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2019-2020 School Year

as of June 30, 2019

OVERVIEW

The New York State Comptroller's guidance on the Reserve Fund describes the importance of Reserve Funds for good financial management.

“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.”

The establishment and funding of reserves is an important consideration in the maintenance of a sound financial plan for any school district. Strict adherence to state laws is required to ensure reserves are both legal and appropriate. Adequately funded reserves are vital to the long-term health and stability of the school district.

The Minisink Valley Central School District believes that the judicious use of reserves reduces long-term borrowing costs, smooths large fluctuations in tax rates, and minimizes the possibility of mid-year budget cuts which could have a direct impact on students. We believe it is in the best interest of students, staff, and taxpayers to prudently establish and use reserves to weather the financial storms and uncertainties that occur throughout a school year.

Since New York State law mandates that expenditures can be no greater than the budget approved by the voters in May each year, Minisink Valley Central School District budgets conservatively to ensure that unanticipated expenditures do not result in mid-year cuts that could have an immediate impact on students and/or staff. This practice has allowed the District to weather revenue reductions, state aid holdbacks, increases in expenditures such as transportation or Special Education, and other negative adjustments without impacting instructional programs. However, conservative budgeting can also result in budget surpluses at year-end. The Board of Education reviews budget surpluses via the annual Fund Balance Report and determines the best use of these surpluses including transfers to voter or Board approved reserves, or to a reduction in the ensuing year tax levy.

Legally established reserves can provide many benefits to the school district and to its taxpayers. However, these reserves can also cause confusion when not utilized and/or their purpose is not clearly understood by the community.

RESERVES

As stated, the Board of Education is responsible for appropriately managing the financial affairs of the District. Reserves may be established by the Board in accordance with applicable laws. Money set aside in reserves must be used in compliance with statutory provisions which determine how reserves are established and how they may be funded, expended, and/or discontinued. Generally, school districts are not limited as to how much money can be held in reserves. However, reserve balances must be reasonable.

Funding reserves at greater than reasonable levels contribute to real property tax levies that are higher than necessary because the excessive reserve balances are not being used to fund operation. The Board is responsible for developing a formal plan for the use of its reserves, including anticipated use and need of reserve funds and how and when disbursements should be made. By maintaining excessive and/or unnecessary reserves, the Board and District officials may miss opportunities to lower the property tax burden and/or funds from being used to meet District needs.

The following is a plan with a report/analysis of the current status and internal controls over Reserve Funds at Minisink Valley Central School District:

Capital Reserve

Purpose- This reserve is used to pay for any object or purpose for which bonds may be issued.

Creation- This reserve was established by authorization via public referendum.

Funding Goal- This reserve has a maximum funding level of \$5 million and authorized life of 10 years.

Funding Level- The current amount of the fund is \$5,027,384.

Funding Methods- This reserve will be funded from excess fund balance.

Use of Reserve- This reserve will be used to pay for any object or purpose for which bonds may be issued.

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

Workers' Compensation Reserve

Purpose- This reserve is used to pay for workers' compensation benefits, related medical expenses and other expenses authorized by Article 2 of the Workers' Compensation Law.

Creation- This reserve was established via board resolution.

Funding Goal- An amount that is deemed adequate to offset the costs of workers' compensation benefits for the District.

Funding Level- The current amount of the fund is \$452,962.

Funding Methods- This reserve will be funded from excess fund balance or by budgetary appropriations.

Use of Reserve- This reserve will be used to pay for workers' compensation benefits.

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

Unemployment Insurance Reserve

Purpose- This reserve is used to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for unemployment benefit payments to claimants.

Creation- This reserve was established via board resolution.

Funding Goal- An amount that is deemed adequate to offset the costs of unemployment benefits for the District.

Funding Level- The current amount of the fund is \$78,991.

Funding Methods- This reserve will be funded from excess fund balance or by budgetary appropriations.

Use of Reserve- In accordance with the law, this reserve may be used at the discretion of the Superintendent and Assistant Superintendent for Business specifically to offset expenses tied to unemployment insurance claims related to employee attrition.

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

Insurance Reserve

Purpose- The purpose of this reserve fund is to fund certain uninsured losses, claims, actions, or judgments for which the local government is authorized or required to purchase or maintain insurance, with a number of exceptions. This reserve may also be used to pay for expert or professional services in connection with the investigation, adjustment, or settlement of claims, actions, or judgments, and for any loss, claim, action or judgment in relation to health insurance costs.

Funding Level- The current amount of the fund is \$4,855,742. The optimal funding level target is 6 months' worth of the Minisink health plan's operating costs/claims.

Intended duration – It is the Board's intention to have a health insurance reserve funded for as long as Minisink Valley CSD operates its own self-funded health plan.

