

SUBJECT: RESERVE FUNDS

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 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.

Periodic Review and Annual Report

The Board of Education will periodically review all reserve funds. The District will also prepare and submit an annual report of all reserve funds to the Board of Education. The annual report shall include the following information for each reserve fund:

- a) The type and description of the reserve fund;
- b) The date the reserve fund was established and the amount of each sum paid into the fund;
- c) The interest earned by the reserve fund;
- d) Capital gains or losses resulting from the sale of investments of the reserve fund;
- e) The total amount and date of each withdrawal from the reserve fund;
- f) The total assets of the reserve fund showing cash balance and a schedule of investments; and
- g) An analysis of the projected needs for the reserve fund in the upcoming fiscal year and a recommendation regarding funding those projected needs.

The Board shall utilize the information in the annual report to make necessary decisions to adequately maintain and manage the District's reserve fund balances while mindful of its role and responsibility as a fiduciary of public funds.

The Superintendent shall develop any necessary and/or appropriate regulations to implement the terms of the Board's policy.

POLICY

2011
Adopted: 5/24/11
Rev. 3/13/18, 3/3/22

5221
Page 2 of 9

Non-Instructional/Business
Operations

SUBJECT: RESERVE FUNDS (Continued)

Belfast Central School Reserve Funds

1. Worker's Compensation Reserve
2. Retirement Contributions Reserve
 - A. TRS Reserve
 - B. ERS Reserve
3. Employee Benefits Accrued Liability Reserve
4. Unemployment Reserve
5. Repair Reserve
6. Capital Project Reserve

1 Worker's Compensation Reserve

<i>Creation</i>	This reserve was created on June 13, 2017 not to exceed \$40,000.
<i>Purpose</i>	This reserve is used to pay for actual worker's compensation claims, related medical expenses and administrative costs of the worker's compensation consortium of which the District participates.
<i>Funding Methods</i>	This reserve was funded through excess fund balance over the course of several years. One percent (1%) of the annual change in Fund Balance amount will be utilized to fund this reserve in perpetuity.
<i>Use of Reserve</i>	This reserve will be used to cover 25% of the worker's compensation premiums and serve as a reserve in anticipation of increasing costs of worker's compensation premiums/claims.
<i>Plan to Replenish</i>	
<i>Monitoring of Reserve</i>	This reserve is monitored by the Business Manager.
<i>Funding Level</i>	The current funding level is sufficient to pay 100% of the previously determined actuarial value of all outstanding self-insured claims. Any excess will be used at the time of settlement or returned to the General Fund.

2.A TRS District Retirement Contribution Reserve Sub-Fund

<i>Creation</i>	This reserve was approved by the Board of Education on May 14, 2019 not to exceed \$20,000. On June 9, 2020, the Board of Education approved expanding the Teachers' Retirement Reserve not to exceed \$90,000. On June 8, 2021, the Board of Education approved expanding the Teachers' Retirement Reserve not to exceed \$145,900.
-----------------	--

POLICY

2011
Adopted: 5/24/11
Rev. 3/13/18, 3/3/22

5221
Page 3 of 9

Non-Instructional/Business
Operations

<i>Purpose</i>	This reserve is used to pay for district expenses to the Teacher's Retirement System only.
<i>Funding Methods</i>	Funds are placed in this reserve from excess fund balance. Up to Two Percent (2%) of the total compensation or salaries of all teachers employed by the District who are members of TRS paid during the immediately preceding fiscal year shall be redirected to this <i>reserve</i> each year at completion of the audit.
<i>Use of Reserve</i>	The use of this reserve will be based on TRS billings. The funds will be used to pay any allowable TRS costs. The Board of Education must authorize use of these funds. Upon reaching maximum limit, an implementation of 2% of current year TRS salaries will be used on an annual basis.
<i>Plan to Replenish</i>	
<i>Monitoring of Reserve</i>	This reserve is monitored by the Business Manager.
<i>Funding Level</i>	The Balance of the reserve fund may not exceed 10% of the total compensation or salaries of all teachers employed by the District who are members of TRS paid during the immediately preceding fiscal year.

