BELLMORE-MERRICK CENTRAL HIGH SCHOOL DISTRICT

RESERVES PLAN

AS OF APRIL 2018
BELLMORE-MERRICK CENTRAL HIGH SCHOOL DISTRICT
RESERVES PLAN
APRIL 2018

The practice of planning ahead and systematically saving for contingencies is considered prudent financial management. The Board of Education, therefore, has established reserve funds to provide resources for intended future use.

A reserve fund is a separate account established by a school district to finance expenditures for a specific purpose. Generally, reserve funds are authorized under Education Law or General Municipal Law and must adhere to strict guidelines.

The following is the summary of Reserves and Fund Balance at the close of June 30, 2017:

<table>
<thead>
<tr>
<th>Name of Fund</th>
<th>Balance as of 6/30/17</th>
<th>Balance as of 6/30/16</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RESERVES/FUND BALANCE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted: Workers Compensation</td>
<td>760,536</td>
<td>759,562</td>
<td>974</td>
</tr>
<tr>
<td>Unemployment</td>
<td>347,566</td>
<td>347,121</td>
<td>445</td>
</tr>
<tr>
<td>Retirement Contribution</td>
<td>7,885,028</td>
<td>7,974,102</td>
<td>(89,074)</td>
</tr>
<tr>
<td>EBALR</td>
<td>6,967,290</td>
<td>6,958,214</td>
<td>9,076</td>
</tr>
<tr>
<td>Capital</td>
<td>1,532,377</td>
<td>1,515,054</td>
<td>17,323</td>
</tr>
<tr>
<td>Assigned: Appropriated Fund Balance</td>
<td>6,023,347</td>
<td>5,652,807</td>
<td>370,540</td>
</tr>
<tr>
<td>Unappropriated Encumbrances</td>
<td>684,964</td>
<td>375,993</td>
<td>308,971</td>
</tr>
<tr>
<td>Unassigned: Fund Balance</td>
<td>6,146,674</td>
<td>5,910,551</td>
<td>236,123</td>
</tr>
<tr>
<td><strong>TOTAL: RESERVES/FUND BALANCE</strong></td>
<td>30,347,782</td>
<td>29,493,404</td>
<td>854,378</td>
</tr>
</tbody>
</table>
Reserve for Unemployment Insurance (GML section 6-m)

**Creation** – This reserve was established in 1988 by Board Resolution and reestablished December 2016.

**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 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 of Reserve** - This reserve may be used to finance unemployment costs as authorized by law. Use of this reserve is limited to the annual expenses incurred in that year. The current budget will be insufficient to cover future unemployment expenses should there be multiple layoffs, or should unemployment awards increase.

**Monitoring of Reserve** – This reserve will be monitored by the Assistant Superintendent for Business in conjunction with other central office administrators to assess the potential for incurring unemployment claims.

**Funding Level** – This reserve is funded at a level of $350,000, excluding accumulated interest. At this time, this level is deemed appropriate.

6/30/16 Actual Balance = $347,121

Funds Used as of 6/30/17 = $0
Balance as of 6/30/17 = $347,566

**4/30/18 Recommendations**

Recommendation: Maintain funding level to a maximum of $350,000, excluding interest, to defray future claims.
Reserve for Retirement Contributions (GML section 6-r)

Creation – This reserve was created on 9/28/05 by Board Resolution.

Purpose – This reserve is used to pay for district expenses to the NYS Employee’s Retirement System only. Payments to the Teachers Retirement System are not allowed from this reserve.

Funding Methods – 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 of Reserve – This reserve is used to pay expenses related to the Employees’ Retirement System, and to smooth tax levy fluctuations that result from rate changes and cost increases associated with these expenses. The District paid out $2,154,330 in Employee Retirement costs for the 2016-17 school year. Due to the uncertainty of the stock markets and overall economy, the District will continue to monitor this fund in future years. Since retirement costs are a significant line item in the budget this reserve is very useful if money is needed to assist in balancing budgets in the short term to provide educational program and tax stability.

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

Funding Level – A funding level equal to approximately four years of retirement system billings.

6/30/16 Actual Balance: $7,974,102  
Funds Used as of 6/30/17: $1,558,252  
Balance at 6/30/17 (includes restored $1,459,275 and interest $9,903): $7,885,028

4/30/18 Recommendations

Recommendation: Maintain reserve balance at four times the 2018-19 budgeted amount*  
Recommended Funding: $714,972  
Recommended Balance: $8,600,000

*Note: At present, the State does not permit school districts to establish a reserve for Teachers’ Retirement Contribution expenses. Legislation has been proposed to authorize such a reserve. If a TRS Reserve is authorized, it may be possible to transfer funds from an existing reserve such as the ERS Reserve, if so authorized by the legislation.
Reserve for Accrued Employee Benefits Accrued Liability (GML section 6-p)

Creation – this reserve was created in July 2002 by Board Resolution.

