

ATTACHMENT C

Fund Balance Policy

Definitions.

Fund balance - The excess of assets over liabilities in a governmental fund.

Nonspendable fund balance - Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).

Restricted fund balance - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, enabling legislation, bond resolutions adopted by the Authority or other contractual obligations of the Authority. Any amounts in the following funds established pursuant to the Authority's Amended and Restated Sewer System Revenue Bond Resolution adopted May 26, 2021 (the "Bond Resolution"), constitute restricted fund balances: the Construction Fund, Net Revenue Fund, Debt Service Fund, Debt Reserve Fund, Redemption Fund, Subordinated Indebtedness Fund and Rebate Fund (all of which are held by M&T Bank as Trustee under the Bond Resolution) and the Operating Fund and Capital Improvement Fund (both of which are held by the Authority pursuant to the Bond Resolution).

Committed fund balance - Amounts constrained to specific purposes by the Authority itself using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Authority takes the same highest-level action to remove or change the constraint.

Assigned fund balance - Amounts the Authority intends to use for a specific purpose; intent can be expressed by the Board or by an official or body to which the Board delegates the authority. Any amounts in the Rate Stabilization Fund established pursuant to the Bond Resolution would constitute assigned fund balances.

Unassigned or unrestricted fund balance - Amounts that are available for any purpose; these amounts are reported only in the General Fund, which is designated in the Bond Resolution as the Surplus Fund.

Policy Statement

The fund balance of the Authority's General Fund has been accumulated to meet this purpose, to provide stability and flexibility to respond to unexpected adversity and/or opportunities.

The target is to maintain an unrestricted fund balance of not less than 15% of annual operating expenditures for the fiscal year.

The Authority's basic goal is to maintain annual expenditure increases at a growth rate, and to limit expenditures to anticipated revenue in order to maintain a balanced budget. The decision to retain an unrestricted fund balance of not less than 15% of operating expenditures stems from the following:

- This amount provides adequate funding to cover approximately two (2) months of operating expenses.
- This amount provides the liquidity necessary to accommodate the Authority's uneven cash flow, which is inherent in its periodic sewer rent collection schedule.
- This amount provides the liquidity to respond to contingent liabilities.
- The Government Finance Officers Association recommends the minimum General Fund unrestricted fund balance to be maintained should be no less than either two (2) months of regular operating revenues or expenditures.

The Board will set aside certain amounts for capital projects as committed fund balance. Amounts to be determined by the General Manager based on the amounts available, the planned projects and other financing sources. In accordance with the Bond Resolution, the Board will designate in the Annual Budget a Renewal and Extension Requirement, which will be funded annually for capital projects from available funds in the Net Revenue Fund.

The Board will set aside committed fund balances to cover the amount of outstanding purchase orders or encumbrances that have been approved by the Board.

The Board will set aside certain amounts for future insurance claims. Amounts to be determined by the General Manager based on availability of fund balance, claim trends and potential for future claims.

The Board will allow the General Manager to determine the proper amounts to be assigned for purposes as they determine necessary.

The Board will allow the General Manager to determine the amount to be assigned for capital asset replacements (or other issue).

Beginning in the year ending June 30, 2011, unassigned fund balance shall be any remaining amounts.

This policy may be amended from time to time per the Board.

To the extent available in accordance with all constitutional provisions, laws, bond resolutions and other contractual obligations of the Authority, the Authority will spend the most restricted dollars before less restricted in the following order:

- a) Nonspendable (if funds becomes spendable)
- b) Restricted
- c) Committed
- d) Assigned
- e) Unassigned