrance Reporting

Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54.

Prioritization of Fund Balance Use

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, it shall be the policy of the District for the Assistant Superintendent for Business or his/her designee to determine the order of the expenditure of funds, on an annual basis.

Minimum Unassigned Fund Balance

The District will strive to maintain a minimum unassigned fund balance in its general fund at the maximum level authorized by NYS, of the subsequent year’s budgeted expenditures. This minimum fund balance is to protect against cash flow shortfalls related to the timing of projected revenue receipts and to maintain a strong bond rating.

Replenishing deficiencies – the District will replenish shortages/deficiencies using the budget strategies and timeframes described below.

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SUBJECT: MAINTENANCE OF FUND BALANCE (Cont'd.)

The following budgetary strategies shall be utilized by the District to replenish funding deficiencies:

- The District will reduce recurring expenditures to eliminate any structural deficit or,
- The District will increase revenues or pursue other funding sources, or,
- Some combination of the two options above.

The District shall strive to replenish deficiencies within the following time periods:

- For a deficiency resulting in a minimum fund balance between 0.1 percent and 1 percent, the District shall strive to replenish such amount over a period not to exceed five years.
- For a deficiency resulting in a minimum fund balance between 1 and 2 percent, the District shall strive to replenish such amount over a period not to exceed three years.

Implementation and Review

Upon adoption of this policy, the Board of Education authorizes the Business Office to establish any standards and procedures which may be necessary for its implementation. The Business Office shall review this policy at least annually and make any recommendations for changes to the Board of Education, if necessary.

NOTE: Refer also to Policies #5110 -- Budget Planning and Development
#5511 -- Reserve Funds

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