HUNTINGTON UNION FREE SCHOOL DISTRICT
RESERVE PLAN
UPDATED SEPTEMBER 2013

2008 Capital Reserve (authorized under Education Law)

Creation – This reserve was created on May 20, 2008 via voter approval.

Purpose – This reserve may be used to fund the cost of any object or purpose for which bonds may be issued.

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.

Funding Level – As stated in the approved 2008 proposition, this reserve was created with a maximum limit of $10,000,000. Accumulation of funds into this reserve must cease at $10,000,000 or after 15 years, whichever is earlier.

6/30/12 closing balance (following allocation from fund balance): $5,016,277
6/30/13 current balance (prior to allocation from fund balance): $3,302,783, including interest
6/30/13 proposed closing balance (following allocation from fund balance): $4,959,159

Note: The 6/30/13 allocation allows for the maximum cumulative contribution for this reserve fund. Voters approved another capital project reserve to set aside additional funds in May 2013. It is appropriate to have multiple capital project funds in place simultaneously.

2013 Capital Reserve (authorized under Education Law)

Creation – This reserve was created on May 21, 2013 via voter approval.

Purpose – This reserve may be used to fund the cost of any object or purpose for which bonds may be issued.

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.
Funding Level – As stated in the approved 2013 proposition, this reserve was created with a maximum limit of $10,000,000. Accumulation of funds into this reserve must cease at $10,000,000 or after 8 years, whichever is earlier.

6/30/12 closing balance (following allocation from fund balance): $0
6/30/13 current balance (prior to allocation from fund balance): $0, including interest
6/30/13 proposed closing balance (following allocation from fund balance): $2,000,000

Employee Benefit Accrued Liability Reserve (authorized under General Municipal Law)

Creation – This reserve was created on June 30, 2002.

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. When GASB 45 was introduced, districts were advised that reserving for future liabilities created by GASB 45 in this reserve was appropriate.

Funding Methods – This reserve has typically been funded from excess fund balance. Due to advisement related to use of this reserve, there are no plans to increase funding at present.

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.

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

6/30/12 closing balance (following allocation from fund balance): $901,610
6/30/13 current balance: $666,588, including interest
6/30/13 proposed closing balance (following allocation from fund balance): $1,666,588

Retirement Contribution Reserve (authorized under General Municipal Law)

Creation – This reserve was created on June 30, 2006.

Purpose – This reserve is used to pay for district expenses to the NYS Employees Retirement System only. Payments to the Teachers Retirement System from this reserve are not permitted.

Funding Methods – Funds are placed in this reserve from excess fund balance.
Use of Reserve – A separate plan for use of this reserve has been developed. The plan calls for annual use of this fund in decreasing amounts (potentially ending in 2017-18), so as not to create a budgetary shortfall.

Funding Level – A funding level equal to approximately two years worth of retirement system billings is desired. At current rates, that level is approximately $5,100,000. The recommended balance below reflects an anticipated increase in future billings.

6/30/12 closing balance (following allocation from fund balance): $2,000,000
6/30/13 current balance (prior to allocation from fund balance): $2,172,839, including interest
6/30/13 proposed closing balance (following allocation from fund balance): $3,172,839

Insurance Reserve (authorized under General Municipal Law)

Creation – This reserve was created on June 30, 2002.

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 was previously funded from excess fund balance. Future funding of this reserve is not planned at this time.

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

Funding Level – This reserve is funded at a level of $600,000, exclusive of interest earnings.

6/30/11 closing balance (following allocation from fund balance): $0
6/30/12 current balance: $0

Repair Reserve (authorized under General Municipal Law)

Creation – This reserve was created on May 20, 2008 via voter approval.

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 entirely via a transfer of funds from the Employee Benefits/Accrued Liability Reserve. The wording of the proposition does not allow for additional funding of this reserve beyond the initial amount.

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. To date, funds have been used for the tennis court repair, installation of tank alarms for the underground fuel tanks, and a roof repair.

\textit{Funding Level} – This reserve was funded at $1,000,000.

