

NASSAU-SUFFOLK SCHOOL BOARDS ASSOCIATION

FISCAL GOVERNANCE : WHAT YOU NEED TO KNOW

November 1 & 29, 2023

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**Safeguarding the Financial Health
of a School District**

Board of Education

Audit Committee

**Claims
Audit**

**External
Audit**

**Internal
Audit**

**NYSOSC
Audit**

Controls and Reporting

Business Office

*Governance
& community
representation*

*Independent
review
& support*

*Policy &
segregation of duties*

Claims Audit

- Weekly audits on all expenditures "claims" against the district and BOCES;
- Ensuring claims are in compliance, authorized, properly documented, and "true and correct;"
- Provides monthly Claims Report to the BOE for review.

External Audit

- Annual Audit of Financial Statements to render an opinion on whether they are adhering to Generally Accepted Accounting Principles (GAAP);
- Formal School District response to the management letter and Corrective Action Plan (CAP);

Internal Audit

- Annually performs risk assessment of financial policies, procedures & practices;
- Annual Testing and evaluation of one or internal controls to identify risk;
- Recommends changes to improve controls and reduce financial risk;

NYSOSC

NYS Office of Comptroller

- "Five Point Plan;"
- State Audit every five years with a Focus: Internal controls, policies, practices & operations to ensure adequate protection against fraud, waste, & abuse;
- Ad-hoc reporting and audits based on a risk-assessment and previous audits.

IV Pillars...

BOARD MEMBER FISCAL GOVERNANCE: OVERVIEW

- **Fiscal Oversight:**

- Fiduciary Responsibility – stewards of public tax dollars:
 - Ensure monies are properly accounted for & protected;
 - Supervision of school district's financial practice and policy implementation;
 - Review and monitor financial transactions, and reports.

- **Key Questions for Monitoring and Oversight:**

- What Information and Reports Do You Need?;
- How Do You Interpret It (Qualitative or Quantitative)?;
- What Questions Do You Ask, When, and Why?;
- How Frequently Do You Receive Financial Reports?

FISCAL GOVERNANCE: INTRODUCTION



WHAT IS MANDATED? WHAT DO I REALLY NEED TO KNOW?

- Since 2005 (Roslyn Scandal), Section 2102-A of the Education Law requires Board members to obtain a minimum of six (6) hours of training on the financial oversight, accountability, and fiduciary responsibilities of school district and BOCES Board members:
 - How school districts are funded;
 - Qualifications and responsibilities of key financial positions - claims auditor, treasurer, and audit committee, and the relationship of these positions to the Board;
 - Importance of independence and segregation of duties in preventing fraud, waste and abuse;
 - Necessary reports (whom, and how often). Use of reports to assess your school district's financial condition;
 - Examine findings and recommendations from statewide audits to better understand your school district's compliance to key laws such as those regulating fund balance and other reserve funds;
 - Explore fraud, waste and abuse, and actions your Board should take if you suspect irregularities.
- This is the extent of mandated fiscal training. However, knowledge of school finance & governance is far greater...

BOARD MEMBERS DO NOT NEED TO RE-TAKE THE COURSE, ONCE COMPLETED!

FISCAL GOVERNANCE: BUDGET OVERSIGHT



- **Budget Oversight:**

- Board members must annually approve a budget presented by the Superintendent. Long Island budgets frequently exceed \$100MM; local taxes comprise the majority of generated revenue.
 - **BOE members - fiscal stewards of a community's tax money and oversight of expenses;**
- Responsibility extends beyond budget adoption – understanding of staffing & benefits costs, tax-levy limit, *use of reserves and fund balance incorporated in the budget*, budget components, budget-to-budget increases, tax increases, understanding of major cost drivers (increases/decreases), and other revenue sources (PILOT, tuition, etc.);

- **Oversight vs. Overstep:**

- Potential fine line. Oversight occurs through regular review of submitted BOE reports (Treasurers, Appropriation, Revenue, G/L). Understanding variances, spending patterns, budget transfers...reading reports and asking questions;
- Administration (Superintendent and Business Official) manages the budget, and report/provide recommendations. Overstepping by Board members includes directing staff how to manage expenses/revenue, instructing how to develop reports, going around Administrators and staff with regard to fiscal decisions.

FISCAL GOVERNANCE: BUDGET PROCESS



• Board Member Input (Budget Development Process)

- **KEY REMINDER** – The Board adopts the Superintendent’s budget;
- Primarily development occurs on the District level:
 - Understanding “development” – contractual obligations, debt service, fringe benefit trends, BOCES services and costs;
 - Knowledge of existing programs, understanding of educational and fiscal trends – provides basis of discussion and potential recommendations during public session, or discussion with Superintendent;
 - Increased focus - revenue, and taxation matters – sources, State Aid, levy-limit, rentals, etc. Public monies (i.e., taxes);
 - **Questions** – where (if any) are large swings present? What are their causes? What’s the year-to-year contractual obligation increase? Where does debt-service stand (along with Building Aid)? What’s included in the capital/facilities lines for enhancements? CPI?;
 - Critical to read, and re-read the budget books and materials provided. Inquire, **because OSC may ask you the same questions.**

• “Budget” is a year-round effort

- Budget Status/ Appropriation Status Report(s). Revenue Status Reports. General Ledger (G/L);
- Example: Account – Description – Budget – Adjustments – Adj. Budget – Expensed – Encumbered – Available;
- What do these terms mean? What information is relevant and important to understand as BOE member, and what to inquire about through the process?;
- Effectively – where are we from when we adopted the budget in May of the prior school year?

FISCAL GOVERNANCE: ACCURACY OF BUDGET NUMBERS

Budget 18/19	Budget 19/20	Budget 20/21	Budget 21/22	Proposed Budget 22/23
\$7,700,000	\$7,845,000	\$7,975,000	\$8,095,000	\$8,200,000

Actual 18/19	Actual 19/20	Actual 20/21	Projected Actual 21/22
\$7,180,000	\$7,290,000	\$7,400,000	\$7,520,000

❖ Review three-years of actual expenditures - don't compare budget to budget!

FISCAL GOVERNANCE: COMPREHENDING STATE AID REPORTS



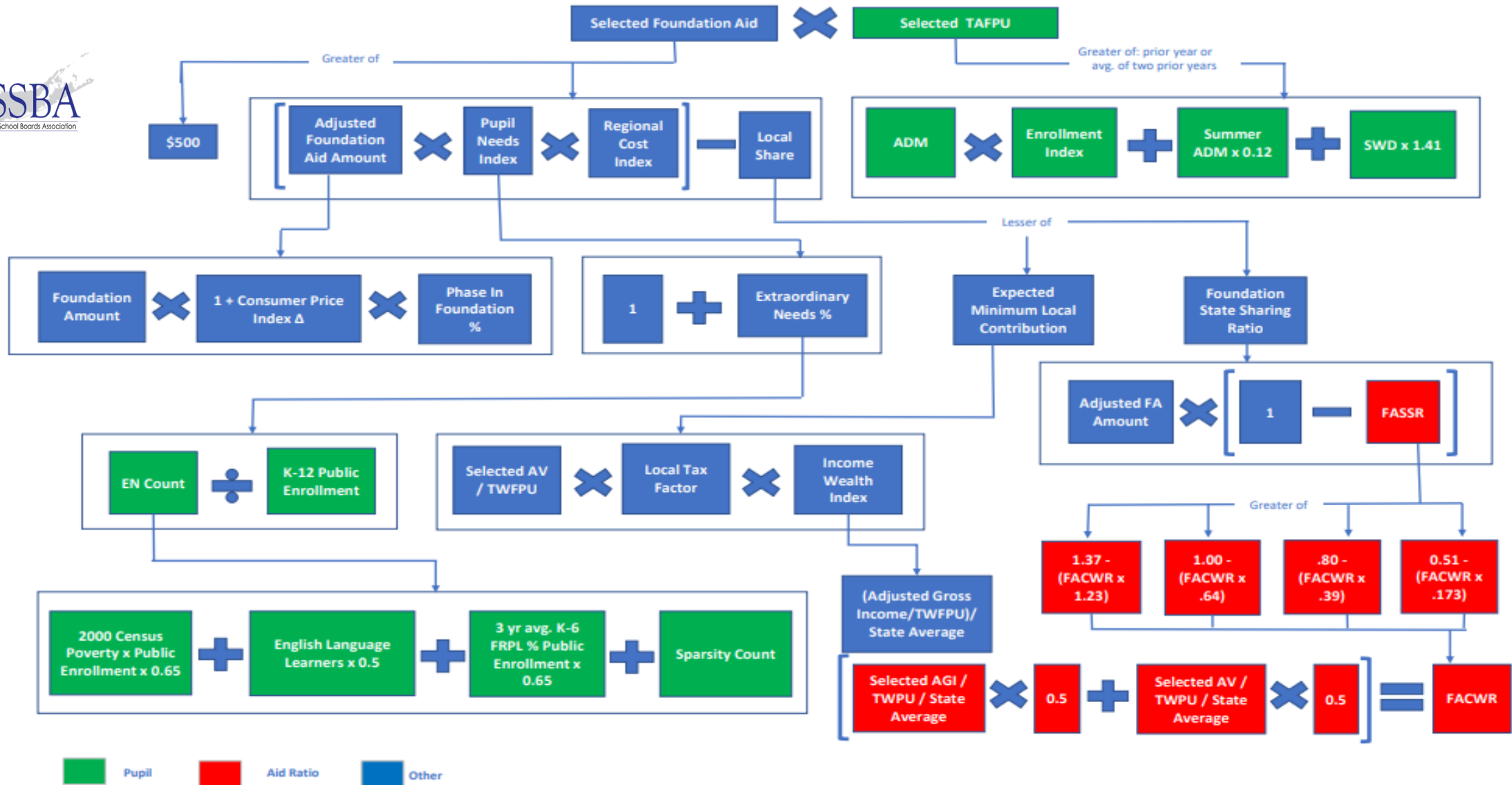
● State Aid Reports (Runs)

