



PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT

FUND BALANCE & RESERVES PLAN

JUNE 30, 2024

Adopted by the Board of Education October 8, 2024

PLAINVIEW-OLD BETHPAGE SCHOOL DISTRICT
RESERVES PLAN
JUNE 30, 2024

Understanding Fund Balance

School officials are often asked about fund balance, an aspect of fiscal management which is unique to public entities like school districts. Because fund balance is often mistaken for a "surplus," it may seem unnecessary to have it in the budget. Simply stated, it is the total accumulation of operating surpluses and deficits over time. As a simplified formula, it can be calculated as follows:

$$\text{Total Revenue} - \text{Actual Expenditures} = \text{Operating Surplus } \underline{\text{OR}} \text{ (Operating Deficit)}$$

A component of fund balance can be "restricted" reserve accounts. When money is put into a reserve fund, it can only be expended for the specific purpose of the fund. For example, money in a Workers' Compensation Reserve Fund can only be used to pay for claims and expenses related to workers' compensation. The reason districts have reserve funds is very much the same as the reason why individuals put some of their discretionary income into savings - to set money aside for a future use when it may not be available, or to avoid using regular income for special, non-recurring expenses. The difference is that school districts are required to specify which expenses are anticipated and to dedicate the restricted funds for that purpose.

In the Plainview-Old Bethpage Central School District, fund balance is governed by **Board Policy 6245**, an excerpt of which is presented below. The following pages explore each category of our total fund balance, as well as current balances.

Fund Balance & Reserve Funds – Policy 6245

The Board of Education recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the school district and is fiscally advantageous for both the district and the taxpayer.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). The objective of Statement 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied.

Fund Balance Classifications (pursuant to GASB Statement 54)

The District will report fund balance amounts according to the following classifications:

Non-spendable – consists of assets that are inherently non-spendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted – consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Because the State regulates the establishment, funding, and use of school district reserves will be classified as restricted fund balance.

Committed – consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The New York State Office of the State Comptroller at the present time believes that New York State school districts will not have any committed fund balance.

Assigned – consists of amounts that are subject to a purpose constraint that represents an intended use established by the board or by their designated official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned Fund Balance includes encumbrances and appropriated fund balance.

Unassigned – the residual classification for the government's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

General Policy

Fund balance measures the net financial resources available to finance expenditures within current or future periods. The district's Unassigned General Fund Balance will be maintained to provide the district with financial stability and a margin of safety to fund unanticipated contingent expenditures that may occur unexpectedly during the fiscal year. The Unassigned General Fund Balance used for these purposes may only be appropriated by resolution of the Board of Education unless voter approval is required.

Any portion of Fund Balance may be applied for or transferred for a specific purpose, either by voter approval, if required by law, or by formal action of the Board of Education, if voter approval is not required. Amendments or modifications to the applied or transferred Fund Balance must

also be approved by formal action of the Board of Education.

The Board of Education shall delegate the authority to assign fund balance, for encumbrance purposes, to the Assistant Superintendent for Business or Assistant Business Administrator. In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance, to the extent that there is an assignment and then to the unassigned fund balance.

Adoption date: January 6, 2020

Unemployment Insurance Payment Reserve (Authorized under GML §6-m)

Creation – Initial reserve established prior to June 30, 2010

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. The District does 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 can be used to pay claims that exceed the budgeted appropriations for unemployment claims, as actual expenses for unemployment claims vary from year to year, since the District is self-insured.

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

Funding Level – At this time, this reserve is deemed to be adequately funded, and the Administration will look to appropriate from the reserve as needed to pay unemployment claims.

Recommendation - Continue to maintain and monitor reserve balances in accordance with Board Policy 6045 and utilize funds in a deliberate manner that protects programmatic needs.

June 30, 2023, Actual Balance – \$688,435.45

June 30, 2024, Actual Balance – \$755,081.66

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

Creation – This reserve was created on June 30, 2008.

Purpose – This reserve is used to pay for employee contribution 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.

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

Funding Level – Maintaining a minimum funding level equivalent to at least three years of estimated ERS expenditures is deliberate to protect the General Fund budget from the uncertainty of annual required contributions from the District on behalf of the Civil Service staff.

Recommendation - Continue to maintain and monitor reserve balances in accordance with Board Policy 6245 and utilize funds in a deliberate manner that protects programmatic needs.

June 30, 2023, Actual Balance – \$7,532,635.62

June 30, 2024, Actual Balance – \$8,261,856.68

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

Creation – This reserve was created on June 3, 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 Employees’ 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. This reserve was initially funded by a transfer from the Retirement Contribution Reserve.

Use of Reserve – The intended use of this reserve calls for annual allocations from this fund, so as not to create a budgetary shortfall. It helps the District to hedge against large annual fluctuations in the employer contribution percentage.

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

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.

Recommendation - Continue to fund, maintain, and monitor reserve balances in accordance with Board Policy 6245 and utilize funds in a deliberate manner that protects programmatic needs.

