AMHERST CENTRAL SCHOOL DISTRICT
RESERVES PLAN

Approved by the Board of Education on November 16, 2021

Reserve for Retirement Contributions

Creation – This reserve was created on October 5, 2010 by Board of Education resolution and re-established on November 16, 2021.

Purpose – This reserve is used to pay for district expenses to the NYS Employees' Retirement System (ERS).

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

Use of Reserve – The plan for funds in this reserve is an annual budgetary appropriation, when needed, to general fund to help pay the expenses of the District's share of ERS contributions. It is recommended that in a year where funds are drawn down and used, those funds are replaced at year end using unappropriated fund balance, if available.

Monitoring of Reserve – This reserve is monitored by the School Business Administrator.

Funding Level – A funding level equal to approximately two (2) years' worth of retirement system billings is desired. At current rates, that level is approximately $1,646,176.

6/30/21 Actual Balance: $1,004,391 **Recommended 6/30/22: $ 1,646,176, including interest**
Recommended increase of $641,785

Reserve for Retirement Contributions Sub-Fund

Creation – This reserve was created on April 19, 2018 by Board of Education resolution and re-established on November 16, 2021.

Purpose – This reserve sub-fund is used to pay for district expenses to the NYS Teachers' Retirement System (TRS).

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

Use of Reserve – The plan for funds in this reserve is an annual budgetary appropriation, when needed, to general fund to help pay the expenses of the District's share of TRS contributions. It is recommended that in a year where funds are drawn down and used, those funds are replaced at year end using unappropriated fund balance, if available.

Monitoring of Reserve – This reserve is monitored by the School Business Administrator.

Funding Level – A funding level equal to a maximum of up to ten percent (10%) of the prior fiscal year's TRS salaries is desired at the conclusion of five years. Annual contributions are limited to a maximum of 2% of the prior fiscal year's TRS salaries. For 2020-21, TRS salaries equaled $21,127,441, allowing for a maximum contribution in the current year of $422,548. Our total maximum funding level for this sub-fund for the current year is $1,387,208, as we are in our fourth allowable year.

6/30/21 Actual Balance: $964,660 **Recommended 6/30/22: $1,387,208, including interest**
Recommended increase of $422,548

Reserve for Employee Benefit Accrued Liability

Creation – This reserve was created on January 27, 2009 by Board of Education Resolution and re-established on November 16, 2021.

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, vacation, personal leave, etc. 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.

Use of Reserve – This reserve is used when an employee separates from the District and payment of accumulated leave is required. These transactions are planned for and expensed through the budget with the offsetting revenue coming from the reserve. Upon termination of reserve by Board of Education, balance not required to satisfy all incurred or accrued liabilities may be transferred to any other reserve fund authorized in the General Municipal Law.

Monitoring of Reserve – This reserve is monitored by the School Business Administrator. 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 – This reserve should be funded at 100% of the accrued liability for unused accumulated leave time. As of June 30, 2021 the Amherst CSD compensated absences were calculated to be $3,010,100. This reserve is currently funded at 28.5%.

6/30/21 Actual Balance: $857,369 **Recommended 6/30/22: $3,010,100 including interest**
Recommended increase of $2,152,731

Reserve for Unemployment Insurance

Creation – This reserve was created on October 4, 2011 by Board of Education Resolution and re-established on November 16, 2021.

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 New York State a fixed premium for unemployment insurance coverage.

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

Use of Reserve – The plan for funds in this reserve is an annual budgetary appropriation, when needed, to general fund to help pay the expenses of the District's obligation for unemployment insurance claims. It is recommended that in a year where funds are drawn down and used to below recommended levels, those funds are replaced at year end using unappropriated fund balance, if available. Excess funds remaining at the end of any school year may be transferred, within 60 days of the close of that fiscal year, to other reserve fund(s) or applied to budgetary appropriations for the new school year.

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 – A funding level of approximately ten (10) years worth of unemployment billings is desired. Due to the pandemic, no payments were made during the final quarter of 2019-20 or at all during 2020-21. Using payments between 2010 and 2010, our ten year total is $205,930. Before NYS stopped filing claims for payments made during the fourth quarter of 2019-20, our unemployment charges were over $330,000. Many of these were fraudulent, and to date, we have not paid any further claims. While our current funding level is sufficient to cover ten years of claims, we recommend maintainin

6/30/21 Actual Balance: $461,755 **Recommended 6/30/22: $461,755, including interest**
Recommended change: none

<u>Reserve for Tax Certiorari</u>

Creation – This reserve was created on August 25, 2009 by Board of Education Resolution and re-established on November 16, 2021.

Purpose – This reserve is used to pay judgments and claims in tax certiorari proceedings.

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 on or before the first day of the fourth fiscal year following the deposit of such monies to the reserve fund.

Use of Reserve – This reserve would be used to pay for tax certiorari claims.

Monitoring of Reserve – This reserve will be monitored by the School Business Administrator. 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 – This reserve should be funded at 100% of the calculated liability for pending claims. As of September 30, 2021, the Amherst CSD calculated liability is $113,844. Due to the settlement of several large claims against the district over the past two years, this reserve is currently overfunded. Because of this, we are recommending the transfer of funds back to general fund, to then be deposited into another reserve, in accordance with the legal statutes set forth by the New York State Comptroller, of approximately $349,000.