- January - Governor (Executive) publishes their iteration of proposed State Aid;
- Late March - the Legislature publishes the finalized State Aid amounts (Legislative);
- Typically, the latter results in a higher amount due to negotiations, updated databases, or included changes;
- **These are projections!**;
- Basis of comparison is not a typical “apples-to-apples,” not an Executive-Executive report comparison over a one-year period;
 - Rather, State Aid reports are compared from “Base-Aid,” calculated AFTER report submission in the fall;
 - Remember – each district is unique with respect to State Aid(s). Blanket percentages published are not indicative of the big picture.

● Grant-In-Aid / Bullet Aid

- Bullet aid - monies, appropriated each year in the budget by the Senate, Assembly and Executive, for specific purposes or projects to educational institutions, including libraries and library systems;
- Purposeful aid to fund special initiatives. NOT to be included as General, or expense-based aids. Non-formula monies (e.g., Teacher Center, Technology Grants, Classroom Redesign, etc.).

FISCAL GOVERNANCE: TOTAL FOUNDATION AID FORMULA



FISCAL GOVERNANCE: FUND BALANCE & RESERVES

• Fund Balance

- Simply Put → [Revenues] – [Expenditures] = Positive or Negative Fund Balance;
 - Encumbrances as related to Expenditures; Projections;
- Board Policy dictates Fund Balance protocols;
 - Provides for an orderly provision of services;
 - Provides taxpayers with information about why resources have been set aside;
 - Provides a framework to help guide budgetary decisions and multi-year plans;
- Non-Instructional/Business Operations section of a District's Policy Book (e.g. Policy # 6420)
- Delineates: Unrestricted, Committed, Assigned, Unassigned, Non-Spendable, and Restricted FB's;
- Included "Spending Policy," as related to Fund Balance management;
- Key to a school district's fiscal health – appropriation, reporting, management, maintenance;
- OSC is very particular about fund balance usage, levels, and appropriation.



Note the proverbial "4%."

FISCAL GOVERNANCE: WHY IS FUND BALANCE SO IMPORTANT?

Fund Balance:

- Provides a cushion for unforeseen expenditures or revenue shortfalls;
- Helps to ensure adequate cash flow;
- Assists in the computation and development of a school district's tax levy;
- Reduces borrowing and interest costs;
- Improves credit rating (S&P, Moody's);
- Funds unbudgeted contingent expenses;
- Funds potential State Aid shortfalls.



FISCAL GOVERNANCE: HOW MUCH FUND BALANCE?

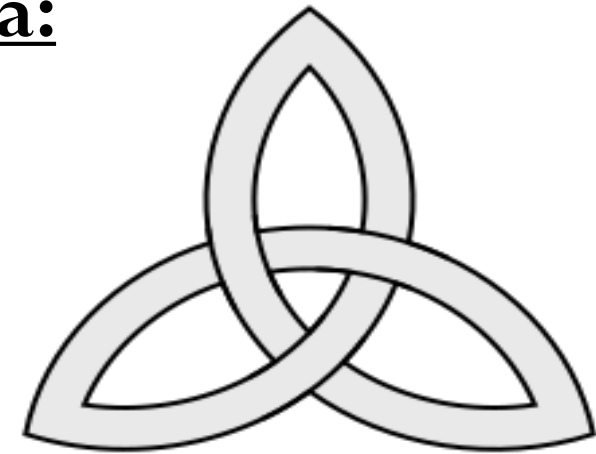
Fund Balance:

- At a minimum, unrestricted fund balance should be no less than two-months of operating revenues or expenditures (~15%);
- School district's unassigned fund balance limited to four (4) percent of next year's budget (RPTL §1318);
- Fund Balance Plan → address all district reserves, use of fund-balance (appropriated), use and funding of reserves, and provide projections.

FISCAL GOVERNANCE: WHAT CAN A DISTRICT DO TO MANAGE F/B?

Fund Balance Trifecta:

- District's Fund Balance Policy;
 - Review, Understand, and Discuss/Revise;
- Monitor Fund Balance;
 - Review, Understand, and Discuss/Revise;
- Long-Term Planning
 - Review, Understand, and Discuss/Revise;



FISCAL GOVERNANCE: AWARENESS & UNDERSTANDING OF FUND BALANCE & RESERVE POLICIES



● Awareness & Understanding

- Annual review of certain documents:
 - Board Policy and any associated regulations;
 - External Auditor's report (Internal, additionally, if area of focus);
 - Annual budget and revenue reports and publications;
 - Treasurer's Report – accounting for reserves separately;
 - Any Fund Balance & Reserve reports presented to Board and community;

● How to Properly Manage

- District Administration manages Fund Balance and Reserves as part of regular operations;
- Board oversight as to the above. Understanding the purpose of each, establishment, use, etc.;
- NYSOSC publication on F/B and Reserves management – “*Local Government Management Guide - Reserve Funds*;”
- Understanding that these are limited sources of funds, and usage should be for specific purposes. Replenishment annually;

READ THE REPORTS!

FISCAL GOVERNANCE: FUND BALANCE POLICIES

Sample Policies:

- Your BOE policy manual should maintain a Fund Balance policy;
- Sample Fund Balance policies - NYSSBA, Erie 1 BOCES, or QUESTAR
“State Aid Planning Fund Balance and Reserves Guidebook.”

[Massapequa Fund Balance Policy](#)

[Plainview-Old Bethpage Fund Balance Policy](#)

[Syracuse City School District Fund Balance Policy](#)



FISCAL GOVERNANCE: FUND BALANCE & RESERVE PLANS

Plan Contents & Objective(s):

- Rationale and purpose for establishing reserve funds;
- Address optimal funding levels of reserves;
- Address funding method;
- Conditions necessary for use (restricted reserves);
- How, and when reserve funds should be replenished;



Recommended review(s) by Board of Education on at least an annual basis.

FISCAL GOVERNANCE:

MANAGING FUND BALANCE CONSIDERATIONS

Procedure:

- Unassigned Fund Balance should be at, or below four (4) percent of next year's budget (RPTL §1318);
- Amount of Appropriated Fund Balance (F/B) needed for subsequent years taxes;
- When to reduce the reliance on Appropriated F/B, & appropriated reserves;
- Reserves → budget to maintain reserves per Fund Balance Policy (see previous);

What about next year?

