

APW CENTRAL SCHOOL DISTRICT

Board of Education

Financial Reserve and Fund Balance Plan Document

As of June 30, 2022

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 Board will authorize all payments or transfers into a reserve fund by express resolution. 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. (APW Board Policy, 4505 - Reserve Funds)

INTENDED USE OF RESERVES

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.

Reserve funds, like other savings plans, are mechanisms for accumulating cash for future capital outlays and other allowable purposes. The practice of planning ahead and systematically saving for capital acquisitions and other contingencies is considered prudent management. Saving for future capital needs can reduce or eliminate interest and other costs associated with debt issuances. Similarly, certain reserve funds can be utilized to help protect the budget against known risks (a potential lawsuit) or unknown risks (a major ice storm).

Most reserve funds are established to provide resources for an intended future use. An important concept to remember is that a reserve fund should be established with a clear intent or plan in mind regarding the future purpose, use and, when appropriate, replenishment of funds from the reserve. Reserve funds should not be merely a "parking lot" for excess cash or fund balance. Local governments and school districts should balance the desirability of accumulating reserves for future needs with the obligation to make sure taxpayers are not overburdened by these practices. There should be a clear purpose or intent for reserve funds that aligns with statutory authorizations.

Each statute that authorizes a reserve fund sets forth a particular underlying purpose for the fund. For example, provisions of the General Municipal Law (the GML) and the Education Law allow municipalities and school districts, respectively, to establish capital reserves for future equipment purchases and capital improvements. The GML also authorizes the

establishment of an employee benefit accrued liability reserve for the payment of the monetary value of accumulated, unused leave time to employees upon separation from service. Planning today and saving incrementally for expected future events can help mitigate the financial impact of major, nonrecurring or unforeseen expenditures on your annual operating budget. Establishing and funding allowable reserve funds for a clear purpose can help smooth out spikes in the annual budget and in the real property tax lev.

Source: Office of the New York State Comptroller- Local Management Guide for Reserves

<http://www.osc.state.ny.us/localgov/pubs/lmg/reservefunds.pdf>

APW CENTRAL SCHOOL DISTRICT RESERVE FUND PHILOSOPHY

The District will continue to use conservative budgeting practices and continually monitor the use of reserves and fund balance. By taking this approach the District is in a better position to address unexpected budgetary obligations, such as; increases in special education services, increases in transportation costs like fuel, additional staff needed for student needs, etc. A conservative approach to budgeting can result in budget surplus at year-end which the Board of Education and District Administration will review to determine the best use of the surpluses. The short-term and long-term goals and the Districts' mission will be the focus.

On an ongoing basis the District will update and analyze a five year financial outlook of the District. The goal is to provide long term financial stability, avoid significant cuts to the education programs due to a lack of financial resources, and maintain a stable tax levy. As the District monitors the use of reserves the focus will be minimizing funding gaps due to the reliance on reserves and appropriated fund balance in balancing the budget. We believe it is in the best interest of students, staff and taxpayers to judiciously build and utilize reserves and unassigned fund balances to overcome financial challenges and uncertainties that arise during a school year. Through the management of its reserves the District hopes to achieve the following:

- Stability, improvements and additions in the educational programs
- Maintenance of educational programming during economic downturns
- The ability to maintain a stable tax levy
- Cash flows that will allow increased investment earnings
- The ability to fund non-recurring items in the budget
- A long term plan for preserving its infrastructure and school buildings (5 yr. Building Condition Survey)
- The ability to maintain and/or improve its bond rating which will save taxpayers money at both the Local and State level
- Cash flows that will continue to allow the district to operate without using a Revenue Anticipation Note in the event State or Federal aid is not paid timely and before tax revenue starts to come in for the year

APW CENTRAL SCHOOL DISTRICT RESERVE FUND PROCEDURES

The Reserve Plan contains the date created, purpose, funding methods, use of reserves, monitoring of reserves, and funding levels maintained by APW Central School District. The funding levels were recommended by District Administration, based on reviews of the following information:

- 5 year financial projections
- Possible exposure in each area
- Financial history of the District
- Regional events and factors that have impacted other Districts

Annually, the plan will be updated and implemented as follows:

- The District Administration will review balances and patterns of revenues, expenses, and appropriations after books close each fall.
- The District Administration will review updated 5 year financial projection.
- The Audit Committee will review the reserve plan including funding levels and balances and provide any feedback they have at that time.

Any change in recommendations received will be presented to the Board of Education.

