

SUBJECT: FUND BALANCE IN ACCORDANCE WITH GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENT NO. 54

Purpose: The following policy has been adopted by the Board in order to address the implications of Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the BOCES and jeopardize the continuation of necessary public services. This policy will ensure that the BOCES maintains adequate fund balances and reserves in order to:

- a. Provide sufficient cash flow for daily financial needs;
- b. Secure and maintain investment grade bond ratings;
- c. Offset significant economic downturns or revenue shortfalls; and
- d. Provide funds for unforeseen expenditures related to emergencies.

Fund Balance Reporting in Governmental Funds

Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

1. Nonspendable Fund Balance

- *Definition* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Classification* – Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):
 - *The BOCES will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance)*
 - *The BOCES will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained intact*

2. Restricted Fund Balance

- *Definition* – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

3. Assigned fund balance

- *Definition* – includes amounts intended to be used by the BOCES for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.
- *Authority to Assign* –The Board delegates to the District Superintendent or his/her designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

4. Unassigned fund balance

- *Definition* – includes the residual classification for the BOCES general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.
- *Operational guidelines*. The following guidelines address the classification and use of fund balance in governmental funds:
 - Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.
 - Encumbrance reporting - Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54.
 - Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the BOCES for the District Superintendent or his/her designee to determine the order of the expenditure of funds, on an annual basis.

Adopted: July 11, 2012