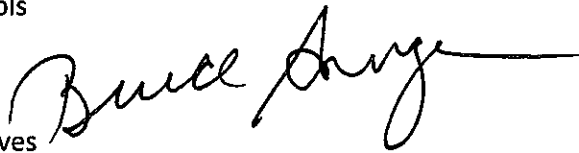


To: Rob Long, Superintendent of Schools

From: Bruce Singer, Business Official

RE: Explanation of Fund Balance Reserves



Date: January 31, 2018

During the last few weeks, there has been discussion regarding fund balance and reserves. I would like to provide explanation of the June 30, 2017 reserves as reported in the year end Annual Financial Statements. The June 30, 2017 Audit report has been posted on the East Quogue website for the past several months.

The year end Fund Balance/ Reserves can be found on Page 18, of the June 30, 2017 Annual Audit, please see attached.

Fund Balance:

Restricted:

Workers Compensation Reserve- \$641,674

Allowed by General Municipal Law Section 6-j, is used to pay for compensation benefits and other expenses authorized by Article 2 of the Worker Compensation Law, and for payment of expenses of administering the self- insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and other such funds as may be legally appropriated. The reserve will be used to pay medical claims filed during the time period for which the district is self-insured.

The maximum funding level is determined by actuarial value of all outstanding self- insured claims.

Retirement Contribution- \$547,901

Allowed by General Municipal Law Section 6-r, is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System (ERS). The reserve is funded by budgetary appropriations. Use of this reserve to fund New York State Teachers Retirement System (TRS) is not permitted. The intended use of this reserve calls for annual allocations from this fund, so as not to create a budgetary shortfall. It assists the District to hedge against large fluctuations in the employer contribution percentage.

Employee benefit accrued liability- \$555,038

Allowed by General Municipal Law Section 6-p, is used to reserve funds for the payment of accrued employee benefit primarily based on unused sick leave, personal leave, holiday leave, or vacation time due an employee upon termination or separation of employees service.

Capital- **\$150,000**

Allowed by Educational law Section 3651, must be used to pay the cost of any object or purpose for the reserve has been created. The creation of the capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, probable term and the source of funds.

Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The creation and expenditure from this reserve, must be submitted in the form of a proposition to be placed on the ballot. The voters have authorized Capital Reserve Fund shall be \$300,000 with a probable term of ten (10) years.

Unemployment- **\$100,000**

Allowed by General Municipal Law Section 6-M, must be used to pay for the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants which the employer has elected to use the benefit reimbursement method. We do not pay NYS a fixed premium for unemployment insurance coverage. This reserve will be used to pay claims during the time period for the district is self-insured.

Assigned:

Appropriated Fund Balance- **\$600,000**

These funds are fund balance that has been set aside for reduction of the tax levy required to support the ensuing year's budget. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget. This fund balance shall lower the tax levy of the following year's budget. 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.

Unappropriated Fund Balance- **\$9,612**

These funds are to pay for encumbrances which are outstanding from the prior year.

Unassigned fund Balance- **\$2,013,529**

Represents the residual classification for the District's general fund and could report a surplus or deficit. New York State Real Property Tax Law Section 1318 restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget. This past year, the unassigned fund balance was 8.26% of the 2017-2018 budget which exceeds the 4% statutory limit

Please let me know if you have any questions

Thank you.