

**(X) Required** Local Notice**FUND BALANCE***1. Purpose*

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.

*2. Definitions*

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:

**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 constrained to specific purposes by a government itself using its highest level of decision-making authority (i.e.: Board of Education); to be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.

**Assigned** – Amount intended to be used for a specific purpose; intent can be expressed by the Board of Education or by an official or body to which the Board delegates the authority.

**Unassigned** – Amounts available for consumption or not restricted in any manner. These amounts are reported only in the General Fund.

### 3. *Guidelines*

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

The target is to maintain an unassigned fund balance of 4 % of the estimated annual operating expenditures for the ensuing fiscal year.

The School'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 of 4 % of the expected expenditures stems from the need to support normal operating costs for the District and provide fiscal stability.

The order by which the District will spend restricted and unrestricted (unassigned) fund balance will be as follows: The expenditure is to be spent from unrestricted fund balance first then restricted. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

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 based on 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.

Capital Reserves - used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. This amount is evaluated based on the status of capital projects and the completion of studies by third parties as to the state of the District's facilities.

4. *Delegation of Responsibility*

The Director of Finance and Operations or designee shall be responsible for the enforcement of this policy.

Ref: School Code – 24 P. S. Sec. 2-218, Sec. 6-688

Adoption: September 20, 2011