

**Masconomet Regional School District
Reserve Fund FAQ**

STABILIZATION FUND

How was the Stabilization Fund established?

Established in 2004 by majority vote of the School Committee and majority vote of member towns.

How is the Stabilization Fund funded?

1. School Committee may include a line item in each year's annual budget to appropriate monies into the Stabilization Fund.
2. Warrant Article.
3. Move money from E&D Fund, operating or other reserves.

Maximum annual request is 5% of the District's General Fund balance if using method 1 or 2 to fund Stabilization.

Is there a limit to the funds that may be held in the Stabilization Fund?

Stabilization Fund balance may not exceed 5% of the combined equalized valuations of the member towns in the preceding fiscal year, except if approved by the Commissioner of Elementary and Secondary Education.

Are there any restrictions on the use of the Stabilization Fund?

May be used for any purpose which the School District may borrow money or for other purposes as approved by the Commissioner of Elementary and Secondary Education.

Often used for capital expenses.

How is the Stabilization Fund accessed?

By a 2/3 vote of all members of the School Committee.

What is the practice of the School Committee with respect to the Stabilization Fund?

Almost exclusively used for Building and Grounds maintenance.

Funded initially by interest accrued on the construction funds from the 2001 building project.

More recently, Stabilization funding has been through transfers from the E&D Fund.

Other Stabilization Fund information.

Custodian of fund is the district's treasurer.

All interest earned on stabilization fund must become part of fund.

If Stabilization Fund is funded as a line item in the school operating budget, it cannot be increased or decreased that year. Additions made through transfers from E&D and amending approved budget/assessments to towns.

Unexpended stabilization balances carry over to next fiscal year.

EXCESS AND DEFICIENCY (E&D) FUND

How was E&D Fund established?

By statute, all regional school districts must have an E&D fund.

How is the E&D Fund funded?

1. E&D comes from the annual closeout of surplus or deficiencies in the district's general fund.
2. School Committee may include a line item in the budget for a reserve for extraordinary and unanticipated expenditures.

Is there a limit to the funds that may be held in the E&D Fund?

The balance in E&D may not be greater than 5% of the total General Fund budget.
E&D Fund over 5% of the General Fund budget must be used to lower towns assessments.

Are there any restrictions on the use of the E&D Fund?

No restrictions on the use of E&D Fund.

Typically used for one-time or unforeseen costs.

How is the E&D Fund accessed?

By majority vote of the School Committee (post annual certification by state).

What is the practice of the School Committee with respect to the Stabilization Fund?

Used for emergency/unforeseen projects and non-recurring or unforeseen expenses.

Maintain sufficient E&D Fund balance to avoid short term borrowing.

E&D Fund balance minimum of 4% of current year's General Fund.

Other E&D Fund information.

E&D Fund must be annually certified before use, this typically occurs in February.

Masco's policy is to maintain a minimum balance of 4% of the current year's general fund expenditures.

Town equivalent is free cash.