



## **POLICY 6300**

### **MINIMUM FUND BALANCE**

**Policy Category:** Finance and Business Services

**Area of Administrative Responsibility:** Finance

**Board of Trustees Approval Date:** March 21, 2017

**Effective Date:** March 22, 2017

**Amendment History:** Repealed May 12, 2009 version

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#### **PURPOSE**

This policy is created in consideration of unanticipated events that could adversely affect the financial condition of the College and jeopardize the continuation of necessary services. This policy will ensure that the College maintains adequate fund balances and reserves.

#### **SCOPE**

This policy is effective throughout the College.

#### **POLICY**

In accordance with sound fiscal management and with the intent of maintaining sufficient financial resources to effectively respond to unexpected fluctuations in revenues or expenditures, Nassau Community College shall strive to maintain an unrestricted fund balance equivalent to a minimum of 4% to 7% of its unrestricted operating budget when proposing such budget to its local sponsor.

Due to the State and County funding streams being unpredictable and the desire to impose an equitable tuition rate upon our students, Nassau Community College establishes a fund balance policy that sets a minimum recommended level consistent with community college operations. Such minimum recommended level shall be an unreserved fund balance of no less than 4% of the prior year's operating budget. However, when favorable revenue streams materialize and/or the

College experiences minimal unanticipated expenditures, such fund balance should strive for between 4% and 7% of the prior year's operating budget.

In addition to unreserved fund balance, the administration and Board of Trustees may establish reserves for contingencies that take into consideration issues that are specific to the College, not inconsistent with Article 2 of the General Municipal Law. Other reserves that are authorized by State law may be established after required action by the Board of Trustees and the County (sponsor). Such reserves may help stabilize the policy objectives of the College. Unreserved fund balance may be used for emergencies of a non-recurring nature as a result of natural disasters or physical plant emergencies. Such emergencies are defined as expenditures necessary to remedy situations that impede the delivery of our mandated services to our students or situations that may cause physical harm to individuals or property on the Campus. Fund balance, below the stated minimum levels, should not be used to fund recurring expenditures and/or to merely supplement operating revenues to balance a budget. However, use of the fund balance may be necessary and permitted if unanticipated reductions in revenue streams occur after the operating budget has been adopted.

In the event that fund balance is below the 4% minimum as set forth above, subsequent budgets should recognize the need and desire to maintain such level. The operating budget should be adjusted accordingly so as to raise sufficient funds to meet both the minimum desired level of fund balance and to fund the operating expenditures. Generally, the College should re-establish the desired fund balance level within three (3) years, unless otherwise approved by the Board of Trustees.