

POLICY

2019

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Non-Instructional/Business
Operations

SUBJECT: Reserve Plan and Fund Balance Policy

The establishment and funding of reserves is an important consideration in the maintenance of a sound financial plan for any school district. This concept is recognized by the New York State Comptroller:

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. (*Office of the New York State Comptroller – Local Government Management Guide – Reserve Funds, Pg. 1*)

The following is a summary of the current reserve funding along with an explanation of each reserve.

Alfred Almond Central School District		
General Fund		
Summary of General Fund Reserves		
6/30/2019		
Account Code	Reserve:	Amount
A814	Worker's Compensation Reserve	\$ 62,000.00
A827	Retirement Contribution Reserve	\$ 902,588.59
A830	Employee Benefits Accrued Liability Reserve	\$ 97,300.11
A878	Capital Reserve	\$ 1,519,823.47
A889	Unemployment Reserve	\$ 89,646.99
	Total Reserved Fund Balance	\$ 2,671,359.16

Compensation Reserve:

Purpose – To pay for compensation and benefits, medical, hospital, or other expenses authorized by Article 2 of the Workers' Compensation Law and to pay the expenses of administering a self-insurance program.

Creation – Established by Board resolution.

Use of Reserve – The District has a self-insured workers' compensation plan. This reserve is used to cover the costs of District claims on a yearly basis as well as run out liability.

Funding – The goal is to obtain a balance that would sustain District's Workers' Compensation obligation for a period of five years along with any potential run out obligation. May be funded by budget appropriation or other funds that may be legally appropriated.

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Unemployment Reserve:

Purpose – To pay the cost of reimbursement to the State Unemployment Insurance fund for payments to claimants.

Creation – Established by Board resolution.

Use of Reserve – The District is self-insured for unemployment costs and funds are used to pay incidental claims incurred in the normal course of business.

Funding – The District has no immediate plans to increase funding of this reserve. However, given the financial uncertainty of education funding the District will continue to maintain fund at current level. May be funded by budget appropriation or other funds that may be legally appropriated.

Retirement Contribution Reserve:

Purpose – Used to pay district expenses for NYS Employees' Retirement System.

Creation – Established by Board resolution.

Use of reserve – Used to offset the District's expense for Employee Retirement System.

Funding – The goal is to obtain a balance that would sustain District's contribution for ERS for the period of five years.

Teachers' Retirement Contribution Reserve:

Purpose – Used to pay district expenses for NYS Teachers' Retirement System. Funded in the 2019-2020 fiscal year.

Creation – Established by Board resolution.

Use of reserve – Used to offset the District's expense for Teachers' Retirement System.

Funding – The goal is to obtain a balance that would sustain District's contribution for TRS for the period of five years.

Employee Benefits Accrued Liability Reserve:

Purpose – To pay accrued benefits due employee upon termination of service.

Creation – Established by Board resolution.

Use of Funds – Used to pay for contractually obligated expense when an employee separates from the District. This may include payments for unused sick or vacation days accumulated. Disbursement of funds by Board resolution when deemed appropriate based on employee retirement.

Funding – The District has no immediate plans to increase funding of this reserve. May be funded by budget appropriation or other funds that may be legally appropriated.

Capital reserve:

Purpose – To pay the cost of any object or purpose for which bonds may be issued.

Creation – Voter authorization – proposition before the voters must specify purpose, ultimate dollar amount, term, and source of funds to be deposited. Established 2009.

Use of Reserve – Voter authorization required to make payment from reserve. Proposition to use these funds must be specific to a project(s) and dollar amount.

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Funding – Current reserve established with ultimate funding of \$3,000,000 plus interest earning with a probable term of 10 years. May be funded by budget appropriation of other funds that may be legally appropriated.

Repair Reserve:

Purpose – To pay the cost of repairs that do not recur annually to capital improvements and equipment.

Creation – Established by Board resolution.

Use of Reserve – Public hearing required to expend funds except in the case of emergency. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years.

Funding – Voter approval is required to fund this reserve.

Adopted: 12/11/19