



NORTH MERRICK
UNION FREE SCHOOL DISTRICT
— Nurturing Young Minds —

NORTH MERRICK UNION FREE SCHOOL DISTRICT

RESERVES PLAN

JUNE 2024

By: Marie Donnelly, Assistant Superintendent

Board Approved: 10/15/2024

**NORTH MERRICK UNION FREE SCHOOL DISTRICT
RESERVES PLAN
JUNE 2024**

The practice of planning ahead and systematically saving for contingencies is considered prudent 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, 2024:

Name of Reserve Fund	Balance as of 6/30/23	Balance as of 6/30/24	Difference
Unemployment Reserve	\$ 71,080	\$ 71,330	\$ 250
ERS Reserve	\$ 1,680,667	\$ 1,621,868	\$ (58,799)
TRS Reserve	\$ 302,326	\$ 311,896	\$ 9,570
Insurance Reserve	\$ 148,677	\$ 153,383	\$ 4,706
EBALR	\$ 1,195,753	\$ 1,203,029	\$ 7,276
Capital Reserve 2015	\$ 108,161	\$ 6,584	\$ (101,576)
Capital Reserve 2019	\$ 892,873	\$ 1,355,646	\$ 462,774
Assigned Appropriated Fund Balance	\$ 96,090	\$ 80,000	\$ (16,090)
Unappropriated Encumbrances	\$ 27,032	\$ 34,790	\$ 7,758
Unassigned Fund Balance	\$ 1,555,220	\$ 1,647,660	\$ 92,440
Prepaid Expenditures	\$ -	\$ 7,395	\$ 7,395
TOTAL RESERVES/FUND BALANCE	\$ 6,077,879	\$ 6,493,581	\$ 415,702

Fund Balance Breakdown	Balance as of 6/30/23	Balance as of 6/30/24	Difference
Restricted	\$ 4,399,537	\$ 4,723,737	\$ 324,200
Assigned	\$ 123,122	\$ 122,185	\$ (937)
Unassigned	\$ 1,555,220	\$ 1,647,660	\$ 92,440
Total	\$ 6,077,879	\$ 6,493,581	\$ 415,702

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Reserve for Unemployment Insurance (GML section 6-m)

Purpose – This reserve is used to reimburse New York 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 New York 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 each year 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 and Operations 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 **\$71,330**. At this time, this level is deemed appropriate. recommended maximum funding level should be equal to approximately 2% of current year payroll.

6/30/23 Actual Balance: \$71,080

Funds Used as of 6/30/24: \$2,000

Interest Earned as of 6/30/24: \$2,250

Recommended Funding as of 6/30/24: \$0

Balance as of 6/30/24: \$71,330

Recommendation: Maintain current funding level to defray future claims.

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Reserve for Retirement Contributions (GML section 6-r)

Creation – This reserve was created on June 30, 2005.

Purpose – This reserve is used to pay for district expenses for the NYS Employees' 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. Due to the uncertainty of the stock market 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 programs and tax stability. A future plan calls for annual use of this fund in decreasing amounts, so as not to create a budgetary shortfall.

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

Funding Level – Although the future plan is to draw down on the funds in this reserve, a funding level equal to approximately three to four years' worth of retirement system billings is desired as contributions are based on 5-year averages. At current rates, that level is between \$1,477,369 and \$1,990,123.

6/30/23 Actual Balance: \$1,680,667

Funds Used as of 6/30/24: \$512,000

Interest Earned as of 6/30/24: \$53,201

Recommended Funding as of 6/30/24: \$400,000

Balance as of 6/30/24: \$1,621,868

Recommendation: Continue to restore funds to defray future cost increases and levy fluctuations.

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**North Merrick UFSD Retirement Contribution Reserve Sub-Fund within
the Reserve for Accrued Employee Benefits Accrued Liability**

Creation – This reserve was created on June 11, 2019.

Purpose – This reserve is used to pay for district expenses to the Teachers Retirement System only.

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 Teachers Retirement System, and to smooth tax levy fluctuations that result from rate changes and cost increases associated with these expenses. Due to the uncertainty of the stock market 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 programs and tax stability.

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

Funding Level – The total amount of money contributed annually to the TRS sub-fund cannot exceed 2% of teacher salaries in the prior year, and the total balance of the fund may not exceed 10% of the salaries of all TRS members paid during the immediately preceding fiscal year. Based upon the TRS report NYPA206, which reflects the total salaries paid \$15,619,728 for the 2022/23 school year, the limits are as follows: 1) 2% equals \$312,395 and 2) 10% equals \$1,561,973.

