

FUND BALANCE REGULATION ESTABLISHMENT OF RESERVES

The practice of planning ahead and systematically saving for contingencies is considered prudent management. The Board of Education, therefore, has established reserve funds to provide resources for intended future use. A reserve is a separate account, authorized under Education Law or General Municipal Law, which must follow strict guidelines and is established to finance expenditures for a specific purpose.

RETIREMENT CONTRIBUTIONS (General Municipal Law Section 6-r)

Creation – This reserve was created on June 17, 2009

Purpose and Funding Method – This reserve may only be used to pay for district expenses to the NYS Employee's Retirement System only. Payments to any other retirement system are not allowed from this reserve. This reserve is typically funded from excess fund balance. The reserve may also be funded by budgetary appropriations, transfers from other reserve funds as permitted by law, and such other funds as the school board may legally appropriate.

Use and Monitoring of Reserve – This reserve is used to pay expenses related to the Employee's Retirement System. Since the State pension plan is heavily invested in the stock market, market fluctuations can cause the contribution the district makes to vary from year to year without any control by the district. This reserve enables the district to hedge the fluctuation of the market and the uncontrolled changes by reserving for large annual increases. The District Treasurer will recommend to the Superintendent and the Board of Education when reserve funds should be used. The Board of Education will be aware of the use of the reserve. The District Treasurer will be the primary monitor of this reserve and sharing information annually with the Superintendent and the Board of Education.

Funding Goal – This reserve should be funded at not more than three (3) times the annual contribution.

Balance as of June 30, 2018 - \$160,902.24

EMPLOYEE BENEFITS ACCRUED LIABILITY (General Municipal Law Section 6-p)

Creation – This reserve was readopted October 11, 2006

Purpose and Funding Method – This reserve may only be used to pay for unused accumulated leave time contractually provide to certain groups of employees, normally upon retirement. This typically includes payment for unused sick and vacation pay. This reserve has typically been funded from excess fund balance. The reserve may also be funded by budgetary appropriations, transfers from other reserve funds as permitted by law, and such other funds as the school board may legally appropriate.

Use and Monitoring of Reserve – This reserve may be used when an employee separates from the District and payment of accumulated leave is required and not available in the general fund. These transactions flow through the budget via a budget revision with the offsetting revenue coming from this reserve. The District Treasurer will recommend to the Superintendent and the Board of Education when reserve funds should be used.

The Board of Education will be aware of the use of this reserve. The District Treasurer will be the primary monitor of this reserve and sharing information annually with the Superintendent and the Board of Education.

Funding Goal – This reserve should be funded at 100% of the accrued liability for unused accumulated leave time.

Balance as of June 30, 2018 - \$102,806.76

WORKERS' COMPENSATION (General Municipal Law Section 6-j)

Creation – This reserve was readopted October 11, 2006

Purpose and Funding Method – This reserve is used to pay for excess workers' compensation claims. This reserve has typically been funded from excess fund balance. The reserve may also be funded by budgetary appropriations, transfers from other reserve funds as permitted by law, and such other funds as the school board may legally appropriate.

Use and Monitoring of Reserve – This reserve is used to pay for actual workers' compensation claims and benefits, related medical/hospital expenses and self-insurance administrative costs. If necessary, at time of budget development, the District can utilize this reserve to pay for the workers' compensation premium. The District is a member of the East End Workers' Compensation Consortium. Annually the District funds the plan based on its expected losses over time, as well as the overall needs and expenses of the plan. The District holds this reserve to assist in the event a large claim is incurred. The District Treasurer will be the primary monitor of this reserve and sharing information annually with the Superintendent and the Board of Education.

Funding Goal – This reserve should be funded not greater than three (3) years workers' compensation premium.

Balance as of June 30, 2018 - \$114,286.08

REPAIR RESERVE (General Municipal Law Section 6-d)

Creation – This reserve was readopted October 11, 2006

Purpose and Funding Method – This reserve is used to pay the cost of unanticipated repairs that do not recur annually to capital improvements, facilities and equipment. This reserve has typically been funded from operating surplus, but can also be funded as a line item budgetary appropriation.

Use and Monitoring of Reserve – In accordance with the law, a public hearing must be held in order to use funds from this reserve, except in an emergency. Funds used without holding a public hearing must be repaid to the fund over two years. Use is restricted to the purpose stated above.

Funding Goal – This reserve should be funded with a maximum limit of \$50,000. This amount is appropriate for a district our size.

