

**BRASHER FALLS CENTRAL SCHOOL DISTRICT**  
**RESERVES PLAN**  
**UPDATED JUNE 12, 2018**  
*Approved by the Board of Education June 18, 2018*

**Worker's Compensation Reserve**

*Creation* – This reserve was created on April 27, 2017.

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

*Funding Methods* – This reserve was initially funded in April 2017 with excess fund balance.

*Use of Reserve* – The District recommends utilizing the Worker's Compensation Reserve to offset the self-insurance administrative costs through St. Lawrence-Lewis BOCES in addition to an equal annual amount to offset premium costs. A five-year plan includes the estimated administrative cost and premiums for 18-19 and 3% projections for subsequent years.

- 2018-2019 - \$109,010
- 2019-2020 - \$112,280
- 2020-2021 - \$115,649
- 2021-2022 - \$119,118
- 2022-2023 - \$122,692
- **TOTAL:     \$578,749**

*Monitoring of Reserve* – The Business Manager monitors the Worker's Compensation Reserve.

*Funding Level* – A funding level equal to approximately five (5) years of Worker's Compensation Administrative expenses is desired. The District will endeavor to replenish the Worker's Compensation reserve to a balance based on the 5-year total to be determined on an annual basis. Any excess balance over the average will be returned to the General Fund for other purposes.

*Actual Balance at 7/1/17: \$562,084*

*Recommended Balance at 6/30/18: \$578,749 (including interest)*

*Excess Balance at 6/30/2018: \$0*

## **Reserve for Retirement Contributions**

*Creation* – This reserve was created on June 21, 2005.

*Purpose* – This reserve is used to fund employer retirement contributions to the NY State and Local Employees’ Retirement System (ERS). Payments to the Teachers Retirement System (TRS) are not allowed from this reserve.

*Funding Methods* – Funds are placed in this reserve from budgetary appropriations, excess fund balance, or transfers from Tax Certiorari, Capital or Repair reserves.

*Use of Reserve* – The District recommends utilizing the Retirement Contribution reserve to offset the district cost to the NY State and Local Employees’ Retirement system for a five (5) year period. A 5-year period includes the actual known rate for 17-18 and a projected increase of 1% for each subsequent year.

- 2017-2018 - \$334,923
- 2018-2019 - \$338,272
- 2019-2020 - \$341,654
- 2020-2021 - \$345,071
- 2021-2022 - \$348,522
- **TOTAL:     \$1,708,442**

The recommended plan uses all but \$733,708 of the balance by 2021-2022.

*Monitoring of Reserve* – The Business Manager monitors the Retirement Contribution Reserve.

*Funding Level* – Although a plan is in place to draw down on the funds in this reserve, a constant funding level equal to approximately seven years of retirement system billings is desired. At current rates, that level is approximately \$2,415,978. The District will endeavor to replenish the Retirement Contributions Reserve to a balance based on the 7-year average to be determined on an annual basis.

*Actual Balance at 7/1/17: \$1,779,750*

*Recommended Balance at 6/30/18: \$2,442,150 (including interest)*

*Excess Balance at 6/30/2018: \$733,708 (projected) - maintain in the Retirement Contribution reserve to preserve a recommended balance to cover two (2) additional years of ERS contribution costs and maintain this as the minimum balance in the reserve.*

## **Property Loss and Liability Reserve**

*Creation* – This reserve was created on May 16, 2017.

*Purpose* – Used to pay for property loss and liability claims incurred. Separate funds must be established for property loss and for liability claims and the separate identify of each fund must be maintained.

*Funding Methods* – This reserve will be funded from excess fund balance and the funding source is budgetary appropriations. The total amount of reserves cannot exceed 3% of the annual budget or \$15,000, whichever is larger.

*Use of Reserve* – This reserve would be used to pay any allowable claims described in the purpose for this reserve. The district currently does not have any unpaid incurred claims. According to the Office of the New York State Comptroller reserve fund guidance, the maximum allowable funding level is 3% of the annual budget, which is currently equal to \$720,866 ( $\$24,028,858 \times 3\%$ ).

*Monitoring of Reserve* – The Business Manager monitors the Property Loss and Liability Reserve.

*Funding Level* – This reserve is funded at this time. There is a plan to increase the current funding level to the 3% of the annual budget.

*Actual Balance at 7/1/17: \$683,016*

*Recommended Balance at 6/30/18: \$720,866 (including interest)*

*Excess Balance at 6/30/2018: \$0 – The reserves in combination could total a maximum \$720,866. It is recommended to maintain the current funding level.*

## **Insurance Reserve**

*Creation* – This reserve was created on June 18, 2018.

