

Sachem Central School District

Samoset Administrative Offices • 51 School Street • Lake Ronkonkoma, New York 11779

FUND BALANCE / RESERVE PLAN

UPDATED OCTOBER 10, 2018

Employee Benefit Accrued Liability Reserve – EBALR (Authorized under GML §6-p)

Creation – This reserve was created on September 16, 2003.

Purpose – This reserve is used to pay for unused accumulated leave time contractually provided to certain groups of employees. This typically includes payment for unused sick and vacation pay. This fund cannot be used to pay for items such as: retirement incentives, FICA and Medicare payments and retiree health insurance.

Funding Methods – This reserve has typically been funded from operating surplus, but can also be funded as a line item budgetary appropriation.

Use of Reserve – This reserve is used when an employee separates from the District and payment of accumulated leave is required. These transactions flow through the budget from reserve transfer contributions. This reserve will continue to be used in this manner to make such payments.

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

Monitoring of Reserve – This reserve will be monitored annually by the Board of Education in conjunction with the Superintendent and the Assistant Superintendent for Business and Operations.

June 30, 2017 - Closing Balance: \$5,000,000

June 30, 2018 - Recommended Balance: Up to \$8,791,618

June 30, 2018 - Actual Balance: \$5,044,792

Retirement Contribution Reserve (Authorized under GML §6-r)

Creation – This reserve was created on June 17, 2008.

Purpose – This reserve is used to pay for district expenses to the NYS Employees Retirement System (ERS) only. Use of this reserve to fund Teachers' Retirement System (TRS) expenditures is not permitted.

Funding Methods – This reserve has typically been funded from operating surplus, but can also be funded as a line item budgetary appropriation.

Use of Reserve – The intended use of this reserve calls for annual allocations from this fund, so not to create a budgetary shortfall. It helps the District to hedge against large annual fluctuations in the employer contribution percentage.

Funding Level – A maximum funding level equivalent to approximately three years of estimated ERS expenditures is appropriate.

Monitoring of Reserve – This reserve will be monitored annually by the Board of Education in conjunction with the Superintendent and the Assistant Superintendent for Business and Operations.

June 30, 2017 - Closing Balance: \$5,689,186

June 30, 2018 - Recommended Balance: Up to \$15,000,000

June 30, 2018 - Actual Balance: \$14,790,152

Unemployment Insurance Payment Reserve (Authorized under GML §6-m)

Creation – This reserve was reaffirmed by the Board of Education during the reorganization meeting of July 2, 2007. Initial reserve established prior to June 30, 1997.

Purpose – This reserve is used to reimburse the State for payments made to claimants where the district uses the benefit reimbursement method. The District does subscribe to the benefit reimbursement method, meaning we reimburse the State for actual claims incurred. We do not pay NYS a fixed premium for unemployment insurance coverage.

Funding Methods – This reserve has typically been funded from operating surplus, but can also be funded as a line item budgetary appropriation.

Use of Reserve – This reserve will be used to pay claims filed during the time period for which the district is self-insured.

Funding Level – A maximum funding level equivalent to approximately three years of projected unemployment expense is appropriate.

Monitoring of Reserve – This reserve will be monitored annually by the Board of Education in conjunction with the Superintendent and the Assistant Superintendent for Business and Operations.

June 30, 2017 - Closing Balance: \$0

June 30, 2018 - Recommended Balance: Up to \$300,000

June 30, 2018 - Actual Balance: \$0

Workers' Compensation Reserve (Authorized under GML §6-j)

Creation – This reserve was reaffirmed by the Board of Education during the reorganization meeting of July 2, 2007. Initial reserve established prior to June 30, 1997.

Purpose – This reserve is used to pay for actual workers' compensation claims related to medical expenses and self-insurance administrative costs. It cannot be used to pay for workers' compensation insurance premiums.

Funding Methods – This reserve has typically been funded from operating surplus, but can also be funded as a line item budgetary appropriation.

Use of Reserve – This reserve will be used to pay claims filed during the time period for which the district is self-insured.

Funding Level – An appropriate maximum funding level should be equivalent to the determined actuarial value of all outstanding self-insured claims. The administration should continue to evaluate outstanding liabilities annually in order to recommend funding levels in future years.

Monitoring of Reserve – This reserve will be monitored annually by the Board of Education in conjunction with the Superintendent and the Assistant Superintendent for Business and Operations.

