

**Otselic Valley Central School District
Reserve Plan
(August 2019)**

2016 Capital Reserve (authorized under Education Law)

Creation – This reserve was created on 05/17/2016 via voter approval.

Purpose – (Education Law §3651) - Used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

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.

Funding Level – As stated in the approved 2016 proposition, this reserve was created with a maximum limit of \$4,000,000, with an annual contribution not to exceed \$500,000. Accumulation of funds into this reserve must cease at \$4,000,000 or after 8 years, whichever is earlier.

Monitoring of Reserve – This reserve is monitored by the Business Administrator.

6/30/17: Closing balance of \$1,000,000.00

6/30/18: Closing balance of \$1,425,750.92

6/30/19: Closing balance of \$1,433,768.53

Employee Benefit Accrued Liability Reserve (authorized under General Municipal Law)

Creation – This reserve was created on or prior to 06/30/2009.

Purpose – (GML §6-p) - Used to reserve funds for the payment of accrued employee benefits 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 accounted for in the General Fund.

Funding Methods – This reserve has typically been funded from excess fund balance. Due to advisement related to use of this reserve, there are no plans to increase funding at present.

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 from reserve transfer contributions. This reserve will continue to be used in this manner to make such payments.

Funding Level – This reserve should be funded at 100% of the accrued liability for unused accumulated leave time.

Monitoring of Reserve – This reserve is monitored by the Business Administrator.

6/30/17: Closing balance of \$177,257.00

6/30/18: Closing balance of \$177,439.96

6/30/19: Closing balance of \$178,437.78

Retirement Contribution Reserve (authorized under General Municipal Law)

Creation – This reserve was created on or prior to 06/30/2009.

Purpose – (GML §6-r) - Used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.

Funding Methods – Funds are placed in this reserve from excess fund balance.

Use of Reserve – A separate plan for use of this reserve has been developed. The plan calls for annual use of this fund in decreasing amounts (beginning in 2019-20 and ending in 2022-23), so as not to create a budgetary shortfall.

Funding Level – A funding level equal to approximately three years' worth of retirement system billings is desired. The recommended balance below reflects an anticipated increase in future billings.

Monitoring of Reserve – This reserve is monitored by the Business Administrator.

6/30/17: Closing balance of \$685,788.00

6/30/18: Closing balance of \$686,495.72

6/30/19: Closing balance of \$690,356.18

Insurance Reserve (authorized under General Municipal Law)

Creation – This reserve was created on or prior to 06/30/2009.

Purpose – (GML §6-n) - 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). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.

Funding Methods – This reserve was previously funded from excess fund balance. Future funding of this reserve is not planned at this time.

Use of Reserve – This reserve would be used to pay any allowable claims, as described in the purpose for this reserve.

Funding Level – This reserve is funded at a level of \$390,801, exclusive of interest earnings.

Monitoring of Reserve – This reserve is monitored by the Business Administrator.

6/30/17: Closing balance of \$390,801.00

6/30/18: Closing balance of \$390,801.40

6/30/19: Closing balance of \$392,999.04

Tax Certiorari Reserve (authorized under Education Law)

Creation – This reserve fund was established 05/18/2010.

Purpose – (Education Law §3651.1-a) - Used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

Funding Methods – Future funding methods may include transfers from fund balance or other reserves. Funds placed in this reserve not used to pay tax certiorari judgments or claims must be returned to the General Fund after four years. Contributions during a given year cannot exceed anticipated the value of tax certiorari claims during same year.

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 MM/DD/YYYY.

Funding Level – Since actual liabilities have not yet been determined, a realistic funding level cannot be determined at this time.

Monitoring of Reserve – This reserve is monitored by the Business Administrator.

6/30/17: Closing balance of \$56,382.00

6/30/18: Closing balance of \$56,440.21

6/30/19: Closing balance of \$56,757.60

Unemployment Insurance Payment Reserve (authorized under General Municipal Law)

Creation – This reserve was created on or prior to 06/30/2009.

Purpose – (GML §6-m) - Used to accumulate funds to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for payments made to claimants. Excess reserve amounts may be either transferred to another reserve or applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.

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 approximately nine individuals. There are monies budgeted within the general fund to address incidental claims incurred by the district in the normal course of business. Although the district has experienced layoffs over the past several years, not all have resulted in unemployment expenses to the district.

Funding Level – At this time, the proposed level is deemed appropriate by our external auditors.

Monitoring of Reserve – This reserve is monitored by the Business Administrator.

6/30/17: Closing balance of \$121,071.00

6/30/18: Closing balance of \$121,073.58

6/30/19: Closing balance of \$121,754.43

Liability Reserve (authorized under Education Law)

Creation – This reserve was created on or prior to 06/30/2009.

Purpose – Liability Reserve (Education Law §1709(8)(c)) - Used to pay for liability claims incurred for the BOCES Capital Renovation Project. Separate funds for liability claims are required, and this reserve may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000.

Funding Methods – This reserve was funded entirely from excess fund balance when it was created. It was funded in anticipation of a BOCES Capital Renovation Project.

Use of Reserve – This reserve is accounted for in the General Fund to finance the cost of the liability for the BOCES Capital Renovation Project.

Funding Level – At this time, the proposed level is deemed appropriate by our external auditors.

Monitoring of Reserve – This reserve is monitored by the Business Administrator.

6/30/17: Closing balance of \$253,372.00

6/30/18: Closing balance of \$253,633.72

6/30/19: Closing balance of \$255,060.01

The following two items are not reserve accounts, but are equally as important to district revenue planning:

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.

Funding Level – The maximum legal limit = **4%** of the ensuing budget.

Monitoring of Reserve – This reserve is monitored by the Business Administrator.

6/30/17: Closing balance of \$436,348.00

6/30/18: Closing balance of \$441,996.74

6/30/19: Recommended closing balance of \$458,656.68

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 year's 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 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.

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.

Monitoring of Reserve – This reserve is monitored by the Business Administrator.

6/30/17: Closing balance of \$380,000.00

6/30/18: Closing balance of \$380,000.00

6/30/19: Closing balance of \$250,000.00