6/30/23 Actual Balance: \$302,326

Funds Used as of 6/30/24: \$200,000

Interest Earned as of 6/30/24: \$9,570

Recommended Funding as of 6/30/24: \$200,000

Balance as of 6/30/24: \$311,896

Recommendation: Add funds to defray future cost increases and levy fluctuations.

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Insurance Reserve GMU Article 2 § 6-n

Purpose – This reserve is used to pay casualty and other types of losses, except for those for which insurance may be purchased.

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. However, future funding of this reserve is not planned at this time.

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

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

Funding Level – This reserve is funded at a level of \$153,383.

6/30/23 Actual Balance: \$148,677

Funds Used as of 6/30/24: \$0

Interest Earned as of 6/30/24: \$4,706

Recommended Funding as of 6/30/24: \$0

Balance as of 6/30/24: \$153,383

Recommendation: Maintain current funding level to defray future claims.

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Reserve for Accrued Employee Benefits Accrued Liability (GML section 6-p)

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. The district paid \$205,575 in Employee Benefits costs for the 2023/24 school year based upon (1) administrator, (3) teachers (1) clerical staff member.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business and Operations. Each year, a detailed analysis of the liability is computed and is used to support the funding of this reserve at 100% of the district's liability. As of June 30, 2024, the District's accrued liability for unused accumulated leave time is calculated at \$3,481,361.

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

6/30/23 Actual Balance: \$1,195,753

Funds used as of 6/30/24: \$205,575

Interest Earned as of 6/30/24: \$37,851

Recommended Funding as of 6/30/24: \$175,000

Balance as of 6/30/24: \$1,203,029

Recommendation: Add funds to defray future cost increases and levy fluctuations.

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Capital Reserve Fund-2015 (Education Law section 3651)

Creation – This reserve was created on May 19, 2015, via voter approval. It was approved with a \$3,000,000 plus interest earnings thereon, limit over a five-year period of time. It expired on June 30, 2019.

Purpose – This reserve may be used to fund the cost of any construction or 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. At this time, no projects have been presented to the voters for approval. 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 and Operations.

Funding Level – As stated in the approved proposition, this reserve was created with a maximum limit of 3,000,000 plus interest earnings thereon.

6/30/23 Actual Balance: \$108,161

Funds Used as of 6/30/24: \$105,000

Interest Earned as of 6/30/24: \$3,424

Recommended Funding as of 6/30/24: \$0

Balance as of 6/30/24: \$6,584

Recommendation: This reserve cannot be funded other than interest.

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Capital Reserve Fund-2019 (Education Law section 3651)

Creation – This reserve was created on May 21, 2019, via voter approval. It was approved with a \$3,000,000 plus interest earnings thereon, limit over a five-year period of time. It will expire when the dollar limit is reached, or on June 30, 2024, whichever comes first.

Purpose – This reserve would be used to fund the cost of any construction or 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. At this time, no projects have been presented to the voters for approval. 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 would be monitored by the Assistant Superintendent for Business and Operations.

Funding Level – As stated in the approved proposition, this reserve should be created with a maximum limit of \$3,000,000 plus interest earnings thereon.

6/30/23 Actual Balance: \$892,873

Funds Used as of 6/30/24: \$0

Interest Earned as of 6/30/24: \$28,264

Recommended Funding as of 6/30/24: \$434,510

Balance as of 6/30/24: \$1,355,646

Recommendation: As both the Capital Reserve Fund-2015 and the Capital Reserve Fund-2019 have now expired and cannot be funded further other than interest earnings, it is recommended that the district consider the creation of a new Capital Reserve for a 5 to 10-year period starting in the 2024/25 school year.

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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 and Operations.

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

6/30/23 Actual Balance: \$1,555,220

6/30/24 Actual Balance: \$1,647,660

Recommendation: Maintain approximately 4% of the ensuing budget.

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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 actually fund balance that have been set aside for a particular purpose, namely to reduce the tax levy required to support an ensuing year’s 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. 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 and Operations.

Funding Level – Over time, it is recommended that the planned amount of assigned fund balance included as a revenue source in future budgets continue to be limited.

6/30/23 Actual Balance: \$96,090

6/30/24 Actual Balance: \$80,000

Recommendation: We will continue to look to reduce the use of appropriated fund balance in future budgets by reducing the budget and/or applying new and increased revenues if possible. Once the assigned fund balance reaches zero, the use of assigned fund balance should be for one time purchases only.

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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.

6/30/23 Actual Balance: \$27,032

6/30/24 Actual Balance: \$34,090