2.B ERS Retirement Contributions Reserve

<i>Creation</i>	This reserve was approved by the Board of Education on June 13, 2017 not to exceed \$200,000.
<i>Purpose</i>	This reserve is used to pay for district expenses to the NY State & Local Employees' Retirement System only. Payments to the Teachers' Retirement System are not allowed from this reserve.
<i>Funding Methods</i>	Funds are placed in this reserve from excess fund balance. Two Percent (2%) of the change unreserved fund balance shall be redirected to this reserve each year at completion of the audit.
<i>Use of Reserve</i>	The use of this reserve will be based on ERS billings. The funds will be used to pay any allowable ERS costs. Fifty Percent (50%) of the annual ERS Billing will be funded by this Reserve.
<i>Plan to Replenish</i>	
<i>Monitoring of Reserve</i>	This reserve is monitored by the Business Manager.

Funding Level This reserve is funded to the amount that it would cover three years of ERS contributions. Once the reserve exceeds a rolling three-year cost coverage, additional funding will cease until such time the reserve balance falls below such. Additional funding can recur when the balance falls to a three-year rolling average of the annual charge.

3. Employee Benefits Accrued Liability Reserve

Creation This reserve was created on June 24, 2008 not to exceed the annual Compensated Absences calculation of liabilities.

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 for items such as: retirement incentives, FICA and Medicare payments and retiree health insurance.

Funding Methods This reserve was funded from excess fund balance. One percent (1%) of the annual change in Fund Balance amount will be utilized to fund this reserve in perpetuity.

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.

Plan to Replenish

Monitoring of Reserve This reserve is monitored by the Business Manager. Each year, a detailed analysis of the liability is computed and is used to support 100% funding of this reserve.

Funding Level This reserve should be funded at 100% of the accrued liability for unused accumulated leave time. Funding shall recur and cease based on the 100% funding of the accrued liability.

4. Unemployment Insurance Reserve

Creation This reserve was created on June 13, 2017 not to exceed \$25,000.

Purpose This reserve is used to reimburse the State for payments made to claimants as the district uses the benefit reimbursement method.

Funding Methods This reserve was funded entirely from excess fund balance. Funding is based on budgeted estimates of potential claims less actual claims for the year. The variance will be returned to the fund at years end.

Use of Reserve The District will use an estimated amount of funding from this reserve on an annual basis. The amount is based on average actual claims over the previous 36 months along with anticipated new claims for any position eliminations for the upcoming year known at the time of budget development.

POLICY

2011
Adopted: 5/24/11
Rev. 3/13/18, 3/3/22

5221
Page 5 of 9

Non-Instructional/Business
Operations

Plan to Replenish

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

Funding Level This reserve was initially funded at \$22,500. The Maximum funding level is established at \$25,000. If/When the level meets/exceeds \$25,000, contributions to the fund will cease until such time the fund is reduced back to \$15,000 at such time contributions may recur.

5. Repair Reserve

Creation Board of Education created this reserve on June 13, 2017 not to exceed \$30,000. On March 8, 2022, the Board of Education approved to increase the reserve not to exceed \$60,000.

Purpose This reserve is used to pay for unanticipated, non-recurring repairs to district capital improvements, facilities and equipment.

Funding Methods Board approval is required to fund this reserve. In accordance with the proposition approved by the voters, this reserve was funded entirely by unreserved fund balance.

Use of Reserve In accordance with the law, a public hearing must be held in order to use funds from this reserve, except in an emergency. Funds used without holding a public hearing must be repaid to the fund over two years. Use is restricted to the purpose stated above.

Plan to Replenish This reserve cannot be replenished, except for funds used in an emergency. Voters would need to approve another Repair Reserve to set aside additional funds.

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

Funding Level This reserve can be funded up to \$60,000.

6. Capital Projects Reserve

Creation Voter approval on May 21, 2019 not to exceed \$500,000.
Board of Education approval on May 22, 2019 for \$350,000.
Board of Education approved another \$145,000 moved to reserve on October 14, 2021.
Per voter approval, reserve must be used by May 21, 2029.

Purpose This reserve may be used to fund the cost of any capital project 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.

POLICY

2011
Adopted: 5/24/11
Rev. 3/13/18, 3/3/22

5221
Page 6 of 9

Non-Instructional/Business
Operations

Plan to Replenish 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.

