

**Bainbridge-Guilford Central School District
Reserve Fund Plan and Analysis**

2020-2021

Year-End Summary Report



Prepared by:

Janice Rideout, School Business Manager

OVERVIEW

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 Bainbridge-Guilford Central School District believes that the judicious use of reserves reduces long-term borrowing costs, seeks to eliminate 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 can 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, the Bainbridge-Guilford 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 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 contributes to real property tax levies that are higher than necessary because the excessive reserve balances are not being used to fund operations. 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 report and analysis of the current status and internal controls over Reserve Funds at the Bainbridge-Guilford Central School District.

Workers' Compensation Reserve (A814)

The purpose of this reserve is to pay for Workers' Compensation and benefits, related medical/hospital expenses and self-insurance administrative costs as authorized by Article 2 of the Workers' Compensation law. Since the Bainbridge-Guilford School District participates in a self-insured plan, this reserve was established by Board action under Section 50[4] of the Workers' Compensation law.

- **Funding Goal** – The funding goal of this reserve is the district's share of the liability for unbilled and open claims.
- **Balance in Reserve** – The current balance in this reserve is \$156,793.70.
- **Creation** – This reserve was created on June 15, 2017 via Board resolution.
- **Funding Methods** – This reserve will be funded by excess fund balance or by budgetary appropriations.
- **Use of Reserve** – Funds remaining in excess of requirements to pay all pending claims, may be transferred, within sixty (60) days of the close of the fiscal year, to another reserve(s) or applied to the next succeeding fiscal year's budget.
- **Monitoring of Reserve** – The reserve will be monitored by the School Business Manager and the Superintendent.

Unemployment Insurance Reserve (A815)

This reserve fund is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the Bainbridge-Guilford Central School District has elected to use the benefit reimbursement method in lieu of contributions under Article 18 of the Labor Law.

- **Funding Goal** – The goal at which this reserve should be funded is based on review of past claims and possible future unemployment claims due to anticipated budgetary cuts. Due to the COVID-19 pandemic that occurred in the spring of 2020 and the unknown status of the upcoming school year, the district has elected to maintain the unemployment reserve at its current level.
- **Balance in Reserve** – The current balance in this reserve is \$101,797.02.
- **Creation** – Date unknown.
- **Funding Methods** – This reserve may be funded by budgetary appropriations or other funds as may be legally appropriated.
- **Use of Reserve** – In accordance with the law, this reserve may be used at the discretion of the Superintendent and the School Business Manager specifically to offset unemployment insurance claim expenses.
- **Monitoring of Reserve** – This reserve is monitored by the Superintendent and the School Business Manager.

Reserve for Encumbrances (A821)

The balance of this account represents the amount of outstanding encumbrances at the end of the fiscal year.

- **Balance in Reserve** – The current balance in this reserve is \$88,585.08.
 - **Creation** – Date Unknown
 - **Funding Methods** – Funding is realized from revenue recorded during the prior school year.
 - **Use of the Reserve** – The reserve is used to liquidate purchase orders and requisitions from prior school years.
 - **Monitoring of Reserve** – The reserve will be monitored by the Superintendent and the School Business Manager.
 - **Caution regarding this reserve** – This reserve exists as long as there are encumbrances (purchase orders) to match the funds in the reserve. Purchase orders outstanding as of June 30, 2020 totaled \$109,350.64.
-

Retirement Contribution Reserve Fund

ERS (A827)

The purpose of this account is to fund employer retirement contributions i.e., any portion of the amount(s) payable to the New York State and Local Employees' Retirement System (ERS), pursuant to Sections 17 or 317 of the Retirement and Social Security Law.

- **Funding Goal** – A funding level equivalent to the value of five consecutive years as of the close of the current year. As of 6/30/2020, the funding level would be \$1,499,497.
- **Balance in Reserve** – The current balance in this reserve is \$797,677.09.
- **Creation** – This reserve was created on June 15, 2017 via Board resolution.
- **Funding Methods** – Funds are placed in this reserve from excess fund balance.
- **Use of Reserve** – Funds should be appropriated when the average percentage ERS contribution for the employer exceeds the previous year's percentage and/or prior year adjustments are made to the district's liability.
- **Monitoring of the Reserve** – This reserve is monitored by the Superintendent and the School Business Manager.

TRS Sub-Fund (A828)

The purpose of this account is to fund amounts payable to NYSTRS or to offset all or a portion of the amount deducted from aid the State provides the district for the support of schools under Education Law Section 521.