FISCAL GOVERNANCE: IMPORTANCE OF FUND BALANCE PROJECTIONS

Concept of Projections (Concept of Why?):

- Reduces fluctuations of the school district's tax rate, if planned properly;
- Assists in timely funding of reserves;
- Begin projections in February, and refine every month thereafter;
- Update Fund-Balance Plan, or sheet accordingly;
- Key elements include: encumbrances, estimated revenues, and year-end accruals;
- Ask questions about current fiscal position, variances, and future projections;



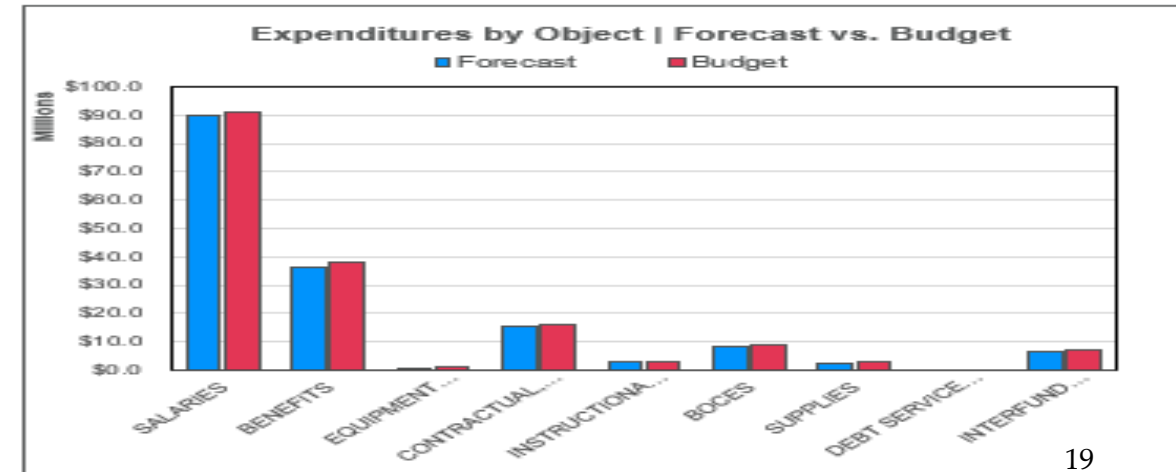
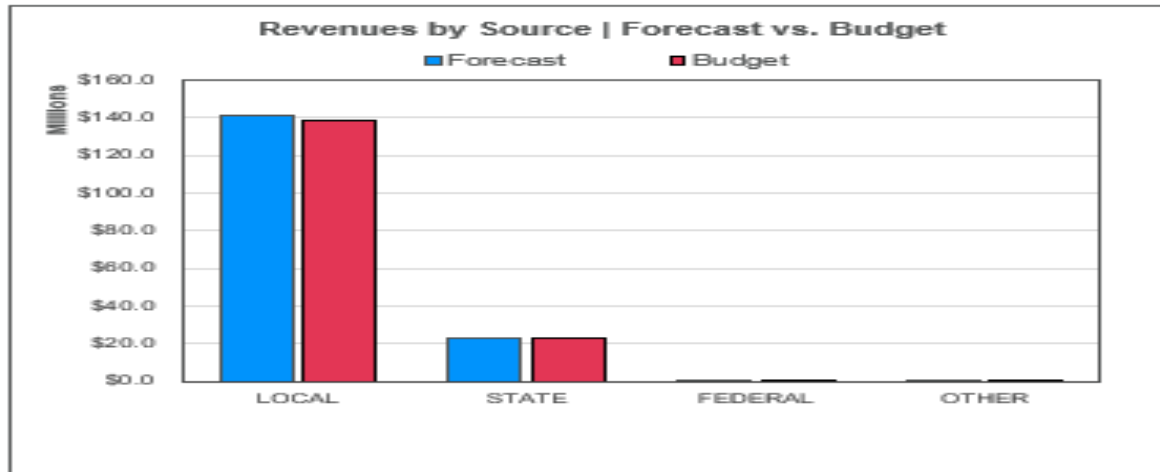
FISCAL GOVERNANCE: SAMPLE PROJECTION

General | Financial Forecast

For the Period Ending December 31, 2021



	Prior YTD	Current YTD	Add: Anticipated Revenues / Expenses	Annual Forecast	Annual Budget	Variance Favorable / (Unfavorable)
REVENUES						
Local	\$5,985,777	\$56,960,489	\$83,846,583	\$140,807,071	\$138,010,297	\$2,796,774
State	4,456,253	3,184,843	20,050,733	23,235,576	22,951,164	284,412
Federal	14,929	57,453	9,879	67,332	20,000	47,332
Other	0	0	60,000	60,000	60,000	0
TOTAL REVENUE	\$10,456,959	\$60,202,785	\$103,967,194	\$164,169,979	\$161,041,461	\$3,128,518
EXPENDITURES						
Salaries	\$24,747,014	\$23,789,156	\$65,975,024	\$89,764,179	\$91,254,414	\$1,490,235
Benefits	8,435,297	8,401,311	27,832,589	36,233,900	37,951,101	1,717,201
Equipment and Capital Outlay	195,255	325,685	547,424	873,109	1,180,679	307,570
Contractual, Supplies and Other	3,714,477	4,850,349	10,881,883	15,732,231	15,923,382	191,150
Instructional Supplies	751,436	656,110	2,050,939	2,707,048	3,237,105	530,057
Boces	1,948,939	2,275,434	5,982,932	8,258,367	8,647,350	388,983
Supplies	1,159,835	738,020	1,491,877	2,229,897	2,988,842	758,945
Debt Service Principal & Interest	0	0	0	0	0	0
Interfund Transfers	0	6,598,175	0	6,598,175	6,889,282	291,107
TOTAL EXPENDITURES	\$40,952,252	\$47,634,239	\$114,762,668	\$162,396,907	\$168,072,155	\$5,675,248
SURPLUS / (DEFICIT)	(\$30,495,293)	\$12,568,546	(\$10,795,474)	\$1,773,072	(\$7,030,694)	\$8,803,766
ENDING FUND BALANCE	\$3,024,759	\$46,381,510		\$35,586,036	\$26,782,270	\$8,803,766



FISCAL GOVERNANCE: SAMPLE PROJECTION

	TOTAL	Unassigned		
		A915 Unappropriated	A916 Tax Reduction Reserve	A917 Unappropriated
Opening balance	30,586,619.22	418,543.45	-	6,725,687.21
Revenues	165,429,140.00			165,429,140.00
Expenditures	(162,189,608.00)			(162,189,608.00)
Change in encumbrances		600,000.00		(600,000.00)
Change in appropriated FB				-
Reserves app for PY				-
Interest allocation				(47,195.81)
Reserves app for CY				(2,296,119.00)
Unused app res				-
Unused reserve - close out				-
Transfers Out-May 2022 Prop #2				4,300,000.00
Transfers in			2,856,909.00	(2,856,909.00)
Closing balance	33,826,151.22	1,018,543.45	2,856,909.00	8,464,995.40

4% of the 2023-24 budget is \$6,929,380.
 \$1.5MM can be funded toward reserves.

FISCAL GOVERNANCE: OUTLOOK FOR 2024-2025



Looking Forward:

2023–2024:

- Last year of the Foundation Aid phase-in initiative;
- Last year of CRRSA Funds (Obligating of funds requirement - September 30, 2023);

2024–2025:

- Last year to use ARPA Funds;
- Requirement of obligating funds - by September 30, 2024;
 - Any new ARPA-ESSER funded construction projects – required SED submittal was October 1, 2023*;
- COVID monies - funds must be liquidated within 120 calendar days after the end of the performance period;
- Both NYSERS & NYSTRS employer contribution rates (ECR) likely to increase due to market underperformance/volatility;
- Trend of increasing special education costs evident across most school districts.