- The Board of Education will adopt the updated Reserve Plan.
- Throughout the year, by Board Resolution, adjustments to the budget can be done to allow for charging appropriate expenditures to the reserves.
- In June, by Board resolution, allocate funds to reserves as established by the Reserve Plan.

Reserve	Balance 6/30/20	Balance 6/30/21	Increase (Decrease)
Capital Reserve, Construction 2020	\$2,468,347	\$8,018,190	\$5,549,843
Capital Reserve, Vehicles 2020	\$750,000	\$2,000,000	\$1,250,000
Worker's Compensation Reserve	\$478,460	\$478,831	\$371
Unemployment Insurance Reserve	\$71,860	\$71,916	\$56
Retirement Contribution Reserve	\$1,811,631	\$1,626,683	(\$184,948)
Retirement Contribution Reserve Sub-Fund TRS	\$374,060	\$560,703	\$186,643
Insurance Reserve	\$479,523	\$479,895	\$372
Tax Certiorari Reserve	\$0	\$0	\$0
Repair Reserve	\$11,122,277	\$11,131,142	\$8,865
Reserve for Employee Benefits Accrued Liability	\$723,715	\$724,276	\$561
Subtotal	\$18,279,873	\$25,091,636	\$6,811,763
Nonspendable	\$0	\$0	\$0
Appropriated Fund Balance	\$277,075	\$0	(\$277,075)
Reserve for Encumbrances	\$106,068	\$311,208	\$205,140
Unassigned	\$4,001,875	\$1,326,646	(\$2,675,229)
Total Fund Balance	\$22,664,891	\$26,729,489	\$4,064,598

The above chart is provided for historical reference.

Appendix A - Questar BOCES – State Aid Planning Unit “*RESERVE FUNDS THAT MAY BE USED BY NEW YORK SCHOOL DISTRICTS*”

Appendix B - The current year recommendations for the Board of Education to consider at the close of the June 30, 2022 school year have been summarized for review and action at the June meeting.

APW CENTRAL SCHOOL DISTRICT RESERVE PLAN

CAPITAL RESERVE – A878

Creation - This reserve was created on June 16, 2020 with voter approval; which created both a construction and repair. To create a new reserve, the proposition must specify: the purpose of the fund; the ultimate amount of the reserve; the probable term of the reserve and the source from which the funds will be obtained. Authorized by Education Law Section 3651(1).

Purpose - This reserve may be used to fund the cost of any object or purpose 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.

Monitoring of Reserve - This reserve is monitored by the School Business Administrator and the District Treasurer.

Funding Level - As stated in the proposition, the June 16, 2020 reserve for Construction was created with a maximum limit of **\$10,000,000** for a ten year period. Accumulation of funds into this reserve must cease at the earlier of reaching **\$10,000,000 or 10 years**. The reserve for vehicles was created with a maximum limit of **\$2,000,000** for a ten year period. Accumulation of funds into this reserve must cease at the earlier of reaching **\$2,000,000 or 10 years**. The recommendation to the Board is to fund the construction reserve up to the limit where funds are available. The available limit is \$1,981,810. To that end, the Repair Reserve is considered overfunded, and will look to transfer \$1,000,000 to the reserve fund as allowed under section 3651 of municipal law. The vehicle reserve was funded to the maximum of \$2,000,000 in the 2020-2021 school year. For voter approval on the May 17, 2022 ballot is to establish a new vehicle reserve in the amount of \$10,000,000 with a life of 15 years. This is in direct response to the NYS budget passing with the intention to have new bus purchases in five years to be

all electric and with the conversion of the entire fleet to electric within thirteen years. Additional funds on the November 2022 ballot will be for NYS to establish a \$500M vehicle fund to allow districts to purchase electric buses. The recommended funding source for these reserves shall be done using investment earnings and budget surplus funds. Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve.

Note: 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.

WORKER'S COMPENSATION RESERVE – A814

Creation - This reserve was created on May 26, 2005. The reserve may be created by resolution of the Board of Education. Authorized by General Municipal Law Section 6-j.

Purpose - This reserve is used 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. It cannot be used to pay for worker's compensation insurance premiums (this includes a prohibition against using these funds to pay our annual contribution to the cooperative).

Funding Methods - This reserve was funded through excess fund balance over the course of several years. Due to the potential for settlement of claims prior to the District's participation in a worker's compensation cooperative, there is a need to add funds to this reserve.

Use of Reserve - This reserve will be used to draw down on paid claims that resulted from the time period when the District was self-insured. The balance in this reserve will be monitored for use and drawn down in amounts determined necessary for the budgetary periods commencing July 2022 and ending July 2027. The balance in this reserve at that time will be used for the final settlement, if a payment to the Cooperative Health Insurance Fund of CNY is required. Otherwise, all remaining funds will be returned to the General Fund.

