



**Williamson
Central School**
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WILLIAMSON CSD

**REPORT
OF
RESERVE FUNDS**

August 26, 2020

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WILLIAMSON CENTRAL SCHOOL DISTRICT

RESERVE FUNDS OVERVIEW

The District's reserve funds are reported on a monthly basis to the Board of Education as a component of the treasurer's report. In addition, the District's external auditor reviews the various reserve funds and overall financial position of the District annually with his annual audit presentation to the Board. The Board has been very active in assessing the District's level of reserves and utilization of these funds as evidenced by a strategic use of several reserves such as the bus purchase, capital, and repair reserve over many years. Evidence of reserve activity is reflected within the individual reserve summaries that follow.

Traditionally, the establishment and use of District reserve funds have been done with the advice and consent of the District's attorney and auditors to help ensure compliance with all legal aspects of the reserves.

The District has over a long period of time, worked to maintain an adequate level of reserve funds for their various purposes. As a result, the overall financial condition of the District has been healthy as evidenced by a favorable bond rating recently provided by Moody's Investor's as an A2 rating in January, 2009. **On February 19, 2013 the District received a new higher rating of A1 from Moody's.** This in turn has helped keep interest rates on District obligations lower and in the long run, helps save taxpayer dollars and plan for unknown contingencies.

Introduction

In our personal lives, saving or putting money aside to finance future needs is a common practice. Unquestionably, strong arguments can be advanced for accumulating funds. The disputable philosophy, "live for today and let tomorrow take care of itself" can easily be refuted with many savings slogans such as "prepare for a rainy day."

These practices are equally important for New York's local governments. Legally established reserves can provide many benefits to municipalities and their citizens. Available moneys can be set aside to finance all or part of planned projects, thereby reducing the need to issue costly debt. Reserves can provide a degree of financial stability. In uncertain economic times, reserve funds may give managers options other than cutting services or raising taxes. In good times, moneys not needed for current purposes can often be set aside for future benefit.*

- Office of NYS State Comptroller's Local Government Management Guide for Reserves

UNEMPLOYMENT INSURANCE RESERVE

This reserve fund is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants. The reserve may be established by board action and funded by budgetary appropriations or other funds as may be legally appropriated (General Municipal Law, §6-m).

Recommendation from November, 2006 memo to Board...

“...Reduce the Unemployment Insurance Reserve by approximately 50%, or \$350,000. The amount currently held in the Unemployment Insurance Reserve is excessive in the sense that interest earnings have been greater than the average costs of unemployment claims charged to the reserve over the last two years. Reducing this Reserve by 50% should maintain an adequate level while keeping interest earnings closer to actual payments made from the reserve.”

Claims from the Unemployment Insurance Reserve Fund are currently exceeding earnings. In addition, due to the economic outlook and impending layoffs, the District foresees higher claims being paid from this fund in the next couple of years.

Analysis for Current Year		
July 1, 2019	Beginning Balance	\$258,890.23
	Interest	130.66
	Claim Payments	<u>(4,884.21)</u>
	Balance June 30, 2020	\$254,136.68

*** This Reserve is accounted for in the General Fund**

INSURANCE RESERVE

This reserve fund is used to pay judgments, claims, incidental costs and professional services connected with the investigation and settlement of claims. The reserve is funded by budgetary appropriations or any other permissive referendum. The amount that can be paid into the reserve during each fiscal year is limited to 5% of the annual budget. There is, however, no limit upon the amount which may be accumulated in the fund (General Municipal Law, §6-n).

The District negotiated lower insurance premiums nearly \$1,800 by raising its deductible amounts to \$2,500 on property (\$1,000 on vehicles) in the 2009-10 school year. By lowering insurance costs and utilizing a greater share from the Insurance Reserve to cover uninsured claims, the District is making better use of its reserves and saving taxpayer dollars on an annual basis. In 2011-12, the District applied the deductibles from 1 insurance claim for \$1,000. In addition, the Board also approved the appropriation from the Insurance Reserve of \$160,000 to settle a claim for an employee. In 2012-13 a \$500 deductible was applied to the reserve.

Analysis for Current Year	
July 1, 2019 Beginning Balance	\$292,084.65
Interest	<u>146.04</u>
Balance June 30, 2020	\$292,230.69

*** This Reserve is accounted for in the General Fund**

LIABILITY RESERVE

This reserve fund is similar to the liability and casualty reserve described earlier, in that it is used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required and these reserves may not in total exceed 3% of the annual budget or \$15,000 whichever is greater. (Education Law, §1709, Subdivision 8-c).