\textbf{6/30/12 closing balance (following allocation from fund balance): $201,808}
\textbf{6/30/13 current balance: $201,889, including interest}

\textit{Note: This reserve cannot be replenished, except for funds used in an emergency. Voters would need to approve another Repair Reserve to set aside additional funds.}

\textbf{Tax Certiorari Reserve (authorized under Education Law)}

\textit{Creation} – This reserve fund has not yet been established.

\textit{Purpose} – This reserve would used to pay for prior year judgments and claims in tax certiorari proceedings. Current year refunds would be paid through the budget.

\textit{Funding Methods} – Since funding this reserve cannot happen until at least July 1, 2012, the funding methods have not yet been determined. It is anticipated that detailed calculations would be required each year to support the amounts in this reserve. Future funding methods may include from excess fund balance or transfers from other reserves. Funds placed in this reserve not used to pay tax certiorari judgments or claims must be returned to the General Fund after four years.

\textit{Use of Reserve} – This reserve would be used to pay for prior year tax certiorari claims. Pending the determination of current legal action, liability for these claims began to accrue effective April 1, 2012.

\textit{Funding Level} – Since actual liabilities have not yet been determined, a realistic funding level cannot be determined at this time.

\textbf{6/30/12 closing balance (following allocation from fund balance): N/A}
\textbf{6/30/13 current balance: N/A}

\textit{Note: Although this reserve cannot be funded as of June 30, 2013, it is recommended that it be established so that, if needed, it is readily available.}

\textbf{Unemployment Insurance Payment Reserve (authorized under General Municipal Law)}

\textit{Creation} – This reserve was created on June 30, 2009.
**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. We do not pay NYS a fixed premium for unemployment insurance coverage.

**Funding Methods** – This reserve was funded entirely from excess fund balance when it was created. It was funded in anticipation of an increased number of staff reductions.

**Use of Reserve** – The initial funding was an amount sufficient to pay full unemployment insurance at the maximum rate for approximately nine individuals. There are monies budgeted within the general fund to address incidental claims incurred by the district in the normal course of business. Although the district has experienced layoffs over the past several years, not all have resulted in unemployment expenses to the district.

**Funding Level** – This reserve was initially funded at $100,000. At this time, the proposed level is deemed appropriate by our external auditors.

6/30/12 closing balance (following allocation from fund balance): $316,977, including interest
6/30/13 current balance (prior to allocation from fund balance): $317,104

**Workers’ Compensation Reserve (authorized under General Municipal Law)**

**Creation** – This reserve was created on June 30, 2004.

**Purpose** – This reserve is used to pay for actual workers’ compensation claims related to medical expenses and self-insurance administrative costs. It cannot be used to pay for workers’ compensation insurance premiums. (This includes a prohibition against using these funds to pay our annual contribution to the cooperative [NYSIR]).

**Funding Methods** – This reserve was funded through excess fund balance over the course of several years. Due to the district’s participation in NYSIR, funds may be added only based on need and available fund balance.

**Use of Reserve** – This reserve will be used to pay claims filed during the time period when the district was self-insured. In July 2015, the District will engage an actuary to re-evaluate the self-insured claims. The balance in this reserve at that time will be used for the final settlement, if a payment to NYSIR is required. Otherwise, all remaining funds will be returned to the General Fund.

**Funding Level** – The current funding level is sufficient to pay 100% of the previously determined actuarial value of all outstanding self-insured claims. Any excess will be used at the time of settlement and either paid to the cooperative or returned to the General Fund.

6/30/12 closing balance (following allocation from fund balance): $3,342,605
6/30/13 current balance (prior to allocation from fund balance): $2,852,305, including interest.
6/30/13 proposed closing balance (following allocation from fund balance): $3,352,305

The following two items are not reserve accounts, but are equally as important to district revenue 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 = 4% of the ensuing budget.

6/30/12 closing balance: $4,459,739
6/30/13 current balance (prior to reserve transfer): $10,744,559
6/30/13 proposed closing balance (following reserve transfer): $4,588,183

**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 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. In the future, tighter budgets may restrict the amount of excess 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.

6/30/12 closing balance: $2,127,376
6/30/13 current balance: $2,180,953