

# APW CENTRAL SCHOOL DISTRICT

## Board of Education

### Financial Reserve and Fund Balance Plan Document

As of June 30, 2020

Reserve funds (essentially a legally authorized savings account designated for a specific purpose) are an important component in the District's financial planning for future projects, acquisitions and other lawful purposes. To this end, the District may establish and maintain reserve funds in accordance with New York State Laws, Commissioner's Regulations and the rules and/or opinions issued by the Office of the New York State Comptroller, as applicable. The District shall comply with the reporting requirements of Article 3 of the General Municipal Law of the State of New York and the Governmental Accounting Standards Board (GASB) issued GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Any and all District reserve funds shall be properly established and maintained to promote the goals of creating an open, transparent and accountable use of public funds. The Board will authorize all payments or transfers into a reserve fund by express resolution. The District may engage independent experts and professionals, including but not limited to, auditors, accountants and other financial and legal counsel, as necessary, to monitor all reserve fund activity and prepare any and all reports that the Board may require. (APW Board Policy, 5511 - Reserve Funds)

## INTENDED USE OF RESERVES

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.

Reserve funds, like other savings plans, are mechanisms for accumulating cash for future capital outlays and other allowable purposes. The practice of planning ahead and systematically saving for capital acquisitions and other contingencies is considered prudent management. Saving for future capital needs can reduce or eliminate interest and other costs associated with debt issuances. Similarly, certain reserve funds can be utilized to help protect the budget against known risks (a potential lawsuit) or unknown risks (a major ice storm).

Most reserve funds are established to provide resources for an intended future use. An important concept to remember is that a reserve fund should be established with a clear intent or plan in mind regarding the future purpose, use and, when appropriate, replenishment of funds from the reserve. Reserve funds should not be merely a "parking lot" for excess cash or fund balance. Local governments and school districts should balance the desirability of accumulating reserves for future needs with the obligation to make sure taxpayers are not overburdened by these practices. There should be a clear purpose or intent for reserve funds that aligns with statutory authorizations.

Each statute that authorizes a reserve fund sets forth a particular underlying purpose for the fund. For example, provisions of the General Municipal Law (the GML) and the Education Law allow municipalities and school districts, respectively, to establish capital reserves for future equipment purchases and capital improvements. The GML also authorizes the

establishment of an employee benefit accrued liability reserve for the payment of the monetary value of accumulated, unused leave time to employees upon separation from service. Planning today and saving incrementally for expected future events can help mitigate the financial impact of major, nonrecurring or unforeseen expenditures on your annual operating budget. Establishing and funding allowable reserve funds for a clear purpose can help smooth out spikes in the annual budget and in the real property tax lev.

**Source: Office of the New York State Comptroller - Local Management Guide for Reserves**

**<http://www.osc.state.ny.us/localgov/pubs/lmg/reservefunds.pdf>**

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## **APW CENTRAL SCHOOL DISTRICT RESERVE FUND PHILOSOPHY**

The District will continue to use conservative budgeting practices and continually monitor the use of reserves and fund balance. By taking this approach the District is in a better position to address unexpected budgetary obligations, such as; increases in special education services, increases in transportation costs like fuel, additional staff needed for student needs, etc. A conservative approach to budgeting can result in budget surplus at year-end which the Board of Education and District Administration will review to determine the best use of the surpluses. The short-term and long-term goals and the Districts' mission will be the focus.

On an ongoing basis the District will update and analyze a five year financial outlook of the District. The goal is to provide long term financial stability, avoid significant cuts to the education programs due to a lack of financial resources, and maintain a stable tax levy. As the District monitors the use of reserves the focus will be minimizing funding gaps due to the reliance on reserves and appropriated fund balance in balancing the budget. We believe it is in the best interest of students, staff and taxpayers to judiciously build and utilize reserves and unassigned fund balances to overcome financial challenges and uncertainties that arise during a school year. Through the management of its reserves the District hopes to achieve the following:

- Stability, improvements and additions in the educational programs
- Maintenance of educational programming during economic downturns
- The ability to maintain a stable tax levy
- Cash flows that will allow increased investment earnings
- The ability to fund non-recurring items in the budget
- A long term plan for preserving its infrastructure and school buildings (5 yr. Building Condition Survey)
- The ability to maintain and/or improve its bond rating which will save taxpayers money at both the Local and State level
- Cash flows that will continue to allow the district to operate without using a Revenue Anticipation Note in the event State or Federal aid is not paid timely and before tax revenue starts to come in for the year

