

## FUND BALANCE

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 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 district.

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

Governmental Accounting Standards Board (“GASB”) Statement No. 54 distinguishes fund balance classifications based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported by the District in the following classifications:

Non-spendable – consists of assets that are inherently non-spendable 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 Board before the end of the fiscal year, and that require the same level of formal action to remove the constraint.

Assigned – consists of amounts that are subject to a purpose constraint that represents an intended use established by the Board or its designee. 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.

The fund balance of the District’s General Fund has been accumulated to provide stability and flexibility and to respond to unexpected adversity and/or opportunities.

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The Board of Education shall establish targets for each year's fund balance, as proscribed by law, in order to maintain an unassigned fund balance as a percentage of the estimated annual operating expenditures for the ensuing fiscal year.

The District's basic goal is to maintain annual expenditure increases at a growth rate, and to limit expenditures to anticipated revenue in order to maintain a balanced budget. The decision to retain an unrestricted fund balance, as proscribed by law, as a percentage of the expected expenditures, stems from the need to provide fiscal stability.

The order by which the District will spend restricted and unrestricted (unassigned) fund balance will be evaluated on an annual basis based on the current financial conditions by the Assistant Superintendent for Business and Operations or designee. After evaluation, if adjustments are required, a recommendation will be made to the Board of Education for consideration. Reserves currently existing in the District include:

Reserve for Workers' Compensation – used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. This reserve is evaluated on an annual basis and updated based on reports received from third-party service providers.

Reserve for Employee Benefit Accrued Liability – used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve is evaluated by the Business Office on an annual basis utilizing reports provided by the financial accounting system.

Retirement Contribution Reserve – used for the purpose of financing retirement contributions. This reserve is evaluated on an annual basis by reports received from the New York State Employees' Retirement System. The maximum amount of this reserve will be five years of New York State Employees' Retirement System projected expenses.

Retirement Contribution Reserve Sub-Fund – used for the purpose of financing retirement contributions for the New York State Teachers' Retirement System. This sub-fund will be evaluated on an annual basis. The moneys contributed annually to the sub-fund shall not exceed 2% of the total compensation or salaries of all teachers (as that term is defined in Education Law §501[4]) employed by the District who are members of TRS paid during the immediately preceding fiscal year. The balance of the Reserve Sub-Fund shall not exceed 10% of the total compensation or salaries of all teachers (as that term is defined in Education Law §501[4]) employed by the District who are members of TRS paid during the immediately preceding fiscal year. This reserve is evaluated by the Business Office on an annual basis.

Reserve for Unemployment - used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. This reserve is evaluated by the

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Business Office on an annual basis.

Reserve for Insurance – used to pay liability, casualty, and other types of uninsured losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value, and mortgage guarantee. This reserve is evaluated by the Business Office on an annual basis.

Capital Reserve Fund – established in accordance with the provisions of Education Law Section 3651 for the purpose of providing moneys for future capital improvements.

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