*Purpose* – Used to pay for certain uninsured losses, claims, actions, or judgments for which the district is authorized or required to purchase or maintain insurance. An insurance reserve fund may also be used to pay for expert or professional services in connection with the investigation, adjustment or settlement of claims, actions, or judgments.

*Funding Methods* – This reserve will be funded from excess fund balance and the funding source is budgetary appropriations. The total amount of reserves cannot exceed 5% of the annual budget or \$33,000, whichever is larger.

*Use of Reserve* – This reserve would be used to pay any allowable claims described in the purpose for this reserve. The district currently does not have any unpaid incurred claims. According to the Office of the New York State Comptroller reserve fund guidance, the maximum allowable funding level is 5% of the annual budget, which is currently equal to \$1,201,442 (\$24,028,858 X 5%).

*Monitoring of Reserve* – The Business Manager monitors the Property Loss and Liability Reserve.

*Funding Level* – This reserve is not funded at this time. There is a plan to increase the current funding level up to the 5% of the annual budget.

*Actual Balance at 7/1/17: \$0*

*Recommended Balance at 6/30/18: \$600,000 (including interest)*

*Excess Balance at 6/30/2018: \$0 – It is recommended to maintain the current funding level.*

## **Reserve for Accrued Employee Benefits Liability**

*Creation* – This reserve was created on June 14, 2006.

*Purpose* – This reserve is used to pay for unused accumulated leave time contractually provided to employees, upon termination of the employee's service. Expenditures made from the Employee Benefit Accrued Liability Reserve fund include cash payment for the value of accumulated or accrued and unused sick leave or vacation leave. This fund cannot be used to pay for items such as: retirement incentives, social security and Medicare payments and retiree health insurance.

*Funding Methods* – This reserve was funded from excess fund balance and may be funded with budgetary appropriations or funds from other reserves authorized under General Municipal Law (GML).

*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 General Fund budget with the offsetting revenue coming from a drawdown of this reserve, as needed. The District will continue to budget an annual allocation from the Accrued Employee Benefits Liability reserve to offset the budgeted expenditure. In 2018-2019, we will use \$25,000 to offset costs.

*Monitoring of Reserve* – The Business Manager monitors the Accrued Employee Benefits Liability reserve. Annually, a detailed analysis of the liability is computed and is used to support funding this reserve at 100% of the district's liability.

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

**Actual Balance at 7/1/17: \$170,611**

**Recommended Balance at 6/30/18: \$182,392 (including interest) or actual liability calculated, whichever is less.**

**Insufficient Balance at 6/30/2018: \$11,571 – Recommendation to move money from the General Fund to fund the Accrued Employee Benefits Liability Reserve up to the recommended balance at 6/30/18.**

## **Reserve for Unemployment Insurance**

*Creation* – This reserve was created on June 18, 2014.

*Purpose* – This reserve is used to reimburse New York 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 New York State a fixed premium for unemployment insurance coverage.

*Funding Methods* – This reserve was funded entirely from excess fund balance when it was created. The unemployment insurance reserve can be funded with budgetary appropriations, other funds that may be legally appropriated or funds from other reserves authorized under General Municipal Law (GML).

*Use of Reserve* – The District recommends utilizing the Unemployment Insurance reserve to offset expenditures to the New York State Unemployment Insurance fund. A five year plan includes a projection of \$25,000 cost per year for five (5) years. The current annual projection is calculated assuming three (3) estimated staff reductions at the maximum allowable benefit.

- 2017-2018 - \$25,000
- 2018-2019 - \$25,000
- 2019-2020 - \$25,000
- 2020-2021 - \$25,000
- 2021-2022 - \$25,000
- **TOTAL:     \$125,000**

*Monitoring of Reserve* – The Business Manager monitors the Unemployment Insurance Reserve.

*Funding Level* – A funding level equal to approximately five (5) years of projected Unemployment Insurance expenses is desired. The current funding level of \$125,081 is higher than the projected needed 5-year allocation to the general fund budget by \$81.00.

Actual Balance at 7/1/17: \$125,030

Recommended Balance at 6/30/18: \$125,081 (plus interest).

Excess Balance at 6/30/2018: \$81.00 – maintain in the Unemployment Reserve up to the recommended balance at 6/30/18.

## **Reserve for Capital Projects**

*Creation* – This reserve was created on June 1, 2014 via voter approval. It was approved with a \$750,000 limit over a 10 year period of time. The Capital reserve fund expires when the dollar limit is reached or the probable term is reached, whichever is earlier.

*Purpose* – Voters authorized the use of the capital reserve fund for financing the cost of acquisition, construction or reconstruction of District buildings and grounds and other capital projects pursuant to Education Law section 3651.

