

**FRONTIER CENTRAL SCHOOL DISTRICT
2020-2021 FUND BALANCE PLAN**

Items for consideration during 2019-2021:

- June 30, 2020 fund balance totals \$19,841,990 vs \$17,875,761 in 2019.
- Consider, if applicable, transferring funds from the Workers Compensation, Employee Benefit Accrued Liability and Retirement Contribution Reserves to fund larger than anticipated expenditures and/or revenue shortfalls due to NYS Aid and EC Sales Tax reductions.
- Consider appropriated fund balance in the 2021-22 revenue budget between 1.0% and 2.5% of annual budget depending on mid-year projections and budgetary needs, subject to the degree NYS meets obligations regarding Foundation and other Aid.
- If funds are available at year end, maintain unassigned fund balance at a percentage of subsequent year's budget that is between the 3% minimum per Board policy and 4% allowed by law.
- Finance and Budget Committee will make a recommendation to the Board of Education in June, 2021 regarding estimated reserve funding amounts effective June 30, 2021, if applicable.
- Finance and Budget Committee will make a recommendation to the Board of Education regarding final reserve funding amounts effective June 30, 2021, on or about September, 2021, when all 2020-21 financial information is available.
- If funds are available at year end above the 4% maximum unassigned fund balance, recommend transfers to the following reserves in the priority order listed:
 - Retirement Contribution Reserve – now includes a sub-Reserve for Teachers Retirement System liability. Fund up to a maximum of one year combined expense [ERS plus TRS] of approximately \$4,974,418 [2020 combined Budget];
 - Capital Reserve – Continue to fund the 2019 Capital Reserve [\$6,000,000] to cover the local share of future building projects.
 - Tax Certiorari Reserve as needed.
 - Workers' Compensation Reserve as determined by actuarial study.
 - Employee Benefit Accrued Liability Reserve as determined by retirements anticipated.

COMPONENTS OF FUND BALANCE:

Unassigned Fund Balance

6/30/20 Actual Balance: \$3,581,857

Creation – Retention of these funds are allowed by law with no other approval required.

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 Director of Finance.

Funding Level – The maximum legal limit is 4% of the ensuing budget. Board Policy 5513 establishes that the level of funding be maintained between 3% and 4% of the subsequent year’s budgeted expenses. The maximum amount at 4% would be \$3,581,857 as of June 30, 2020.

Assigned Appropriated Fund Balance

6/30/20 Actual Balance: \$2,448,488

Creation – These funds are 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 fund balance that are assigned for a particular purpose.

Use of Funds – It is recommended that the practice of appropriating funds continue each year, as budgets permit. In the future, tighter budgets may restrict the amount of excess available to be appropriated to a subsequent year.

Monitoring of Balance – The balance and use of these funds are monitored by the Director of Finance.

Funding Level – It is recommended that the planned amount of assigned appropriated fund balance included as a revenue source in future budgets be limited to the amount of contingency included in the expenditure budget.

Assigned Unappropriated Fund Balance
(Reserve for Encumbrances)

6/30/20 Actual Balance: \$97,127

Creation – These funds are fund balance that have been set aside for a particular purpose, namely to pay for outstanding encumbrances remaining at the end of a school year.

Purpose – These funds are used to pay for outstanding encumbrances remaining at the end of a school year.

Funding Methods – These funds are fund balance that is assigned for a particular purpose.

Use of Funds – These funds will be expended during the subsequent year for the purpose for which they were encumbered. It is recommended that the practice of assigning fund balance for the purpose of carryover encumbrances continue each year. This practice appropriately matches revenue with the appropriations that it was intended to support.

Monitoring of Balance – The estimating and recording of these funds is monitored by the Assistant Superintendent for Business.

Funding Level – The funding level should be minimal as most expenses attributable to a particular year are appropriated in that year.

Nonspendable Fund Balance

6/30/20 Actual Balance: \$344,493

Creation – These funds are fund balance that are inherently nonspendable in the current period because of their form, specifically this is the current cash value of life insurance policies on former employees.

Purpose – These funds will be used to reduce life insurance expense each year as the cash value increases or the cash value on a policy is received.

Funding Methods – These funds are fund balance that is inherently nonspendable in the current year.