FISCAL GOVERNANCE: THINKING AHEAD

Governance Inquiries:

- What choices will be made to contain expenditure growth?;
- Will the revenue budget require an infusion of reserves and/or Fund Balance to support future-year's expenditures?;
- Does the District have a multi-year fiscal plan to guide the use of reserves and Fund Balance?;
- Will the District become susceptible to fiscal stress by drawing down reserves and Fund Balance too quickly?;
- Review of annual OSC "*Fiscal Stress Monitoring Report.*"

FISCAL GOVERNANCE: FISCAL STRESS WARNINGS



Indicators:

- Significant or recurring operating deficits;
 - Review of audit reports (Actual Revenues v. Actual Expenses);
- Negative, low, or declining Fund Balance;
 - Fund Balance reports;
- Strained cash flow and increased borrowing;
 - Cash flow reports from BOE packets, and fiscal advisor annual Official Statement;

FISCAL GOVERNANCE: FISCAL STRESS WARNINGS (cont.)

Indicators (cont.):

- Spending down reserves too quickly;
 - Monthly reports, and Fund-Balance plan;
- Overspent budgetary appropriations;
 - Monthly budget, or appropriation status reports;
- Unencumbered balance of less than 2% of budget;
 - Audit report, or monthly budget, or appropriation status reports;
- Current ratio less than 2:1 (State average is 2.85).



FISCAL GOVERNANCE: EXAMPLE #1

Analysis – FYE '23:

		General
ASSETS		
Cash and cash equivalents		
Unrestricted	\$	11,142,756
Restricted		2,814,983
Receivables		
Accounts receivable		87,763
Taxes receivable		1,690,157
State and federal aid		821,944
Due from other governments		1,486,002
Due from other funds		799,250
TOTAL ASSETS	\$	18,842,855
LIABILITIES		
Payables		
Accounts payable	\$	3,708,939
Accrued liabilities		631,033
Due to other governments		236,183
Due to other funds		36,739
Due to teachers' retirement system		5,237,627
Due to employees' retirement system		417,684
Compensated absences		126,614
Collections in advance		
TOTAL LIABILITIES		10,394,819
FUND BALANCES		
Nonspendable		
Restricted		
Repairs		311,324
Capital		2,503,659
Debt service		
Scholarships and donations		
Unspent bond proceeds		
Assigned		
Appropriated fund balance		724,067
Unappropriated fund balance		599,166
Unassigned		
TOTAL FUND BALANCES		8,448,036
TOTAL LIABILITIES AND FUND BALANCES	\$	18,842,855

- Current Assets = \$18,842,855;
- Current Liabilities = \$10,394,819;
- “2:1 Ratio” = 1.813;
- Recommendations:
 - Increase revenues/assets;
 - Decrease expenditures/liabilities;
 - Strengthen fiscal position (> 2.0).



FISCAL GOVERNANCE: EXAMPLE #2

Analysis – FYE '23:

	General
ASSETS	
Cash and cash equivalents	
Unrestricted	\$27,170,936
Restricted	73,169,118
Receivables	
State and federal aid	826,706
Due from other governments	6,088,949
Due from other funds	5,002,116
Accounts receivable	22,419
Taxes receivable	3,219,539
Lease receivable	40,221
Inventory	
TOTAL ASSETS	\$115,540,004
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Payables	
Accounts payable	\$2,152,946
Accrued liabilities	1,209,907
Due to other governments	3,178,077
Do to other funds	27,941,483
Due to employees' retirement system	407,414
Due to teachers' retirement system	5,724,516
Unearned credits	
Collections in advance	660,719
TOTAL LIABILITIES	41,275,062
DEFERRED INFLOWS OF RESOURCES	
Tuition	4,409,246
Leases	40,221
TOTAL DEFERRED INFLOWS OF RESOURCES	4,449,467
FUND BALANCES	
Non-spendable: Inventory	
Restricted:	
Workers' compensation	11,205,068
Unemployment insurance	3,990,497
Retirement contribution - ERS	23,647,045
Retirement contribution - TRS	5,018,598
Property loss	1,918,092
Liability	2,714,740
Employee benefit accrued liability	1,427,270
Capital	3,208,237
Repair	9,893,185
Scholarships and donations	
Unspent bond proceeds	
Debt service	
Assigned:	
Unappropriated	1,392,030
Unassigned	5,400,713
TOTAL FUND BALANCES	69,815,475
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$115,540,004

- Current Assets = \$115,540,004;
- Current Liabilities = \$41,275,062;
- “2:1 Ratio” = 2.799;
- Recommendations:
 - Reduce, or re-appropriate fund-balance/reserves;
 - Re-evaluate and/or smooth fiscal position (≥ 2.0);
 - Review Capital needs.



FISCAL GOVERNANCE: STRATEGIES FOR ELIMINATING FISCAL STRESS

Potential Strategies:

- Freeze spending (Deadline/Purchasing Freeze - subjective, based on practice);
- Maximize revenues, and explore cost efficiencies and practices, for example:
 - Energy Performance Contracts,
 - Review interest rate and investments/strategies;
 - Debt refunding,
 - BOCES, co-operative contracts;
 - Building, or space rentals;
- Review current staffing needs and class sizes;
 - Bargaining agreement limitations? Board policy limitations?
- Revisit, an option?



FISCAL GOVERNANCE: WARNING SIGNS – LARGE FUND BALANCE

Indicators:

- Unencumbered balance greater than five (5) percent of budget;
- Large unanticipated revenues not included in budget;
- Current reserves at maximum levels;
 - Look at Capital needs, repairs, or other reserves not yet established;
- Large operating surplus;
- Tax Anticipation Note (TAN) borrowing necessary in prior years - however no longer needed;



FISCAL GOVERNANCE: EXCESS FUND BALANCE – REDUCTION STRATEGIES

Potential Strategies:

- Establish, or fund reserves via Board resolution (samples available);
- Review Capital needs for establishing a voter-approved Capital Reserve;
- Spend appropriations for non-recurring programs or services;
- Reduce Assigned Fund Balance – appropriation for taxes;
- Reduce expenditure budget, similar to the reduction of Assigned Fund Balance – appropriation for taxes.

FISCAL GOVERNANCE: CAPITAL PLANNING & DEBT SERVICE

Approaches & Considerations:

- Most Capital projects generate State Aid (Building Aid);
- When reviewing budgetary effects of Debt Service, also review projected State Aid;
- Work with your fiscal advisor to synchronize debt service payments with the receipt of State Aid;
- An increase in the local share (Debt Service, less Building Aid), will affect Fund balance.



FISCAL GOVERNANCE: CAPITAL PLANNING TOOLS

Resources:

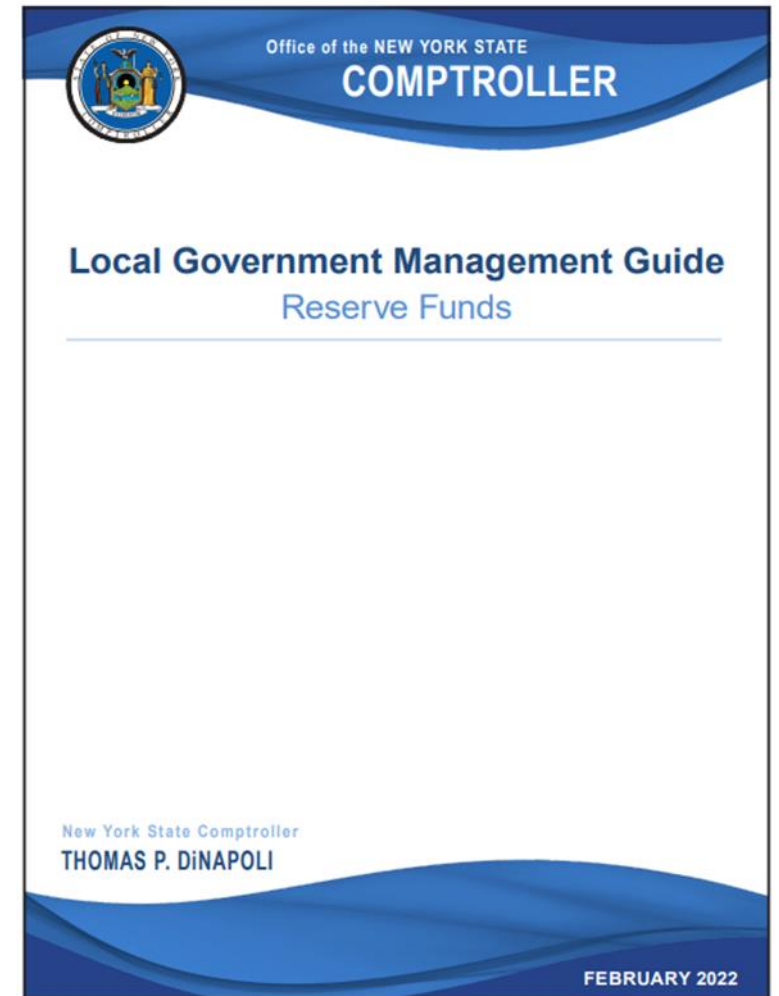
- [OSC Local Government Management Guide: Multiyear Capital Planning](#)
- **Additional OSC Resources:**
 - <https://www.osc.state.ny.us/local-government/resources/planning-resources>
- **Forecast5 / Frontline Analytics**
- **DebtBook**