Purpose – This reserve is used to pay for unused accumulated leave time contractually provided to certain groups of employees, normally upon retirement. 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 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 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 via a budget revision with the offsetting revenue coming from a drawdown of this reserve. This reserve will continue to be used in this manner to make these payments.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business. Each year, a detailed analysis of the liability is computed and is used to support the funding of this reserve up to 100% of the district’s liability.

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

6/30/16 Actual Balance: $6,967,290  
Funds Used as of 6/30/17: $600,000  
Balance at 6/30/17 (includes restored $600,000 and interest $9,076): $6,957,289

4/30/18 Recommendations

Recommendation: Restore funds to defray anticipated future cost increases and levy fluctuations*. Continue to fund until fully funded.

*Anticipated payout of approximately $725,000 expected in 17/18 due to retirements.
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Capital Reserve 2016 (Education Law section 3651)

Creation – This reserve was created on MAY 17, 2016, via voter approval. It was approved with a $10,000,000 plus interest earnings thereon, limit over a 12-year period of time. It will expire when the dollar limit is reached, or on June 30, 2028, whichever comes first.

Purpose – This reserve may be used to fund the cost of any construction of improvements to District facilities and sites.

Funding Methods – Voter approval is required to establish and fund this reserve. In accordance with the approved proposition, this reserve is funded entirely 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 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. A spending plan for use of this reserve will be presented to the voters for approval on May 15, 2018. Once the contribution level is reached this reserve would then be unavailable to receive future contributions, but may continue to spend down the balance on future voter approved projects.

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 $10,000,000 plus interest earnings thereon.

6/30/16 Actual Balance: $1,515,054
Funds Used as of 6/30/17: $1,515,054
Balance as of 6/30/17 (includes funding of $1,530,434 and interest $1,942): $1,532,376

4/30/18 Recommendations

Recommendation: Continue to fund until the maximum limit of $10,000,000 is reached.
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**Workers’ Compensation Reserve**

**Creation** – This reserve was established in 1988 by Board Resolution and re-established December 2016.

**Purpose** – This reserve is used to pay for actual Workers’ Compensation claims, related medical expenses and self-insurance administrative costs.

**Funding Methods** – This reserve was funded through 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 of Reserve** – The District is self-insured for Workers’ Compensation. Expenditures shall be made from this reserve fund only for the payment of compensation and benefits, medical hospital or other expense authorized by article two of the workmen’s compensation law and expenses of administering the self-insurance program. Due to fluctuation in Workers’ compensation costs this reserve will continue to be used in this manner to make these payments.

**Monitoring of Reserve** – This reserve would be monitored by the Assistant Superintendent for Business and Operations.

**Funding Level**: Maintain reserve balance equal to approximately two year of related expense.

6/30/16 Actual Balance: $759,562  
Funds Used as of 6/30/17: 0  
Balance as of 6/30/17 (includes interest $974): $760,536

4/30/18 Recommendations

**Recommendation**: Increase funding level to $1,000,000 to meet increased costs
The following item is not a reserve account, but is equally as important to planning revenues for the District.

**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 excess fund balance.

**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.

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

**Funding Level** – The maximum legal limit is recommended (4% of the ensuing budget).

6/30/17 Actual Balance: $6,146,674
6/30/17 % of the ensuing budget: 4%

**4/30/18 Recommendations**

Recommendation: Maintain at 4% of the ensuing budget.
The following item is not a reserve account, but is equally as important to planning revenues for the District.

**Assigned Fund Balance - Appropriated for Subsequent Years**

**Creation** – These funds are those funds in available 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 assigned from fund balance to offset the next year’s tax levy.

**Use of Funds** – It is recommended that the practice of returning these funds be reduced as much as possible, as budgets permit. As we develop tighter budgets, the amount of excess funds that will be available at year-end is restricted. This makes it more difficult to guarantee that funds will be 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, it is recommended that the planned amount of assigned fund balance included as a revenue source in future budgets be limited when appropriate.

**6/30/17 Actual Balance:** $6,023,347

**4/30/18 Recommendations**

**Recommendation:** Increase for 2017-18 to account for increased costs in the 2018-19 budget. Look to reduce the Appropriated Fund Balance in future budgets by reducing the budget when possible and applying new and increased revenues.

**Recommended Balance:** $6,469,769
The following item is not a reserve account, but is equally as important to planning revenues for the District.

**Encumbrances**

At the end of the school's fiscal year there have been purchases of goods and services that have been ordered, but have not yet been received. The encumbrance reserve is utilized to set aside funds that are committed from the previous fiscal year toward paying for the purchases or services that will occur in the next fiscal year.

6/30/16 Actual Balance: $375,993

6/30/17 Balance: $684,964