The balance in this Liability Reserve has been deemed as a reasonable amount to protect against any potential capital liability loss resulting from construction, renovation, or other types of property losses in which the District might reasonably incur. **In May 2014, the Voters approved the transfer of up to \$100,000 from the Liability Reserve to support the General Fund budget. In May 2018, the Voters approved the transfer of up to \$200,000 from the Liability Reserve to support the 2018-19 General Fund budget.**

Analysis for Current Year	
July 1, 2019 Beginning Balance	\$291,295.77
Appropriated for 2019-20 Budget	<u>(100,000.00)</u>
Balance June 30, 2020	\$191,295.77

*** This Reserve is accounted for in the General Fund**

REPAIR RESERVE

The Repair Reserve Fund is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. Voter approval is required to fund this reserve (See Opinion of the State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years (General Municipal Law, §6-d).

Funding History:

2005-06	\$300,000
2009-10	\$269,445

History of Repair Reserve Authorizations :

<u>Hearing Date</u>	<u>Purpose</u>	<u>Authorization</u>
10-24-01	BG Roof Repair	\$30,000
12-18-02	HS Exterior Lighting	\$20,000
5-26-04	HS Athletic Field Re-grading	\$9,500
10-25-05	BG Improvements	\$300,000
8-6-08	MS\DO Fuel Storage Tank Removal	\$100,000
9-23-09	MS Window and Column restoration	\$30,000
2-10-10	MS Window and Column restoration	\$15,000
7-27-10	Soccer Field Scoreboard Repair	\$5,000
9-22-10	ES Canopy Repair	\$81,659
6-27-12	BG & MS Parking Lot Sealing	\$18,850
8-8-12	MS Masonry Brick Repointing Restoration	\$35,000
10-24-12	MS Booster Pump Water Pressure Repair	\$45,000
5-29-13	ES & HS Cafeteria Emergency Equipment Repair	\$13,079
6-18-14	HS Classroom Flooring\Tile Repair	\$90,000
8-26-15	MS Roofing (Old BOCES wing)	\$125,000
10-12/16	MS Tennis Courts	\$20,000.

Analysis for Current Year	
July 1, 2019 Beginning Balance	\$507,169.70
Interest	<u>128.58</u>
Balance June 30, 2020	\$507,298.28

*** This Reserve is accounted for in the General Fund**

CAPITAL RESERVES

The Capital Reserve Fund is used to pay the cost of any object or purpose for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payments from the reserve.

The form of the required legal notice for the vote on establishing the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law.

\$1,000,000 had been transferred to the 2017 Capital Project as of June 30, 2017

2016 CAPITAL RESERVE

Authorized: December 15, 2016
Probable term: 10 Years
Funding Cap: \$5,000,000

Analysis for Current Year

Balance as of July 1, 2019	\$ 2,325,000.00
Interest	37.50
6/30/2020 Transfer from Fund Balance	<u>425,000.00</u>
Balance as of June 30, 2020	\$2,750,137.50

History of Funding

1/25/2017 Transfer from ERS Reserve	\$1,000,000
6/30/2017 Transfer from Fund Balance	775,000
6/30/2018 Transfer from Fund Balance	750,000
6/30/2019 Transfer from Fund Balance	800,000
6/30/2020 Transfer from Fund Balance	<u>425,000</u>
Total Cumulative Funding	\$ 3,750,000

* This Reserve is accounted for in the General Fund

2019 BUS PURCHASE RESERVE

Authorized: May 21, 2019
 Probable term: 5 Years
 Funding Cap: \$750,000

Analysis for the Current Year

Balance as of July 1, 2019	\$ 355,503.67
Interest	52.75
6/30/20 Transfer to Capital for bus purchases	125,000.00
6/30/2020 Transfer from Fund Balance	<u>(175,000.00)</u>
Balance as of June 30, 2020	\$ 405,556.42

History of Funding

6/30/2019 Transfer from prior bus reserve balance	105,503
6/30/2019 Transfer from Fund Balance	150,000
6/30/2020 Transfer from Fund Balance	<u>175,000</u>

Total Cumulative Funding **\$ 430,503**

History of Transfers from Bus Reserve for the Purchase of Buses:

2008-09	\$60,000	2015-16	\$ 40,000	2020-21	\$125,000
2009-10	\$70,000	2016-17	\$125,000		
2010-11	\$69,500	2017-18	\$ 85,000		
2013-14	\$35,000	2018-19	\$ 75,000		
2014-15	\$ 35,000	2019-20	\$ 75,000		

*** This Reserve is accounted for in the General Fund**

EMPLOYEE BENEFITS ACCRUED LIABILITY RESERVE

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee’s service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

This reserve is used to fund the retirement incentive liability for eligible contract member employees who have earned unused accumulated sick days. An annual calculation is performed at the close of each fiscal to determine the current liability of eligible members at the close of the year.

