

The image features a green background with faint, overlapping text including 'STOCKS', 'BOND', 'DIVERSIFY', and 'GROW'. A large, semi-transparent upward-pointing arrow is centered on the page. On the right side, there is a vertical strip showing a stack of US dollar bills, with the number '2' and 'B 2' visible on one of the bills.

FUND BALANCE 101

What is Fund Balance?

- **Created when**
 - Actual revenues exceed budgeted
 - Actual expenditures are less than budgeted
 - Or more typically a combination of both
- **Used**
 - To offset tax levy
 - Stability of tax impact while maintaining program
 - One time expenditures
 - Emergency health/safety concerns



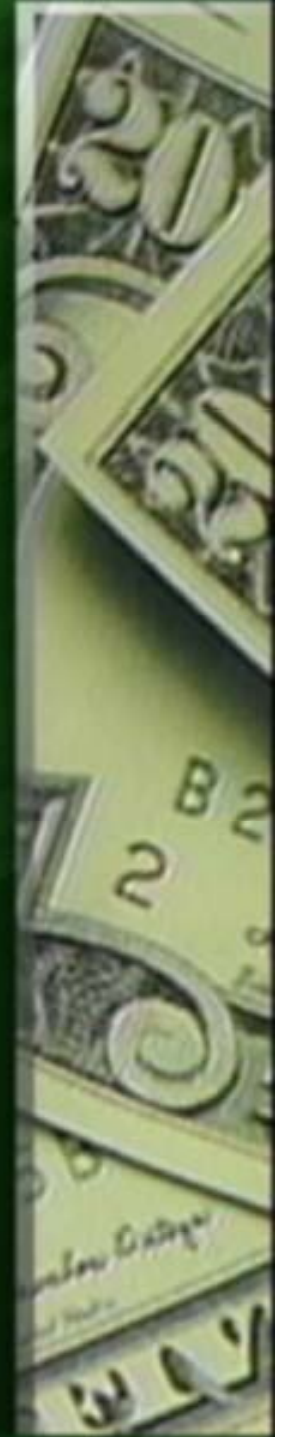
Fund Balance Planning

- Where have we seen poor fund balance planning?
 - Late 1980s - 42% tax increase
 - 2005-2006 - 26.88% tax increase



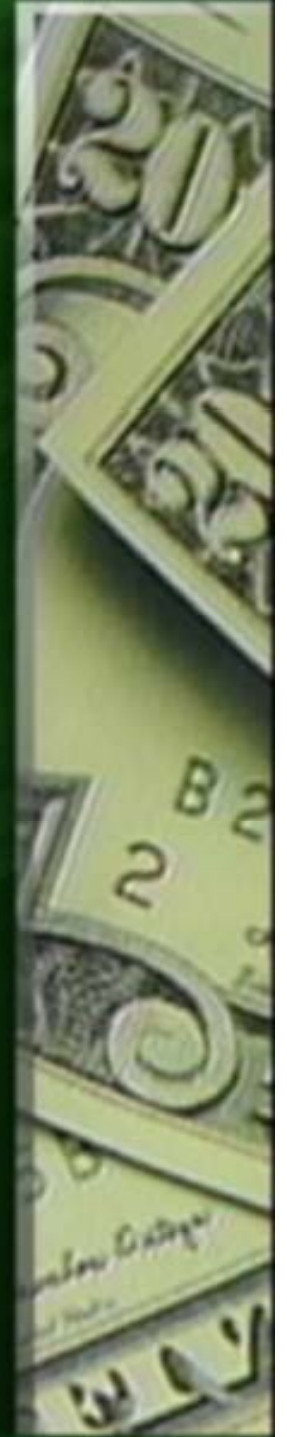
Port Jervis Fund Balance History

	FB Applied	Tax Levy	Incr Levy over PY
99-00	1,450,000	12,071,214	4.89%
00-01	1,200,000	12,559,800	4.05%
01-02	1,100,000	13,173,273	4.88%
02-03	2,303,629	13,838,255	5.05%
03-04	1,000,000	15,454,721	11.68%
04-05	2,207,722	16,451,825	6.45%



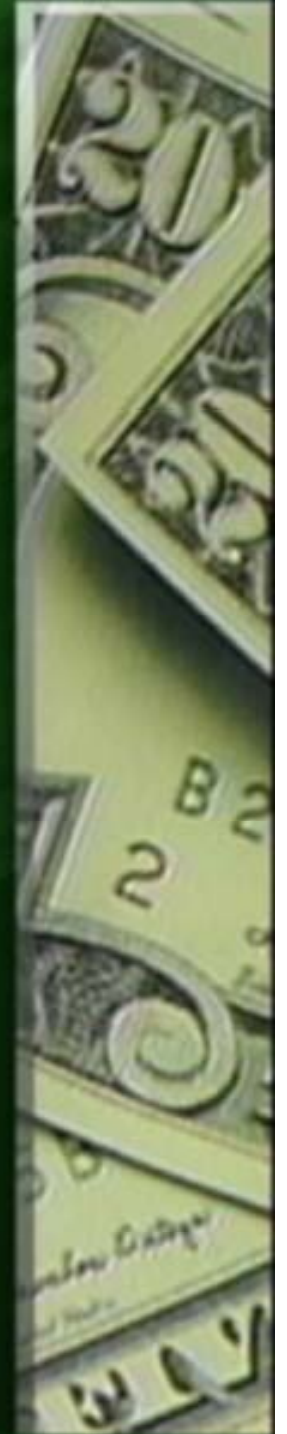
Port Jervis Fund Balance History

	FB Applied	Tax Levy	Incr Levy over PY
05-06	844,863	20,874,617	26.88%
06-07	500,000	22,126,475	6.0%
07-08	725,000	23,150,342	4.6%
08-09	725,000	23,843,619	3.0%
09-10	630,000	24,481,586	1.5%
	250,000		One time
	715,700		One time



