

COPIAGUE PUBLIC SCHOOLS

Fund Balance Management

A Great Place to Learn
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December 19, 2011

FUND BALANCE MANAGEMENT

What is fund balance? *The district's savings account*

Two components of fund balance: Why do we have these funds?

I. **RESTRICTED** for particular purpose

July 1, 2011
Balances

Reserves for "rainy days":

- | | |
|--|------------------|
| • Retirement System (ERS contribution only) | 1,669,000 |
| • Building Repairs | 94,000 |
| • Insurance: property casualty/liability loss | 128,000 |
| • Workers' Compensation Claims:
- district is self funded | 554,000 |
| • Unemployment Claims | 200,000 |
| • EBLAR Liability - Future Retiree Expense
(Employee benefit accrued liability reserve) | <u>4,039,000</u> |

TOTAL RESTRICTED FUND BALANCE

6,684,000

FUND BALANCE MANAGEMENT

2nd Component of FB

II. UNRESERVED or

unrestricted to allow for as needed or emergency use

- Use to supplement revenue budget

(Reduce tax rate increase due to loss of other revenue – i.e: state aid, etc)

Total **UNRESERVED** fund balance 4,655,078

Total **RESERVED** fund balance 6,684,000

- *Six accounts mentioned previously*

TOTAL FUND BALANCE

(As of July 1, 2011)

11,339,078

FUND BALANCE MANAGEMENT

How is fund balance created? *Two sources:*

I. **EXPENSES**: Spend less money than budgeted. **How does this occur?**

For starters, the overall budget is an estimated spending plan.

- Use of Estimates necessitated by timing issues (i.e: calendars don't match)
 - Retirement System (TRS) *Rate changes set in August – after Budget Vote*
 - Health Insurance Rates: *Rate changes set in January for calendar year*
 - Special Education placements that move out of District during the year
- Staff Attrition (during school year) (*relocation, sick or maternity leave, etc.*)
- Contingency Amounts Built into Budget
 - Reserve for grant cuts (ARRA, C4E) – retain staff if grant funds cut
 - Mid-year state aid cuts. History: occurred in 1990-91 and 2009-10
- Cost Containment Activities
 - Building use restricted (heat, electric, staffing savings)
 - Overtime reductions
- Unanticipated Grants: (Federal Jobs Grant - August 2010, Approved after Budget)
 - Allows Staff who were already budgeted to be paid from grant

FUND BALANCE MANAGEMENT

II. REVENUES: Receive more money than budgeted for. **How does this occur?**

➤ Unanticipated Revenue

Examples:

- Retroactive Payment of Prior State Aid Claims
 - * *\$1,000,000 received September 2010 from year 2000 claim*
- Higher State Aid Based on New Formulas
 - * *NYS budgets routinely passed after May budget vote*
- Competitive Grant Awards received during school year
- Interest Revenue increases (rates change)

➤ Deliberate Under-Budgeting of Select Revenue Types

- Due to Uncertainty (State Aid) – *routinely not known until after May budget vote*
- High Cost Student Placements
 - *Aid generated throughout the year based on claims processed in Albany*

FUND BALANCE MANAGEMENT

How Is Fund Balance Spent? Two ways:

I. UNRESTRICTED FUND BALANCE

- Designate funds as Revenue in the next year, called “**appropriated to following year**”

- There is No Limit to the Amount You Can Transfer
 - However, as a withdrawal, this amount is a one time event.
 - Good Strategy: Be able to replenish or you will result in “spending down reserves”

- How do you determine amount to transfer into revenue?
 - Depends on a few factors:
State aid loss, manageable tax rate, future year needs

FUND BALANCE MANAGEMENT

2nd way to spend FB

II. RESTRICTED FUND BALANCE

- Transfer any excess funds to other (restricted) accounts for Specific purposes (ERS, Unemployment, Workers' Comp.)
 - good strategy to bank money for the future “rainy day”

- Copiague Has Six Reserve Accounts
 - All of these “Bank Accounts” are for a particular purpose.
 - Retirement System Premiums (ERS)
 - Building Repairs
 - Insurance Loss
 - Workers' Compensation Claims
 - Unemployment Claim
 - EBLAR (Retiree Benefits)

FUND BALANCE MANAGEMENT

ANALYSIS OF UN-RESTRICTED FB

Year	Beginning Balance	Deposit Due To:		Transfer In From		Year End Available	Appropriated to Revenue	Transfers Out To:		Ending Balance June 30th
		Expense Less Than Budget	More Revenue than Budget	Other Accounts (restricted FB)	Other Accounts (restricted FB)					
	July 1st	Add	Add	Add	* Equals	Minus	Minus	* Equals		
2003-2004	1,352,657	+ 6,090,162	+ 3,162,936	+ 225,875	= 11,917,270	(3,815,650)	(5,597,210)	1,437,154		
2004-2005	1,437,154	+ 707,095	+ 1,956,623	+ 408,305	= 5,576,433	(3,491,123)	(257,026)	1,436,101		
2005-2006	1,436,101	+ (849,600)	+ 2,532,870	+ 1,063,692	= 4,575,246	(3,491,123)	(255,119)	756,329		
2006-2007	756,329	+ 843,502	+ 3,837,027	+ 0	= 5,509,533	(2,620,000)	(166,136)	2,567,853		
2007-2008	2,567,853	+ 652,429	+ 3,044,806	+ 239,475	= 6,660,107	(2,620,000)	0	3,926,928		
2008-2009	3,926,928	+ 1,589,047	+ (715,069)	+ 1,657,305	= 6,571,390	(2,625,000)	0	3,871,881		
2009-2010	3,871,881	+ 7,099,744	+ 1,734,427	+ 0	= 12,780,561	(4,307,000)	(902,247)	7,362,640		
2010-2011	7,362,640	+ 4,555,226	+ (576,185)	+ 0	= 11,550,355	(5,170,501)	(1,536,510)	4,655,078		
<-----Estimates----->										
2011-2012	4,655,078	+ 2,000,000	+ 100,000	+ 1,450,000	= 8,393,344	(4,000,000)	0	4,243,344		
2012-2013	4,243,344	+ 1,000,000	+ 100,000	+ 1,100,000	= 6,593,344	(3,000,000)	0	3,443,344		
2013-2014	3,443,344	+ 1,000,000	+ 100,000	+ 1,100,000	= 5,793,344	(3,000,000)	0	2,643,344		
2014-2015	2,643,344	+ 1,000,000	+ 100,000	+ 0	= 3,893,344	(3,000,000)	0	743,344		

What is meant by a tighter Budget ?

* Columns do not add across because -NOT shown are amounts for outstanding PO's - that are included in the totals

Expenses: Determined by how little the amount is considered surplus - Look at Expense in 2003-4 and 2009-10 ... compare this to estimated 2011-12, 2012-13 and 2013-14

Revenue: Determined by how little the amount is considered surplus - Look at Revenue in 2006-7 and 2007-8 compare this to estimate in 2011-12, 2012-13 and 2013-14