Monitoring of Reserve - This reserve is monitored by the School Business Administrator and the District Treasurer.

Funding Level - The current funding level is **\$478,831**. This funding level covers 83% of the \$574,446 amount of outstanding case reserves as per the estimate from NCA Comp, Inc. which is an estimation of the most likely outcome of a claim based on what we know about that claims as of June 30, 2021. This number can change as claims evolve and an Incurred but Not Reported (IBNR) number would reflect the potential claim increase. Any excess will be used at the time of settlement and either be paid to the cooperative, or returned to the General Fund. Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve. There is no recommendation to make any adjustments, other than for interest to accumulate, to this reserve for the 2021-2022 school year.

UNEMPLOYMENT INSURANCE RESERVE – A815

Creation - This reserve was originally created on May 26, 2005. The reserve may be created by resolution of the Board of Education. Authorized by General Municipal Law Section 6-m.

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 NYS a fixed premium for unemployment insurance coverage.

Funding Methods - This reserve was funded entirely from excess fund balance when it was created. It was funded in anticipation of an increased number of staff reductions.

Use of Reserve -The initial funding was an amount sufficient to pay full unemployment insurance at the maximum rate for individuals that were let go by the District. Although the budget has had no amounts appropriated for unemployment insurance, this amount is used for relatively small, incidental claims incurred by the District in the normal course of business. It would not be enough if there were multiple layoffs. Although the District has experienced layoffs over the past few years, not all have resulted in unemployment expense to the District.

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- The funding level of this reserve is **\$71,916**. The general fund expenditures (no use of this reserve) for 2021-2022 totaled **\$2,004** for people throughout the year. Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve. At this time, this level of the reserve is deemed appropriate. There is no recommendation to make any adjustments, other than for interest to accumulate, to this reserve for the 2021-2022 school year.

RETIREMENT CONTRIBUTION RESERVE (ERS) – A827

Creation - This reserve was created on June 30, 2010. The reserve may be created by resolution of the Board of Education. Authorized by General Municipal Law Section 6-r, as amended by Chapter 59, Laws of 2019.

Purpose -This reserve is used to pay for district expenses to the NYS Employee's Retirement System only. Payments to the Teachers Retirement System are not allowed from this reserve.

Funding Methods - Funds are placed in this reserve from excess fund balance. On December 13, 2018, the Board took action to fund this reserve in the amount of **\$605,696**.

Use of Reserve -Amounts used from this reserve require separate Board of Education authorization unless the amounts are included in the original budget.

Monitoring of Reserve - This reserve is monitored by the School Business Administrator and the District Treasurer.

Funding Level -The current funding level is **\$1,626,683 and is overfunded** for the desired funding level. According to the New York State Office of Comptroller's audit, the preferred funding level is equal to approximately three years' worth of retirement system billings is desired. At current rates, using the 2022 Projection of \$359,203, the three year funding level is approximately **\$1,320,116**. Therefore, the reserve is overfunded by \$306,467 representing

more than a three year benchmark amount. While this overfunded amount is considered a reasonable deviation as rates are anticipated to increase in future budget years; the recommendation will include a transfer of funds from ERS to TRS. Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve. The recommendation to the board is to transfer \$190,650 from ERS reserve to the TRS to reduce the overfunded status of the ERS reserve for the 2021-2022 school year.

RETIREMENT CONTRIBUTION RESERVE SUB-FUND TRS – A828

Creation - This reserve was created on June 26, 2019. Effective April 12, 2019 the law allows School Districts and BOCES to establish a retirement contribution reserve fund to include amounts paid to the New York State Teachers' Retirement System (NYSTRS) in addition to amounts payable for the Local Employees' Retirement System (ERS).

Purpose - This reserve is used to pay for district expenses to the NYSTRS. The law was amended in 2019 to authorize a sub-fund within the Retirement Contribution Reserve Fund to finance retirement contributions to the NYS Teachers Retirement System and/or offset all or some of the amount deducted from the moneys apportioned to the district from the state under Education Law §521 (e.g., collection of employer contributions to TRS).

Fund Methods - Primary funding method would be funds that are placed in this reserve from excess fund balance. Funds can also be paid from budgetary appropriation, revenues not required by law to be paid into any other fund or account and other funds that may be legally appropriated. Transfers can be made from reserves such as: Retirement Contribution Reserve (ERS), Repair Reserve, Capital Reserve, Tax Certiorari Reserve, and Uncollected Taxes Reserve. A public hearing with 15 days' notice is required for transfers from all reserves mentioned except the Retirement Contribution Reserve (ERS).

