

Fund Balance Policy

Background

In February 2009, The Governmental Accounting Standards Board (GASB) issued GASB Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions. Statement 54 establishes five classifications for Governmental Funds: non-spendable, restricted, committed, assigned, and unassigned.

This policy establishes goals and provides guidance concerning the desired level of year-end fund balance for non-spendable, restricted, and assigned fund balances to be maintained by CEWW BOCES.

Definitions

Fund balance is a measurement of available financial resources and represents the difference between total assets and total liabilities in each fund.

GASB Statement No. 54 distinguishes fund balance as five 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 following classifications:

- 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 and inventories.
- 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 or enabling legislation.
- Committed – consists of amounts that are subject to a purpose constraint imposed by a formal action of the government’s highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The NYS Office of the State Comptroller has determined that BOCES are not permitted to use this classification.
- Assigned – consists of amounts that are subject to a purpose constraint that represents an intended use established by the government’s highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance.

- Unassigned – represents the residual classification for the government’s general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Guidelines

The fund balance of CEWW BOCES’ General Fund has been accumulated to provide stability and flexibility and to respond to unexpected adversity and/or opportunities.

The order by which CEWW BOCES will spend restricted and assigned fund balance will be evaluated on an annual basis on the current financial conditions.

Fund Balance Classifications – Governmental Funds

The following is a listing of the classifications for CEWW BOCES’ current Reserves and Designations.

Non-spendable Fund Balance

- Reserve for Inventory – is used to restrict that portion of fund balance, which is not available for appropriation. The reserve is accounted for in the school lunch fund.

Restricted Fund Balance

- Unemployment Insurance Reserve Fund (GML § 6-m). This reserve is designated to pay the cost of future unemployment liabilities and shall maintain a balance of monies not to exceed the amount which might reasonably be deemed necessary to meet anticipated claims arising from payments to unemployment insurance which are permitted by law. This reserve shall be accounted for in the General Fund.

The Unemployment Insurance Reserve Fund will maintain a balance of \$295,000. Contributions will be made to the reserve only to such extent as necessary to replenish the balance. This reserve fund may only be utilized in accordance with General Municipal Law Section 6-m at such time that the annual claims exceed the **related** budget appropriations for the given fiscal year.

- Employee Benefit Accrued Liability Reserve Fund (GML § 6-p). This reserve is designated for the payment of accrued employee benefits due an employee upon termination of the employee’s service. This reserve shall maintain a balance of monies not to exceed the amount obligated for compensated absences at year-end. Interest will be credited to the reserve annually. This reserve shall be accounted for in the General Fund.

The Board may authorize contributions to the reserve in an amount not to exceed the estimated year-end liability, to the extent the amount is covered by current year budget appropriations.

- Retirement Contribution Reserve Fund (GML § 6-r). This reserve is designated to pay the cost of employer retirement contributions to State and Local Employees Retirement System (ERS) and shall be maintained at an amount to be determined annually by the Board based on existing market conditions and future anticipated contribution rates for the NYS and Local Employees Retirement System. Interest will be credited to the reserve annually. This reserve shall be accounted for in the General Fund.

Contributions to this reserve may be made at such time as the annual budget appropriations exceed the current ERS obligation and the reserve balance is below the annually approved amount. If it is determined that an excess exists in the reserve, the reserve may be reduced in accordance with General Municipal Law, Section 6-r.

- Retirement Contribution Reserve– Teachers’ Retirement System (TRS) Sub-Fund (GML §6-r). This reserve is designated to finance employer retirement contributions to the New York State Teachers’ Retirement System as authorized by the Board. The balance of the Reserve Sub-Fund shall not exceed 10% of the total compensation or salaries of all teachers (as that term is defined in Education Law §501[4]) employed by the BOCES who are members of TRS paid during the immediately preceding fiscal year. Interest will be credited to the reserve annually. This reserve shall be accounted for in the General Fund.

Annual contributions, as authorized by the Board, to the Reserve Sub-Fund shall not exceed 2% of the total compensation or salaries of all teachers (as that term is defined in Education Law §501[4]) employed by the BOCES who are members of TRS paid during the immediately preceding fiscal year.

Assigned Fund Balance

- Reserved for Encumbrances – represents the amount of outstanding encumbrances at the end of the fiscal year. The Purchasing Agent shall be authorized to assign reserves for encumbrances.
- Career and Technical Education (CTE) Instructional Equipment Reserve Fund. Section 1950 of the Education Law and Section 170.3 of the Regulations of the Commissioner of Education permits Boards of Cooperative Educational Services (BOCES) to establish a Career Education Instructional Equipment Reserve Fund for the replacement and purchase of advanced technology equipment used in instructional programs (§ 1950(4)(ee); 8 NYCRR § 170.3(k). This reserve is further governed by the BOCES under Policy #6227. Interest will be credited to the reserve annually and shall be accounted for in the Capital Fund.

Purchases from the reserve fund are limited to technologically advanced equipment costing \$1,000 or more. The Board, upon recommendation from the District Superintendent, shall be authorized to assign uses of this reserve.

Annual Report to Board

A reserve plan summary will be maintained and presented to the Board annually with projected recommendations on contributions, utilizations, and balances to be maintained at such time as annual budgets have been evaluated.

Delegation of Responsibility

The District Superintendent and/or Designee shall be responsible for the enforcement of this policy.

Adopted July 8, 2020