



MALVERNE UNION FREE SCHOOL DISTRICT
RESERVES PLAN
UPDATED OCTOBER 2024
Submitted to the Board of Education: October 2024

Reserve for Retirement Contributions (ERS)

Creation – This reserve was established by Board resolution during the 2005-2006 year.

Purpose – This reserve is used to pay for employer contributions 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 – This reserve has been, and will be used in future years as a funding source for projected expenses in required employer contributions. If operational fund balance is available in a given fiscal year, it is recommended to replace funds used.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business and reviewed annually by the District's professional accountants and District's External Auditors.

Funding Level – A funding level equal to approximately 5 years worth of retirement system billings is recommended by the District's accountants and external auditors. The June 30th, 2024 balance below reflects approximately 5 years of projected liability.

6/30/23 Actual Balance: \$2,549,452

6/30/24 Actual Balance: \$3,329,219

Reserve for Teachers' Retirement Contributions (TRS)

Creation – This reserve was established by Board resolution during the 2018-2019 year.

Purpose – This reserve is used to pay for employer contributions to the NYS Teachers' Retirement System only (TRS). Payments to the Employee's Retirement System (ERS) are not allowed from this reserve.

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

Use of Reserve – This reserve will be used in future years as a funding source for projected expenses in required employer contributions. If operational fund balance is available in a given fiscal year, it is recommended to replace funds used.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business and reviewed annually by the District’s professional accountants and District’s External Auditors.

Funding Level – As per State law, the annual funding of this reserve may not exceed 2% of TRS eligible salaries from the prior fiscal year and the total reserve balance may not exceed 10% of TRS eligible salaries from the prior fiscal year. For June 30th, 2024, the annual funding limit is \$502,629 and the total reserve balance may not exceed \$2,513,146. The June 30th, 2024 funding limits are computed based off the 2022/2023 TRS eligible salary amount (\$25,131,462).

6/30/23 Actual Balance: \$1,267,592

6/30/24 Actual Balance: \$1,734,713

Reserve for Accrued Employee Benefits Liability (EBALR)

Creation – This reserve was established by Board resolution during the 2003-2004 year.

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 reserve may not exceed the District’s liability for compensated absences (\$1,231,007 as of June 30th, 2024). This fund cannot be used to pay for items such as: retirement incentives, FICA and Medicare payments and retiree health insurance. When GASB 45 (regulation concerning post-employment benefits) was introduced, districts were advised that reserving for future liabilities created by GASB 45 in this reserve was appropriate. That guidance has since changed.

Funding Methods – This reserve was funded either from excess fund balance or funds were transferred in from other reserves. If excess fund balance is available in future years, the district can place additional funds in this reserve.

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 (if applicable) funded by an appropriation from this reserve. This reserve will continue to be used in this manner to make these payments. This reserve is used as a funding source for appropriations for projected retiree payouts when preparing the annual budget.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business and reviewed annually by the District’s professional accountants and District’s External Auditors.

Funding Level – Each year, a detailed analysis of the liability is computed and is used to support the funding of this reserve. The liability computation is reviewed by the External Auditors. This reserve is currently funded at approximately 99% of the June 30th, 2024 accrued liability for unused accumulated leave time.

6/30/23 Actual Balance: \$1,079,018

6/30/24 Actual Balance: \$1,230,940

Reserve for Unemployment Insurance

Creation – This reserve was established by Board resolution.

Purpose – This reserve is used to reimburse the State for payments made to claimants. The district does subscribe to the benefit reimbursement method, meaning the State is reimbursed for actual claims incurred. The District does not pay NYS a fixed premium for unemployment insurance coverage.

Funding Methods – This reserve is funded from excess fund balance. It is funded in anticipation of an increased number of staff reductions.

Use of Reserve – To be used to cover a higher volume of unemployment claims without negatively impacting the General Fund budget.

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 – The June 30th, 2024 balance reflects approximately 8 years of funding based on the average of the prior two fiscal years' actual expenditure. To support the 2024-25 budget, the district withdrew \$20,000 from this reserve. It is recommended the district continue to utilize this reserve to fund the 2025-2026 budget.

6/30/23 Actual Balance: \$100,046

6/30/24 Actual Balance: \$161,737

Repair Reserve

Creation – This reserve was established by Board resolution.

