

## **RESERVES**

The Acton-Boxborough Regional School Committee believes that prudent financial management includes maintaining a reasonable amount of reserves for the long-term health of the district. The Government Finance Officers Association (GFOA) notes that it is essential that governments maintain adequate levels of fund balance to mitigate current and future risk. Massachusetts General Laws (MGL) c.71, Section 16B and 16B ½ require regional school districts to maintain an Excess and Deficiency Fund (E&D) as the reserve account, and limit the total amount in the E&D account to no more than 5% of the budget.

The Acton-Boxborough Regional School Committee recommends that the District maintain in its E&D fund a target reserve level between 4% and 4.5% of operating expenses.

Funds in E&D shall be used primarily for one-time expenses such as:

- Phasing in of new initiatives;
- Capital expenditures;
- Expenses that will be reimbursed or funded through other sources in the future;
- Emergencies; and
- Funding of Capital Stabilization Fund

Using E&D funds for these one-time expenses may result in lowering the budget and assessments to the member communities.

Legal Ref: M.G.L. Chapter [71, Sections 16B and B ½](#)

Cross Ref. [ABRSD Regional Agreement](#)

Government Finance Officers Association (GFOA): Best Practice Advisory: Fund Balance (2015), Guidelines for the General Fund

Approved: 5/23/19