

**FARMINGDALE UNION FREE SCHOOL DISTRICT
FUND BALANCE AND RESERVES PLAN (UPDATED JUNE 2018)**

Workers' Compensation Reserve Fund

Creation – This reserve was created on June 30, 1982 via Board of Education resolution. This reserve is considered *Restricted* fund balance.

Purpose – The purpose of this reserve fund is to pay for workers' compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program.

Funding Methods – This reserve was funded through fund balance over the course of several years.

Use of Reserve – The district plans to utilize the funds in this reserve to offset the costs associated with claims from when it was self-insured. A referendum is not required to expend moneys from this reserve.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – The current funding level has been deemed adequate to cover any and all costs that could result from when the district was self-funded. If at the end of any fiscal year, moneys in the fund exceed the amounts required to be paid for compensation, benefits and expenses, plus any additional amount required to pay all pending claims, the Board of Education, within 60 days of the close of such fiscal year, may elect to transfer all or part of the excess amount to certain other funds, or may apply all or part of the excess to the budget appropriation of the next succeeding fiscal year. Subsequent to being self-insured, money remaining in the fund may be transferred to certain other reserve funds, but only to the extent moneys in the fund exceed an amount sufficient to pay all authorized expenditures, both accrued and contingent.

6/30/17 Actual Balance: \$194,810, including interest

Maximum Not-to-Exceed Transfer into of \$1,000

6/30/18 Maximum Not-to-Exceed Value: \$195,810, including interest

Employee Benefit Accrued Liability Reserve Fund

Creation – This reserve was created on June 30, 2003 via Board of Education resolution. This reserve is considered *Restricted* fund balance.

Purpose – This reserve is for the cash payment of the monetary value of accumulated or accrued and unused sick leave, holiday leave, vacation leave, time allowance granted in lieu of overtime compensation and other forms of payment for accrued leave time and benefits due an employee upon termination for the employee's service with the district.

Funding Methods – This reserve was funded through fund balance over the course of several years.

Use of Reserve – This reserve is used to pay for accumulated leave upon an employee's retirement. Referendum is not required to expend moneys from this reserve.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – This reserve should be funded at 100% of the accrued liability for unused accumulated leave time. As of the fiscal year ended June 30, 2017, this reserve was fully funded.

6/30/17 Actual Balance: \$2,189,742, including interest

Maximum Not-to-Exceed Transfer into of \$100,000

6/30/18 Maximum Not-to-Exceed Value: \$2,289,742, including interest

Retirement Contribution Reserve Fund

Creation – This reserve was created on June 30, 2006 via Board of Education resolution. This reserve is considered *Restricted* fund balance.

Purpose – This reserve is used to pay for district expenses to the NYS Employees' Retirement System (ERS) only. Payments to the NYS Teachers' Retirement System (TRS) are not allowed from this reserve.

Funding Methods – This reserve was funded through fund balance over the course of several years.

Use of Reserve – The district may use this reserve to offset costs to the district portion of NYS ERS contributions. Beginning with the 2013-14 budget, increases in district required contributions are planned to be funded by The Reserve for Retirement Contributions. A portion of the funds may be transferred to another reserve fund established pursuant to section 3651 of the Education Law following a public hearing conducted in the manner set forth in the law. A referendum is not required to expend moneys from this reserve.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – General Municipal Law does not limit the funding level of this reserve.

6/30/17 Actual Balance: \$5,016,646 including interest, which is sufficient to pay for approximately 2 years of employer ERS expense

Maximum Not-to-Exceed Transfer into of \$30,000

6/30/18 Maximum Not-to-Exceed Value: \$5,046,646, including interest

Unemployment Insurance Payment Reserve Fund

Creation – This reserve was created on June 30, 1981 via Board of Education resolution. This reserve is considered *Restricted* fund balance.

Purpose – This reserve is used to reimburse the State for payments made to claimants where the district uses the benefit reimbursement method.

Funding Methods – This reserve was funded through fund balance over the course of several years.

Use of Reserve – This reserve is used to offset unemployment expenses paid by the district.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – This reserve was adequately funded at three and half times the actual 2011-12 year end expense.

6/30/17 Actual Balance: \$609,143, including interest

Maximum Not-to-Exceed Transfer into of \$5,000

6/30/18 Maximum Not-to-Exceed Value: \$614,143, including interest

Insurance Reserve Fund

Creation – This reserve was created on June 30, 2006 via Board of Education resolution. This reserve is considered *Restricted* fund balance.