## **APW CENTRAL SCHOOL DISTRICT RESERVE FUND PROCEDURES**

The Reserve Plan contains the date created, purpose, funding methods, use of reserves, monitoring of reserves, and funding levels maintained by APW Central School District. The funding levels were recommended by District Administration, based on reviews of the following information:

- 5 year financial projections
- Possible exposure in each area
- Financial history of the District
- Regional events and factors that have impacted other Districts

Annually, the plan will be updated and implemented as follows:

- The District Administration will review balances and patterns of revenues, expenses, and appropriations after books close each fall.
- The District Administration will review updated 5 year financial projection.
- The Audit Committee will review the reserve plan including funding levels and balances and provide any feedback they have at that time.

Any change in recommendations received will be presented to the Board of Education.

- The Board of Education will adopt the updated Reserve Plan.
- Throughout the year, by Board Resolution, adjustments to the budget can be done to allow for charging appropriate expenditures to the reserves.
- In June, by Board resolution, allocate funds to reserves as established by the Reserve Plan.

<b>Reserve</b>	<b>Balance 6/30/18</b>	<b>Balance 6/30/19</b>	<b>Increase (Decrease)</b>
Capital Reserve	\$2,250,000	\$2,269,630	\$19,630
Worker's Compensation Reserve	\$471,471	\$475,584	\$4,113
Unemployment Insurance Reserve	\$70,810	\$71,428	\$618
Retirement Contribution Reserve	\$1,360,982	\$1,983,835	\$622,853
Retirement Contribution Reserve Sub-Fund TRS	\$0	\$188,717	\$188,717
Insurance Reserve	\$472,528	\$476,641	\$4,113
Tax Certiorari Reserve	\$150,190	\$151,500	\$1,310
Repair Reserve	\$10,969,594	\$11,069,786	\$100,192
Reserve for Employee Benefits Accrued Liability	\$713,144	\$719,365	\$6,221
<b>Subtotal</b>	<b>\$16,458,719</b>	<b>\$17,406,486</b>	<b>\$947,767</b>
Nonspendable	\$0	\$0	\$0
Appropriated Fund Balance	\$0	\$0	\$0
Reserve for Encumbrances	\$157,168	\$475,218	\$318,050
Unassigned	\$1,921,093	\$3,498,722	\$1,577,629
<b>Total Fund Balance</b>	<b>\$18,536,980</b>	<b>\$21,380,426</b>	<b>\$2,843,446</b>

The above chart is provided for historical reference.

**Appendix A** - Questar BOCES – State Aid Planning Unit “*RESERVE FUNDS THAT MAY BE USED BY NEW YORK SCHOOL DISTRICTS*”

**Appendix B** - The current year recommendations for the Board of Education to consider at the close of the June 30, 2020 school year have been summarized for review and action at the June meeting.

## APW CENTRAL SCHOOL DISTRICT RESERVE PLAN

### **CAPITAL RESERVE – A878**

**Creation** - This reserve was created on May 11, 2010 with voter approval; while a second capital reserve was created on May 15, 2018 with voter approval. To create a new reserve, the proposition must specify: the purpose of the fund; the ultimate amount of the reserve; the probable term of the reserve and the source from which the funds will be obtained. Authorized by Education Law Section 3651(1).

**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.

**Monitoring of Reserve** - This reserve is monitored by the School Business Administrator and the District Treasurer.

**Funding Level** - As stated in the approved proposition, the May 11, 2010 reserve was created with a maximum limit of **\$250,000** for a ten year period. Accumulation of funds into this reserve must cease at the earlier of reaching **\$250,000 or 10 years**. The 2010 Capital Reserve has met the maximum limit of \$250,000. The 2018 Capital Reserve has had deposits totaling **\$2,000,000** so no more can be deposited to the reserve before the 5 year period is up June 2023. There has been one withdrawal from this reserve: 2018-2019 **\$2,000,000**. The current funding level, or balance in this case, of this reserve is **\$269,630** including interest. This remaining balance expires as of the close of June 30, 2020. The recommendation to the Board is to establish a two new Capital Reserves with the May 2020 vote to establish a new dollar amount and term with funding available with the leftover balance from the existing capital reserve and any other excess of fund balance. The proposed 2020 Capital Reserve for Construction

for a ten year term in an amount not to exceed \$10,000,000 and 2020 Capital Reserve for Vehicles for a ten year term not to exceed \$2,000,000. The recommended funding source for these reserves shall be done using investment earnings and budget surplus funds. Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve.