Balance as of June 30, 2018 - \$48,852.04

UNEMPLOYMENT INSURANCE PAYMENT (General Municipal Law Section 6-m)

Creation – This reserve was readopted October 11, 2006

Purpose and Funding Method – This reserve is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the District uses the benefit reimbursement method. If in the future the District finds it necessary to restructure its workforce in order to balance future budgets, this reserve will help offset costs related to those staff reductions. This reserve was funded in anticipation of an increased number of staff reductions.

Use and Monitoring of Reserve – The initial funding was an amount sufficient to pay full unemployment insurance at the maximum rate at a time the District was anticipating some layoffs. The District Treasurer will be the primary monitor of this reserve and sharing information annually with the Superintendent and the Board of Education.

Funding Goal – At the time the reserve was initially funded, the amount deemed appropriate.

Balance as of June 30, 2018 - \$50,246.13

CAPITAL RESERVE (Education Law Section 3651)

Creation – This reserve was created on May 20, 2014

Purpose and Funding Method - This reserve is used to fund project costs that are needed to maintain and upgrade the facility in the future. Voter approval is required to establish and initially fund this reserve. In accordance with an approved proposition, this reserve would be funded entirely from operating surplus via an annual Board resolution. Expenditures must be specific and voter approval is required to spend from this reserve. Bonds may be issued under this reserve.

Use and Monitoring of Reserve - The District established this reserve for the purpose of building improvements, renovations, technology upgrades and facilities for educational programs. The ultimate amount of the reserve was \$2,500,000 including interest with a probable term of 10 years. Funds are to be transferred from unassigned fund balance remaining in the general fund beginning with the 2013/2014 school year and for each succeeding school year of the probable ten year term. This reserve is monitored by the District Treasurer, District's Accounting Firm and Superintendent of Schools.

Funding Goal – As follows:

- May 20, 2014 - Public approval to establish Capital Reserve Fund up to \$2,500,000
- September 16, 2014 - Board approval (motion #7) to transfer \$150,000 from 13/14 unassigned fund balance to Capital Reserve Fund
- May 19, 2015 - Phase II Windows Replacement Project - Public approval by proposition to apply \$150,000 from unassigned fund balance - add'l \$150,000 from General Fund budget
- August 11, 2015 - Board approval (motion #10) to transfer \$150,000 from 14/15 unassigned fund balance to Capital Reserve Fund
- March 1, 2016 - Phase III Windows Replacement Project - Public approval by proposition to apply \$300,000 from unassigned fund balance + \$300,000 from Capital Reserve Fund
- September 13, 2016 - Board approval (motion #10) to transfer \$200,000 from 15/16 unassigned fund balance to Capital Reserve Fund

•June 13, 2017 Board Approval (motion #3) to transfer \$150,000 from 16/17 unassigned fund balance to Capital Reserve Fund

•October 9, 2018 Board Approval (motion #4) to transfer \$250,000 from 17/18 unassigned fund balance to Capital Reserve Fund

Balance as of June 30, 2018 - \$600,535.92

UNASSIGNED FUND BALANCE

Creation – Retention of Unassigned Fund Balance up to four percent of the operating budget is authored by State Education law.

Purpose and Funding Method – The funds in Unassigned Fund Balance are unrestricted as to how they may be used at the discretion of the Board of Education. These funds have been accumulated from unspent operating budget (aka savings) over many years.

Use and Monitoring of Reserve – These funds are for emergencies, unanticipated and unforeseen expenses, revenue shortfalls, or one-time expenses that cannot be handled either in the budget or with available revenues. The District Treasurer and Superintendent will be the primary monitors of this reserve and sharing information annually with the the Board of Education.

Funding Goal – The Fund Balance should be maintained at four percent of the General Fund Operating Budget each year as permitted by law.

Balance as of June 30, 2018 - \$1,177,568

ASSIGNED FUND BALANCE

Creation – These funds are fund balance that has been set aside for a particular purpose, such as reduction of the tax levy required to support an ensuing year’s budget or to bridge a revenue shortfall in an ensuing year’s budget to maintain District programs.

Purpose and Funding Method – To provide funds necessary to support an ensuing year’s budget. These funds are assigned for a particular purpose from existing fund balance.

Use and Monitoring of Reserve – It is recommended that the practice of returning these funds continue when it is deemed financially permissible, and as part of an overall long-range financial plan with a goal of sustainable budget building. As the constraints of the tax cap continue to limit increases in tax revenue it is likely that future budgets will have limited operating surpluses. The Board of Education in conjunction with the Superintendent and the District Treasurer will monitor these funds annually.

Funding Goal – Over time, it is recommended that the planned amount of assigned fund balance included as a funding source in future budgets be limited and only utilized when fiscally prudent to do so.

Balance as of June 30, 2018 - \$200,000

**All reserve balances include interest earned to June 30, 2018*

Updated: 10-10-18