Use of Reserve - The sub-fund can be used to pay amounts due to NYSTRS or to offset all or some of the amounts deducted from NYS State Aid.

Monitoring of Reserve - This reserve is monitored by the School Business Administrator and the District Treasurer.

Funding Level - The 2021 funding level is **\$560,703 or 20.0%** of the maximum annual allowable funding level. The annual contribution amount cannot exceed 2% of the total compensation or salaries of all teachers (as that term is defined in Education Law Sec. 501 (4)) employed by the District who are members of TRS paid during the immediately preceding fiscal year. The total balance of the Reserve Sub-Fund cannot exceed 10% of the total compensation or salaries. The term 'teachers' refers to all employees that are members of the NYSTRS. Membership in NYSTRS is mandatory for all full-time teachers, teaching assistants, guidance counselors and administrators employed by New York State public schools that opted to participate as an employer in NYSTRS. Teachers that are employed less than full-time membership is optional. The recommended salaries to use for the calculation are the salaries reported on the December final invoice from NYSTRS. Total compensation as of June 30, 2021 is **\$9,532,475**. The recommendation to the board is to fund the reserve using **2%** annual maximum for 2021 - 2022 in the amount of **\$190,650**, bringing the new total to **\$750,917** and the **10%** Reserve Sub-Fund maximum is **\$953,248 which is 78.7%** funded. The source of these funds is a transfer from the ERS to TRS as allowed by law. Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve.

INSURANCE RESERVE – A863

Creation - This reserve was created on December 10, 2009. Authorized by General Municipal Law Section 6-n. The reserve may be created by resolution of the Board of Education.

Purpose - According to General Municipal Law §6-n, the Insurance Reserve must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance).

Funding Methods – The source of funds shall be such amounts as may be provided therefore by budgetary appropriations or other funds that may be legally appropriated or funds from other reserves authorized in the GML, subject to permissive referendum. Annual contribution

amount paid into the reserve during any fiscal year shall not exceed the greater of \$33,000 or 5% of the total budget for such fiscal year; with no limit on accumulated reserve balance.

Use of Reserve - This reserve is used when a settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. Claims over \$25,000 require judicial approval.

Monitoring of Reserve - This reserve is monitored by the School Business Administrator and the District Treasurer.

Funding Level- The funding level of this reserve is **\$479,895**. There is no limit on accumulated reserve balance. Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve. There is no recommendation to make any adjustments, other than for interest to accumulate, to this reserve for the 2021-2022 school year.

TAX CERTIORARI RESERVE – A864

Creation - This reserve was originally created on June 24, 2004 and was dissolved as of June 30, 2020 with the balance of the reserve moved to the General Fund. The reserve may be created by resolution of the Board of Education. Authorized by Education Law Section 3651(1-a).

Purpose - This reserve is used to pay for prior year judgments and claims in tax certiorari proceedings. Current year refunds should be paid through the budget.

Funding Methods - Future 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 after four years.

Use of Reserve - This reserve would be used to pay for prior year tax certiorari claims. Pending the determination of current legal action, liability for these claims began to accrue effective July 1, 2017. There were no active tax certiorari claims of the district, thus the reserve was recommended to be abolished in June 2020.

Monitoring of Reserve - This reserve, will be monitored by the School Business Administrator and the District Treasurer. Detailed calculations are required from Legal Counsel each year to support the amounts in this reserve.

Funding Level - The funding level of this reserve is **\$0**. There are no existing Tax Certiorari judgments pending against the district, therefore, balance of the reserve was returned to the General Fund in the 2019-2020 school year. Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve. No new reserve amount is proposed.

REPAIR RESERVE – A882

Creation - This reserve was created on June 9, 2016. The reserve may be created by resolution of the Board of Education. However, an appropriation to a repair reserve fund is not an ordinary contingent expense and therefore, voter approval is required to fund a repair reserve. Authorized by: General Municipal Law Section 6-d.

Purpose – According to General Municipal Law Section 6-d, this reserve is used to pay the cost of repairs to capital improvements or equipment, which repairs do not recur annually.

Funding Methods - This reserve was established by Board of Education resolution by a majority vote of its members. To fund the reserve, voter approval is required as per Opinion of the New York State Comptroller 81-401. On September 6, 2016, the voters approved funding the reserve in the amount of **\$5,089,099**. On May 16, 2017, the voters approved funding the reserve in the amount of **\$3,996,455**. On May 15, 2018, the voters approved funding the reserve in the amount of **\$1,841,682**.

