

GENERAL FUND RESERVE

The Livingston Parish School Board, in order to protect the financial integrity of school operations, desires to maintain an adequate General Fund Reserve. It is the desire of the School Board that the Fund Reserve be sufficient to continue the school system's daily operations during any financial adjustment period of declining revenues and/or increasing expenditures.

Within this policy, reserves shall be defined as the excess of assets over liabilities in the general fund. Reserves shall be categorized as:

1. Non-spendable (in form)
2. Restricted (limitations on use imposed by third parties)
3. Committed (imposed by the Livingston Parish School Board on itself by formal action at its highest level of decision-making authority, which shall be by duly adopted resolution)
4. Assigned (imposed by the Livingston Parish School Board on itself to earmark funds for an intended use)
5. Unassigned (residual fund balance remaining after considering the other four (4) categories)

PURPOSES GENERAL FUND RESERVE

The School Board shall establish and maintain an adequate balance in the General Fund Reserve in order to:

1. Plan for contingencies, such as natural disasters, unpredicted one-time large expenditures, revenue shortfalls, or other events or service needs that were unanticipated during budget development;
2. Provide stability and flexibility to respond to unexpected adversity or opportunities;
3. Maintain good standing with bond rating agencies;
4. Avoid interest expense by building reserves which allows using them for intended purposes or to cover short-term cash shortfalls;
5. Generate investment income by investing reserves; and
6. Ensure cash is available to sustain services when revenues are unavailable.

RESERVE TARGET LEVELS

The total target amount of all reserves noted below shall be a minimum of ten percent (10%) of the General Fund's total annual expenditures. Additionally, the School Board shall require the Superintendent, or his/her designee, to place these funds into the reserves to address unforeseen emergencies or disasters, revenue instability, and legal liability issues. The use of General Fund Reserve below the established minimum limit of ten percent (10%) should only be for unanticipated or unforeseen events of a non-recurring nature. The Livingston Parish School Board commits to maintaining the following reserves.

1. Property/Fire Reserve – Funds reserved under this category shall be used to offset any insurance deductible and/or out-of-pocket expenditures, beyond those provided for in the annual budget, for losses sustained to the School Board's buildings, land, and contents.
2. General Liability Reserve – Funds reserved under this category shall be used to offset any insurance deductible and/or out-of-pocket expenditures, beyond those provided for in the annual budget, for losses sustained to the School Board's General Liability, Errors and Omissions, or Faithfull Performance insurance policies.
3. Worker's Compensation Reserve – Funds reserved under this category shall be used to offset any insurance deductible and/or out-of-pocket expenditure, beyond those provided for in the annual budget, for worker's compensation related expenditures.
4. Other Post-Employment Benefits Reserve – Funds reserved under this category shall be used to offset expenditures for retirees post-employment benefits, beyond those provided for in the annual budget.
5. Undesignated Reserve – Monies not designated to one of the four reserve categories shown above shall be placed into this reserve.

PERIODIC REVIEW OF TARGETS

The Superintendent shall review the General Fund Reserve requirements and thresholds of this policy as a part of the annual operating budget adoption process, as well as, each time a General Fund budget revision may be presented to the School Board for approval.

FUNDING AND REPLENISHING THE TARGET AMOUNT

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the School Board shall consider for approval expending funds in the restricted fund balance first. When expenditures are incurred for purposes for which committed, assigned, or unassigned

fund balances are available, available fund monies shall be utilized, in order from the following monetary reserves: *committed fund balance*, then *assigned fund balance*, and finally *unassigned fund balance*.

New policy: January 21, 2021

Ref: La. Rev. Stat. Ann. §§17:88, 17:89, 17:89.1; Board minutes, 1-21-21.