

2012 2016

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Non-Instructional/Business
Operations**SUBJECT: MAINTENANCE OF 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 Port Jervis City School 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 differences 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 starting with the most binding constrains:~~

Classification of Funds

The District will ensure that funds are classified consistent with Governmental Accounting Standards Board (GASB) Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Consequently, fund balance amounts will be categorized as non-spendable, restricted, committed, assigned, or unassigned.

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

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

Guidelines – In accordance with the limits imposed by New York State Real Property Tax Law §1318, the Board of Education will strive to maintain an unassigned general fund balance of not more than 4 percent of the budgeted expenditures for the ensuing fiscal year. If the unassigned portion of the fund balance exceed 4 percent, the Board of Education will evaluate current reserves and designations in order to determine the final distribution of fund balance in any fiscal year in consideration of estimated liabilities of the District and sound financial planning.

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Compliance

The District will adhere to the reporting requirements of Article 3 of the General Municipal Law of the State of New York, and the practices set forth in GASB Statement Number 54.

RESERVE BALANCE

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 annually. The Assistant Superintendent for Business 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 interest earned by the reserve fund;
- Capital gains or losses resulting from the sale of investments of the reserve fund, if applicable;
- The total amount of each withdrawal from the reserve fund;
- The total assets of the reserve fund showing cash balance; and
- An analysis of the projected needs for the reserve fund in the upcoming fiscal year and a recommendation regarding funding those projects needs.

Reporting of reserved balances will be presented to the public as part of the auditor's annual report to the Board of Education.