

# **WANTAGH UNION FREE SCHOOL DISTRICT**

## **FUNDING, USE OF RESERVES, AND FUND BALANCE PLAN**

**UPDATED JUNE 15, 2023**

**BOARD OF EDUCATION**

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# RESERVE ACCOUNTS

## Worker's Compensation Reserve (A814)

*Authorization – GML 6-j*

*Creation – This reserve was created on June 29, 1981.*

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

*Funding Methods – This reserve was funded through fund balance over several years and will continue to be funded from excess fund balance.*

*Use of Reserve – The district was self-insured for Workers' Compensation claims incurred through June 30, 2020 and this reserve is used to pay those expenses. Actual expenses for Workers' Compensation are:*

2013/14 – \$201,242	2016/17 – \$198,641	2019/20 – \$298,982
2014/15 – \$494,041	2017/18 – \$265,085	2020/21 – \$163,174
2015/16 – \$182,762	2018/19 – \$213,870	2021/22 – \$110,542
2022/23 – \$69,700 thru 3/31/23		

To eliminate the budgetary strain these fluctuations cause, the district joined a worker's compensation cooperative effective July 1, 2020. For a set premium, the cooperative covers all claims, no matter the amounts. This reserve will be maintained to pay claims incurred prior to July 1, 2020.

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

*Funding Level – An actuarial study was performed as of March 31, 2022 for the purpose of estimating the district's probable expense for claims incurred prior to June 30, 2020. The actuarial study concluded that outstanding claims totaled approximately \$465,000 on an undiscounted basis. The current reserve balance is appropriate based on the latest study and will continue to be drawn down until all claims are satisfied. In the future, this reserve balance can be adjusted if a new actuarial study is completed and a change is indicated.*

<b>6/30/22 Actual Balance:</b>	<b>\$592,000</b>	
<b>2022-2023 Third Quarter Balance:</b>	<b>\$551,788</b>	<b>Interest allocated thru 3/31/23</b>
<b>Recommended Balance as of 6/30/23:</b>	<b>\$495,000</b>	
<b>Anticipated Balance as of 6/30/23:</b>	<b>\$495,000</b>	

**Five Year Plan: Use for payments and maintain funding at actuarially determined amount to cover 100% of liabilities incurred prior to July 1, 2020.**

**Reserve for Retirement Contributions – ERS (A827)**

*Authorization – GML 6-r*

*Creation – This reserve was created on June 13, 2013.*

*Purpose – This reserve is used to offset the district’s expense for the NYS Employees’ Retirement System.*

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

*Use of Reserve – If funds are used from this reserve, as determined annually during the budget preparation process, it would be anticipated that amounts used would be replaced at the end of each year, thereby maintaining the balance.*

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

*Funding Level – The reserve balance on June 30, 2023 equaled approximately two years’ worth of retirement system expenses.*

<b>6/30/22 Actual Balance:</b>	<b>\$2,000,000</b>	
<b>2022-2023 Third Quarter Balance:</b>	<b>\$2,035,947</b>	<b>Interest allocated thru 3/31/23</b>
<b>Recommended Balance as of 6/30/23:</b>	<b>\$2,000,000</b>	<b>Maximum balance</b>
<b>Anticipated Balance as of 6/30/23:</b>	<b>\$2,000,000</b>	

**Five Year Plan: Maintain funding level of two years’ worth of expenses and replace any funds used annually, if possible.**

**Reserve for Retirement Contributions – TRS (A828)**

*Authorization – GML 6-r This reserve is actually a sub-reserve to the previously existing Retirement Contribution Reserve.*

*Creation – This reserve was created on June 13, 2019.*

*Purpose – This reserve is used to offset the district’s expense for the NYS Teachers Retirement System.*

*Funding Methods* – Funds may be placed in this reserve from excess fund balance or from a transfer of funds from eligible sources, including the ERS Reserve.

*Use of Reserve* – No planned use at this time.

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

*Funding Level* – This reserve may be funded annually up to a legal maximum of 2% of the previous year’s TRS reportable wages with the total balance not to exceed 10% of the prior year’s TRS reportable wages. The reserve balance on June 30, 2022 was within the statutory limit and equaled approximately 38% of the annual expense.

<b>6/30/22 Actual Balance:</b>	<b>\$1,397,000</b>	
<b>2022-2023 Third Quarter Balance:</b>	<b>\$1,422,110</b>	<b>Interest allocated thru 3/31/23</b>
<b>Recommended Balance as of 6/30/23:</b>	<b>\$2,095,000</b>	<b>Includes maximum annual growth</b>
<b>Anticipated Balance as of 6/30/23:</b>	<b>\$2,095,000</b>	

**Five Year Plan: Continue funding according to legal limits, eventually reaching the maximum, currently estimated at \$3.5 million.**

**Reserve for Accrued Employee Benefits Liability (A867)**

*Authorization* – GML 6-p

*Creation* – This reserve was created on June 11, 2009.