Use of Reserve - This reserve is used after a public hearing has been held, except in emergency situations. If emergency spending is necessary then it requires a two-thirds majority vote of the Board prior to spending. Legal notice of the public hearing is required 5 days in advance of the hearing. If no hearing is held, the amount expended must be repaid to the reserve over the next two subsequent years.

Monitoring of Reserve - This reserve is monitored by the School Business Administrator and the District Treasurer.

Funding Level- The funding level of this reserve is **\$11,131,142**. Any unneeded balance may be transferred to Capital, Tax Certiorari or Retirement Contribution Reserves. The board acknowledges that this reserve is overfunded and it is therefore recommended to the board to transfer to the Capital Reserve for Construction and amount of \$1,000,000 for the future capital project needs of the district. Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve. There is no additional recommendation to make any adjustments, other than for interest to accumulate, to this reserve for the 2021-2022 school year.

RESERVE FOR ACCRUED EMPLOYEE BENEFITS LIABILITY – A867

Creation - The reserve may be created by resolution of the Board of Education. Authorized by: General Municipal Law Section 6-p.

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 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. Due to the current advice surrounding use of this reserve, there are no plans to place additional funds in this reserve.

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. This reserve will continue to be used in this manner to make these payments.

Monitoring of Reserve - This reserve is monitored by the School Business Administrator and the District Treasurer. 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- The funding level of this reserve is **\$724,276**. Interest earnings on the moneys

deposited for this reserve shall accrue to and become part of the reserve. There is no recommendation to make any adjustments, other than for interest to accumulate, to this reserve for the 2021-2022 school year.

The following two 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, the District Treasurer and the District Treasurer.

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

ASSIGNED FUND BALANCE - Appropriated for Subsequent Years

Creation - These funds are actually fund balance that have been set aside for a particular purpose, namely to reduce the tax levy required to support an ensuing years 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 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, to fund legally allowed reserves of the district. 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 and the District Treasurer.

Funding Level - There is a recommendation to assign \$1,159,000 of fund balance to the 2022-2023 school year.

APW CENTRAL SCHOOL DISTRICT FUND BALANCE CLASSIFICATIONS

Nonspendable - consists of assets that are inherently Nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted - consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, granters, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed - consists of amounts that are subject to a purpose constraint imposed by a formal action of the school district's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint.

Assigned - consists of amounts that are subject to a purpose constraint that represents an intended use established by the school district's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance.

Unassigned - represents the residual classification for the school district's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Appendix B

The Office of the New York State Comptroller issued in March 2019 Report 2018M-258 after their review of the Financial Condition Management of the district. The report contained key recommendations for the district in four key areas:

- Develop a plan to reduce the amount of unrestricted fund balance to comply with the statutory limit.
- Adopt annual budgets that contain realistic estimates for appropriations.
- Analyze reserve fund balances and ensure they are maintained at reasonable levels.
- Use the funds in the debt service fund to pay the related debt service expenditures.

In particular, the district was criticized for having excess fund balance in debt service fund and other reserves that included the repair, retirement contribution and the tax certiorari reserves.

In the district's efforts to comply with these recommendations, the district secured the services of Fiscal Advisors and Forecast5 to assist with the long range budgetary planning. The Audit Committee is the full board of education for the district and they have been apprised of these efforts.

The following recommendations are provided for the Board to review and take action at the June 2022 board of education meeting. (By review of the reserves as shown in the Forecast of Fund Balance document.)

1. Fund the 4% unassigned fund balance based on the new school year budget;
2. Allow for the reserve for carry over encumbrances;
3. By budgetary appropriation, an amount designated by the board to appropriate to the next school year budget in the amount of \$1,159,000;
4. By board resolution, fund the TRS reserve to the 2% annual maximum or \$190,650; the source of funds being a transfer from the ERS reserve. The rationale for this is that with the current economic situation that has been exacerbated by the COVID emergency and inflation, the rates for TRS are expected to trend upward putting a strain on budgets in the future. The transfer of funds from the ERS reserve would help to lower the amount of that reserve which was noted as being overfunded by the Office of State Comptroller;
5. By board resolution, and after holding a public hearing, designate up to \$1,000,000 to

fund the Capital Reserve fund for construction. The rationale for this is to facilitate the district ability to pay for future capital project needs of the district;

6. By board resolution, designate any remaining excess funds to fund the Capital Reserve fund for vehicles established by the voters in 2022. The rationale for this is to fund the reserve for the anticipated needs to convert from diesel to electric buses.

DRAFT