- **Funding Goal** – A funding level not to exceed 2% of teacher salaries in the prior year with a total balance not exceeding 10%. For the 2020-21 school year, the maximum funding level would be \$112,727.86 with a total balance not to exceed \$573,957.02. The district did not choose to fund this reserve in the 2020-21 school year.
 - **Balance in Reserve** – The current balance in this reserve is \$116,686.65.
 - **Creation** – This reserve was created on August 1, 2019 via Board resolution.
 - **Funding Methods** – Funds are placed in this reserve by budgetary appropriations or from excess fund balance.
 - **Use of Reserve** – Funds should be appropriated when the contribution for the employer exceeds the previous year's percentage contribution and/or prior year adjustments are made to the district's liability.
 - **Monitoring of the Reserve** – This reserve is monitored by the Superintendent and the School Business Manager.
-

Employee Benefit Accrued Liability Reserve (EBALR) (A830)

The purpose of this account is to reserve funds for the payment of accrued employee benefits payable to employees upon termination of service for vacation, sick leave, personal leave, etc.

- **Funding Goal** – Not to exceed actuarial projections prepared by Questar III BOCES.
- **Balance in Reserve** – The current balance in this reserve is \$753,504.61.
- **Creation** – This reserve was created on June 17, 1999 via board resolution.
- **Funding Methods** – The source from which the funds will be obtained can include any and all of the following: Unappropriated Fund Balance from the General Fund as determined by the Board of Education, interest income related to the investment of monies in the fund, and any other additional monies thereafter authorized by the voters of the District.
- **Use of Reserve** – This reserve is used to pay for employee compensated absences upon termination of employment from the school district. If the District determines that such an account is no longer needed or is overfunded, monies may be transferred to a reserve fund established under Education Law §3651, but only to the extent that the monies in the employee benefit accrued liability reserve fund exceed a sum sufficient to pay all liabilities incurred or accrued against the employee benefit accrued liability fund as certified to the governing board by the fiscal and legal officers of the local government prior to the discontinuance of the fund. Consequently, the School Business Manager and Superintendent, working together with the external auditor and the Board of Education,

will transfer excess EBLAR funds to the Capital Reserve or Employee Retirement Contribution Reserve (ERS).

- Monitoring of Reserve – The reserve is monitored by the Superintendent and School Business Manager.
-

Property Loss Reserve (A861) & Liability Reserve (A862)

These funds are used to establish and maintain a program of reserves to cover property loss and liability claims incurred.

- Funding Goal – Not to exceed estimated cost to settle pending claims. Annual contribution(s) limited to the greater of \$15,000 or 3% of the budget.
- Balance in Reserve – The current balances in these reserves are as follows:
 - Property Loss Reserve: \$ 0.00
 - Liability Reserve: \$ 0.00
- Creation – These reserves were created on June 17, 1999 via board resolution.
- Funding Methods – This reserve may be funded by budgetary appropriations or other funds as may be legally appropriated.
- Use of Reserve – This reserve is used to pay for settled claims.

Funds cannot be used for another purpose without voter approval except that the Board of Education may use monies not required to settle pending claims to purchase insurance policies to cover losses previously self-insured. Balances may not be reduced below amounts required to settle all pending claims.

- Monitoring of Reserve – The reserve is monitored by the Superintendent and School Business Manager.
 - Special Note Regarding These Reserves – As of July 1, 2018, the Bainbridge-Guilford School District did not have any pending claims for either of these reserve categories. The district presented propositions to voters in May 2018 to request these reserves be transferred to the General Fund to be applied to 2018-19 budgetary appropriations. The proposition passed and funds were transferred in 2018-19 as intended.
-

Tax Certiorari Reserve (A864)

This reserve is to pay judgments and claims in tax certiorari proceedings in accordance with Article 7 of the Real Property Tax Law.

- Funding Goal – This reserve may not exceed the amount necessary to meet anticipated judgements and claims. This reserve currently stands at an approximate amount needed to fund a small pending claim.

- Balance in Reserve – The current balance in this reserve is \$0.00.
 - Creation - This reserve was created on August 12, 2010 via board resolution.
 - Funding Methods – This reserve may be funded by budgetary appropriations or other funds as may be legally appropriated.
 - Use of Reserve – This reserve would be used to pay for tax certiorari judgements and claims. Funds not expended for judgements and claims in the year deposited must be returned to the General Fund on or before the 1st day of the 4th school year after deposit of these monies into the reserve unless claim(s) are still open and not finally determined or otherwise terminated or disposed of. The district paid one final known tax certiorari claim and excess funds were transferred back to the General Fund.
 - Monitoring of Reserve – This reserve, if needed, will be monitored by the Superintendent and Business Manager. Open judgements and claims will be evaluated on an annual basis and compared against the reserve for reasonableness.
-

Facilities Improvement Capital Reserve (A87800)

This Capital Reserve Fund was created to pay for the cost of the construction of improvements to, reconstruction and equipping of various school district buildings and facilities, including original furnishings, equipment, machinery, apparatus, appurtenances, and site and incidental improvements and expenses in connection therewith.

