

**WHITE PLAINS CITY SCHOOL DISTRICT
GENERAL FUND
FUND BALANCE RESERVES REPORT
JUNE 30, 2019**



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

Overview

Fund Balance Reserves are created to satisfy legal restrictions, plan for the future expenditures or relate to resources that are not available for general use or appropriation.

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. In addition, it is fiscally advantageous for both the District and the Taxpayer 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):

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).

In addition, the Government Finance Officers Association (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. Typically the GFOA recommends governments to have 15% unreserved fund balance. Unfortunately, school districts have a statutory limit of 4%.

RESTRICTED FUND BALANCES

Restricted Fund Balances includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Reserve for Tax Certiorari (A864)

Authorized by Education Law Section 3651 (1-a)

Creation – This reserve has been in existence prior to 1993 and was established by Board Resolution.

Purpose – To pay judgments and claims in tax certiorari proceedings in accordance with Article seven of the Real Property Tax Law.

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

Use of Reserve – The reserve is used to pay settlements, judgements, and claims in tax certiorari proceedings. Upon recommendation by legal counsel and authorization by the Board of Education, funds from the reserve are appropriated in order to pay such claims.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business. Each year, legal counsel provides a detailed analysis of tax certiorari filings, listing the District's potential exposure, as well as an estimate of any potential refunds (liability).

Funding Level – Each year the reserve should be sufficient to fund the estimated liability as indicated by legal counsel.

6/30/18 Actual Balance: \$57,701,379

Funds Used As of 6/30/19: \$4,293,348

Balance (Prior to Restoring Funds and Accruing Interest \$1,228,385) = \$53,408,031

Recommendation: Restore funds by \$9,122,432, for a total reserve at June 30, 2019 of \$63,758,848, per recommendation of legal counsel.

Reserve for Retirement Contributions ERS (A827)

Authorized by General Municipal Law Section 6-r (11)

Creation – This reserve was created effective June 10, 2019 and was established by Board Resolution with an initial deposit of \$100,000.

Purpose – For the purpose of financing retirement contributions to New York State and Local Employees’ Retirement System.

Funding Methods – This reserve is funded from unappropriated unreserved fund balance.

Use of Reserve – The reserve is used to pay obligations to the New York State and Local Employees’ Retirement System. Upon authorization by the Board of Education, funds from the reserve are appropriated in order to pay such costs.

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

Funding Level – The District annually, will calculate using the guidance of 2% of member (ERS) salaries for the preceding year, the amount that could be reasonably funded to support future increases in pension expenses.

6/30/18 Actual Balance: \$-0-
Funds Used As of 6/30/19: \$-0-
Balance = \$100,000

Reserve for Retirement Contributions Sub – Fund TRS (A827.1)

Authorized by General Municipal Law Section 6-r (11)

Creation – This reserve was created effective June 10, 2019 and was established by Board Resolution with an initial deposit of \$500,000.

Purpose – For the purpose of financing retirement contributions to New York State Teachers’ Retirement System and/or to offset all or a portion of the amount deducted from the moneys apportioned to the District from the State for the support of schools pursuant to Section 521 of the Education Law.

Funding Methods – This reserve is funded from budgetary appropriation or from excess fund balance. The funds may be transferred from reserves authorized by GML 6-c, 6-d, 6-e, 6-f, 6-g, and Education Law Section 3651.

Use of Reserve – The reserve is used to pay obligations to the New York State Teachers Retirement System. Upon authorization by the Board of Education, funds from the reserve are appropriated in order to pay such costs.

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

Funding Level – The moneys contributed annually to the Reserve Sub-Fund for TRS shall not exceed 2% of the total compensation or salaries of all teachers (as that term is defined in Education Law §501[4]) employed by the White Plains City School District who are members of TRS paid during the immediately preceding fiscal year.

6/30/18 Actual Balance: \$-0-
Funds Used As of 6/30/19: \$-0-
Balance = \$500,000

Reserve for Employee Benefits and Accrued Liabilities (A867)

Authorized by General Municipal Law Section 6-p

Creation – This reserve was created by Board Resolution on June 30, 2016.

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 and retiree health insurance.

Funding Methods – This reserve is 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 – The reserve funds a portion of the accrued liability for unused accumulated leave time.

