

RyeNeck Schools

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*Rye Neck Union Free School District
Mamaroneck, NY*

Fund Balance Reserve Fund Report & Plan

June 13, 2018

*New York State requires School Districts to adopt annually, through Board of Education resolution, the
District's Fund Balance Reserve Plan*

Introduction

Fund Balance Reserves are created to plan to fund expenses which are statutorily defined for specific intended purposes or to finance unexpected contingencies, or relate to resources that are not available for general use or appropriation.

The Board of Education recognizes that the establishment and maintenance and of a fund balance is essential to the preservation of the financial integrity of the school district. In addition, it is fiscally beneficial for both the District and community in that it helps mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and assists in ensuring stable tax rates, which is vital to the District's long-term financial planning.

New York State Comptroller (Local Management Guide - Reserve Funds, 2010):

Source: <https://osc.state.ny.us/localgov/pubs/lmq/reservefunds.pdf>

Saving for future projects, acquisitions, and other allowable purposes is an important planning consideration for local governments and school districts. Reserve funds provide a mechanism for legally saving money to finance all or part of future infrastructure, equipment, and other requirements. Reserve funds can also provide a degree of financial stability by reducing reliance on indebtedness to finance capital projects and acquisitions. In uncertain economic times, reserve funds can also provide officials with a welcomed budgetary option that can help mitigate the need to cut services or to raise taxes. In good times, money not needed for current purposes can often be set aside in reserves for future use (Pg.1).

Planning today and saving incrementally for expected future events can help mitigate the financial impact of major, nonrecurring or unforeseen expenditures on your annual operating budget. Establishing and funding allowable reserve funds for a clear purpose can help smooth out spikes in the annual budget and in the real property tax levy. (Pg.1).

Government Finance Officers Association (GFOA)

Source: <http://www.gfoa.org/fund-balance-guidelines-general-fund>

GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances. Furthermore, a government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level.

In addition, the (GFOA) states that not only is fund balance crucial to an entity's long-range planning, but also important to how credit agencies evaluate a government's continued creditworthiness.

Rye Neck Union Free School District
Reserve Plan
Updated - June, 2018

Reserve for Retirement Contributions

Creation – This reserve was created on May 17, 2006.

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 – Funds are placed in this reserve from excess fund balance.

Use of Reserve – A plan for use of this reserve has been developed (see Reserve Fund Disposition Schedule). The plan calls for annual use of this fund, projecting \$460,000 for the 2018-19 budget. Annual usage is estimated utilizing an ERS liability in the amount of \$500,000 per year in years 2019-21, and then increasing to \$510,000 in 2022-24. At this time, the plan calls for the use of all but \$468,718 of the balance by 2023-24. However, in each of the previous five years, the amounts used have also been replaced. Therefore, although the plan shows a drawdown of this reserve, it is recommended that the funds used from this reserve during the 2017-18 school year be replaced, if available.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business and reports are provided to the Board of Education several times per year. The Reserve Fund Balance and Proposed Disposition Schedule is published in the district’s annual budget document and is part of budget presentation materials and discussions at the budget hearings.

Funding Level – Although a plan is in place to drawn down on the funds in this reserve, a funding level equal to approximately eight years of retirement system billings is desired for future stability. At current rates, which are low, that level is approximately \$4,000,000.

6/30/18 Est. Balance: \$3,458,718

Recommended 6/30/18: Up to \$4,000,000

Reserve for Tax Certiorari

Creation – This reserve was created on July 14, 1998.

Purpose – This reserve is used to pay for district expenses for certiorari settlements. As the district does not have a budget allocation in the general fund for cert settlements, the reserve is used to pay for all settlements.

Funding method - Funds are placed in this reserve from excess fund balance.

Use of Reserve – The Reserve Fund Disposition Schedule has been revised in 2018 to reflect the district’s plan to pay for tax certiorari settlements each year and also to return funds deemed in excess of potential liability to taxpayers over the next few years.