*Purpose* – This reserve is used to pay for unused accumulated leave time contractually provided to certain groups of employees upon termination or retirement. This typically includes payment for unused sick and/or vacation days. This fund cannot be used to pay for items such as certain retirement incentives, FICA and Medicare expense, and retiree health insurance.

*Funding Methods* – This reserve was funded from excess fund balance.

*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.

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

<b>6/30/22 Actual Balance:</b>	<b>\$3,050,000</b>	
<b>2022-2023 Third Quarter Balance:</b>	<b>\$3,105,983</b>	<b>Interest allocated thru 3/31/23</b>
<b>Recommended Balance as of 6/30/23:</b>	<b>\$2,900,000</b>	<b>Maximum balance</b>
<b>Anticipated Balance as of 6/30/23</b>	<b>\$2,900,000</b>	

**Five Year Plan: Continue to use for payments and maintain balance at 100% of the liability.**

### **Reserve for Unemployment Insurance (A815)**

*Authorization* – GML 6-m

*Creation* – This reserve was created on June 29, 1981 (reestablished 3/10/11)

*Purpose* – This reserve is used to reimburse the State for payments made to claimants. In recent years, the Unemployment Board changed the methodology for billing school districts for unemployment. The expense is billed on a fluctuating rate based on payroll expenses, rather than on actual costs.

*Funding Methods* – This reserve was funded entirely from excess fund balance.

*Use of Reserve* – The district is self-insured for Unemployment Insurance so this reserve is used to pay claims that exceed budgeted appropriations for unemployment claims and expenses. These transactions flow through the budget via a budget revision with the offsetting revenue coming from a drawdown of this reserve. Actual expenses for unemployment vary from year to year. A historical review of actual expenses indicates that the budget typically has enough to pay the claims. However, in the current economic climate the budgeted amount may be exceeded, thereby needing to use this reserve.

*Monitoring of Reserve* – This reserve is 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 was initially funded at \$500,000. Adjustments to the balance have been made over the years based on actual and projected experience.

<b>6/30/22 Actual Balance:</b>	<b>\$402,000</b>	
<b>2022-2023 Third Quarter Balance:</b>	<b>\$409,225</b>	<b>Interest allocated thru 3/31/23</b>
<b>Recommended Balance as of 6/30/23:</b>	<b>\$300,000</b>	<b>Maximum balance</b>
<b>Anticipated Balance as of 6/30/23:</b>	<b>\$300,000</b>	

**Five Year Plan: Continuously evaluate based on experience and adjust accordingly.**

**Capital Reserve (2014)**

*Authorization – ED Law 3651*

*Creation – Funding of this reserve up to \$5,000,000 was authorized by the voters on March 11, 2014.*

*Purpose – This reserve is used to pay for capital improvements, including needs that were identified in the 2010 Building Conditions Survey.*

*Funding Methods – Funding came from excess fund balance plus interest accrued. Funds placed in this reserve are restricted to specific voter-authorized capital improvement projects. This reserve was funded as follows:*

June 30, 2014:	\$2,284,131	June 30, 2017:	\$22,821
June 30, 2015:	\$1,747,740		
June 30, 2016:	\$979,308		

Interest accrued to this reserve as of 6/30/18 was \$34,000. Since the \$5,000,000 contribution limit was reached. This reserve is unable to receive future contributions.

In March 2021, \$106,865 was identified as remaining from approved and completed projects. This amount will be returned to this capital reserve fund. However, since no additional funding can be received, the Board of Education declared this reserve closed. The remaining funds were then transferred to Capital Reserve 2018.

*Use of Reserve – Expenditure of funds from this reserve requires voter approval. The proposition to use these funds must be specific to a set of projects and dollar amounts. To date, the following authorizations have been received from the community to expend funds from this reserve:*

- May 19, 2015 voters approved a list of capital projects totaling \$2,284,000.
- December 13, 2016, voters approved a list of capital projects totaling \$2,716,000 plus interest accrued up to \$34,000.
- Remaining funds of \$106,865 were returned to the reserve and then transferred to Capital Reserve 2018 when this reserve was declared closed.

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

*Funding Level – This reserve was created with a maximum funding of up to \$5,000,000 plus interest for five years. The reserve has been fully funded, fully expended and is closed.*

**6/30/22 Actual Balance:** \$0  
**Recommended Balance as of 6/30/23:** \$0 **Maximum funding level reached**

**Capital Reserve (2018) (A878.2)**

*Authorization – ED Law 3651*

*Creation – Funding of this reserve up to \$7,500,000 was authorized by the voters on May 19, 2018.*

*Purpose – This reserve is used to pay for future capital improvements, including needs that were identified in the 2015 Building Condition Survey and by the Facilities Committee as part of the 2022 bond proposition process.*

*Funding Methods – Funding may come from budget appropriations, excess fund balance, and interest accrued. Funds placed in this reserve are restricted for use for specific voter-authorized capital improvement projects. This reserve is funded as follows:*

June 30, 2018:	\$800,000
June 30, 2021:	\$210,753*
June 30, 2022:	\$3,051,019
June 30, 2023:	TBD

\* March 2021, \$103,888 was identified as remaining funds from approved and completed projects. These funds were returned to this reserve and may be used again with voter authorization. In addition, \$106,865 was transferred into this reserve from Capital Reserve 2014 as that reserve was closed.