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 \$500,000. Accumulation of funds into this reserve must cease at the earlier of reaching \$500,000 or 10 years.

Belfast Central School Committed Funds

1. Other Post-Employment Benefits
2. Technology
3. Equipment Replacement
4. Annual Capital Outlay

1. Other Post-Employment Benefits

Creation March 8, 2022

Purpose To fund future other post-employment benefits for retirees. These funds are unrestricted and may be used for any valid purpose upon the release of these funds by the Board of Education and reassignment.

Funding Methods These funds have been accumulated from excess fund balance.

Use of Funds To fund future other post-employment benefits for retirees. While currently (as of 06/2022) only an accounting requirement to account for these costs on an accrual basis, actual funding of these benefits under the new developing methodology is anticipated and will cost tens of thousands. The District needs the ability to prepare for this responsibility. The creation and maintenance of this fund will do so.

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

Funding Level Max of \$200,000

POLICY

2011
Adopted: 5/24/11
Rev. 3/13/18, 3/3/22

5221
Page 7 of 9

Non-Instructional/Business
Operations

2. Technology

Creation March 8, 2022

Purpose To fund continued growth, maintenance and expansion of District technologies. These funds are unrestricted and may be used for any valid purpose upon the release of these funds by the Board of Education and reassignment.

Funding Methods These funds have been accumulated from excess fund balance. The fund will be replenished annually.

Use of Funds To fund future purchases of technology. Annual budget allocations will be made from this reserve based on approved technology initiatives.

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

Funding Level Max of \$150,000 (Plus any interest earnings). This fund shall be replenished to \$150,000 if sufficient unassigned fund balance is available at years end.

3. Equipment Replenishment

Creation March 8, 2022

Purpose To fund continued replacement of district equipment in all areas – desks, tables, chairs, cleaning equipment, athletic equipment, etc. These funds are unrestricted and may be used for any valid purpose upon the release of these funds by the Board of Education and reassignment.

Funding Methods These funds have been accumulated from excess fund balance. The fund will be replenished annually with 5% of the annual change in Unassigned Fund Balance.

Use of Funds The District shall prepare an inventory replacement schedule and fund budgets appropriately for equipment replacement.

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

Funding Level Max of \$50,000. This fund shall be replenished to \$50,000 if sufficient unassigned fund balance is available at years end.

4. Annual Capital Outlay Project

Creation March 8, 2022

Purpose To fund an annual capital outlay project not to exceed \$100,000 (or maximum allowed by state if maximum changed by law).

Funding Methods These funds have been accumulated from excess fund balance and will be increased by 5% of the change in unassigned fund balance each year.

POLICY

2011
Adopted: 5/24/11
Rev. 3/13/18, 3/3/22

5221
Page 8 of 9

Non-Instructional/Business
Operations

- Use of Funds* The District shall incorporate a project up to \$100,000 in each annual budget, to ensure our facilities are well maintained, safe and secure. The project will need to be discussed in public forum, included in the budget and noted as such with the budget.
- Monitoring of Balance* These funds are monitored by the Business Manager.
- Funding Level* Max of \$250,000. If the fund reaches \$250,000, additional contributions shall cease until such time the balance falls to \$200,000.

Assigned Fund Balance

- Creation* These funds are a portion of fund balance that 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 keeping the tax levy increases within the annual tax levy limit whenever possible.
- Funding Methods* These funds are fund balances 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 Business Manager.
- 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 \$150,000.

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

POLICY

2011
Adopted: 5/24/11
Rev. 3/13/18, 3/3/22

5221
Page 9 of 9

Non-Instructional/Business
Operations

Annual Review

- October Audit is accepted, calculations are made based on change in fund balance and reserves plan policy by fund.
- November Analysis completed and presented to Finance Committee for approval to move to full Board for approval/action. Once Board approves, funds are moved from one account to another as calculated/approved.
- April Estimates are calculated based on projected change in fund balance and reserves utilizing this policy. These figures are reviewed by the Finance Committee for appropriateness and then utilized on the annual property tax report card as required by NYSED/NYSOSC/NYSDoB.

Adopted: 5/24/11
Reviewed: 3/13/18
Revised: 3/8/22