

**POLICY RELATING TO BUDGET/FINANCE**

**BUDGETING EXCESS & DEFICIENCY (E&D)**

The Wachusett Regional School District Committee will provide guidance for the budgeting and use of Excess & Deficiency (E&D) funds in accordance with M.G.L. Chapter 71, Section 16B1/2 and CMR 41.06.

E&D as defined by the Department of Revenue (DOR) is “free cash” resulting from the calculation of remaining unrestricted funds from operations of the prior fiscal year based on the balance sheet as of June 30<sup>th</sup>.

The Wachusett Regional School District will establish and maintain an E&D fund and close any surplus or deficit to this fund at the end of each fiscal year. The District will manage each year’s budget through conservative revenue projections and controlling expenditures with an aim toward completing each fiscal year with a positive fund balance.

- A. On or before October 31 of each year the District will submit required forms and schedules to DOR for the purpose of reviewing and certifying the balance of the District’s E&D fund.
- B. Each year the District may use a portion of certified E&D as a revenue source for its proposed budget. If the certified balance exceeds five percent (5%) of the proposed budget, the District will use the amount in excess as a revenue source for its proposed budget. (\$80 million x 5% = \$4 million).
- C. The School Committee recognizes that maintaining cash reserves has a positive impact on the District’s credit rating for bonding purposes. The School Committee recommends that the balance of the E&D Fund not get below one percent (1%) of its proposed budget. (\$80 million x 1% = \$800,000).
- D. If emergent circumstances exist, the School Committee may approve use of E&D as additional revenue within the current fiscal year. In such instances E&D should be used to replenish other reserves or to pay for a non-recurring one-time expenditure.
- E. If E&D is used as an additional source of revenue, the School Committee shall vote to amend the current year budget and notify the member communities of the amount of E&D to be used. The Member Towns will have 45-days to call a special Town Meeting to vote down this request.

Regulatory Authority: 603 CMR 41.00; M.G.L. c. 69, §1B; c. 71, §14B and §16D; c. 150E, §1.

First Reading: 05/21/14

Second Reading: 06/23/14