June 30, 2023, Actual Balance – \$4,454,196.36

June 30, 2024, Actual Balance – \$6,282,802.19

Employee Benefit Accrued Liability Reserve–EBALR (Authorized under GML §6-p)

Creation – Initial reserve established prior to June 30, 2004.

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.

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

Funding Level – This reserve should be funded at 100% of the accrued liability for unused accumulated leave time. Each year, a detailed analysis of the liability is computed and used to support the funding of this reserve.

Recommendation - Continue to fund, maintain, and monitor reserve balances in accordance with Board Policy 6245 and utilize funds in a deliberate manner that protects programmatic needs.

June 30, 2023, Actual Balance – \$ 6,689,901.03

June 30, 2024, Actual Balance – \$ 8,370,078.45

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

Creation – This reserve was created by a voter approved proposition on May 17, 2022.

Purpose – This reserve is used to pay the cost of any object or purpose consistent with the original voter-approved proposition.

Funding Methods – This reserve will be funded from operating surplus. Funds placed in this reserve are restricted for use for specific voter-authorized capital improvement projects.

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.

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

Funding Level – This reserve was created with a maximum funding up to \$32,000,000, for 7 years, plus any earned interest. NOTE: All previous capital reserve balances funds were transferred to this capital reserve as of June 30, 2023.

Recommendation – Continue funding, maintaining, and monitoring reserve balances in accordance with Board Policy 6245. Utilize these funds deliberately, ensuring alignment with future capital needs outlined in the district capital plan. This reserve has five years of funding remaining. The district should establish a new capital reserve by the 2028-2029 school year to support future funding mechanisms.

June 2023 was the first year of funding this reserve of \$754,000. For 2023/2024 FY a transfer of \$1,504,000 from the general fund was budgeted accordingly. Operating surplus plus interest of \$2,971,852.97 will be transferred into the reserve as of 2023/2024 FY. This leaves a funding level of \$26,770,147.03 left to fund by the 2028-2029 school year.

June 30, 2023, Actual Balance – \$754,000.00

June 30, 2024, Actual Balance – \$5,229,853.97

Capital Repair Reserve Fund (Authorized under Ed. Law GML §6-d)

Creation – This reserve was created by a voter approved proposition on May 21, 2013.

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

Funding Methods – In accordance with the law, a public hearing must be held 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.

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 related to unanticipated, non-recurring repairs to district capital improvements, facilities, and equipment.

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

Funding Level – Sources of funds include budgetary appropriations or other revenues that may be legally appropriated and are not required by law to be paid into any other fund or account.

Recommendation – Continue to fund, maintain, and monitor reserve balances in accordance with Board Policy 6245 and utilize funds in a deliberate manner that protects against unanticipated, non-recurring repairs to district capital improvements, facilities and equipment that impact programmatic needs.

June 30, 2023, Actual Balance – \$186,644.22

June 30, 2024, Actual Balance – \$204,712.92

Tax Reduction Reserve (Authorized under Ed. Law Ed. Law §1604(36) §1709(37)

Creation – This reserve was created by a voter approved proposition on May 21, 2013.

Purpose – To allow for the gradual use of proceeds from the sale of district real property.

Funding Methods – Proceeds from the sale of real property are more than what is required to repay outstanding debt (Bonds, BANS).

Use of Reserve – Funds from reserve to be appropriated annually over ten or fewer years to offset tax levy.

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

Funding Level – Sources of funds include the sale and proceeds of Fern Place in 2023 plus any interest earned.

Recommendation – Continue to maintain and monitor reserve balance in accordance with Board Policy 6245 and utilize funds in a deliberate manner that protects programmatic needs and balances the budget in future years.

June 30, 2023, Actual Balance – \$3,046,603.88

June 30, 2024, Actual Balance – \$3,341,540.18

The following items are not restricted reserve accounts but are equally important components of the District’s overall Fund Balance, and essential to planning revenues available to the District.

Unassigned Fund Balance

Creation – Retention of these funds are allowed by law. This fund is often known as the “*Rainy Day Fund*.”

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, which cannot be managed either in the budget or with other available reserves.

Monitoring of Balance – These funds will be monitored annually by the Board of Education in conjunction with the Superintendent and the Assistant Superintendent for Business.

Funding Level – The maximum legal limit is recommended at 4.00% of the ensuing year’s budget.

Recommendation – Annually monitor the District’s overall fund balance and the various restricted reserves with an intent to maintain the full 4.00% whenever possible to help mitigate any unanticipated future expenses.

June 30, 2023, Actual Balance –\$7,322,770.96

June 30, 2024, Actual Balance –\$7,602,484.49

Assigned Fund Balance – Appropriation for Subsequent Year’s Budget

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.

Monitoring of Balance – These funds will be monitored annually by the Board of Education in conjunction with the Superintendent and the Assistant Superintendent for Business.

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.