Use of Funds – These funds will not be expended during the year, but will be adjusted at the end of each year to the current cash value of life insurance.

Monitoring of Balance – The calculating and recording of these funds is monitored by the Director of Finance.

Funding Level – The funding level is approximately 100% of the cash value of life insurance at the end of each year.

Employee Benefit Accrued Liability Reserve

6/30/20 Actual Balance: \$2,764,037

Purpose – This reserve is used to pay for accrued benefits due to employees upon termination of service for vacation, sick leave and personal leave. This fund cannot be used to pay for items such as: retirement incentives, FICA and Medicare payments and retiree health insurance.

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

Use of Reserve – This reserve is used when an employee separates from the District and payment of accumulated leave is required.

Monitoring of Reserve – This reserve is monitored by the Director of Finance. At the end of each fiscal year the estimated compensated absences accrual is calculated to support the funding of this reserve.

Funding Level – This reserve can be funded at a level up to 100% of the accrued liability for unused accumulated leave time (compensated absences), which was \$4,355,000 on June 30, 2020.

Workers' Compensation Reserve

6/30/20 Actual Balance: \$2,089,818

Purpose – This reserve may be used for workers compensation expenses, related medical expenses and self-insurance administrative costs.

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

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

Monitoring of Reserve – This reserve is monitored by the Director of Finance.

Funding Level – This reserve can be funded up to the estimated amount of all outstanding claims as of the end of each year. The District obtained an actuarial valuation to determine an appropriate estimate of this amount for June 30, 2020. Conservatively, the current estimate is \$2,720,000.

Capital Reserve - 2016

6/30/20 Actual Balance: \$2,626,803

Creation – This reserve was created on May 17, 2016 via voter approval.

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 from budgetary appropriations or excess fund balance as approved by voters. At the end of each fiscal year, consideration will be given to transferring additional funds to this reserve for subsequent capital projects.

Use of Reserve – Use of this reserve requires voter approval. Consideration will be given to use of the balance of these funds for subsequent capital projects.

Monitoring of Reserve – This reserve is monitored by the Director of Finance.

Funding Level – This reserve may be funded as stated in the approved proposition. This reserve is fully funded [\$6,000,000 maximum less \$3,400,000 transferred to Capital Fund as required under Bond Resolution for 2018 Capital Project]. The probable life of the reserve was also stated in the proposition and is ten years.

Capital Reserve - 2019

6/30/20 Actual Balance: \$688,547

Creation – This reserve was created on May 21, 2019 via voter approval at a \$6,000,000 maximum.

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 from budgetary appropriations or excess fund balance as approved by voters. At the end of each fiscal year, consideration will be given to transferring additional funds to this reserve for subsequent capital projects.

Use of Reserve – Use of this reserve requires voter approval. Consideration will be given to use of the balance of these funds for subsequent capital projects.

Monitoring of Reserve – This reserve is monitored by the Director of Finance.

Funding Level – The probable life of the reserve was also stated in the proposition and is ten years.

Retirement Contribution Reserve

6/30/20 Actual Balance: \$4,849,966

Creation – This reserve was created in July 2016.

Purpose – This reserve is used to pay for district expenses to the NYS Employees Retirement System only. Payments to the Teachers Retirement System are now allowed from this reserve through a sub-fund.

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

Use of Reserve – This reserve can be used to cover all or a portion of annual NYS Employees Retirement System expense.

Monitoring of Reserve – This reserve is monitored by the Director of Finance.

Funding Level – The plan is to fund this reserve in years when the Retirement System rate is low and use this reserve in years when the rate is high. The recommendation is to fund the reserve up to a maximum of one combined year of ERS and TRS. At current rates, that level is approximately \$5,078,000.

Tax Certiorari Reserve

6/30/20 Actual Balance: \$350,854

Creation – This reserve was created in June 2019.

Purpose – This reserve is used to pay judgements or claims in tax certiorari proceedings under RPTL, Article 7.

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

Use of Reserve – This reserve can be used to cover all or a portion of annual settlements. Moneys not expended must be returned to the General Fund on or before the 1st day of the 4th year after funding.

Monitoring of Reserve – This reserve is monitored by the Director of Finance.

Funding Level – The plan is to fund this reserve to match submission of Tax Certiorari claims and adjust based on settlement.