The District typically budgets an annual appropriation from this reserve as a General Fund Revenue source to help offset the District’s non-elective 403(b) retirement costs provided as a retirement incentive based on unused accumulated sick days. **\$50,000 had been appropriated to support the 2020-21 budget.**

Analysis for Current Year	
July 1, 2019 Beginning Balance	\$556,844.90
Interest	270.92
Payments	(35,787.50)
6/30/20 Transfer from Fund Balance	<u>50,000.00</u>
Balance June 30, 2020	\$571,328.32

*** This Reserve is accounted for in the General Fund**

TAX CERTIORARI RESERVE

The governing board of any school district, by resolution, may establish a reserve to refund taxes of the current year in tax certiorari proceedings. Establishing or expending the reserve does not require voter approval. Amounts not necessary to refund taxes must be returned to the unreserved fund balance of the general fund by the first day of the fourth fiscal year following the year for which the reserve was created. (Education Law §3651, Sub.1a, 3a)

Current notice of claims (Article 7 Tax Filings) are from:

Rite Aid Inc.

Whispering Woods

Analysis for Current Year		
July 1, 2019	Beginning Balance	\$ 319,739.99
	Interest	160.70
	Payments	(9,281.92)
	Balance June 30, 2020	\$ 310,618.77

* **This Reserve is accounted for in the General Fund**

MANDATORY RESERVE FOR DEBT SERVICE

Upon the sale of district property that was financed by obligations which remain outstanding at the time of sale, a reserve must be established for the purpose of retiring the outstanding obligations. The funding of the reserve is from the proceeds of the sale of district property or capital improvement (General Municipal Law, §6-l).

\$100,000 has been appropriated to support the 2020-21 budget.

Analysis for Current Year		
July 1, 2019	Beginning Balance	\$ 485,158.40
	Revenues	57,783.99
	Payments	_____ -
	Estimated Balance June 30, 2020	\$ 542,942.43

*** This Reserve is accounted for in the Debt Service Fund**

The Debt Service Fund is used as a budgeted revenue source each year in the District’s annual budget to help offset principal and interest as needed. As evidenced in recent years, transfers from the Debt Service Fund have been made to the general fund to offset budgeted debt service payments.

RETIREMENT CONTRIBUTION RESERVE FUND

For the payment of “retirement contributions” which is defined as all or any portion of the amount payable to either the New York State and Local Employee’s Retirement System or the NYS and Local Police and Fire Retirement Systems pursuant to section 17 or 317 of the Retirement and Social Security Law (General Municipal Law, §6c, d, e, f, or g, and Section 3651 of the Education Law).

Analysis for Current Year		
July 1, 2019	Beginning Balance	\$ 1,117,216.29
	Interest	258.61
6/30/2020	Transfer from General Fund	<u>450,000.00</u>
	Balance June 30, 2020	\$ 1,567,474.90

This fund will be used as a budgeted revenue source each year in the District’s annual budget to help offset ERS costs as needed. The Board authorized a transfer from this fund to the 2016 Capital Reserve fund.

*** This Reserve is accounted for in the General Fund**

Teacher’s Retirement (TRS) RESERVE FUND

Established 6/17/2020 via Board Resolution

The Board of Education may authorize expenditures from this Reserve Sub-Fund. Except as otherwise provided by law, moneys in this Reserve Sub-Fund may only be appropriated to finance retirement contributions to the New York State Teachers’ Retirement System, and/or to offset all or a portion of the amount deducted from the moneys apportioned to the District from the State for the support of schools pursuant to Section 521 of the Education Law.

The moneys contributed annually to the Reserve Sub-Fund shall not exceed 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.

The balance of the Reserve Sub-Fund shall 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.

Analysis for Current Year		
July 1, 2019	Beginning Balance	\$ 0
6/17/2020	Transfer from General Fund	<u>150,000.00</u>
	Balance June 30, 2020	\$ 150,000.00

This fund will used as a budgeted revenue source each year in the District’s annual budget to help offset teacher’s retirement costs as needed. .

*** This Reserve is accounted for in the General Fund**

<h1>POLICY</h1>	2015	5570
	Business	

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:

- The type and description of the reserve fund;
- The date the reserve fund was established and the amount of each sum paid into the fund;
- The interest earned by the reserve fund;
- The total amount and date of each withdrawal from the reserve fund;
- The total assets of the reserve fund showing cash balance;
- 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.

Approved: Board of Education
February 16, 2011

Approved: Board of Education
January 28, 2015