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. In accordance with the proposition approved by the voters, this reserve was funded via excess fund balance. In May 2014, voter approval allowed the Board of Education to transfer up to \$400,000 on June 30, 2014. Additional funding of this reserve would require another referendum.

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 fund over two years. Use is restricted to the purpose stated above.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business and reviewed annually by the District's professional accountants and District's External Auditors.

Funding Level – This reserve has no maximum funding level. However, the District’s professional accountants recommend using prior year’s expenditure as reference for a funding level. The average yearly expenditure/encumbrance of Building & Grounds repairs over the last four years has been approximately \$697,076.

6/30/23 Actual Balance: \$216,415

6/30/24 Actual Balance: \$227,430

Reserve for Capital Projects #3 (i.e.: Capital Reserve #3)

Creation – This reserve was approved on June 9, 2020 via voter approval. It was approved with a \$10,000,000 limit over a 12 year period of time. The funding period will expire when the dollar limit is reached, or on June 30, 2032, whichever comes first.

Purpose – This reserve may be used to fund the cost of any object or purpose for which bonds may be issued; i.e. construction projects and/or major equipment purchases.

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.

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. This reserve is in place to continue to accrue funds for capital projects since the limit on Reserve for Capital Projects #2 has been reached. The Board and community approved to spend \$4,320,000 from this reserve as of June 30, 2024.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Management Services and Assistant Superintendent for Business. The reserve is reviewed annually by the District’s professional accountants and District’s External Auditors.

Funding Level – As stated in the approved proposition, this reserve was created with a maximum limit of \$10,000,000. As of June 30th, 2024, total funds placed into the reserve is \$5,458,104.

6/30/23 Actual Balance: \$1,762,708

6/30/24 Actual Balance: \$1,581,586

Restricted Fund Balance for Debt Service

Creation – The restriction is an accounting function. Funds are generated by interest and premiums on debt.

Purpose – These funds are to be used specifically to offset debt service payments in the General Fund.

Funding Methods – Funded via interest and premiums on the District’s debt service (i.e.: Bond).

Use of Funds – To be used to cover future debt service payments. About fifty percent of the June 30th, 2024 balance of this reserve has been used as a funding source for the 2024/25 budget.

Monitoring of Balance – This reserve is monitored by the Assistant Superintendent for Business and reviewed annually by the District’s professional accountants and District’s External Auditors.

Funding Level – The funding level is the interest received on debt.

6/30/23 Actual Balance: \$56,788

6/30/24 Actual Balance: \$39,679

Liability Reserve Fund

Creation – This reserve was established by Board resolution during the 2006-2007 school year.

Purpose – These funds are to be used to pay for property loss and liability claims incurred.

Funding Methods – This reserve is funded from excess fund balance.

Use of Funds – To be used to cover future liability (i.e. lawsuit) payments.

Monitoring of Balance – This reserve is monitored by the Assistant Superintendent for Management Services and Assistant Superintendent for Business and reviewed annually by the District’s professional accountants and District’s External Auditors.

Funding Level – The funding level may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. Three percent of the 2024-25 budget is \$2,138,216. Historical legal payments and/or legal counsel recommendations are used as a basis for the funding level.

6/30/23 Actual Balance: \$529,821

6/30/24 Actual Balance: \$556,789

The following two items are not reserve accounts, but are 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 reviewed annually by the District’s professional accountants and District’s External Auditors.

Funding Level – The maximum legal limit is recommended (4% of the ensuing budget). The District has been able to maintain the funding level of 4% as of June 30th, 2024.

6/30/23 Actual Use of Funds: \$2,749,076

6/30/24 Actual Use of Funds: \$2,850,956

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 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 represent fund balance that is assigned for a particular purpose.

Use of Funds – It is recommended that the practice of returning these funds continue each year, as the budget permits. In the future, tighter budgets may restrict the amount of excess available funds 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 reviewed annually by the District’s professional accountants and District’s External Auditors.

Funding Level – Determined annually by the Board of Education based on Reserve levels and Fund Balance projections prepared by the Assistant Superintendent for Business and District’s professional accountants. One of the Board of Education’s adopted District Goals for the 2024-25 school year is to reduce the annual appropriated fund balance amount.

6/30/23 Actual Use of Funds: \$100,000

6/30/24 Actual Use of Funds: \$80,000