**Note: Funds spent from this reserve cannot be replenished. Voters would need to approve another Capital Projects Reserve to set aside additional funds. It is appropriate to have multiple capital project funds in place simultaneously.**

#### **WORKER'S COMPENSATION RESERVE – A814**

**Creation** - This reserve was created on May 26, 2005. The reserve may be created by resolution of the Board of Education. Authorized by General Municipal Law Section 6-j.

**Purpose** - This reserve is used to pay for compensation and benefits, medical, hospital, or other expenses authorized by Article 2 of the Workers' Compensation Law and to pay the expenses of administering a self-insurance program. It cannot be used to pay for worker's compensation insurance premiums (this includes a prohibition against using these funds to pay our annual contribution to the cooperative).

**Funding Methods** - This reserve was funded through excess fund balance over the course of several years. Due to the potential for settlement of claims prior to the District's participation in a worker's compensation cooperative, there is a need to add funds to this reserve.

**Use of Reserve** - This reserve will be used to draw down on paid claims that resulted from the time period when the District was self-insured. The balance in this reserve will be monitored for use and drawn down in amounts determined necessary for the budgetary periods commencing July 2020 and ending July 2025. The balance in this reserve at that time will be used for the final settlement, if a payment to the Cooperative Health Insurance Fund of CNY is required. Otherwise, all remaining funds will be returned to the General Fund.



**Monitoring of Reserve** - This reserve is monitored by the School Business Administrator and the District Treasurer.

**Funding Level** - The current funding level is **\$475,584**. This funding level covers the \$511,326 amount of outstanding case reserves as per the estimate from NCA Comp, Inc. which is an estimation of the most likely outcome of a claim based on what we know about that claim today January 23, 2020. This number can change as claims evolve and an Incurred but Not Reported (IBNR) number would reflect the potential claim increase. Any excess will be used at the time of settlement and either be paid to the cooperative, or returned to the General Fund. Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve.

#### **UNEMPLOYMENT INSURANCE RESERVE – A815**

**Creation** - This reserve was originally created on May 26, 2005. The reserve may be created by resolution of the Board of Education. Authorized by General Municipal Law Section 6-m.

**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 individuals that were let go by the District. Although the budget has had no amounts appropriated for unemployment insurance, this amount is used for relatively small, incidental claims incurred by the District in the normal course of business. It would not be enough if there were multiple layoffs. Although the District has experienced layoffs over the past few years, not all have resulted in unemployment expense to the District.

**Monitoring of Reserve** - This reserve will be monitored by the School Business Administrator in conjunction with other central office administrators to assess the potential for incurring unemployment claims.

**Funding Level**- The funding level of this reserve is **\$71,428**. The general fund expenditures (no use of this reserve) for 2019-2020 totaled **\$7,420** for people throughout the year. At this time, this level is deemed appropriate. Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve.

### **RETIREMENT CONTRIBUTION RESERVE (ERS) – A827**

**Creation** - This reserve was created on June 30, 2010. The reserve may be created by resolution of the Board of Education. Authorized by General Municipal Law Section 6-r, as amended by Chapter 59, Laws of 2019.

**Purpose** -This reserve is used to pay for district expenses 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. On December 13, 2018, the Board took action to fund this reserve in the amount of **\$605,696**.

**Use of Reserve** -Amounts used from this reserve require separate Board of Education authorization unless the amounts are included in the original budget.

**Monitoring of Reserve** - This reserve is monitored by the School Business Administrator and the District Treasurer.

**Funding Level** -The current funding level is **\$1,983,835 and is overfunded** for the desired funding level. According to the New York State Office of Comptroller's audit, the preferred funding level is equal to approximately three years' worth of retirement system billings is desired. At current rates, using the 2020 Projection (of \$473,574) that level is approximately **\$1,420,722**. Therefore, the reserve is overfunded by \$563,113. Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve.

## **RETIREMENT CONTRIBUTION RESERVE SUB-FUND TRS – A828**

**Creation** - This reserve was created on June 26, 2019. Effective April 12, 2019 the law allows School Districts and BOCES to establish a retirement contribution reserve fund to include amounts paid to the New York State Teachers' Retirement System (NYSTRS) in addition to amounts payable for the Local Employees' Retirement System (ERS).