FISCAL GOVERNANCE: CAPITAL PLANNING GUIDES

- Publications:

<https://www.osc.state.ny.us/files/local-government/publications/pdf/reserve-funds.pdf>

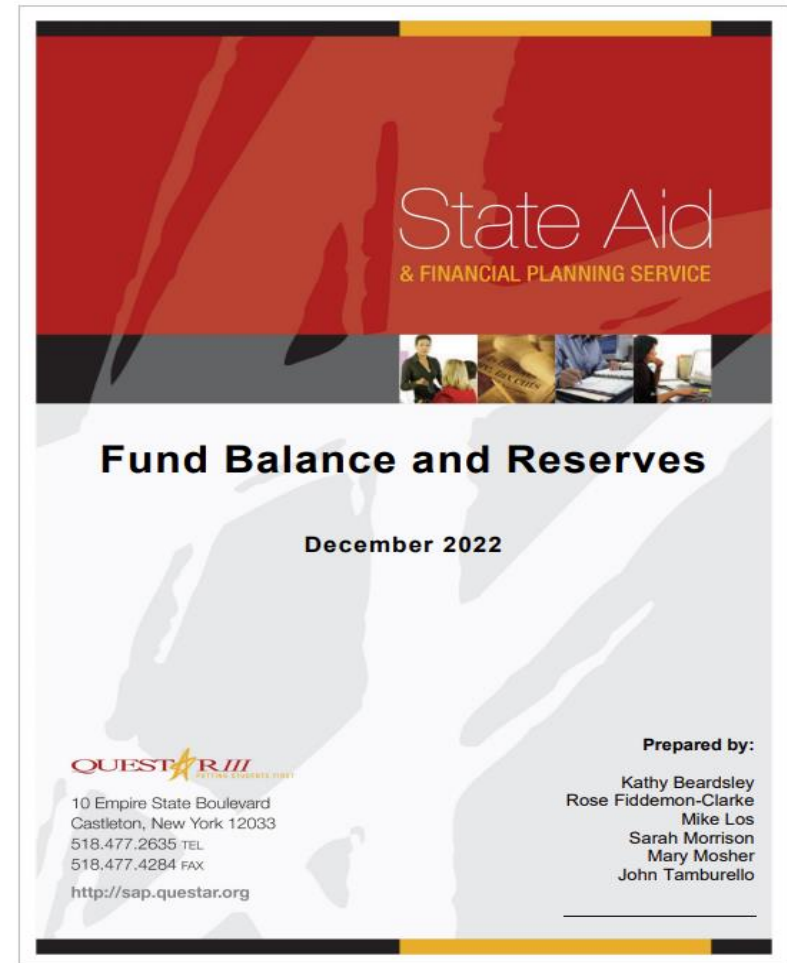


FISCAL GOVERNANCE: CAPITAL PLANNING GUIDES

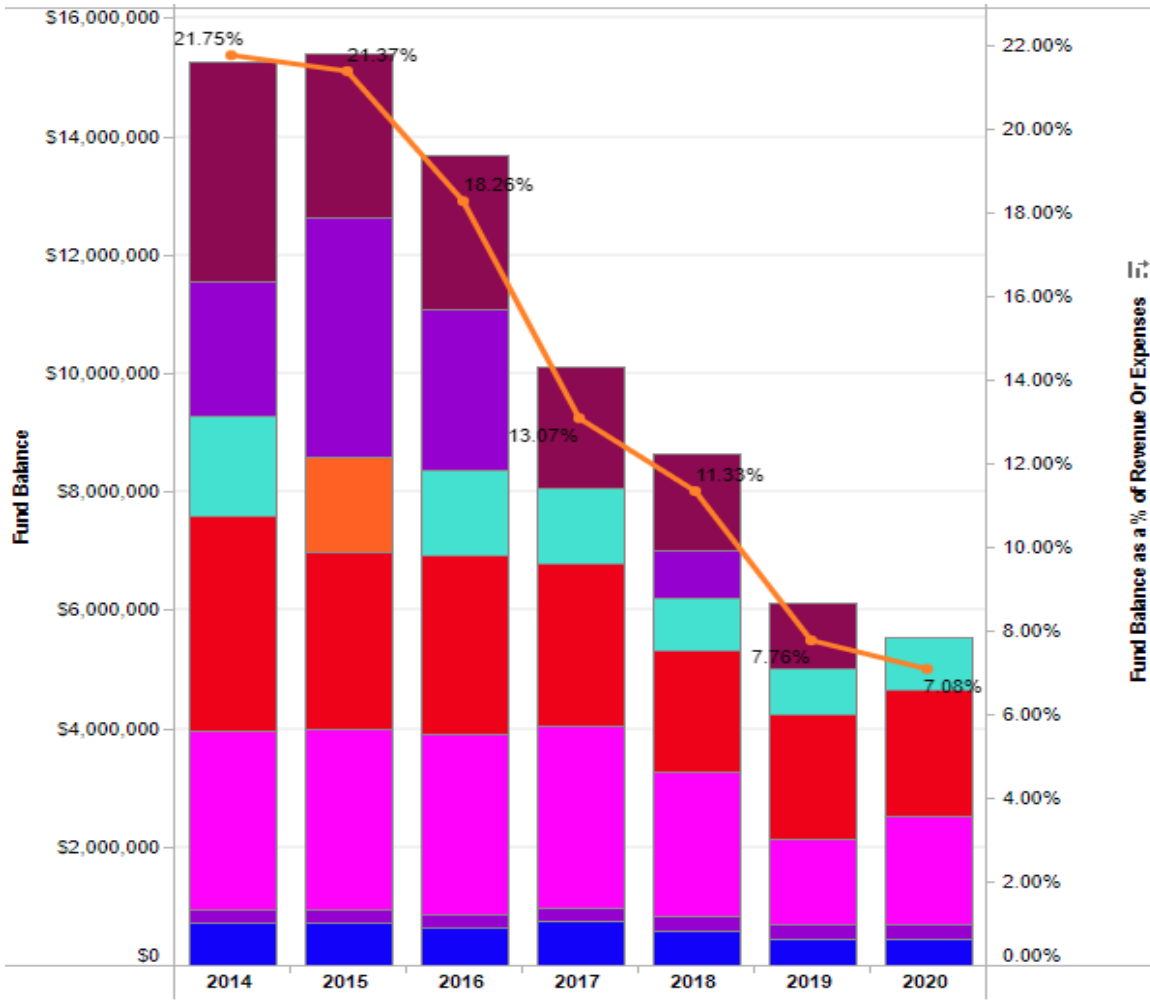
- **Publications:**

<https://www.questar.org/wp-content/uploads/2022/12/Fund-Balance-Reserves-12-2022-Final.pdf>

N-SSBA
Nassau-Suffolk School Boards Association



FISCAL GOVERNANCE: DISTRICT IN FISCAL STRESS



Detail by:

- Assigned Appropriated Fund Balance
- Capital Reserve
- Reserve for Employee Benefits and Accrued Liabilities
- Reserve for Property Loss
- Reserve for Retirement Contributions
- Unassigned Fund Balance
- Unemployment Insurance Reserve
- Workers Compensation Reserve
- % of Revenue Or Expenses