*Use of Reserve – Expenditure of funds from this reserve requires pre-approval by the voters. The proposition to use these funds must be specific to a set of projects and dollar amounts. To date, the following authorizations have been received from the community to expend funds from this reserve:*

- October 23, 2018 voters approved a list of capital projects totaling \$800,000.
- May 17, 2022 voters approved a capital project totaling \$600,000.
- *Proposed* – May 16, 2023 to approve a list of capital projects totaling \$3,036,000.

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

*Funding Level – This reserve was created with a maximum funding of up to \$7,500,000 plus interest for ten years.*

**6/30/22 Actual Balance:** \$2,661,771  
**2022-2023 Third Quarter Balance:** \$2,709,613 **Interest allocated thru 3/31/23**



**Estimated Balance as of 6/30/23\*:**

**\$3,800,000**

This balance would be reduced by the proposed amount above, if approved

\*\$7,500,000 voter approved funding limit applies

**Five Year Plan: Set aside funds up to voter approved maximum and utilize funds to complete voter-approved projects.**

**It is anticipated that in May 2024 a separate proposition to establish another capital reserve will be presented to the community.**

**Repair Reserve (A882)**

*Authorization – GML 6-d*

*Creation – This reserve was established by the Board of Education on May 3, 2018.*

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

*Funding Methods – Voter approval is required to fund this reserve. This reserve may be funded from appropriations and from excess fund balance.*

*Use of Reserve – In accordance with the law, a public hearing must be held in order to use funds from this reserve, except in an emergency. Funds used without holding a public hearing must be repaid to the reserve over two years. Use is restricted to the purpose stated above.*

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

*Funding Level – A maximum amount was not established upon creation.*

**6/30/22 Actual Balance: \$75,000**

**2022-2023 Third Quarter Balance: \$76,348 Interest allocated thru 3/31/23**

**Recommended Balance as of 6/30/23: \$250,000**

**Anticipated Balance as of 6/30/23: \$100,000**

**Five Year Plan: Set aside funds as available.**

## FUND BALANCE

The following items are not reserve accounts but are equally as important for fund balance planning.

### 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).

<b>6/30/22 Actual Balance:</b>	<b>\$3,399,264</b>	<b>4% of total budget</b>
<b>2022-2023 Third Quarter Balance:</b>	<b>\$3,399,264</b>	
<b>Recommended Balance as of 6/30/23:</b>	<b>\$3,579,902</b>	<b>Maximum balance 4% of budget</b>
<b>Anticipated Balance as of 6/30/23:</b>	<b>\$3,579,902</b>	<b>4% of total budget</b>

**Five Year Plan: Maintain at 4% of total budget.**

### Assigned Fund Balance - Appropriated for Subsequent Years

*Creation* – These funds are those amounts of available fund balance which 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 from one year to offset the next year's tax levy.

*Use of Funds* – The practice of using these funds has been discontinued and it is recommended that that continue.

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

*Funding Level* – It is recommended that the planned use of assigned fund balance as a revenue source be maintained at \$0.

**Balance from 2021-22 budget applied to 2022-23 budget: \$0**

**Recommended balance from 2022-23 budget applied to 2023-24 budget: \$0**

**Five Year Plan: Do not plan for use of appropriated fund balance in future budgets.**

## **DEBT SERVICE FUND**

*Creation* – Funds are placed into this fund when money remains from completed projects that were paid for with borrowed (bond) money.

*Purpose* – These funds are to be used specifically to offset debt service payments in the General Fund via an inter-fund transfer.

*Funding Methods* – Funded with transfers from the capital fund when excess funds from completed projects remain.

*Use of Funds* – A plan was devised to use these funds to offset debt service payments in the general fund. The timing is such that these funds will be depleted when final bond payments are made.

<b><i>DEBT SERVICE FUND</i></b>			
BALANCE 6/30/20			\$249,296
<i>School Year</i>	<i>Action</i>	<i>Amount</i>	<i>Running Balance</i>
20/21	Addition	\$68,466	\$317,762
21/22	Use	\$(155,000)	\$162,762
22/23	Use	\$(110,000)	\$52,762
23/24	Use	\$(52,762)	\$0

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

*Funding Level* – No additional funding is planned.

At the time the budget is prepared, the estimated tax levy will have the benefit of being reduced by using the funds in the amounts and for the years indicated above.

**2022-23 Actual Use of Funds: \$110,000**

**2023-24 Planned Use of Funds: \$52,762**