**Purpose** - This reserve is used to pay for district expenses to the NYSTRS. The law was amended in 2019 to authorize a sub-fund within the Retirement Contribution Reserve Fund to finance retirement contributions to the NYS Teachers Retirement System and/or offset all or some of the amount deducted from the moneys apportioned to the district from the state under Education Law §521 (e.g., collection of employer contributions to TRS).

**Fund Methods** - Primary funding method would be funds that are placed in this reserve from excess fund balance. Funds can also be paid from budgetary appropriation, revenues not required by law to be paid into any other fund or account and other funds that may be legally appropriated. Transfers can be made from reserves such as: Retirement Contribution Reserve (ERS), Repair Reserve, Capital Reserve, Tax Certiorari Reserve, and Uncollected Taxes Reserve. A public hearing with 15 days' notice is required for transfers from all reserves mentioned except the Retirement Contribution Reserve (ERS).

**Use of Reserve** - The sub-fund can be used to pay amounts due to NYSTRS or to offset all or some of the amounts deducted from NYS State Aid.

**Monitoring of Reserve** - This reserve is monitored by the School Business Administrator and the District Treasurer.

**Funding Level** - The 2019 funding level is **\$188,717 or 20.0%** of the maximum annual allowable funding level. The annual contribution amount cannot exceed 2% of the total compensation or salaries of all teachers (as that term is defined in Education Law Sec. 501 (4)) employed by the District who are members of TRS paid during the immediately preceding fiscal year. The total balance of the Reserve Sub-Fund cannot exceed 10% of the total compensation or salaries. The term 'teachers' refers to all employees that are members of the

NYSTRS. Membership in NYSTRS is mandatory for all full-time teachers, teaching assistants, guidance counselors and administrators employed by New York State public schools that opted to participate as an employer in NYSTRS. Teachers that are employed less than full-time membership is optional. The recommended salaries to use for the calculation are the salaries reported on the December final invoice from NYSTRS. Total compensation as of December 2019 is **\$9,154,738**. The **2%** annual maximum for 2019 - 2020 is **\$183,094**, bringing the new total to **\$371,811** and the **10%** Reserve Sub-Fund maximum is **\$915,474 which is 40.6%** funded. Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve.

### **INSURANCE RESERVE – A863**

**Creation** - This reserve was created on December 10, 2009. Authorized by General Municipal Law Section 6-n. The reserve may be created by resolution of the Board of Education.

**Purpose** - According to General Municipal Law §6-n, the Insurance Reserve must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance).

**Funding Methods** – The source of funds shall be such amounts as may be provided therefore by budgetary appropriations or other funds that may be legally appropriated or funds from other reserves authorized in the GML, subject to permissive referendum. Annual contribution amount paid into the reserve during any fiscal year shall not exceed the greater of \$33,000 or 5% of the total budget for such fiscal year; with no limit on accumulated reserve balance.

**Use of Reserve** - This reserve is used when a settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. Claims over \$25,000 require judicial approval.

**Monitoring of Reserve** - This reserve is monitored by the School Business Administrator and the District Treasurer.

**Funding Level**- The funding level of this reserve is **\$476,641**. There is no limit on accumulated reserve balance. Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve.

#### **TAX CERTIORARI RESERVE – A864**

**Creation** - This reserve was originally created on June 24, 2004. The reserve may be created by resolution of the Board of Education. Authorized by Education Law Section 3651(1-a).

**Purpose** - This reserve is used to pay for prior year judgments and claims in tax certiorari proceedings. Current year refunds should be paid through the budget.

**Funding Methods** - Future funding methods may include from excess fund balance or transfers from other reserves. Funds placed in this reserve that are not used to pay tax certiorari judgments or claims must be returned to the General Fund after four years.

**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 July 1, 2017.

**Monitoring of Reserve** - This reserve, will be monitored by the School Business Administrator and the District Treasurer. Detailed calculations are required from Legal Counsel each year to support the amounts in this reserve.

**Funding Level** - The funding level of this reserve is **\$151,500**. There are no existing Tax Certiorari judgments pending against the district. Therefore, the recommendation is to have the Board of Education and have the amounts returned to the General Fund. Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve.

#### **REPAIR RESERVE – A882**

**Creation** - This reserve was created on June 9, 2016. The reserve may be created by resolution of the Board of Education. However, an appropriation to a repair reserve fund is not an ordinary contingent expense and therefore, voter approval is required to fund a repair reserve. Authorized by: General Municipal Law Section 6-d.

**Purpose** – According to General Municipal Law Section 6-d, this reserve is used to pay the cost of repairs to capital improvements or equipment, which repairs do not recur annually.

