Sachem Central School District

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

FUND BALANCE / RESERVE PLAN

UPDATED OCTOBER 2, 2019

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 Deputy Superintendent.

June 30, 2018 - Closing Balance: $5,044,792
June 30, 2019 - Recommended Balance: Up to $8,457,438
June 30, 2019 - Actual Balance: $7,135,781

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 Deputy Superintendent.

June 30, 2018 - Closing Balance: $14,790,152
June 30, 2019 - Recommended Balance: Up to $15,514,665
June 30, 2019 - Actual Balance: $15,514,665

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

Creation – This reserve was created on May 8, 2019.

Purpose – This reserve is used to pay for District expenses to the NYS Teachers' Retirement System (TRS) only. Use of this reserve to fund Employee Retirement System (ERS) 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 annual funding level equivalent to approximately 2% of TRS reportable salaries in the preceding year, with a maximum cap of 10% of TRS reportable salaries.

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

June 30, 2018 - Closing Balance: $0
June 30, 2019 - Recommended Balance: Up to $2,473,177
June 30, 2019 - Actual Balance: $2,473,177

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 Deputy Superintendent.

June 30, 2018 - Closing Balance: $0
June 30, 2019 - Recommended Balance: Up to $300,000
June 30, 2019 - 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 Deputy Superintendent.

June 30, 2018 - Closing Balance: $6,595,002
June 30, 2019 - Recommended Balance: Up to $7,897,195
June 30, 2019 - Actual Balance: $7,897,195

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 be typically 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 Deputy Superintendent.

June 30, 2018 - Closing Balance: $0
June 30, 2019 - Recommended Balance: $0
June 30, 2019 - Actual Balance: $0

Capital Reserve Fund 2019 (Authorized under Ed. Law §3651)

Creation – This reserve was established by a voter referendum on May 21, 2019.

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

Funding Methods – This reserve will be funded from operating surplus.

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 – This reserve has an annual funding limit of $6M, with maximum funding limit of $30M. Additionally, it has a 10-year maximum lifecycle.

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

June 30, 2018 - Closing Balance: $0
June 30, 2019 - Recommended Balance: $6,000,000
June 30, 2019 – Actual Balance: $6,000,000

The following is a reserve account not yet established, but is available for future consideration as part of the District's long-term planning efforts:

<u>**Repair Reserve (Authorized under GML §6-d)**</u>

Creation – This reserve fund has not yet been established.

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

Funding Methods – This reserve would typically be 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 years. 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 Deputy Superintendent.

June 30, 2018 - Closing Balance: $0
June 30, 2019 - Recommended Balance: N/A

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

<u>**Unassigned Fund Balance**</u>

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 equals **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 Deputy Superintendent.

June 30, 2018 - Closing Balance: $12,915,492 (4.00%)
June 30, 2019 - Recommended Balance: $13,089,669 (4.00%)
June 30, 2019 - Actual Balance: $13,089,669

<u>Assigned Fund Balance – Appropriation for Subsequent Year's Budget</u>

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 Deputy Superintendent.

June 30, 2018 - Closing Balance: $0
June 30, 2019 - Recommended Balance: $0
June 30, 2019 - Actual Balance: $0