- Funding Goal – The board is presented with an annual fund balance report and recommendations from the Superintendent and the School Business Manager in support of offsetting local costs relative to future capital projects. Funding cannot exceed \$10M for a probable term of 10 years.
- Balance in Reserve – The current balance in this reserve is \$3,008,560.92.
- Creation – This reserve was created on May 19, 2015 via voter approval with an ultimate limit of \$1,500,000 plus accrued interest and investment earnings with a probable term of ten (10) years. Subsequently on May 17, 2016 via voter approval, the reserve fund was increased to an ultimate limit of \$10,000,000 plus accrued interest and investment earnings with a probable term of ten (10) years.
- Funding Methods – The source of funds will be surplus dollars when the district closes its books every June 30 and/or legally available funds available to the district. Recommendations to move funds to the capital reserve are based on operating surpluses from the General Fund and are approved by the board.
- 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 amount(s).
 - \$16.5M Capital Project authorized on March 22, 2017 via voter approval with Capital Reserve use of \$2.5M towards said project.
- Monitoring of Reserve – This reserve is monitored by the Superintendent and the School Business Manager.

Transportation Vehicle Capital Reserve (A87801)

This Capital Reserve Fund was created to finance the purchase of school buses, vehicles and equipment that would ordinarily be eligible for financing under local finance law.

- **Funding Goal** – The board is presented with an annual fund balance report and recommendations from the Superintendent and the School Business Manager in support of offsetting local costs relative to future transportation vehicle purchases. Funding cannot exceed \$5M inclusive of accrued interest and other investment earnings for a probable term of 10 years.
- **Balance in Reserve** – The current balance in this reserve is \$496,111.61.
- **Creation** – This reserve was created on May 15, 2018 via voter approval.
- **Funding Methods** – The source of funds will be surplus dollars when the district closes its books each June 30, state aid reimbursement to the school district on account of capital projects and/or other legally available funds available to the district. Recommendations to move funds to the capital reserve are based on operating surpluses from the General Fund and are approved by the board.
- **Use of Reserve** – Use of this reserve requires voter approval. The proposition to use these funds must be specific to vehicles intended to be purchased and dollar amount(s).
 - An amount not to exceed \$240,000 was authorized on May 21, 2019 via voter approval for the purchase of two (2) school buses in the 2019-20 school year.
 - An amount not to exceed \$240,000 was authorized on June 16, 2020 via voter approval for the purchase of two (2) school buses in the 2020-21 school year.
- **Monitoring of Reserve** – This reserve is monitored by the Superintendent and the School Business Manager.

**Bainbridge-Guilford Central School District
Schedule of Reserves and Current Year Activity
2020-21**

Reserve	Balance 7/1/2020	Reserve Deposits		Reserve Withdrawals		Annual Interest Earned	Balance 6/30/2021
		Date	Amount	Date	Amount		
Workers Compensation	156,411.50	---	0.00	---	0.00	382.20	156,793.70
Unemployment Reserve	101,562.63	---	0.00	---	0.00	234.39	101,797.02
Retirement Contribution Reserve	912,134.89	See below	0.00	See below	0.00	2,228.85	914,363.74
<i>ERS</i>	<i>795,732.67</i>	<i>---</i>	<i>0.00</i>	<i>---</i>	<i>0.00</i>	<i>1,944.42</i>	<i>797,677.09</i>
<i>TRS Sub-Fund</i>	<i>116,402.22</i>	<i>---</i>	<i>0.00</i>	<i>---</i>	<i>0.00</i>	<i>284.43</i>	<i>116,686.65</i>
Employee Benefit Liability	696,876.98	6/30/2021	200,000.00	See below	(145,044.20)	1,671.83	753,504.61
				11/13/2020	(57,000.00)		
				1/8/2021	(2,284.50)		
				2/19/2021	(6,931.51)		
				3/19/2021	(3,512.50)		
				6/11/2021	(2,023.72)		
				6/30/2021	(73,291.97)		
Property Loss Reserve	0.00	---	0.00	---	0.00	0.00	0.00
Liability Reserve	0.00	---	0.00	---	0.00	0.00	0.00
Tax Certiorari Reserve	5,391.91	---	0.00	8/21/2020	(5,393.44)	1.53	0.00
Facilities Improvement Reserve	2,302,933.58	6/30/2021	700,000.00	---	0.00	5,627.34	3,008,560.92
Transportation Vehicle Reserve	535,078.88	6/30/2021	200,000.00	See below	(239,710.60)	743.33	496,111.61
				7/24/2020	(119,896.51)		
				9/4/2020	(119,814.09)		
Total	4,710,390.37		1,100,000.00		(390,148.24)	10,889.47	5,431,131.60