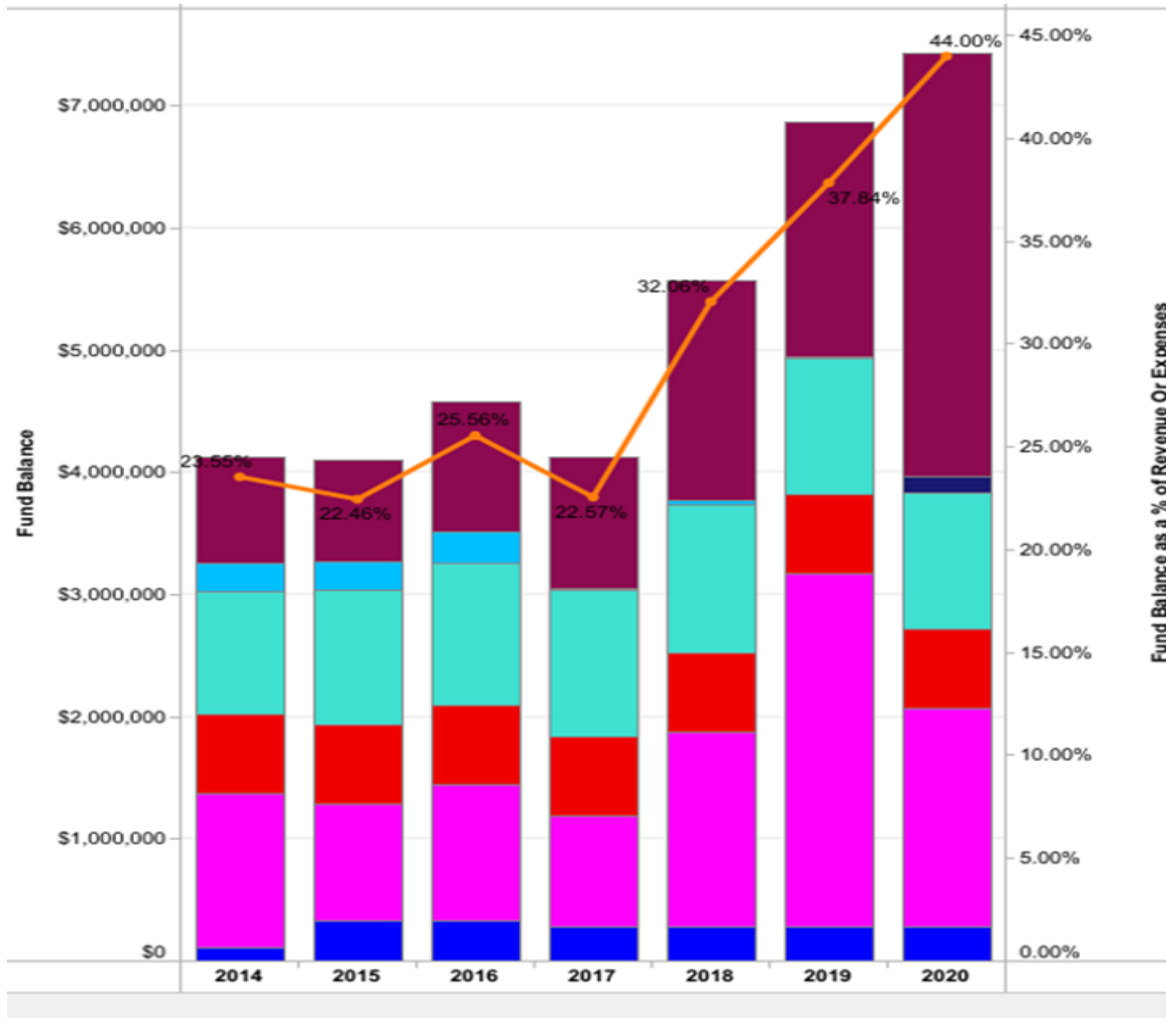
FISCAL GOVERNANCE: REBUILDING FISCAL POSITION STRATEGIES

Strengthening Fiscal Position via:

- Use of Capital Reserve affected total Fund Balance:
 - A normalized transaction;
- Reduced use of Assigned Appropriated Fund Balance:
 - Eventually eliminated Appropriated Fund Balance in 2020;
- Reduced the use of Employee Benefit Accrued Liability Reserve (EBALR);
- Development of a balanced budget helped begin rebuilding Unassigned Fund Balance (proverbial 4%).



FISCAL GOVERNANCE: A DISTRICT WITH OPTIONS



Detail by:

- Assigned Appropriated Fund Balance
- Capital Reserve
- Reserve for Employee Benefits and Accrued Liabilities
- Reserve for Property Loss
- Reserve for Retirement Contributions
- Unassigned Fund Balance
- Unemployment Insurance Reserve
- Workers Compensation Reserve
- % of Revenue Or Expenses

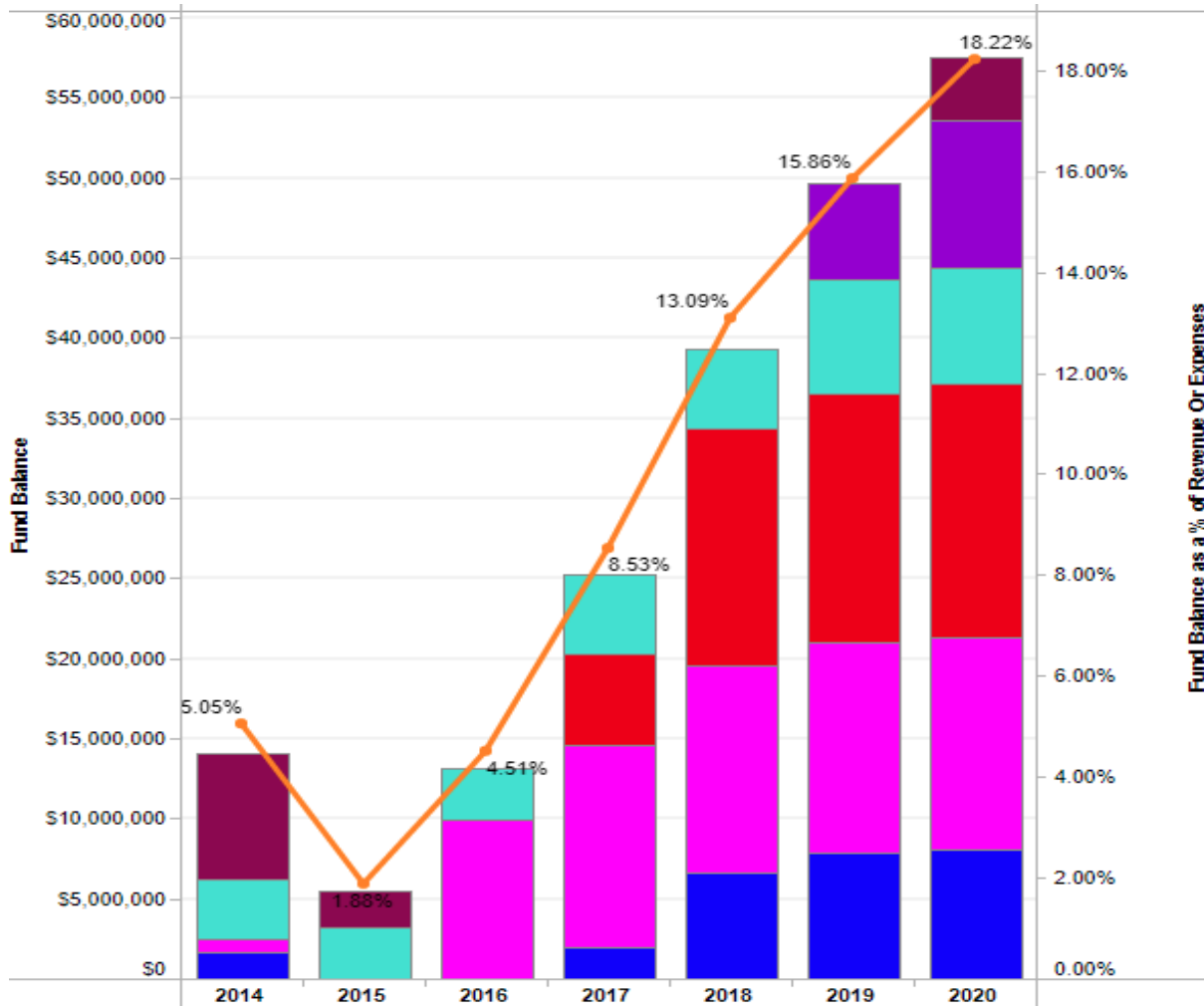
FISCAL GOVERNANCE: PUTTING FUND BALANCE TO WORK

Fund Balance Initiatives:

- Establish a Capital Reserve;
 - Understand needs & parameters, authorize additional reserves as necessary;
- Establish a Repair Reserve;
 - Understand HOW to fund a Repair Reserve;
- If there are Child Victim Act (CVA) claims:
 - Consider establishing an Insurance or Liability Reserve Fund supported by the size of potential claims;
- Moderate tax levy growth.