**Funding Methods** - This reserve was established by Board of Education resolution by a majority vote of its members. To fund the reserve, voter approval is required as per Opinion of the New York State Comptroller 81-401. On September 6, 2016, the voters approved funding the reserve in the amount of **\$5,089,099**. On May 16, 2017, the voters approved funding the reserve in the amount of **\$3,996,455**. On May 15, 2018, the voters approved funding the reserve in the amount of **\$1,841,682**.

**Use of Reserve** - This reserve is used after a public hearing has been held, except in emergency situations. If emergency spending is necessary then it requires a two-thirds majority vote of the Board prior to spending. Legal notice of the public hearing is required 5 days in advance of the hearing. If no hearing is held, the amount expended must be repaid to the reserve over the next two subsequent years.

**Monitoring of Reserve** - This reserve is monitored by the School Business Administrator and the District Treasurer.

**Funding Level**- The funding level of this reserve is **\$11,054,786**. Unneeded balance may be transferred to Capital, Tax Certiorari or Retirement Contribution Reserves. Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve.

#### **RESERVE FOR ACCRUED EMPLOYEE BENEFITS LIABILITY – A867**

**Creation** - The reserve may be created by resolution of the Board of Education. Authorized by: General Municipal Law Section 6-p.

**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 was funded from excess fund balance. Due to the current advice surrounding use of this reserve, there are no plans to 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 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 School Business Administrator and the District Treasurer. Each year, a detailed analysis of the liability is computed and is used to support the funding of this reserve at 100% of the liability.

**Funding Level**- The funding level of this reserve is **\$719,365**. Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve.

**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 School Business Administrator, the District Treasurer and the District Treasurer.

**Funding Level**- The maximum legal limit is recommended (4% of the ensuing budget).

### **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 fund balance that 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 School Business Administrator and the District Treasurer.

**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 to \$200,000.



## **APW CENTRAL SCHOOL DISTRICT FUND BALANCE CLASSIFICATIONS**

**Nonspendable** - consists 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.

**Restricted** - consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, granters, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

**Committed** - consists of amounts that are subject to a purpose constraint imposed by a formal action of the school district'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.

**Assigned** - consists of amounts that are subject to a purpose constraint that represents an intended use established by the school district's highest level of decision-making authority, or by their designated body or 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.

**Unassigned** - represents the residual classification for the school district'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.j