Conditions under which reserve fund assets will be used or replenished - The reserve would allow the district to maintain a stable financial position despite economic challenges at the federal, state and local levels, and reserve funds would be utilized in order to help smooth trend projections or offset unanticipated financial losses attributable to health plan cost overruns beyond those supportable by the tax cap constraints on the district. Replenishment of reserve funds would be achieved by budgetary appropriation or district wide operating surplus.

Monitoring of Reserve - The reserve is monitored by the Superintendent and the Assistant Superintendent for Business. The Board of Education will analyze the funding level annually, when determining reserve level for the next year, in order to determine if reserve funds are maintained at reasonable and appropriate levels.

- a. The district will reallocate any funds deemed not necessary to support the intended fund objective to other reserves until they are at reasonable levels. Any remaining funds would be used to support contingent expenses to help reduce the burden of local taxpayers.
- b. If the district joins a consortium and discontinues operating a self-funded health care plan, existing reserve fund assets would be reallocated to other reserves until they are at reasonable levels. Any remaining funds would be used to support contingent expenses to help reduce the burden of local taxpayers.

Creation- This reserve was established via NYS Senate Bill S. 7756, signed into law by Governor Cuomo on November 4, 2016.

Property Loss Reserve

Purpose- This reserve is used to pay the cost of property loss.

Creation-This reserve was established via board resolution.

Funding Goal- The amount estimated to be necessary to cover uninsured property loss.

Funding Level- The current amount of the fund is \$86,750.

Funding Methods- This reserve will be funded from excess fund balance or by budgetary appropriations.

Use of Reserve-This reserve *will* be used to pay for uninsured property loss.

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

Liability Reserve

Purpose- This reserve is used to pay the cost of liability claims.

Creation-This *reserve* was established via board resolution.

Funding Goal- The amount estimated to be necessary to cover incurred but unsettled claims or suits, including related expenses.

Funding Level- The current amount of the fund is \$32,518.

Funding Methods- This reserve will be funded from excess fund balance or by budgetary appropriations.

Use of Reserve-This reserve will be used to pay for uninsured expenses from liability claims.

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

Tax Certiorari Reserve

Purpose- This reserve is used to pay for prior year judgments and claims in tax certiorari proceedings.

Creation- This reserve was established via board resolution

Funding Goal- As the district receives tax certiorari claims, we reserve funds to cover the expected cost of these claims against the District.

Funding Level- The current amount of the fund is \$900,039, to be evaluated and adjusted on an annual basis.

Funding Methods- 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 by the first day of the fourth fiscal year after the establishment of the fund.

Use of Reserve- This reserve would be used to pay for prior year tax certiorari claims.

Monitoring of Reserve- This reserve, if needed, will be monitored by the Superintendent and the Assistant Superintendent for Business. It is anticipated that detailed calculations will be required each year to support the amounts in this reserve.

Employee Benefit Accrued Liability Reserve Fund

Purpose- This reserve is used to pay for any accrued “employee benefit” due an employee upon termination of the employee’s service.

Creation- This reserve was established via board resolution.

Funding Goal- An amount that is deemed adequate to cover the cost of accrued employee benefits.

Funding Level- The current amount of the fund is \$1,404,625

Funding Methods- Budgetary appropriation or other revenues not required by law to be paid into any other fund.

Use of Reserve- This reserve will be used for cash payment of the monetary value of accrued and accumulated but unused and unpaid sick leave, personal leave, holiday leave, vacation time, time allowances granted in lieu of overtime compensation and any other forms of payment for accrued but unliquidated time earned by employees and payable to employees upon termination of service, whether by retirement or otherwise.

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

Retirement Contribution (ERS) Reserve Fund

Purpose-This reserve is used to pay for district expenses to the NYS Employee's Retirement System only.

Creation-This *reserve* was established via board resolution.

Funding Goal- A funding level equivalent to the value of five consecutive years as of the close of the current year.

Funding Level-The current amount of the fund is \$948,416.

Funding Methods-Funds are placed in this reserve from excess fund balance.

Use of Reserve-Funds are to be used to finance retirement contributions in the New York State Employee's Retirement System.

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

TRS Retirement Contribution Reserve Fund

Purpose-This reserve is used to pay for district expenses to the NYS Teacher's Retirement System only.

Creation-This reserve was established via board resolution.

Funding Goal- 2% of annual professional salaries can be added to this reserve fund annually until the fund represents 10% of annual budgeted professional salaries.

Funding Level-The current amount of the fund is \$100,000.

Funding Methods-Funds are placed in this reserve from excess fund balance.

Use of Reserve-Funds are to be used to finance retirement contributions in the New York State Teacher's Retirement System.

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