

The logo of the Irvington Union Free School District is a circular seal. It features a large, stylized letter 'I' in the center. The text 'IRVINGTON' is arched across the top, and 'UNION FREE SCHOOL DISTRICT' is arched across the bottom. Below the 'I', the Latin motto 'PER ASPERA AD ASTRA' is written. To the left of the 'I' is 'NEW YORK' and to the right is '1856'.

Understanding Fund Balance/Reserves

June 21, 2022



Categories of Fund Balance

Fund Balance

- Unassigned Fund Balance
 - Recommended amount is 4% of next year's budget
- Appropriated Fund Balance
 - Funds designated for revenue for next year's budget
 - Approved in budget process
- Reserve for Encumbrances
 - Incomplete orders at year-end that carry over to next year's budget
 - Amounts fluctuate from year-to-year
- Reserve Funds
 - Restricted for specific purposes
 - Funds assist with long range financial planning and future budgetary "surprises"



Categories of Fund Balance (cont.)

Current Reserve Funds

- Tax Certiorari
 - Used to pay tax refunds on successful claims
- Capital Fund
 - Used with voter approval for future projects
- Worker's Comp
 - Used for self-insured districts to pay claims
- Employee Benefits Liability (EBALR)
 - Used for contractual employee benefits upon retirement
- TRS/ERS
 - Used for contractual retirement contribution matches set by NYSTRS and NYSERS

More are allowed: Insurance, Repair, Property Loss, Unemployment



Allowable Sources of Fund Balance

- Surplus resulting from expenditures not exceeding revenues
- Borrowing
- Sale of building/land
- Unexpended capital project



Why Have Unassigned Fund Balance?

- Office of State Comptroller/SED recommend 4% of the next year budget as unassigned funds as a measure of fiscal health
- Previously larger levels were allowed
- Cash flow – avoid borrowing for T.A.N. and resulting interest costs
- Strong financial health leads to lower borrowing rate for future capital projects
- Ability to weather any potential storms



Why Have Reserves?

- Used for long range planning – known costs
 - Worker's Comp tail claim payments
 - Tax Certiorari refund payments
 - Contractual payments to retirees
- Used for long range planning – known projects such as turf replacement
- Used to manage economic fluctuations
 - TRS/ERS rates increasing can result in severe budgetary pressure
 - Inflation effects - example utilities



Tax Certiorari Reserve

- Began year with \$3,369,291
- Money is added and subtracted each year
- Transferred \$991,471 to General Fund to pay out on settlements for 2021-22
- Total exposure is ~\$28,000,000 based on actual filings but realistic exposure is approximately \$5-\$6,000,000 through settlements and court proceedings
- In 2012-13, District borrowed \$3,575,000 to augment reserve. Final payment for this bond is in 2023-24
- Recommend maintaining current level or adding to tax cert reserve with remaining surplus funds available to avoid future borrowing



Current Fund Balances

As of June 30, 2021

Reserve	Amount
Unassigned Fund Balance	\$2,654,468
Appropriated Fund Balance	\$422,500
Reserve for Encumbrances	\$214,305
Reserve for Tax Certiorari	\$3,369,291
Reserve for Employee Benefits Liability	\$421,668
Reserve for Capital	\$766,462
Reserve for TRS/ERS Liability	\$550,691
Reserve for Worker's Compensation	<u>\$800,062</u>
Total	\$9,199,448



Funding Recommendations

- Fund to 4% limit for Unassigned Fund Balance
- Add \$300,000 to Capital Reserve
- Add \$200,000 to Worker's Comp Reserve
 - Relieve need for future budgetary increases and allow for settlements on tail claims
 - Net increase is \$115,800 as \$84,200 was subtracted
- Add \$200,000 to Reserve for Employee Benefits and TRS/ERS Reserves
- Add any remaining surplus funds to Tax Certiorari Reserve
 - Estimated to be around \$2,000,000
 - Approximate net increase of \$1,008,529 as \$ 991,471 was utilized this year

Estimates are based on current financials and accrual estimates. Final numbers available end of July/August as audit is completed.



Projected Fund Balances Illustrated

As of June 22, 2022

	2020-21 Year End	2021-22 Recommended Projected *	Net Change **
Unassigned Fund Balance	\$2,654,469	\$2,739,000	\$84,531
Appropriated Fund Balance	\$422,500	\$422,500	\$0
Reserve for Encumbrances	\$214,305	\$234,310	\$20,005
Reserve for Tax Certiorari **	\$3,369,291	\$4,377,820	\$1,008,529
Reserve for Employee Benefits Liability	\$421,668	\$621,668	\$200,000
Reserve for Capital	\$766,462	\$1,066,462	\$300,000
Reserve for TRS/ERS	\$550,691	\$750,691	\$200,000
Reserve for Worker's Compensation **	<u>\$800,062</u>	<u>\$915,862</u>	<u>\$115,800</u>
Total	\$9,199,448	\$11,128,313	\$1,928,865
* Projected balance does not include interest revenue still to be added			
** Net change includes fund spent from the reserve during the current fiscal year plus funds expected to be added			