

**SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT  
RESERVES REPORT  
MAY 2019**

**Reserve for Retirement Contributions**

*Creation* - This reserve was created in 2010.

*Purpose* - This reserve is used to pay employer contribution expenses for the NYS Employees' Retirement System.

*Funding Methods* - Funds have been placed in this reserve from excess fund balance.

*Use of Reserve* - This reserve is used to pay expenses related to the Employees' Retirement System, and to smooth tax levy fluctuations that result from rate changes and cost increases associated with these expenses. The district's ERS expenses have increased almost 250% since 2010, from \$107,607 in 2010, to \$273,583 in 2018. Costs for 2018-19 are expected to be approximately \$266,398.

*Monitoring of Reserve* - This reserve is monitored by the School Business Executive.

*Funding Level* - The current reserve balance at June 30, 2018 equals approximately five years' worth of retirement system billings.

**6/30/18 Actual Balance: \$1,716,239**

**Funds used as of 5/17/19: \$226,868**

**Balance (including accrued interest through 4/30, but prior to restoring funds): \$1,490,642.72**

**Recommendation: Restore funds to defray future cost increases and levy fluctuations.**

\*Note: Beginning April 1, 2019, the State permits school districts to establish a sub-fund within said Retirement Contribution Reserve Fund pursuant to Section 6-r of the General Municipal Law for Teachers' Retirement Contribution expenses.

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

*Creation* - This reserve was created in 2007.

*Purpose* - This reserve is used to pay for unused accumulated leave time contractually provided to certain groups of employees. This 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* - Funds have been placed in this reserve from excess fund balance and excess funds from the unemployment reserve in 2017.

*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 Executive. Each year, an analysis of the liability is computed and is used to support the funding of this reserve at 100% of the liability.

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

**6/30/18 Actual Balance: \$920,879**

**Funds Used As of 5/17/19: estimated \$129,176 by year-end**

**Balance (including accrued interest through 4/30, but prior to restoring funds) = \$791,703**

**Recommendation: Restore funds if necessary to meet liability.**

## **Reserve for Unemployment**

*Creation* - This reserve was created in 1997.

*Purpose* - This reserve is used to reimburse the State for payments made to claimants.

*Funding Methods* - This reserve was funded from excess fund balance.

*Use of Reserve* - The district is self-insured for Unemployment Insurance. This reserve has been appropriated from, each year for the last seven years, equal to the amount of budgeted appropriations for unemployment. Actual expenses for unemployment vary from year to year and only the amount actually expended is transferred from the reserve to the General Fund. The district's costs increased from \$74,432 in 2011 to \$121,383 in 2012, and then they dropped to \$6,204 2017. In response to budgetary demands, the budget for Unemployment Expenses was reduced from \$15,000 to \$10,000 for 2019-20.

The current budget will be insufficient to cover future unemployment expenses should there be multiple layoffs, or should unemployment awards increase.

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

*Funding Level* - At this time, the current level is deemed appropriate.

**6/30/18 Actual Balance: \$70,110**

**Funds Used As of 5/17/19: estimated \$1,200 by year end**

**Balance (including accrued interest through 4/30, but prior to restoring funds) = \$68,910**

**Recommendation: Maintain current funding level to defray future claims**

## **Repair Reserve**

*Creation* - This reserve was created in 2007.

*Purpose* - This reserve is used to pay for repairs and maintenance expenses that are not usual maintenance expenses.

*Funding Methods* - This reserve was funded from excess fund balance.

*Use of Reserve* - This reserve can be used to pay for repair and maintenance projects that are not included in the district's general maintenance budget appropriations.

*Monitoring of Reserve* - This reserve is monitored by the School Business Executive.

**6/30/18 Actual Balance: \$106,209**

**Funds Used As of 5/17/19: \$0**

**Balance (including accrued interest through 4/30, but prior to restoring funds) = \$106,297**

**Recommendation: Transfer all funds to a Capital Reserve once established and close.**

## **Tax Certiorari Reserve**

*Creation* - This reserve was created in 2018.

*Purpose* - This reserve is used to pay judgements and claims in tax certiorari proceedings.

*Funding Methods* - This reserve was funded from excess fund balance.

*Use of Reserve* - This reserve can be used to pay judgements and claims in tax certiorari proceedings. The amount in this reserve may not exceed the amount that might reasonably be deemed necessary to meet anticipated tax certiorari judgments and claims.

*Monitoring of Reserve* - This reserve is monitored by the School Business Executive. Funds not expended for judgments and claims in the year deposited, must be returned to General Fund on or before the 1<sup>st</sup> day of the 4<sup>th</sup> school year after deposit.

*Funding Level* – There are no Tax Certiorari claims at this time.

**6/30/18 Actual Balance: \$5,010**

**Funds Used As of 5/17/19: \$0**

**Balance (including accrued interest through 4/30, but prior to restoring funds) = \$5,013.25**

**Recommendation: Dissolve this reserve, since there aren't any current claims nor have there been any claims since 2015-16. Re-establish if/when a new claim has been filed.**

## **Liability Reserve**

*Creation* - This reserve was established in 2018.

*Purpose* - This reserve is used to pay for property loss and/or liability claims.

*Funding Methods* - Excess fund balance was used to fund this reserve.

*Use of Reserve* - This reserve will be used to pay for liability claims.

*Monitoring of Reserve* - This reserve is monitored by the School Business Executive. Aggregate funding for this reserve cannot exceed 3% of the annual budget.

*Funding Level* – At this time the total of the potential claim is unknown.

**6/30/18 Actual Balance: \$100,000**

**Funds Used As of 5/17/19: \$0**

**Balance (including accrued interest through 4/30, but prior to restoring funds) = \$100,070**

**Recommendation: Maintain balance equal to the estimated amount of potential claim.**

### **Capital Reserve [For Future Consideration]**

*Creation* - There is no reserve for capital at this time. Establishment of this reserve requires voter approval by a majority of qualified voters.

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

*Funding Methods* - Funding may come from excess fund balance. Funds may also be transferred from a Repair Reserve. 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 School Business Executive. Detailed records will be maintained to support the amounts in this reserve.

*Funding Level* – N/A at this time.

**6/30/18 Actual Balance: N/A**

**Recommendation: Consider establishing a Capital Reserve in conjunction with the next Long-Term Capital Plan.**

The following 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 Executive.

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

**6/30/18 Actual Balance: \$869,141**

**Recommendation for 6/30/19: Maximum 4% of 2019-20 budget, or \$899,268**

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

*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 and maintain programming.

*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 School Business Executive.

*Funding Level* - It is recommended that the planned amount of assigned fund balance included as a revenue source in future budgets be limited or \$0 when possible.

**6/30/18 Actual Balance: \$0**

**Anticipated Balance 6/30/19: \$220,723**

**Recommended: Continue to reduce the Appropriated Fund Balance in future budgets by reducing the budget when possible, and applying new and increased revenues. Only appropriate an amount equal to or less than the total budget for equipment.**