**RESERVE FUNDS THAT MAY BE USED BY NEW YORK SCHOOL DISTRICTS**

<b>Reserve Name/ Account Code</b>	<b>Legal Citation</b>	<b>Purpose</b>	<b>Established By:</b>	<b>Funding Source(s)</b>	<b>Expenditures</b>	<b>Duration</b>	<b>Restrictions</b>
Retirement Contribution Reserve Fund  (A 827) ERS  (A 828) TRS	GML §6-r	To fund employer retirement contributions. i.e. any portion of the amount(s) payable by an eligible school district to the NY State and Local Employees' Retirement System (ERS).. Effective April 12, 2019, a sub-fund may be established to fund TRS expenditures	BOE Resolution (Not available to school districts in a city of 125,000 or more)	1.Budgetary appropriations or other funds that may be legally appropriated. 2.Revenue not restricted by law to be paid to another fund or account. 3.Transfers from Tax Certiorari, Capital or Repair Reserves subject to public hearing requirements	Separate BOE authorization required to spend from this reserve, unless included in the original budget.	No Limit.	Transfers from or back to other reserve funds require a public hearing with 15 days' notice published in official newspaper(s). This not required when transferring between ERS and TRS sub-funds. ERS sub-fund does not have a limit, but the TRS sub-fund does. TRS sub-fund is limited to annual contributions of 2% of the prior year's covered TRS salaries with a maximum, including interest earnings, of 10% of the prior year's covered TRS salaries. Sub-funds need to be separately accounted for.
Workers Compensation Reserve Fund  (A 814)	GML §6-j	To fund Workers Compensation expenses, related medical expenses and self-insurance administrative costs.	BOE Resolution	Budgetary appropriations or other funds that may be legally appropriated	Separate BOE authorization required to spend from this reserve, unless included in the original budget.	No Limit. BOE may terminate if district no longer self-insures.	Districts that self-insure may establish reserve. Funds remaining at the end of each school year, in excess of requirement to pay all pending claims, may be transferred, within 60 days of the close of the school year, to other reserve funds or applied to budgetary appropriations for new school year.
Unemployment Insurance Reserve  (A 815)	GML §6-m	To pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the school district uses the benefit reimbursement method.	BOE Resolution	Budgetary appropriations or other funds that may be legally appropriated or funds from other reserves authorized in the GML, or Ed. Law subject to permissive referendum.	Separate BOE authorization required to spend from this reserve, unless included in the original budget.	No Limit. BOE may terminate if district converts to "tax contribution" method of funding.	If district converts to "tax contribution" funding mechanism, balance exceeding the amount necessary to pay all outstanding claims may be transferred, to any other reserve fund(s) authorized by GML or Ed. Law §3651. Excess funds remaining at end of any school year may be transferred, within 60 days of the close of that school year., to other reserve fund(s) or applied to budgetary appropriations for the new school year.
Repair Reserve  (A 882)	GML §6-d	For repairs to capital improvements or equipment not recurring annually or at shorter intervals.	BOE Resolution	Budgetary appropriations or other funds that may be legally appropriated. Voter approval is required to fund this reserve.	Public hearing required (except in an emergency) before spending from this reserve.	No Limit	Reserve must be repaid in equal installments over next two school yrs. if expenses are made without holding a public hearing. Emergency spending requires 2/3 majority vote of BOE. Legal notice required 5 days in advance of hearing. Unneeded balance may be transferred to Capital, Tax Certiorari or Retirement Contribution Reserves.
Insurance Reserve Fund  (A 863)	GML §6-n	To pay liability, casualty and other types of losses, except those incurred for which the following types of insurance may be purchased: life, accident, health, workers' compensation, annuities, fidelity and surety, credit, title residual value and mortgage guarantee or to make payments in lieu of unemployment insurance contributions.	BOE Resolution (Not available to school districts in a city of 125,000 or more)	Budgetary appropriations or other funds that may be legally appropriated or funds from other reserves authorized in the GML, subject to permissive referendum.	Separate BOE authorization required to spend from this reserve, unless included in the original budget.	No Limit.	Annual contribution(s) limited to greater of \$33,000 or 5% of the budget. No limit on accumulated reserve balance. Cannot use \$ for any purpose covered by another special reserve. Judicial approval is required to pay settled or compromised claims over \$25,000. Should BOE terminate this reserve, remaining funds in excess of incurred or accrued liabilities may be transferred to any other reserve fund authorized by the GML or Ed. Law §3651. Individual Insurance Reserve Funds need to be separately accounted for.