Purpose – The purpose of this reserve is to fund certain uninsured losses, claims, actions, or judgments for which the local government is authorized or required to purchase or maintain insurance, with a number of exceptions. It may also be used to pay for expert or professional services in connection with the investigation, adjustment, or settlement of claims, actions, or judgments.

Funding Methods – This reserve was funded through fund balance over the course of several years. Future funding of this reserve is not planned at this time.

Use of Reserve – This reserve would be used to pay any allowable claims, as described in the purpose for this reserve.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – The current funding level of this reserve was established in connection with the outstanding law suits the district was engaged in over faulty building construction.

6/30/17 Actual Balance: \$404,315, including interest

Maximum Not-to-Exceed Transfer into of \$5,000

6/30/18 Maximum Not-to-Exceed Value: \$409,315, including interest

Capital Reserve Fund

Creation – This reserve was originally created on May 19, 2009 via voter approval. A new reserve was established via voter approval on May 19, 2015. This reserve is considered *Restricted* fund balance.

Purpose – This reserve may be used to finance all or part of the cost of construction, reconstruction, or acquisition of capital improvements and/or acquisition of equipment.

Funding Methods – Voter approval is required to establish and fund this reserve. In accordance with the approved proposition, this reserve is funded from fund balance.

Use of Reserve – This reserve is used to fund various district capital improvements. Use of this reserve requires voter approval.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – As stated in the approved proposition, this reserve was created with a maximum limit of \$20,000,000. Accumulation of funds into this reserve must cease at either \$20,000,000 or 10 years, whichever comes first, inclusive of interest.

6/30/17 Actual Balance: \$15,786,344, including interest

Maximum Not-to-Exceed Transfer into of \$2,800,000

6/30/18 Maximum Not-to-Exceed Value: \$20,000,000, plus interest

Note: Funds spent from this reserve cannot be replenished. As of 6/30/17, \$2,793,413 may be reserved before reaching the voter approved maximum of \$20,000,000.

Reserve Fund for Payment of Bonded Indebtedness

Creation – This reserve was created on June 30, 2010, via Board of Education resolution. This reserve is considered *Restricted* fund balance.

Purpose – This reserve is used to record and apply the amount of premium the district received due to the refinancing of bonds. This amount is amortized over the life of the new bonds and used to offset taxes in equal installments each year.

Funding Methods – Funded from the proceeds on premiums received as a result of bond refinancing.

Use of Reserve – A journal entry is done each year in conjunction with the closing of the books to properly draw down on this reserve.

Monitoring of Reserve – The reserve is monitored by the Assistant Superintendent for Business and the School Business Administrator.

Funding Level – Limited to premiums received on bond refinancing.

6/30/17 Actual Balance: \$665,240

6/30/18 Projected Balance: \$498,930

Note: This reserve will no longer be utilized for any newly refinanced bonds beginning in the 2012-2013 fiscal year due to the implementation of GASB No. 64 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The existing balance will continue to be utilized for bonds refinanced prior to June 30, 2012.

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 – This reserve is funded through prior year fund balance only.

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

Monitoring of Balance – These funds are monitored by the Assistant Superintendent for Business.

Funding Level – The maximum legal limit is 4% of the next fiscal year budget.

6/30/17 Actual Balance: \$6,491,973

6/30/18 Projected Balance: \$6,628,297

Assigned Fund Balance - Appropriated for Subsequent Years

Creation – These funds are actually fund balance that have been set aside for a particular purpose, namely to reduce the tax levy required to support an ensuing years budget.

Purpose – These funds are set aside and returned to the community by lowering the required tax levy to support the district's budget.

Funding Methods – These funds are fund balance that is assigned for a particular purpose.

Use of Funds – It is recommended that the practice of returning these funds continue each year, as budgets permit. In the future, tighter budgets may restrict the amount of excess available to be returned in a subsequent year.

Monitoring of Balance – The balance and use of these funds are monitored by the Assistant Superintendent for Business.

Funding Level – Over time, a planned amount of assigned fund balance will continue to be used to offset taxes.

6/30/17 Use of Funds for 2017/18 school year: \$5,500,000

6/30/18 Use of Funds for 2018/19 school year: \$5,500,000