Recommendation – District administration will continue to carefully monitor overall fund balance and available revenues and scale back on utilization of appropriated fund balance as a funding source for recurring operating expenditures as it is able to do so to limit deficit spending scenarios that could compromise the overall integrity of fund balance over time.

June 30, 2023, Actual Balance –\$0

June 30, 2024, Actual Balance –\$0

Assigned Fund Balance - Encumbrances

Purpose - These are funds that are earmarked to pay for goods or services from the prior year’s budget, for which the goods or services were not received/provided by the end of that fiscal year.

Funding Methods - These amounts roll into the subsequent fiscal year and increase the amount of budgeted appropriations in that subsequent year. This account pays for the ultimate obligation when these items are received.

Funding Level – There is no planned balance, as this reserve only exists to satisfy payments on outstanding purchase orders.

Recommendation – Year-end purchases and purchase orders will continue to be monitored by District administration in an effort to limit the number of purchase orders that need to be carried into the subsequent school year.

June 30, 2023, Actual Balance – \$272,495.56

June 30, 2024, Actual Balance –\$3,758,834.21

Other Authorized Reserves Available to NYS School Districts

Although not currently authorized for use in the Plainview-Old Bethpage Central School District, the following chart identifies other reserves potentially available for future consideration:

Type of Reserve	Enabling Statute	Purpose
Reserve for Debt Service	GML § 6-l	This reserve is used to apply the earnings on long term debt obligations (bonds, BANS, etc.) issued to the debt service payments for those underlying outstanding debt obligations.
Insurance Reserve Fund	GML §6-n	To pay liability, casualty, and other types of losses (should the district maintain unusually high deductibles, for instance). There are limits on the amount of annual contributions.
Property Loss Reserve/Liability Reserve	Ed Law §1709(8-c)	For property loss and liability claims incurred. The limit is 3% of the annual budget or \$15,000, whichever is greater.
Reserve for Insurance Recoveries	Ed Law §1718(2)	To temporarily hold unexpended proceeds of insurance recoveries remaining at the end of the fiscal year.

TOTAL FUND BALANCE & RESERVES

JUNE 30, 2024

Updated: October 8, 2024

GENERAL FUND	BALANCE	BALANCE	CHANGE
	<u>JUNE 30, 2023,</u>	<u>JUNE 30, 2024,</u>	
RETIREMENT CONTRIBUTION RESERVE (ERS)	\$7,532,635	\$8,261,857	\$729,222
RETIREMENT CONTRIBUTION RESERVE (TRS) (SUB-FUND)	\$4,454,196	\$6,282,802	\$1,828,606
EMPLOYEE BENEFIT ACCRUED LIABILITY RESERVE	\$6,689,901	\$8,370,078	\$1,680,177
UNEMPLOYMENT RESERVE	\$688,435	\$755,082	\$66,647
CAPITAL 2022 RESERVE	\$754,000	\$5,229,853	\$4,475,853
REPAIR RESERVE	\$186,644	\$204,713	\$18,069
TAX REDUCTION RESERVE	\$3,046,603	\$3,341,540	\$294,937
ASSIGNED FUND BALANCE			
<i>ENCUMBRANCES</i>	\$272,495	\$3,758,834	\$3,486,339
<i>APPROPRIATED FUND BALANCE</i>	\$0	\$0	\$0
UNASSIGNED FUND BALANCE	\$7,322,770	\$7,602,484	\$279,714
TOTAL RESERVE & FUND BALANCES	<u>\$30,947,679</u>	<u>\$43,807,243</u>	<u>\$12,859,564</u>

RESERVE SUMMARY FOR JUNE 30, 2024

- A total of \$2,222,369 was earned in interest through the District's investment in the New York Cooperative Liquid Assets Securities System (NYCLASS), a short-term, highly liquid investment fund designed specifically for the public sector. Interest earnings were prorated to all reserves in accordance with GASB standards.
- The Unassigned Fund Balance increased by \$279,713, bringing the total to \$7,602,484, which aligns with the Governmental Accounting Standards Board (GASB) Statement No. 54 limit of 4% of the 2024-2025 operating budget.
- A budgeted transfer of \$1,504,000 was made from the General Fund into the Capital Reserve 2022.
- In consultation with the district auditors and based on their recommendations, the remaining fund balance of \$5,183,203 has been allocated to the following reserves:
 - Capital Reserve 2022: \$2,753,260
 - Retirement (TRS): \$1,397,403
 - Employee Benefit Accrued Liability Reserve—(EBALR): \$1,032,540
- In conclusion, the June 30, 2024, Reserve Plan aligns with the Plainview-Old Bethpage Strategic Plan, specifically under Priority Area #5: Finance & Facilities, which includes the following subcategories:
 - Maintain a Triple-A bond rating
 - End each fiscal year with a 4% fund balance
 - Maintain cumulative reserve levels at a minimum of 20% of annual budget general fund expenditures
 - Prioritize facility needs in the following order: health and safety, property preservation, and facilities upgrades