## **RESERVE FUNDS THAT MAY BE USED BY NEW YORK SCHOOL DISTRICTS**

<b>Reserve Name/ Account Code</b>	<b>Legal Citation</b>	<b>Purpose</b>	<b>Established By:</b>	<b>Funding Source(s)</b>	<b>Expenditures</b>	<b>Duration</b>	<b>Restrictions</b>
Property Loss Reserve (A 861)  Liability Reserve (A 862)	Ed. Law §1709 (8-c) (school districts) 1950 (4) (cc) (BOCES)	To pay for property loss & liability claims incurred	BOE Resolution	Budgetary appropriations or other funds that may be legally appropriated	Separate BOE Resolution required to spend, unless included in the original budget. (See restrictions.)	3% of the annual budget.	Annual contribution(s) limited to greater of \$15,000 or 3% of the budget. Separate funds required for property loss and liability claims. \$ deposited cannot be used for another purpose w/o voter approval except BOE may use \$ not required to settle pending claims, to purchase insurance policies to cover losses previously self-insured. Balances may not be reduced below amounts required. to settle all pending claims.
Employee Benefits and Accrued Liabilities Reserve (A 867)	GML §6-p	To pay accrued benefits due employees upon termination of service for vacation, sick leave, personal leave etc.	BOE Resolution (Not available for school districts in a city of 125,000 or more)	Budgetary appropriations or other funds that may be legally appropriated or funds from other reserves authorized in the GML, subject to permissive referendum.	Separate BOE authorization required to spend from this reserve, unless included in the original budget.	No Limit.	Upon termination by BOE, balance not required to satisfy all incurred or accrued liabilities may be transferred to any other reserve fund(s) authorized in the General Municipal Law or Education Law §3651. May not be used to fund health or other post-retirement benefits.
Tax Certiorari Reserve (A 864)	Ed. Law §3651(1-a)	To pay judgments & claims in tax certiorari proceedings per RPTL, Article 7	BOE Resolution	Budgetary appropriations or other funds that may be legally appropriated. Monies held in reserve may not exceed amount necessary to meet anticipated judgments & claims	Separate BOE authorization required to spend from this reserve, unless included in the original budget.	No Limit	Money not expended for judgments & claims in the year deposited, must be returned to General Fund on or before 1 <sup>st</sup> day of the 4 <sup>th</sup> school yr. after deposit of such monies into the reserve unless claim(s) are still open and not finally determined or otherwise terminated or disposed of after the exhaustion of all appeals.
Mandatory Reserve for Debt Service (A 884) (V 884)	GML §6-1	To cover debt service payments on outstanding obligations (bonds, BANS) after the sale of district capital assets or improvements	BOE Resolution. BOE must establish if conditions met	Proceeds from the sale of capital assets and improvements as defined in GML § 6-c. Includes but not limited to land, buildings, equipment and vehicles	Through budgetary appropriations for debt service only or to retire outstanding obligations	Terminates once outstanding obligations are repaid.	Applicable State or Federal Aid must also be deposited into the reserve fund if proceeds from sale are not enough to repay all outstanding obligations. Proceeds of sale in excess of indebtedness may be expended for any other lawful district purpose.
Reserve for Tax Reduction (A 916)	Ed. Law §1604(36) §1709(37)	To allow for the gradual use of proceeds from the sale of district real property	BOE Resolution	Proceeds from the sale of real property in excess of what is required to repay outstanding debt (Bonds, BANS)	Money from reserve to be appropriated annually over ten or fewer yrs. to offset tax levy	Up to ten yrs.	Proceeds of sale of district real property must be placed in Mandatory Reserve for Debt Service in amount necessary to retire all outstanding obligations before BOE may establish Reserve for Tax Reduction.
Capital Reserve (A 878)	Ed. Law §3651	To pay the cost of any object or purpose for which bonds may be issued	Voter approval needed except for small city school districts with a population of 125,000 or more (only BOE needed in this case). Certain districts in Adirondack Park need approval of Comm. of Education and State Comptroller to establish.	Proposition(s) put before voters must specify purpose(s), ultimate \$ amount(s) to be deposited into reserve(s), probable term(s) or life/lives and source(s) of funds to be deposited into the reserve(s).	Voter approval required to spend from these reserve(s). Annual appropriation(s) to fund reserve(s) require voter approval. Eligible small city schools need BOE approvals.	Limited to term or life approved by voters.	Purpose must be specific i.e. to purchase school buses. Total exp. over life of each reserve may not exceed voter-approved maximum. Funds may be transferred to other reserves only with voter approval. Voter approval required to terminate reserve before specified expiration date. Remaining funds must first be applied to district's outstanding bonded indebtedness and secondarily to reduce the tax levy. Voters may extend term only before end date. Reserve(s) defunct after term(s) expire, except to spend remaining funds w/ voter approval.

**NOTE: Reserve for Inventory (A 845) may be established to limit maximum investment in inventory and to restrict that portion of fund balance, which is not available for appropriation.**

### **State Aid & Financial Planning Service – Questar III BOCES**

10 Empire State Boulevard • Castleton, NY 12033 • Phone: 518.477.2635 • Fax: 518.477.4284  
<http://sap.questar.org> • Twitter: [QIIISAP](#)

## Appendix B

The Office of the New York State Comptroller issued in March 2019 Report 2018M-258 after their review of the Financial Condition Management of the district. The report contained key recommendations for the district in four key areas:

- Develop a plan to reduce the amount of unrestricted fund balance to comply with the statutory limit.
- Adopt annual budgets that contain realistic estimates for appropriations.
- Analyze reserve fund balances and ensure they are maintained at reasonable levels.
- Use the funds in the debt service fund to pay the related debt service expenditures.

In particular, the district was criticized for having excess fund balance in debt service fund and other reserves that included the repair, retirement contribution and the tax certiorari reserves.

In the district's efforts to comply with these recommendations, the district secured the services of Fiscal Advisors and Forecast5 to assist with the long range budgetary planning. The Audit Committee is the full board of education for the district and they have been apprised of these efforts.

The following recommendations are provided for the Board to review and take action at the June 2020 board of education meeting. (By review of the reserves as shown in the Forecast of Fund Balance document.)

