

## FUND BALANCE POLICY

The following policy has been adopted by the Board of Education in order to recognize the requirements of Governmental Accounting Standards Board (“GASB”) Statement No. 54, Fund Balance Reporting and Governmental Fund Definitions. This policy will help the District assess if it is maintaining adequate fund balances and reserves in order to:

1. Provide sufficient cash flow for daily financial needs,
2. Secure and maintain investment grade bond ratings,
3. Offset significant economic downturns or revenue shortfalls, and
4. Provide funds for unforeseen expenditures related to emergencies.

GASB Statement No. 54 changed the classification of fund balance in order to bring greater clarity and consistency to fund balance reporting. Effective for financial statements for periods ending June 30, 2011 and after, fund balance is reportable in five categories as follows:

### Non-spendable Fund Balance

The non-spendable fund balance amount represents the portion of the fund balance that is not in a spendable format in the current period either because of their form or because they must be maintained intact. Examples include inventories, prepaid items, and the principal of endowments.

### Restricted Fund Balance

The restricted fund balance amount represents the portion of fund balance that is subject to an externally and legally enforceable purpose. The restrictions are imposed by creditors, grantors, laws and regulations of other governments, or through constitutional provision or enabling legislation. Examples include: Unemployment Reserve, Workers’ Compensation Reserve, Employee Benefits Accrued Liability Reserve, Tax Certiorari Reserve, Capital Reserve, Repair Reserve, Liability Reserve, Property Loss Reserve, Reserve for Debt Service, and Reserve for Tax Reduction.

### Committed Fund Balance

The committed fund balance amount represents the portion of the fund balance that is constrained for a specific purpose by the school district, through the adoption of a formal resolution by the Board of Education. Committed funds also require the board to take formal action to subsequently remove or change the constraints. Although the action to constrain the resources must occur prior to fiscal year end, the amount may be determined in the subsequent period. The State Comptroller does not believe that school districts will typically have restrictions that will be accounted for in this category.

### Assigned Fund Balance

The assigned fund balance amount represents amounts that are intended to be used for specific purposes, but are not restricted or committed. Examples include appropriated fund balance and outstanding encumbrances.

### Unassigned Fund Balance

Funds in this category represent funds that are not classified in any of the other four categories. Typically, only the General Fund will contain Unassigned Fund Balance.

The Board recognizes that Real Property Tax Law, Section 1318, limits the amount of Unassigned Fund Balance to no more than 4% of the next year's budgeted appropriations. Funds properly retained under other sections of the law (i.e., reserves established pursuant to General Municipal Law or Education Law) are excluded from the 4% limitation. The Unassigned Fund Balance is maintained to provide the District with financial stability and a margin of safety to fund unanticipated contingent expenditures that may happen during the fiscal year.

Any and all District reserve funds shall be properly established and maintained to promote goals of creating an open, transparent and accountable use of public funds. The creation of reserve funds, funding of, expenditure from, termination and reallocation of any balances shall be determined by the applicable Education Law, General Municipal Law, Commissioner's Regulations or Comptroller's Guidance. The Board of Education shall make the necessary decisions to adequately maintain and manage the District's reserve fund balances while mindful of its role and responsibility as a fiduciary of public funds.

Delegation of Responsibility: The Superintendent or Business Official shall be responsible for the enforcement of this policy.

**1<sup>st</sup> Reading June, 6, 2018**  
**Adoption Date: June 20, 2018**