*Funding Methods* – Voter approval is required to establish and fund this reserve. In accordance with the approved proposition, this reserve was funded from excess fund balance, state aid reimbursement to the District on account of capital projects and other monies as voters may direct.

*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. No amount has been used as of June 30, 2016.

*Monitoring of Reserve* – This reserve is monitored by the Business Manager.

*Funding Level* – As stated in the approved proposition, this reserve was created with a maximum limit of \$750,000.

*Actual Balance at 7/1/17: \$250,044*

*Recommended Balance at 6/30/18: Maximum of \$750,000. (plus interest).*

*Excess Balance at 6/30/2018: \$0 – Recommendation to fund the Capital Reserve fund with excess unappropriated fund balance as available and excess balances from other reserves.*

The following three items are not reserve accounts, however, are equally 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 exist with favorable budget results when actual revenues exceed budget or actual expenditures are under budget.

*Use of Funds* – It is recommended to use the unassigned fund balance to balance future budget gaps between revenues and expenditures which the District is unable to rectify within the budget or with other available resources.

*Monitoring of Balance* – The balance and use of these funds are monitored by the Business Manager.

*Funding Level* – The unassigned fund balance amount that is limited by law to no more than 4% of the estimated total 2018-2019 budget; however, during the year it may be used to increase reserves or be appropriated for unanticipated ordinary contingent expenses. The school board must use any unexpended, unreserved funds in excess of the 4 percent limit, also known as surplus funds, to reduce the district's tax levy for the upcoming year. It is recommended the unassigned fund balance should not fall below 3% of the subsequent years' budget. 3% of the subsequent years' fund balance is approximately \$720,866 ( $\$24,028,858 \times 3\%$ ).

*Actual Balance at 7/1/17: \$2,773,202.*

*Recommended Balance at 6/30/18: \$1,922,309 (8% of current projected 2018-2019 budget).*

*Excess Balance at 6/30/2018: \$1,489,623 (projected) – Recommendation to appropriate the excess balance to reduce the tax levy burden in the 2018-2019 budget. Excess over this amount, and over the 8% unappropriated fund balance, will be transferred to the Capital Reserve Fund, or other reserve funds as appropriate, based on the reserve plan. The unappropriated fund balance excess will be reviewed on an annual basis and modified at, below, or above the allowed 4% contingent upon economic, financial and state-level conditions.*



### **Assigned Fund Balance - Appropriated for Subsequent Years**

*Creation* – These funds consist of fund balance 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 assigned for a particular purpose.

*Use of Funds* – It is recommended the practice of returning excess unappropriated funds to reduce the tax burden continue annually, as budgets permit. Continuing this practice is contingent upon annual budget performance.

*Monitoring of Balance* – The balance and use of these funds are monitored by the Business Manager.

*Funding Level* – Over time, it is recommended the planned amount of assigned fund balance included as a revenue source in future budgets be limited to between \$450,000 and \$580,000 which is approximately 2%-2.5% of budgeted expenditures.

*Actual Allocation at 7/1/15: \$500,000*

*Recommended Allocation at 6/30/18: \$500,000 according to funding level described above.*

*Excess Balance at 6/30/2018 is \$0: Recommendation to appropriate the excess balance to reduce the tax levy burden in the 2018-2019 budget.*

## **Debt Service Fund**

*Creation* – Funds accumulate in the Debt Service fund from the proceeds from the sale of property on which debt is outstanding, interest earning on the proceeds of long-term debt which was not budgeted as a source of financing for the project, unexpended proceeds of long-term debt.

*Purpose* – Debt Service funds are used specifically to pay principal and interest on long-term debt which occur in the General Fund.

*Funding Methods* – A large portion of the current balance was transferred to the Debt Service fund in March of 2013 mainly from unspent capital project monies.

*Use of Funds* – The District recommends utilizing the Debt Service fund annually to cover the local share of debt payments; meaning the difference between principal and interest payments and state building aid for capital projects. The 2018-2019 estimated local share is \$104,241. The District will allocate the local share annual until the fund reaches a balance of \$0.

*Monitoring of Balance* – These funds are monitored by the Business Manager.

*Funding Level* – The funding level will equal the current balance, and additional monies added annually as required, less the annual actual usage of funds. The funds are allocated to the General Fund to cover the District's local share of principal and interest payments.

*Actual Balance at 7/1/17: \$186,310.*

*Recommended Balance at 6/30/18: \$186,800 plus interest earnings.*

*Excess Balance at 6/30/2018: \$0 – Recommendation to annually appropriate the general fund local share for debt principal and interest payments as calculated.*