

FUND BALANCE POLICY**1. PURPOSE**

Fund balance measures the net financial resources available to finance expenditures of future periods. The District's General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address current and future risks such as unanticipated emergency expenditures (i.e. health epidemic), unexpected cost increases (i.e. employee benefits and other budgetary expenses), and revenue shortfalls (i.e. reductions in state aid or City funding). Maintaining a reasonable general fund balance is also necessary to plan for future long-term employee liabilities (such as post-health insurance) and future capital project and equipment needs.

The Board of Education recognizes that the maintenance of a fund balance is essential to the financial integrity of the District insofar as it helps mitigate current and future risks such as revenue shortfalls and unanticipated expenditures while supporting the District's long-term financial planning. The Board of Education further recognizes the need to establish guidelines for fund balance to ensure the District complies with applicable laws, regulations and accounting standards.

2. DEFINITIONS

The District shall comply with the reporting requirements of Article 3 of General Municipal Law of the State of New York and the Governmental Accounting Standards Board (GASB) Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions. The District's fund balance will be classified into the following categories at the end of each fiscal year to comply with the requirements of GASB 54:

- a. 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.
- b. 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.

The unrestricted general fund balance is the difference between the total fund balance less non-spendable and restricted fund balance. The unrestricted general fund balance is made up of three parts: the committed, assigned and unassigned components of fund balance.

- c. Committed Fund Balance – the portion of fund balance that represents resources whose use is constrained by limitations that the government imposes on itself at the highest level of authority (i.e., resources accumulated due to stabilization agreements). The committed fund balance does not lapse at year-end. Formal action via resolution by the Board of Education is required to commit funds and to expend funds in the committed fund balance or to remove the constraint via resolution to rescind prior resolution.
- d. Assigned Fund Balance – the portion of fund balance that reflects a government's intended use of resources by the government's highest level of decision-making authority, or by their designated body or official.

- e. Unassigned Fund Balance – the portion of fund balance that reflects any net (residual) resources in excess of what can be properly be classified in any of the other categories of fund balance and reports deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

3. GUIDELINES

3.1 Minimum Unassigned Fund Balance – The Board of Education recognizes that good fiscal management comprises the foundational support of the entire District. To make that support as effective as possible, a minimum unassigned general fund balance of 5 percent of the District's general fund annual operating expenditures should be maintained, and a maximum not to exceed 15 percent. If the unassigned fund balance drops below 5 percent, it shall be recovered at a rate of 1 percent each year until the 5 percent level is attained.

3.2 Order of Expenditure – For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance and lastly, from the unassigned fund balance.

3.3 Unassigned Funds – Should unassigned fund balance of the general fund ever exceed the maximum 15 percent range, the District may consider such fund balance surpluses for one-time expenditures that are nonrecurring in nature and which will not require additional future expense outlays for maintenance, additional staffing or other recurring expenditures. The Board should also consider the virtues of increasing allocations to restricted, committed and assigned funds rather than spending down the unassigned fund balance.

3.4 Securing Explicit Board Approval

- a. Explicit Board approval via resolution is necessary for all appropriations from committed, assigned and unassigned funds except funds encumbered at fiscal year-end for purchases and/or services incurred prior to fiscal year-end. Board approval may be obtained via stand-alone resolution or combined with other allocations, such as budget or budget amendment resolutions.
- b. Should the Board be presented with and approve a budget that results in an unassigned fund balance of less than 5 percent of the District's general fund annual operating expenditures, the budget approval resolution shall explicitly state that the Board is fully aware of that fact and that the Board is also approving a waiver to this Fund Balance Policy. In this way, the Board will be acknowledging that the proposed budget is not merely drawing down funds, but drawing down funds beyond recommended levels.

3.5 Committed and Assigned Funds – The following committed or assigned funds established by the Board of Education shall be evaluated for appropriate funding levels in the following manner. The administration shall use most currently available actuarial data to calculate appropriate funding levels upon Board of Education acceptance and approval of the Annual Comprehensive Financial Report, and shall submit a resolution to the Board of Education for authorization of new commitments/un-commitments or assignments/un-assignments, and shall use revised values throughout the budget process for the following year.

- a. Insurance Claims – in an effort to mitigate current and future risks associated with any claims, including those in excess of the District's self-insured retention of \$500,000.

- b. Workers Compensation – in order to mitigate current and future risks associated with the District’s self-funded workers’ compensation program. Commitment (or assignment) shall not exceed 50% of the independent actuarial estimate for Workers’ Compensation long-term liability for the most recent valuation report.
- c. Other Post-Employment Benefits (OPEB) – in an effort to plan for future liabilities and contingencies such as cost increases associated with the District’s share of retiree health insurance expenditures in accordance with GASB 45 recommended practices. Commitment (or assignment) shall be no less than one and not more than two subsequent fiscal years’ worth of actual retiree claims expenses.
- d. Health Insurance Rate Stabilization Reserve Fund – for as long as the Memorandum of Agreement of November 2011 is in effect, commitment (or assignment) shall be informed by the most recent Joint Health Insurance Committee recommendations available prior to publication of annual financial statements.
- e. Pension Stabilization (ERS/TRS) – in an effort to plan for the impacts of future contribution rate increases commitment (or assignment) shall not exceed 10% of the most recent years’ amount of employer contributions.
- f. Other commitments (assignments) – the Board reserves the right to establish/unestablish other commitments (assignments) due to unforeseen, future circumstances that may arise during the normal course of business.

3.6 Restricted Funds – The Office of the New York State Comptroller provides guidance on what funds can be established as restricted funds in the Local Government Management Guide (LGMG). This District opts the following allowable purposes as restricted funds:

- a. Workers’ Compensation – available for use by school districts in accordance with GML Section 6-j that are self-insurers under Section 50(4) of the Workers’ Compensation Law.
- b. Unemployment Insurance Fund – available for use by school districts in accordance with GML Section 6-m for those who have elected to reimburse the State Unemployment Insurance Fund for claim payments in lieu of making contributions.
- c. Other Restricted Funds – other restricted funds include, but are not limited to, debt service obligations, student activity funds and other funds established as a result of year-end adjusting entries.

3.7 Timeline

- a. The Board may direct the administration to add or dissolve restricted, committed or assigned funds from unassigned fund balances at any time throughout the year via resolution and may direct the increase or decrease of existing fund balances when financial circumstances justify such actions.
- b. The Superintendent shall seek Board approval, through resolution, of fund balance changes that are driven by necessary year-end adjustments after fiscal year-end and before publication of the annual financial statements.

- c. This policy should be reviewed annually by the Board with any required revisions in place in advance of the Board adoption of the annual budget.

Notes: Adopted August 25, 2011 pursuant to Resolution No. 2011-12: 170. Amended March 2, 2021 pursuant to Resolution 2020-21: 692; Amended May 25, 2023 pursuant to Resolution No. 2022-23: 722; Reviewed February 27, 2025 with no amendments pursuant to Resolution No. 2024-25: 544

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