6/30/21 Actual Balance: $463,031 **Recommended 6/30/22: $113,844, including interest**
Recommended decrease and transfer of $349,000

Capital Reserve 2017

Creation – This reserve was created on May 16, 2017 by voter approval. It was authorized with a $500,000 limit and a ten (10) year lifetime.

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

Funding Methods – Current and future unappropriated fund balances from the General Fund of the District, as directed by the Board of Education and any other appropriations authorized by the voters from time to time.

Use of Reserve – For the purpose of financing, in whole or in part, additions, alterations, renovations or other improvements to District's buildings and facilities, including the acquisition and installation of machinery, equipment, apparatus or furnishings required for the purposes of such buildings and facilities, and playgrounds, athletic fields, recreation areas, parking areas, roadways, sidewalks and other site improvements connected to such buildings and facilities. The use of this reserve requires voter approval.

Monitoring of Reserve – This reserve will be monitored by the School Business Administrator.

Funding Level – The maximum funding level over the lifetime of this reserve is $500,000 as set by voter authorization.

6/30/21 Actual Balance: $302,230 **Recommended 6/30/22: $502,230, including interest**
Recommended increase of $200,000

NOTE: Once the $500,000 contribution limit is reached, this reserve will then be unavailable to receive future contributions, but may continue to spend down the balance on future voter approved projects. If approved by the voters, additional capital reserves may be established.

ADDITIONAL NOTE: all transfers to reserves subsequent to year end are required to occur within sixty (60) days of fiscal year end.

Capital Reserve 2021

Creation – This reserve was created on May 18, 2021 by voter approval. It was authorized with a $10,000,000 limit and a ten (10) year lifetime.

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

Funding Methods – Current and future unappropriated fund balances from the General Fund of the District, as directed by the Board of Education and any other appropriations authorized by the voters from time to time.

Use of Reserve – For the purpose of financing, in whole or in part, additions, alterations, renovations or other improvements to District's buildings and facilities, including the acquisition and installation of machinery, equipment, apparatus or furnishings required for the purposes of such buildings and facilities, and playgrounds, athletic fields, recreation areas, parking areas, roadways, sidewalks and other site improvements connected to such buildings and facilities. The use of this reserve requires voter approval.

Monitoring of Reserve – This reserve will be monitored by the School Business Administrator.

Funding Level – The maximum funding level over the lifetime of this reserve is $10,000,000 as set by voter authorization.

6/30/21 Actual Balance: $0 **Recommended 6/30/22: as much as needed to maintain compliance with 4% unappropriated fund balance calculation**

NOTE: Once the $10,000,000 contribution limit is reached, this reserve will then be unavailable to receive future contributions, but may continue to spend down the balance on future voter approved projects. If approved by the voters, additional capital reserves may be established.

ADDITIONAL NOTE: all transfers to reserves subsequent to year end are required to occur within sixty (60) days of fiscal year end.

The following three (3) 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.

Funding Level – The maximum legal limit is recommended (4% of the ensuing budget). Currently, the balance reflects 6.62%. Due to the Covid-19 pandemic and the uncertainty of both expenditure needs and potential state aid cuts, it was determined that any year end surplus in 2019-20 and 2020-21 would remain in unappropriated fund balance to help offset budgetary needs in 2021-22 and future years. Throughout 2021-22, we will monitor both revenues and expenditures and make recommendations for these funds prior to the end of the fiscal year. The availability of our fund balance allows us to plan for potential reductions in revenues and increases in expenditures. It also allows us to minimize large impacts to subsequent years of budgets when both revenues and expenditures are fluid and unpredictable. During 2020-21, we used about $1M of these funds, reducing our percentage from 8.77 to 6.62%. We anticipate ending 2021-22 at the compliant level of 4%.

6/30/21 Actual Balance: $4,255,523

Recommended 6/30/22: $2,649,819, or 4% of ensuing year's adopted budget. *(Figure provided assumes a 3% increase in 22/23 adopted budget)*
Recommended estimated decrease via usage or transfer to other reserves of $1,605,704

Assigned Fund Balance - Appropriated for Subsequent Years

Creation – These funds have been set aside for a particular purpose, namely to reduce the tax levy required to support an ensuing year's 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 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, the Superintendent, and the Board of Education.

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 $500,000 - $1,000,000, exclusive of the amount of carryover encumbrances.

6/30/21 Actual Balance: $1,525,945 (Encumbrances from prior year, pre-pays, and appropriated during budget development)

Planned Use of Funds 2021-22: $719,945 (Encumbrances from prior year and pre-pays)

Debt Service Fund (Restricted Fund Balance)

Creation – The Debt Service Fund (V Fund) was created and authorized by the Board of Education in June 2017.

Purpose – These funds are restricted and may only be used for future debt and interest payments.

Funding Methods – These funds are unspent bond proceeds and bond premiums and interest earned on capital project funds.

Use of Funds – Unspent bond proceeds must be spent on principal payments to pay down the debt associated with the borrowing. Unspent bond premiums must be spent on future interest payments within three (3) years of the bond closing in which the premiums were received.

Monitoring of Reserve – These funds are monitored by the School Business Administrator.

Funding Level – These funds are accumulated only through unspent bond proceeds, bond premiums, and interest earned on capital project funds.

6/30/21 Actual Balance: $238,821 Recommended 6/30/22: $0, plus interest earned