6/30/18 Actual Balance: \$2,500,000

Funds Used As of 6/30/19: \$333,000

Balance (Prior to Restoring Funds and Accruing Interest \$49,841) = \$2,167,000

Recommendation: Restore funds by \$944,793 for a total reserve at June 30, 2019 of \$ 3,161,634.

Capital Reserve (2016) (A878)

Authorized by: Education Law Section 3651(1)

Creation – Funding of this reserve up to \$25,000,000 was authorized by the voters on May 20, 2016.

Purpose – This reserve is used to pay for future capital improvements.

Funding Methods – This reserve is funded from excess fund balance. Funds placed in this reserve are restricted for use for specific voter-authorized capital improvement projects. In 2015-16 the district set aside \$12,720,240; 2016-17 \$3,631,715; 2017-18 \$3,523,447 and in 2018-19 recommending \$5,124,598 into this reserve for a total deposited of \$25,000,000, as authorized by the voters.

Use of Reserve – Expenditure of funds from this reserve requires pre-approval by the voters. On May 19, 2018, voters authorized the expenditure of \$10,000,000 from the reserve in 2018-19. On May 21, 2019, voters authorized the expenditure of \$6,400,000 from the reserve in 2019-20.

Monitoring of Reserve – This reserve will be monitored by the Assistant Superintendent for Business. Detailed records will be maintained to support the amounts in this reserve.

Funding Level – This reserve was created with a maximum funding of up to \$25,000,000 plus interest to be accumulated over a ten-year period of time. As of June 30, 2019 the maximum allowable to be deposited into the reserve has been exhausted.

6/30/18 Actual Balance: \$20,525,349

Funds Used As of 6/30/19: \$10,000,000

Balance (Prior to Restoring Funds and Accruing Interest \$242,083) = 10,525,349

Recommendation: Fund up to allowable limits from available funds, \$5,124,598 at June 30, 2019, for a total reserve including interest earnings of \$15,892,030.

Capital Reserve (2019) (A878)

Authorized by: Education Law Section 3651(1)

Creation – Funding of this reserve up to \$25,000,000 was authorized by the voters on May 21, 2019.

Purpose – This reserve is used to pay for future capital improvements.

Funding Methods – This reserve is funded from excess fund balance. Funds placed in this reserve are restricted for use for specific voter-authorized capital improvement projects.

Use of Reserve – Expenditure of funds from this reserve requires pre-approval by the voters.

Monitoring of Reserve – This reserve will be monitored by the Assistant Superintendent for Business. Detailed records will be maintained to support the amounts in this reserve.

Funding Level – This reserve was created with a maximum funding of up to \$25,000,000 plus interest to be accumulated over a ten-year period of time.

6/30/18 Actual Balance: \$0

Funds Used As of 6/30/19: \$0

Balance = \$0

The following items are not reserve accounts, but are equally as important to planning revenues for the District.

ASSIGNED FUND BALANCE

Assigned Fund Balances includes amounts that are constrained by the school district's intent to be used for specific purposes as established by the Board of Education or by their designated official(s).

Assigned Appropriated Fund Balance (A914)

Creation – These funds are those funds in 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 to offset the next year's tax levy.

Use of Funds – It is recommended that the practice of returning these funds be reduced as much as possible, 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.

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

6/30/18 Actual Balance: \$0

Per 2019-20 Adopted Budget recommendation is \$0

Assigned Unappropriated Fund Balance – Reserve for Encumbrances (A915)

The Purchasing Agent for the district has been designated the authority to issue purchase orders on behalf of the district and these purchase orders are an assignment of fund balance.

UNASSIGNED FUND BALANCE (A917)

Unassigned Fund Balance represents the residual classification for school district's general fund and could report a surplus or deficit.

Authorized by: New York State Real Property Tax Law §1318

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 statutory limit is recommended (4% of the ensuing budget).

6/30/18 Actual Balance: \$8,743,720

Recommendation for 6/30/19: Maximum statutory limit, 4% of 2019-20 budget, or \$9,063,540

NONSPENDABLE FUND BALANCE (A806)

Nonspendable Fund Balance consist of assets that are inherently Nonspendable 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.

Creation – This reserve stems from a 2006 pledge of \$1 million for the Loucks complex by Louis R. Cappelli Foundation, Inc. Based on a new agreement, the District is schedule to receive \$50,000 each year until the pledge is paid in full.

6/30/18 Actual Balance: \$299,691

Balance at 6/30/2019: \$256,584