

***Fund Balance and Reserve Funds***

**FUND BALANCE**

The Board recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the District and is fiscally advantageous for both the District and its taxpayers. Fund balance provides a degree of stability and the resources to weather fluctuations in revenues and expenditures without severely impacting real property tax rates. Fund balance also serves as a cushion to enable the operation of the District without interruption in the event of an emergency that affects the health and safety of students and staff.

Fund balance is the measurement of available financial resources, the difference between total assets and total liabilities in each fund. Fund balance is classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Fund balance amounts will be reported in the following classifications<sup>1</sup>, starting with the most binding constraints:

**Nonspendable** - amounts that cannot be spent because they are in a nonspendable form (e.g., inventory) or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

**Restricted** - amounts limited by external parties or legislation (e.g., grants or donations).

**Committed** - amounts limited by Board policy (e.g., future anticipated costs).

**Assigned** - amounts that are intended for a particular purpose (e.g., tax certiorari reserve fund and other reserve funds established pursuant to Education Law and General Municipal Law).

**Unassigned** - amounts available for consumption or not restricted in any manner.

**Guidelines**

The District will strive to maintain an unassigned general fund balance at the maximum level permitted by Section 1318, Real Property Tax Law, currently four percent of the budget. The total fund balance, consisting of several portions including Committed, Assigned and Unassigned may exceed four percent of the budget. If the unassigned portion of the fund balance falls below the threshold of two percent, the Board may pursue variations of increasing revenues and decreasing expenditures or a combination of both until two percent is attained. If the Assigned and Unassigned portions of the fund balance exceed fifteen percent of budgeted expenditures, the Board may utilize a portion of the fund balance by appropriating excess funds for nonrecurring expenditures only. The Superintendent and Assistant Superintendent for Finance shall be responsible for the enforcement of this policy.

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<sup>1</sup> Effective beginning for financial statements for period ending June 30, 2011 per GASB Statement 54

**RESERVE FUNDS**

Reserve funds are legally authorized savings accounts designated for a specific purpose as permitted by law. They are an important component of the District's financial planning for future projects, acquisitions and other lawful purposes and are considered Assigned fund balance. The District shall follow applicable laws, regulations and opinions of the New York State Comptroller in establishing, maintaining and funding reserve funds. The District shall also comply with the reporting requirements of Article 3 of the General Municipal Law and the Governmental Accounting Standards Board (GASB) Statement Number 54.

The Board shall review all reserve funds periodically, at least two times per year. The Assistant Superintendent for Finance will prepare and submit an annual report of all reserve funds to the Board of Education to enable the Board to make necessary decisions regarding maintenance and management of such reserve funds. The annual report shall include:

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

This annual report will be presented to the public as well as posted on the District's website.