1. Fund the 4% unassigned fund balance based on the new school year budget;
2. Allow for the reserve for carry over encumbrances;
3. By budgetary appropriation, an **amount designated by the board** to appropriate to the next school year budget;
4. By board resolution, return to the General Fund the \$151,500 plus interest that remains in the Tax Certiorari reserve. The rationale for this is that as per review by legal counsel, no such judgments or claims exist against the district. Therefore, the moneys are deemed no longer reasonably required and should be returned to the general fund;
5. By board resolution, fund the TRS reserve to the 2% annual maximum or \$183,094; the source of funds being a transfer from the ERS reserve. The rationale for this is that with the current economic situation that has been exacerbated by the COVID emergency, the

rates for TRS are expected to trend upward putting a strain on budgets in the future. The transfer of funds from the ERS reserve would help to lower the amount of that reserve which was noted as being overfunded by the Office of State Comptroller;

6. By board resolution, designate \$750,000 fund the Capital Reserve fund for vehicles. The rationale for this is to facilitate the district ability to pay for future bus purchases for cash therefore incurring no interest on the purchase;
7. By board resolution, designate \$2,000,000 to fund the Capital Reserve fund for construction using the \$269,630 plus interest monies that remain in an unexpended capital reserve that is expiring and add to it the remainder amount from current year fund balance. The rationale for this is to allow voters the control over the use of funds for anticipated future building projects that would result in a zero tax levy impact to taxpayers (or as close to zero as possible based on the designed project aidability);
8. Any remaining undesignated funds will be held in the 4% unassigned fund balance.

ALTMAR PARISH WILLIAMSTOWN  
FORECAST OF FUND BALANCE  
June 30, 2020  
As of: April 30, 2020

REVIEW OF APPROPRIATIONS AND REVENUES				
	Initial Budget	Current Budget (Adj.)	Estimated Actual/ Encumbrances	Estimated Difference
Total Appropriations	\$ 32,854,385	\$ 33,194,274	\$ 31,278,801	\$ 1,915,473
Total Encumbrances			\$ -	
Total Revenue	\$ 31,974,191	\$ 31,989,191	\$ 33,331,696	\$ 1,342,505
	\$ 880,194		\$ 2,933,089	\$ 3,257,978
Voter Authorized use of Debt Svc.	\$ 729,865			
Voter Authorized use of Assigned FB	\$ 150,329			

RESERVES					
RECOMMENDATION TO BE MADE TO BOARD OF EDUCATION TO DECIDE WHERE TO FUND RESERVES					
	Actual Audited June 30, 2019	Current Year Activity	June 30, 2020 Designation	Projected June 30, 2020	
<b>Nonspendable</b>	\$ -	\$ -	\$ -	\$ -	
<b>BALANCE TO BE DECIDED</b>			\$ 2,933,089		
<b>Restricted</b>					
Capital	\$ 2,269,630	\$ (2,000,000)	\$ 2,480,370	\$ 2,750,000	(6) & (7)
Workers' Comp.	\$ 475,584			\$ 475,584	
Unemployment Ins.	\$ 71,428			\$ 71,428	
Retirement Cont.	\$ 1,983,835		\$ (183,904)	\$ 1,799,931	(5)
Retirement Cont. - Sub fund TRS	\$ 188,717		\$ 183,904	\$ 372,621	(5)
Insurance	\$ 476,641			\$ 476,641	
Reserve for Tax Certiorari	\$ 151,500		\$ (151,500)	\$ -	(4)
Repair	\$ 11,069,786	\$ (15,000)		\$ 11,054,786	
Employee Benefits	\$ -			\$ -	
Accrued Liability	\$ 719,365			\$ 719,365	
<b>Total Restricted</b>	\$ 17,406,486	\$ (2,015,000)	\$ 2,328,870	\$ 17,720,356	
<b>Assigned</b>					
Appropriated Fund Balance	\$ 150,329		\$ 149,671	\$ 300,000	(3)
Reserve for Encumbrances	\$ 324,889		\$ (124,889)	\$ 200,000	(2)
<b>Total Assigned</b>	\$ 475,218	\$ -	\$ 24,782	\$ 500,000	
<b>Unassigned</b>					
<b>Total Fund Balance</b>	\$ 3,498,722	\$ (488,724)	(1)	\$ 3,009,998	(1)
<b>Total Fund Balance</b>	\$ 21,380,426	\$ (2,503,724)	\$ -	\$ 21,230,354	
<b>Recommendation to fund in order of importance</b>					
(1) Fully fund the 4%					
(2) Allow for encumbrances					
(3) Remaining balance to be spread amognst available reserves					

Disclaimer:

This forecast is based on currently available information and certain assumptions determined as rational. Actual performance may significantly differ from these forecasts due to various factors in the future.