FISCAL GOVERNANCE: A REBOUNDBING DISTRICT



Detail by:

- Assigned Appropriated Fund Balance
- Capital Reserve
- Reserve for Employee Benefits and Accrued Liabilities
- Reserve for Property Loss
- Reserve for Retirement Contributions
- Unassigned Fund Balance
- Unemployment Insurance Reserve
- Workers Compensation Reserve
- % of Revenue Or Expenses

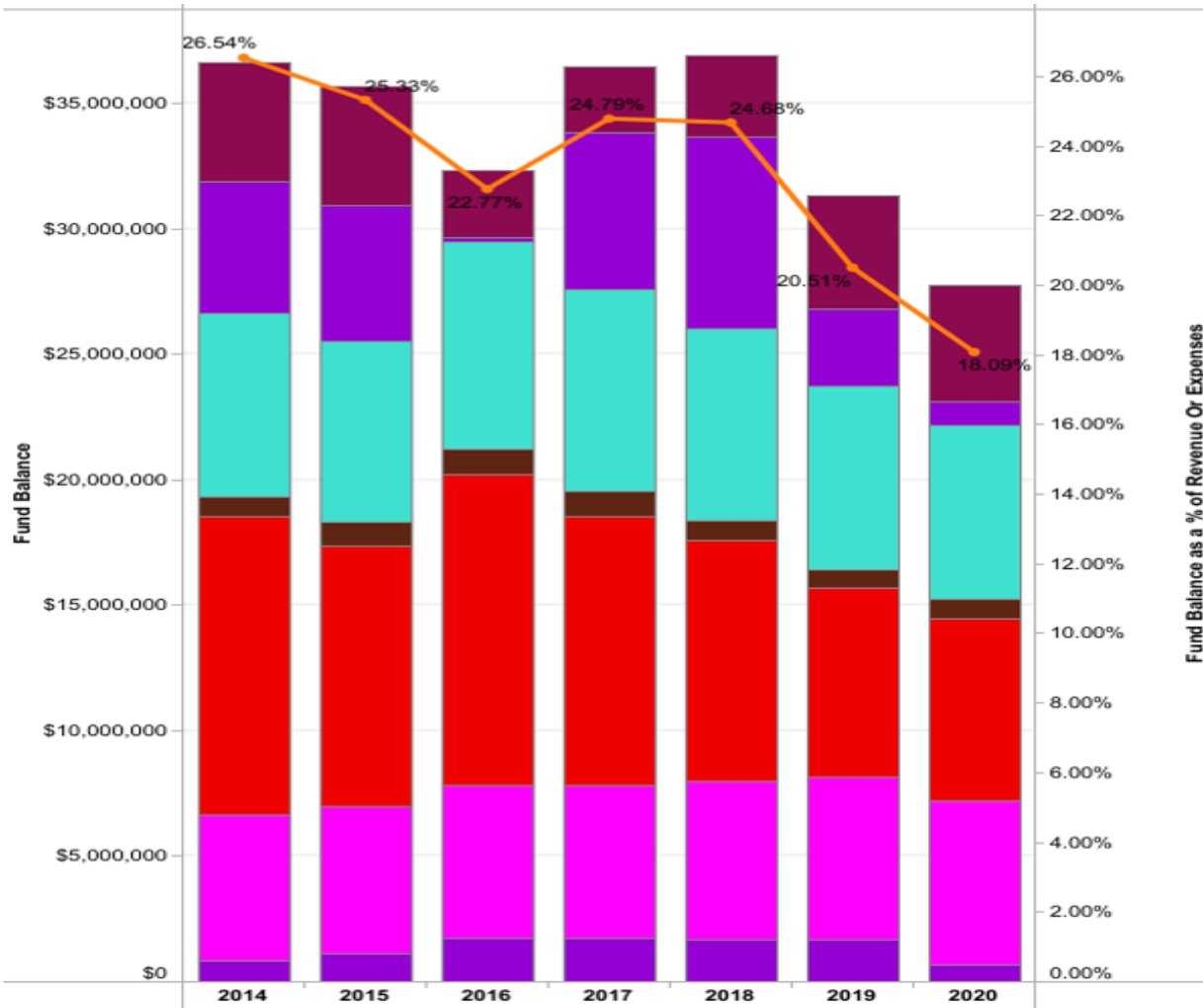
FISCAL GOVERNANCE: WHERE DO WE GO FROM HERE?

Next Steps:

- Begin putting district reserves to work!
 - Review Fund Balance policy and District plan;
- Consider establishing a Repair Reserve;
 - Be cognizant of short-term needs, and resolution language*;
- Reminder - total reserves and F/B are approaching 15-20% of expenditures;
- Develop a multi-year fiscal plan for the use the reserves and set reserve funding targets;
 - Post on District website, for transparency purposes.



FISCAL GOVERNANCE: RESOURCES AT WORK



Detail by:

- Assigned Appropriated Fund Balance
- Capital Reserve
- Reserve for Employee Benefits and Accrued Liabilities
- Reserve for Property Loss
- Reserve for Retirement Contributions
- Unassigned Fund Balance
- Unemployment Insurance Reserve
- Workers Compensation Reserve
- % of Revenue Or Expenses

FISCAL GOVERNANCE: MOVING FORWARD



As a Board/School District, consider:

- Set reserve account funding targets, and share with the BOE, and community;
 - Board of Education meetings, website, newsletters;
- Develop a multi-year plan for the use of reserves and funding targets;
 - Update BOE Fund Balance & Reserve policy, and reserve plan accordingly;
 - Discuss and post on district website;
- Take steps to reverse the decline of total reserves and Fund Balance;
 - Target –*Maintain* a level of 20% of expenses.

Schools must be clear as to how they display financial information on their website(s)!

FISCAL GOVERNANCE: LONG-RANGE PLANNING

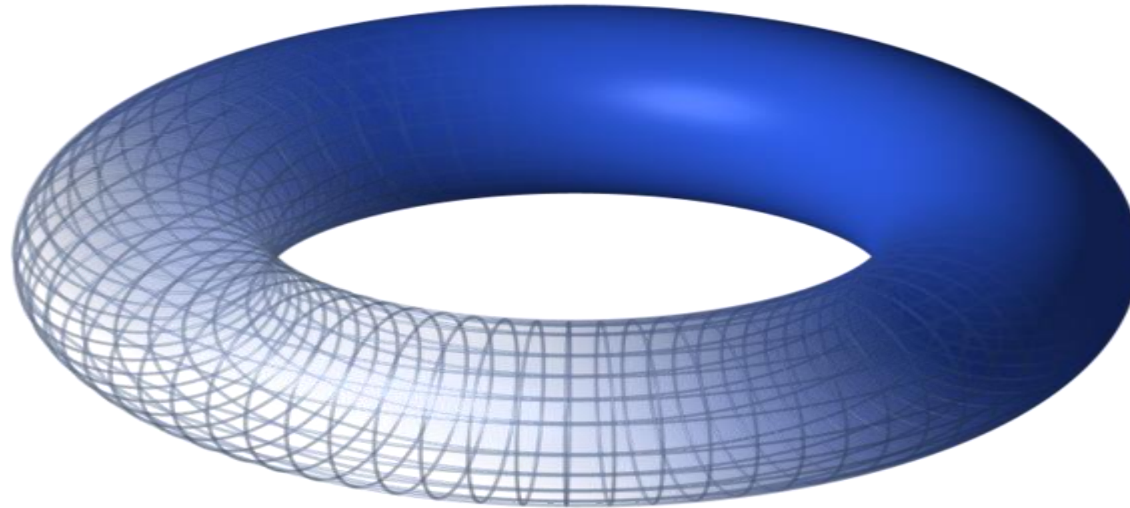
Strategies for securing stability:

- A five (5)-year financial and Capital plan with reasonable assumptions;
 - Review your BCS, and be mindful of daily observations from staff
- Tutorial: From “*The Academy of New York State’s Local Officials*”:
<https://www.osc.state.ny.us/localgov/academy/modules/myfp/index.htm>
- Planning Templates: <https://www.osc.state.ny.us/local-government/resources/planning-resources>
- A documented Reserve, and Fund Balance Plan per district policy;
- Crucial timing - reduce the reliance on Appropriated Fund Balance, and appropriated reserves.



