

FUND BALANCE POLICY

1. PURPOSE

Fund balance measures the net financial resources available to finance expenditures of future periods. The District's Unassigned 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 unrestricted 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. (CCS)

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.

- 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.

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.

- 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). 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.
- Assigned fund balance - the portion of fund balance that reflects a government's intended use of resources (i.e.: assigned for retiree health insurance costs, costs due to litigation or

insurance claims, etc.) by the government's highest level of decision-making authority, or by their designated body or official.

- 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, the Board intends to follow Government Finance Officer's Association ("GFOA") recommended best practice and maintain a minimum unrestricted general fund balance of 5 percent of the District's general fund annual operating expenditures, and a maximum not to exceed 15 percent. If a 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 Assigned and Unassigned Funds - Should unassigned fund balance of the General Fund ever exceed the maximum 15 percent range, the District will 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.

3.4 Securing Explicit Board Approval. – Should the Board be presented with and approve a budget that results in an unrestricted 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.

This policy should be reviewed by the Board each year at the beginning of the budget development process.

Adopted August 25, 2011 pursuant to Resolution No. 2011-12: 170. Amended March 2, 2021 pursuant to Resolution 2020-21: 692