A plan for use of this reserve has been developed (see Reserve Fund Disposition Schedule). The plan calls for annual use of money from this fund for both the payment of tax certiorari settlements/judgments and also returning funds to the general fund for use as appropriated fund balance. The schedule details amounts decreasing slowly over multiple years. At this time, the plan calls for the use of all but \$1,950 of the balance by 2023-24. The district maintains a list of cert filings and will update the analysis to ensure that estimate liabilities are appropriately funded or released as necessary.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business and reports are provided to the Board of Education several times per year. The Reserve Fund Balance and Proposed Disposition Schedule is published in the district’s annual budget document and is part of budget presentation materials and discussions at the budget hearings.

Funding Level – Although a plan is in place to draw down on the funds in this reserve, the funding level will be reviewed annually and with respect to outstanding cert filings. The district estimates that the total liability over present filing period covering 13 years, could approach \$1.6M. That is exclusive of amounts that may be removed from the fund as they are reviewed and determined not to be needed (as certs are dropped or properties sold).

6/30/18 Est. Balance: \$1,771,950

Recommended 6/30/18: \$1.6M - \$2.5M

Insurance Reserve Fund

Creation – This reserve is being proposed for creation at the June 13, 2018 BOE meeting.

Purpose – This reserve is used to pay for district expenses related to certain uninsured losses, claims, actions, or judgments for which the district is authorized or required to purchase or maintain insurance. This fund can also be used to pay for expert or professional services in connection with the investigation, adjustment, or settlement of claims, actions or judgments.

Funding method - Funds are placed in this reserve from excess fund balance. As per General Municipal Law, a district may contribute up to 5% of the annual budget in this reserve.

Use of Reserve – There is no current planned use of the reserve, however the reserve will be utilized as uninsured losses, claims, actions, judgements or related expenses arise.

Monitoring of Reserve – This reserve will be monitored by the Assistant Superintendent for Business and reports will be provided to the Board of Education several times per year. The Reserve Fund Balance and Proposed Disposition Schedule will be published in the district’s annual budget document and will be part of budget presentation materials and discussions at the budget hearings.

Funding Level – The funding level will be reviewed annually and with respect to current and pending losses, claims, actions and or judgments.

6/30/18 Balance (Proposed): \$2.0M

Recommended 6/30/18: \$0.5M - \$2.0M

The following three items are not reserve accounts, but are equally as important in revenue planning 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: \$1,604,800 (4.0%)

Recommended 6/30/18: \$ 1,654,968 (4%) est.

Assigned Fund Balance - Appropriated for Subsequent Years

Creation – These funds are 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 are 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. In 2017-18, the district used fund balance of \$636,000. In 2018-19 the proposed budget calls for the use of \$636,000, no change from the prior year.

Monitoring of Balance – The balance and use of these funds are monitored by the Assistant Superintendent for Business and discussed with the Board of Education in budget planning and development.

Funding Level – Over time, it is recommended that the planned amount of assigned fund balance included as a revenue source in future budgets be between \$650,000 and \$850,000. This is exclusive of funds that may be removed from the Cert Reserve.

6/30/18 Use of Funds: \$636,000

Planned Use of Funds 18-19: \$636,000

Debt Service Fund

Creation – Funds were initially transferred to the Debt Service Fund on June 30, 2014.

Purpose – These funds are to be used specifically to offset debt service payments (principal & interest on capital bonds) in the General Fund via an inter-fund transfer.

Funding Methods – The transfer on June 30, 2014 was made from excess fund balance in the General Fund. Unexpended capital projects are also a source of revenue for the debt service account. As capital projects are closed out, excess funds will be placed in the debt service fund to be used to fund district debt service. At June 30, 2018, excess funds from capital project totaling \$150,000 are planned to be utilized for debt service in 2018-20.

Use of Funds – The balance of the debt service fund, \$150,000 will be used against the district debt service for the next two budget years. It is anticipated that these funds will be returned to the General Fund, and the balance in the Debt Service fund will be depleted by June 30, 2020.

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

Funding Level – The funding level was determined at the time of the initial transfer. As part of the 2018-19 budget, the \$75,000 will be transferred prior to June 30, 2019 and returned to taxpayers to reduce the 2018-19 budget. The Use of Reserves Plan will be updated to reflect this addition and any additional funds added to the debt service reserve as a result of project closeouts.

6/30/18 Actual Balance \$150,000

Planned Use of Funds 2018-19: \$75,000