

**HERRICKS UNION FREE SCHOOL DISTRICT
RESERVES REPORT
FORMULAS USED FOR FUNDING OF RESERVES
JUNE 2021**

Workers' Compensation Reserve

Creation – This reserve was created prior to 1995.

Purpose – This reserve is used to pay for actual Worker's Compensation claims, related medical expenses and self-insurance administrative costs.

Funding Methods – This reserve was funded through excess fund balance over the course of several years.

Use of Reserve – The district is self-insured for Workers' Compensation. This reserve is used to pay claims that exceed the budgeted appropriations for Workers' Compensation.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – Formula employed is twice the actual stop loss plus twice the seven-year average annual expenditure. This formula was reviewed with Triad – the districts previous third party administrator for Workers Compensation and with the district auditors.

6/30/20 Actual Balance: \$ 1,616,196

Retirement Contributions Reserve (Employee Retirement System)

Creation – This reserve was created prior to June 30, 1995.

Purpose – This reserve is used to pay employee contribution expenses for the NYS Employees' Retirement System and to offset future increases in the retirement system rates.

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

Use of Reserve – This reserve is used to pay expenses related to the Employees' Retirement System, and to smooth tax levy fluctuations that result from rate changes and cost increases associated with these expenses.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – The funding formula allows for five (5) years of expenses. Prior to 2019-20 school year the funding formula allowed for three (3) years of expenses.

6/30/20 Actual Balance: \$ 7,470,881

Teachers' Retirement System Reserve Sub-Fund

Creation – This reserve was created by Board of Education approval on May 9, 2019.

Purpose – This reserve is used to pay employee contribution expenses for the New York State Teachers' Retirement System and to offset future increases in the retirement system rates.

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

Use of Reserve – This reserve is used to pay expenses related to the Teachers' Retirement System, and to smooth tax levy fluctuations that result from rate changes and cost increases associated with these expenses.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – subject to the requirements of New York State General Municipal Law §6-r. During each school year, a school district is permitted to pay into the sub-fund an amount not to exceed two percent (2%) of the total compensation or salaries of all teachers in the school district who are members of the NYSTRS during the immediately preceding fiscal year. In addition, the total balance of the sub-fund may not exceed ten percent (10%) of the total compensation or salaries of all teachers in the school district who are members of the NYSTRS during the immediately preceding fiscal year.

6/30/20 Balance: \$ 2,081,783

Accrued Employee Benefits Liability Reserve

Creation – This reserve was created subsequent to June 30, 2000.

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 and retiree health insurance.

Funding Methods – This reserve was funded from excess fund balance.

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 Assistant Superintendent for Business. Each year, a detailed analysis of the liability is computed and is used to support the funding of this reserve.

Funding Level – Formula employed is five times the estimated annual expenditure of at least \$240,000. Total desired reserve of \$ 1,200,000.

6/30/20 Actual Balance: \$ 1,078,000

Unemployment Insurance Reserve

Creation – This reserve was created prior to June 30, 1995.

Purpose – This reserve is used to reimburse the State for payments made to claimants. The Unemployment Board has recently changed the methodology for billing school districts for unemployment. The expense will be a fluctuating rate based on payroll expenses, rather than a rate tied to actual costs.

Funding Methods – This reserve was funded from excess fund balance.

Use of Reserve – The district is self-insured for Unemployment Insurance. This reserve is used to pay claims that exceed budgeted appropriations for unemployment claims and expenses. Actual expenses for unemployment vary from year to year.

Monitoring of Reserve – This reserve will be monitored by the Assistant Superintendent for Business in conjunction with other central office administrators to assess the potential for incurring unemployment claims.

Funding Level – Formula employed is \$50,000 plus twice the seven-year average annual expenditure.

6/30/20 Actual Balance: \$ -

Capital Reserve (May 2015)

Creation – The voters authorized funding of this reserve up to \$5,000,000 on May 19, 2015.

Purpose – This reserve is used to pay for future capital improvements as included in the bond referendum. Funds placed in this reserve are restricted for use for specific voter-authorized capital improvement projects.

Funding Methods – This reserve is funded from excess fund balance.

Use of Reserve – Expenditure of funds from this reserve requires pre-approval by the voters. On December 6, 2016, voters authorized the expenditure of \$3,291,141 from the reserve.

Monitoring of Reserve – This reserve will be monitored by the Assistant Superintendent for Business. Detailed records will be maintained to support the amounts in this reserve.

Funding Level – This reserve was created with a maximum funding of up to \$5,000,000 over ten years.

6/30/20 Actual Balance: \$ 18,069

Capital Reserve (May 2019)

Creation – The voters authorized funding of this reserve up to \$10,000,000 on May 21, 2019.

Purpose – This reserve is used to pay for future capital improvements as included in the proposition placed on the ballot. Funds placed in this reserve are restricted for use for specific voter-authorized capital improvement projects. The maximum amount of the Capital Reserve Fund shall be \$10,000,000 plus investment income. The probable term is to be ten (10) years.

Funding Methods – This reserve is funded from excess fund balance.

Use of Reserve – Expenditure of funds from this reserve requires pre-approval by the voters.

Monitoring of Reserve – This reserve will be monitored by the Assistant Superintendent for Business. Detailed records will be maintained to support the amounts in this reserve.

Funding Level – This reserve was created with a maximum funding of up to \$10,000,000 over ten years. Funding not to exceed \$2,000,000 from the 2018-2019 budget and thereafter in an annual amount of not more than \$2,000,000 for each remaining year of the probable term.

6/30/20 Actual Balance: \$ 1,514,890

Repair Reserve

Creation – This reserve was created prior to June 30, 1995.

Purpose – This reserve is used to pay for repairs and maintenance expenses that are not usual maintenance expenses.

Funding Methods – This reserve may be funded from excess fund balance.

Use of Reserve – This reserve would be used to pay for repair and maintenance projects that are not included in the district's general maintenance budget appropriations.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – Maintain current funding level plus interest.

6/30/20 Actual Balance: \$2,795

Insurance Reserve

Creation – This reserve was created prior to June 30, 1995.

Purpose – This reserve is used to pay casualty and other types of losses, except for those for which insurance may be purchased.

Funding Methods – This reserve was funded from excess fund balance.

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

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – Formula employed is \$500,000 for a catastrophic loss plus twice the largest current deductible of \$25,000. Currently NYSIR provides a \$10,000,000 max catastrophic policy. (NYSIR supports this formula).

6/30/20 Actual Balance: \$ 553,185

The following items are not reserve accounts, but are equally as important to planning revenues for the District.

Unassigned Fund Balance

Creation – Law allows retention of these funds.

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 emergency, 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 Assistant Superintendent for Business.

Funding Level – The maximum legal limit is recommended, 4% of the ensuing budget.

6/30/20 Actual Balance: \$ 4,701,651

Anticipated 6/30/21: \$ 4,914,705

Assigned Fund Balance - Appropriated for Subsequent Years

Creation – These funds are those funds in available fund balance which 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 assigned from fund balance to offset the next year's tax levy.

Use of Funds – It is recommended that the practice of returning these funds be reduced as much as possible, as budgets permit. As we develop tighter budgets, the amount of excess funds that will

be available at year-end is restricted. This makes it more difficult to guarantee that funds will be available to be returned in a subsequent year.

Monitoring of Balance – The balance and use of these funds are monitored by the Assistant Superintendent for Business.

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.

6/30/20 Actual Balance: \$1,300,000

Anticipated 6/30/21: \$1,150,000