June 30, 2017 - Closing Balance: \$2,000,000

June 30, 2018 - Recommended Balance: Up to \$8,452,600

June 30, 2018 - Actual Balance: \$6,595,002

Long-Term Disability Reserve (Created under GML §6-m)

Creation – This reserve was reaffirmed by the Board of Education during the reorganization meeting of July 2, 2007. Initial reserve established prior to June 30, 1997.

Purpose – This reserve is used to pay for actual long-term disability expenses related to approved self-insurance claims. Utilization of this reserve will only be done after consultation with the District's legal Counsel.

Funding Methods – This reserve would typically been funded from operating surplus.

Use of Reserve – This reserve will be used to pay claims filed during the time period for which the district is self-insured.

Funding Level – An appropriate maximum funding level should be equivalent to the determined actuarial value of all outstanding self-insured claims. At the current time the reserve is not currently utilized, nor are there any plans in the near-term to fund it. The administration will continue to evaluate outstanding liabilities annually in order to recommend funding levels in future years.

Monitoring of Reserve – This reserve will be monitored annually by the Board of Education in conjunction with the Superintendent and the Assistant Superintendent for Business and Operations.

June 30, 2017 - Closing Balance: \$0

June 30, 2018 - Recommended Balance: \$0

The following two items are reserve accounts not yet established by the district, but are recommended for future consideration as part of the District's long-term planning efforts:

Capital Reserve (Authorized under Ed. Law §3651)

Creation – This reserve fund has not yet been established. To do so requires approval via a voter referendum.

Purpose – This reserve may be used to fund the project costs for which bonds may be issued.

Funding Methods – 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.

Use of Reserve – Use of this reserve requires voter approval. The proposition to use these funds must be specific to a set of projects and dollar amounts.

Funding Level – A maximum funding level and reserve duration is also established with voter approval. A reserve with a maximum limit ranging from \$10M - 30M, with a five to ten year lifecycle would be appropriate for a district of our size.

Monitoring of Reserve – This reserve would be monitored annually by the Board of Education in conjunction with the Superintendent and the Assistant Superintendent for Business and Operations.

June 30, 2017 - Closing Balance: \$0

June 30, 2018 - Recommended Balance: N/A

Repair Reserve (Authorized under GML §6-d)

Creation – This reserve fund has not yet been established.

Purpose – This reserve is used to pay for unanticipated, non-recurring repairs to district capital improvements, facilities and equipment.

Funding Methods – This reserve has typically been funded from operating surplus, but can also be funded as a line item budgetary appropriation.

Use 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 year's. Use is restricted to the purpose stated above.

Funding Level – A reserve with a maximum limit of \$1,000,000 would be appropriate for a district of our size.

Monitoring of Reserve – This reserve would be monitored annually by the Board of Education in conjunction with the Superintendent and the Assistant Superintendent for Business and Operations.

June 30, 2017 - Closing Balance: \$0

June 30, 2018 - Recommended Balance: N/A

The following two items are not restricted reserve accounts, but are important components of the District's overall Fund Balance:

Unassigned Fund Balance

Creation – Retention of these funds are allowed by law.

Purpose – These funds are unrestricted and may be used for any valid purpose.

Funding Methods – These funds have been accumulated from operating surplus.

Use of Funds – It is recommended that these funds not be used except for an emergent, unanticipated expense, or revenue shortfall, that cannot be handled either in the budget or with other available reserves.

Funding Level – The maximum legal limit = **4.00%** of the ensuing year's budget.

Monitoring of Balance – These funds will be monitored annually by the Board of Education in conjunction with the Superintendent and the Assistant Superintendent for Business and Operations.

June 30, 2017 - Closing Balance: \$12,567,661 (4.00%)

June 30, 2018 - Recommended Balance: \$12,915,493 (4.00%)

June 30, 2018 - Actual Balance: \$12,915,493

Assigned Fund Balance – Appropriation for Subsequent Year's Budget

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 – To provide funds necessary to support an ensuing year's budget.

Funding Methods – These funds are assigned for a particular purpose from existing fund balance.

Use of Funds – 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.

Funding Level – 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.

Monitoring of Balance – These funds will be monitored annually by the Board of Education in conjunction with the Superintendent and the Assistant Superintendent for Business and Operations.

June 30, 2017 - Closing Balance: \$0

June 30, 2018 - Recommended Balance: \$0

June 30, 2018 - Actual Balance: \$0