Port Jervis Fund Balance History

	FB Applied	Tax Levy	Incr Levy over PY
09-10	630,000	24,481,586	1.5%
	250,000		One time
	715,700		One time
10-11	745,000	25,204,780	2.95%
	200,000		One time



Fund Balance Planning

- Assumed facts
 - One point on the levy = \$250,000
 - One point on the budget = \$630,000
 - Available fund balance = \$5,000,000
 - No additional year end excess
- State aid and tax warrant
 - Share increases 50%/50%
 - **Not realistic in current economy**



Illustrative Example Only

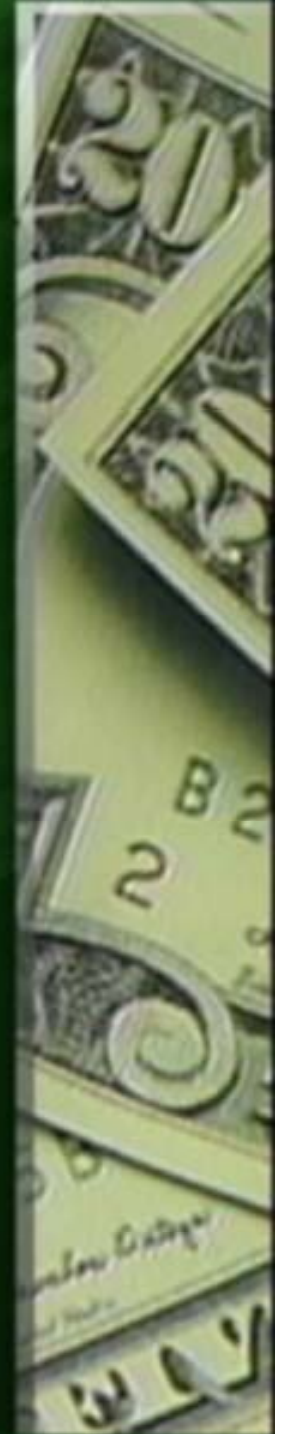
			Bud Inc State Aid	Bud Inc Tax Warrant
FB @ 6/30/09	5,000,000			
09-10		630,000 250,000 715,700	315,000	315,000
10-11 2.95% levy inc		745,000 200,000	0	0
10-11 to get to 0		Need to apply 750,000		
FB @ 6/30/11	1,709,300			

Illustrative Example Only

	FB		Bud Inc State Aid	Bud Inc Tax Warrant
FB @ 6/30/11	1,709,300			
11-12 Budget Inc 2.5% Tax Inc 3.2% available fb	214,300	1,495,000	787,500	787,500
If apply all fb Tax Inc. 2.3%	0	214,300		
12-13 Budget Inc 2.5% No fb available Tax Inc = + Tax Inc 9.98%	Prior Yr FB Current Yr Inc	(1,709,300) (787,500)	787,500	787,500

Fund Balance Example Recap

	Fund Balance Applied	Projected Levy Increase
09-10	\$ 630,000	1.5%
10-11	\$ 1,495,000	0%
11-12	\$1,709,300	2.3%
12-13	\$ 0	9.98%



Fund Balance Planning

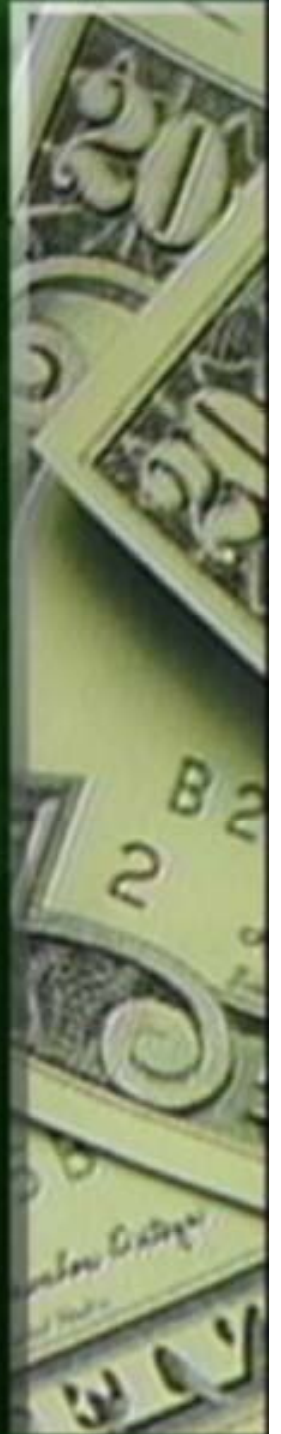
- Put simply:
 - If apply fund balance in one year
 - If not available in next year
 - Increase for next year begins with unavailable fund balance
 - Example
 - Fund Balance applied is \$1,000,000 to reduce to 0 and no fund balance available to offset next year's warrant - START with a 4% tax increase **WITHOUT** considering budget increases



Fund Balance Planning

- Plan

- Use between \$500,000 - \$725,000 a year
- Fund Balance - in worse case scenario have funds to provide for at least five years
$$5 \text{ years} * \$725,000 = \$3,625,000$$
- If Excess - address one time needs



Fund Balance Planning

**LET'S LEARN FROM OUR MISTAKES
LET'S PLAN**

Use of fund balance needs to be stable

Without stability :

- large fluctuations in tax levy
- risk educational program

**Fund balance needs to be available to maintain
stability in future years**

