

Dealing with Fund Balances

An Unreserved Fund Balance occurs when the assets of a governmental fund (such as a school district's General Fund) are greater at the end of the fiscal year than its expenses for that same period. The accumulation of a fund balance is from three sources:

- Revenues in excess of budget
- Unexpended appropriations
- Carryover fund balances from prior years.

At the close of each fiscal year the unreserved fund balance is identified as one of the following:

DESIGNATED	Amount to be used for a particular purpose such as reduction of the tax levy;
UNDESIGNATED	Amount available as a financial resource. New York State law allows districts to use this amount primarily for emergencies, unbudgeted ordinary contingent expenses and cash flows. State law prohibits this amount being in excess of 4% of the total budget.

A fund balance can be managed as shown in the table below.

OPTIONS	HOW ACCOMPLISHED
Year-end encumbering (spending the balance before the end of the fiscal year)	Book entry by business official
Establishment or increase in funding for an unemployment reserve fund	School board resolution
Increase of accruals for TRS or ERS (employee retirement systems)	Book entry by business official
Establishment or increase in funding for insurance reserve (for self-funding deductibles)	School board resolution
Establishment of capital reserve fund	District referendum
Establishment of certiorari tax reserve	School board resolution
Planned balance	Approval with budget referendum
Establishment of other reserve funds	Approval by referendum in most cases

SOURCE:

Raymond Wager, CPA, PC, at MCSBA seminar on June 22, 1996.