

The seal of the Irvington Union Free School District is a circular emblem. It features a large, stylized letter 'I' in the center. The word 'IRVINGTON' is arched across the top, and 'UNION FREE SCHOOL DISTRICT' is arched across the bottom. Below the 'I', the words 'NEW YORK' and '1856' are visible. At the very bottom, the Latin motto 'PER ASPERA AD ASTRA' is inscribed.

# **Understanding Fund Balance/Reserves**

June 20, 2023



# 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 recommends 4% of the next year's budget as unassigned funds as a measure of fiscal health
- Previously larger levels were allowed
- Cash flow – avoid borrowing for Tax Anticipation Notes (T.A.N.) and resulting interest costs to fund operations until tax funds arrive in October and February
- 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 and reduce budgetary swings
  - TRS/ERS rates increasing can result in severe budgetary pressure
  - Inflation effects - example utilities, health insurance



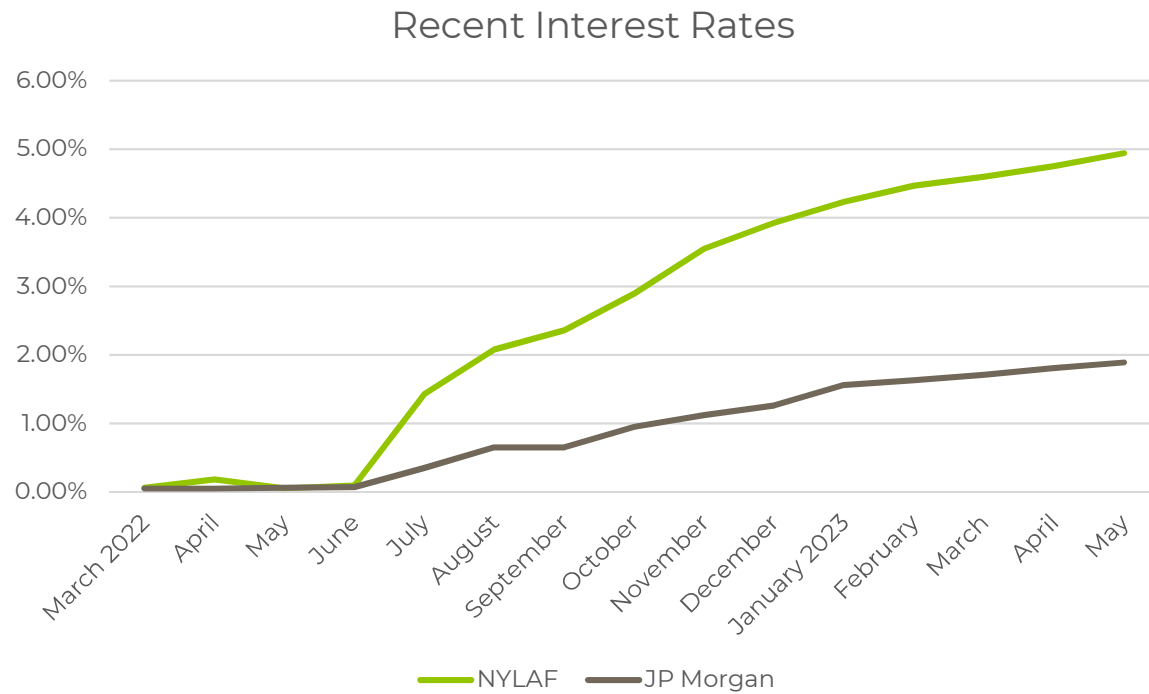
# Do We Gain Interest on Our Reserves?

YES!

- Our reserve funds are invested throughout the year
  - Investments must follow NY General Municipal Law, Article 5-G and 3-A, which requires safety and liquidity
  - District primarily invests through a Local Government Investment Pool managed by NYLAF, NY Liquid Asset Fund; <https://nylaf.org/>
- Some years, interest rates are low and thus cannot be expected to add much to our reserves
- Current year, we expect approximately \$380,000 in interest revenue with rates having grown from 1.83% last July to as high as 5.014% recently in May!



# Recent Interest Rates







## Tax Certiorari Reserve

- Began year with \$4,713,182
- Money is added and subtracted each year
- Transferred \$1,307,667 to General Fund to pay out on settlements for current fiscal year
- 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, the 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, 2022

Reserve	Amount
Unassigned Fund Balance	\$2,739,000
Appropriated Fund Balance	\$422,500
Reserve for Encumbrances	\$469,229
Reserve for Tax Certiorari	\$4,713,182
Reserve for Employee Benefits Liability	\$622,128
Reserve for Capital	\$1,117,300
Reserve for TRS/ERS Liability	\$751,293
Reserve for Worker's Compensation	<u>\$916,737</u>
Total	\$11,751,369



# Funding Recommendations

With an expected surplus of ~\$1,850,000:

- Fund to 4% limit for Unassigned Fund Balance
- Add \$1,250,000 to Capital Reserve
- Add \$50,000 to Worker's Comp Reserve
  - Relieve need for future budgetary increases and allow for settlements on tail claims
  - Lower contribution than previous years as we now have established an adequate reserve level to maintain tail claim expenses
- Add \$50,000 to Employee Benefits Reserve
- Add \$250,000 to TRS/ERS Reserve
  - Auditors cited this reserve is underfunded
- Add any remaining surplus funds to Tax Certiorari Reserve
  - Estimated to be around \$1,250,000
  - Approximate net increase of \$91,495 as \$ 1,307,667 was utilized this year, plus revenue earned

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



# Projected Fund Balances Illustrated

As of June 22, 2022

	2021-22 Year End	2022-23 Recommended Projected Year End*	Net Change **
Unassigned Fund Balance	\$2,739,000	\$2,923,165	\$184,165
Appropriated Fund Balance	\$422,500	\$422,500	\$0
Reserve for Encumbrances	\$469,229	\$300,000	-\$169,229
Reserve for Tax Certiorari **	\$4,713,182	\$4,854,227	\$141,045
Reserve for Employee Benefits Liability	\$622,128	\$654,748	\$32,620
Reserve for Capital	\$1,117,300	\$2,414,406	\$1,297,106
Reserve for TRS/ERS	\$751,293	\$1,032,968	\$281,675
Reserve for Worker's Compensation **	\$916,737	\$1,005,387	\$88,650
<b>Total</b>	<b>\$11,751,369</b>	<b>\$13,607,401</b>	<b>\$1,856,032</b>
* Projected balance does not include interest revenue still to be added for June			
** Net change includes fund spent from the reserve during the current fiscal year plus funds expected to be added			