FISCAL GOVERNANCE: RECENT NYSOSC AUDIT FINDINGS

Albert Einstein– “The universe is finite, but unbounded...”



The universe of OSC Audits are also finite, but unbounded...Board members are part of that universe, and their audits.

FISCAL GOVERNANCE: RECENT OSC AUDIT FINDINGS

Overview and Sample (2023):

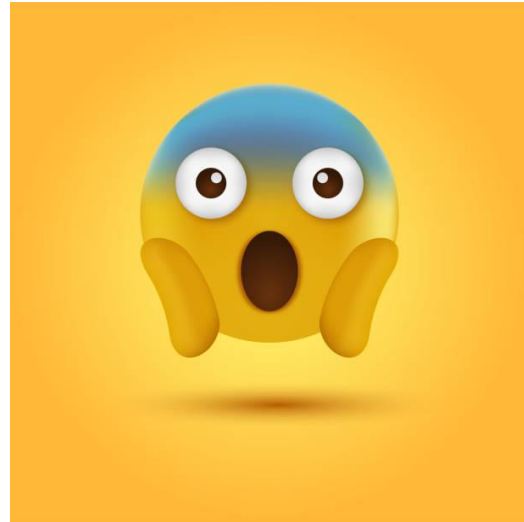
- District officials have not adopted Fund Balance and Reserve policies;
- District officials did not have, or have not, properly utilized their multi-year financial plans to assist with financial decisions;
- The Board of Education did not appropriately manage the District's Fund Balance, overstated budgeted appropriations, and improperly backdated encumbrances;
- The Board of Education improperly established and funded reserve accounts;
- The District overestimated budgeted expenditures.

FISCAL GOVERNANCE: RECENT OSC AUDIT FINDINGS

Overview and Sample (cont.):

- District officials did not develop a comprehensive multi-year financial plan;
- The District did not use Debt Reserve (V-Fund) to fund Debt Service payments, as required;
- The District has not adopted a comprehensive written Fund Balance/Reserve policy;
- The surplus fund balance exceeded the four (4) percent statutory limit per Real Property Tax Law §1318.

FISCAL GOVERNANCE: POTENTIAL BOARD REACTIONS TO OSC FINDINGS



FISCAL GOVERNANCE: POTENTIAL BOARD REACTIONS TO OSC FINDINGS

Initial Reactions (which may be correct...):

- Spend down reserves;
 - Review balances, expenditures, needs, deposits, history, etc.;
- Close budget gap by reducing budget surpluses;
 - Three-to-five year spending plan;
- Development of a more realistic revenue budget;
 - Three-to-five year revenue plan, in concert with spending plan;



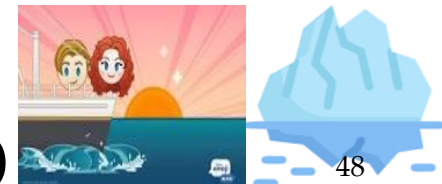
FISCAL GOVERNANCE: POTENTIAL BOARD REACTIONS TO OSC FINDINGS

DO NOT OVERREACT!

- You must act as the voice of reason;
 - **For clarity, You => Business Official...**
- Once you move toward a deficit budget → how do you stop?;
- Expenditure and Revenue review:
 - Per Board financial package, monthly basis;
- Districts cited for excess fund balance and reserve accumulations → now on the OSC fiscal stress list.



(Note – The Titanic has not hit the iceberg yet - there's time to alter course.)



FISCAL GOVERNANCE: OTHER CONSIDERATIONS

Consider The Following:

- District should include an appropriated reserve amount in the revenue budget;
- Budget use of reserves; however, evaluate replenishing at year-end;
 - Consult with your auditors and legal/bond counsel (voter-approved or term-limits);
- Timing of Board of Education approval to establish and replenish reserves:
 - Resolutions for establishment and annual funding maximums;
 - Fund reserves prior to setting the annual tax-levy (July/August/September);
- Reserves should be based on reasonable obligations or liabilities of the District;

\$ REFER TO THE FUND BALANCE PLAN \$

FISCAL GOVERNANCE: AUTHORIZED RESERVE FUNDS

Authorized Reserve Funds per the NYSOSC:

- Capital Reserve Fund (ED § 3651);
- Repair Reserve Fund (GML § 6-d);
- Workers Compensation Reserve Fund (GML § 6-j) ;
 - Unemployment Reserve Fund (GML §6-m);
- Tax Reduction Reserve Fund (EDN § 1709) & (EDN § 1604);
 - Debt Service Reserve Fund (GML § 6-l);
- Insurance Recovery Reserve Fund (EDN § 1718(2));



**FISCAL GOVERNANCE:
AUTHORIZED RESERVE FUNDS (cont.)**
Authorized Reserve Funds per the NYSOSC (cont.):



- Insurance Reserve Fund (GML § 6-n);
- Property Loss and Liability Reserve Fund (EDN § 1709);
 - Tax Certiorari Reserve Fund (EDN § 3651);
- Reserve for Employee Benefit Accrued Liability Reserve Fund (GML § 6-p);
 - Retirement Contribution Reserve Fund (GML § 6-r);

Establishment & Management of Reserve Funds - Office of the State Comptroller
Guidance:

<https://www.osc.state.ny.us/files/local-government/publications/pdf/reserve-funds.pdf>

FISCAL GOVERNANCE: ADDITIONAL INFO & FINAL THOUGHTS

Recommendations, Strategies, and Take-Aways:

- Prepare a five-year fiscal plan for long term planning and update annually;
 - Post on district website, for transparency purposes;
- Monitor budgets regularly to ensure appropriations are not overspent;
- Develop balanced budgets for revenues and expenditures for all funds;
- Develop a trend-analysis for actual revenues and expenditures → three-to-five year period.



FISCAL GOVERNANCE: FINAL THOUGHTS



In conclusion – the Board are the fiscal stewards of the District!

What does that entail:

- Board members must be cognizant of approved budgets and financial information;
- Review your district's financial packages, and all budget information, including regular reports and audits;
- Review, understand and decide accordingly on the recommendations related to fund balance(s) and reserves;
- Ensure budget and financial document transparency;
- Question unusual or large variances, and use as a basis for fiscal decision-making.



ACKNOWLEDGEMENTS

- Information, law(s) and relevant data pulled from the New York State Office of the State Comptroller, New York State Education Department Budget Handbook, Schools Board Meetings, Eastern Suffolk BOCES, The New York Commissioners Rules and Regulations (NYCRR), and New York State Education Law (NYSSBA *“School Law – 39th Edition”*), Questar State Aid Planning, New York State Education Department Reference Manual.

FISCAL GOVERNANCE– THE NEED FOR FISCAL LITERACY

DiNapoli: State should improve financial literacy effort



In 2019, DiNapoli signed an executive order recognizing the need for more robust financial education in the state and providing New Yorkers with more tools to manage their finances.

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QUESTIONS???



THANK YOU & GOODNIGHT

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