

**PAWLING CENTRAL SCHOOL DISTRICT  
RESERVE PLAN  
2017-2018 AND 2018-2019**

**Plan Introduction**

The Pawling Central School District had the following reserves as of June 30, 2017:

- 1) Workers' Compensation Reserve - \$200,000
- 2) Reserve for Encumbrances - \$1,400,774
- 3) Reserve for Employees' Retirement System (Local Retirement System) - \$3,614,882
- 4) Reserve for Tax Certiorari Claims - \$973,680
- 5) Reserve for Employee Benefits - \$1,383,581
- 6) Capital Reserve - \$1,550,000

This document will outline the following for each reserve: purpose, funding method, funding levels, use of reserve, and monitoring of reserve. The intent of this document is to develop a long-term planning guide for the reserves that coincides with a five-year budget plan. This reserve plan will be updated three times per year: 1) during budget development period; 2) prior to setting the tax levy; and 3) when the external audit report is presented to the Board of Education.

During the budget development cycle, a five-year budget plan will be presented to the Board including a plan for fund balance and reserves. In June, the Board will pass a resolution to authorize the funding of reserves as of June 30<sup>th</sup> and prior to setting the tax levy in August. A second review of the reserve funds will be presented to the Board of Education in August as part of the annual tax levy discussion. Finally, the Reserve Plan will be presented to the Board of Education with the external audit report. Both the Reserve Fund Plan and the Long Range Financial Plan will be published on the District's website.

**Workers' Compensation Reserve**

The purpose of the Workers' Compensation Reserve has been to protect the District in the event a catastrophic claim was made against the self-funded Workers' Compensation Consortium Fund that had been underfunded for five years as reflected in the Fund's audited financial statements for that five-year period. The Workers' Compensation Reserve Fund was established June 30, 2013 when excess Fund Balance was allocated by the Pawling Central School District's Board of Education to support this financial exposure of \$200,000.00. The District's representative on the Workers' Compensation Board of Directors has reported to the Board of Education regarding the Consortium's status each year during budget development and during August when the District's Reserve Funds and tax levy are reviewed by the Board of Education prior to setting the tax levy. As of June 30, 2017, the Workers' Compensation Fund is now solvent due to steps taken by the Fund's Board of Directors to increase the funding over the past five years. This Workers' Compensation Reserve Fund is no longer needed. During budget development, the Consortium's status was reported to the Board of Education and the plan was presented on April 9, 2018 to return the \$200,000 to the Fund Balance. This amount will be used as part of the appropriated fund balance against the 2018-2019 school budget.

## **Reserve for Encumbrances**

The Reserve for Encumbrances is used for the purpose of financing purchase orders created in one fiscal year for goods and services that were ordered and received, but not invoice at the end of the fiscal year. This reserve fund is active throughout the year as purchase orders are created and invoices are paid then the reserve fund is re-established at the end of the fiscal year to cover new unpaid expenses for goods and services. The amount in this fund as of June 30, 2017 was \$1,400,774.26.

## **Reserve for Employees' Retirement System (now known as New York State Local Retirement System)**

The Retirement Contribution Reserve (GML 6r) is used for the purpose of financing employee retirement contribution to the New York State Local Retirement System (formerly, NYS Employees' Retirement System). The reserve fund was established by a Board of Education resolution in August 2014 and each year the fund is re-established in August before setting the tax levy. The Reserve for Employees' Retirement System is funded by budgetary appropriation to cover the expense for the next five years. The amount in the Reserve for Employees' Retirement System was \$3,614,882.17 as of June 30, 2017.

## **Reserve for Tax Certiorari Claims**

The Reserve for Tax Certiorari Claims Fund is re-established each year in August before the Board of Education sets the tax levy. This dollar amount is based upon a percentage (1%) of the assessed value in four of the five towns located within the school district plus any outstanding Tax Certiorari petitions outstanding from the prior year. The amount in the Reserve for Tax Certiorari Claims Fund was \$973,680.46 as of June 30, 2017.

## **Reserve for Employee Benefits**

The Reserve for Employee Benefits is re-established each year in August before the Board of Education sets the tax levy. This reserve is based on a 32 % contribution rate of the calculated Compensated Absences that includes sick, personal, and vacation days outstanding as of June 30. As of June 30, 2017 the calculation for Compensated Absences totaled \$4,323,691 and the reserve was increased by \$40,580 for a total balance of \$1,383,581. This reserve will cover salary expenses incurred when an employee leaves employment for retirement or other reasons.

## **Capital Reserve**

In May 2017, the following proposition was approved by the voters to establish a Capital Reserve Fund (1) for the purpose of financing the construction of, and general improvements, reconstruction, renovations or additions to, the District's buildings and grounds, including site work and the acquisition of original furnishings, equipment, machinery or apparatus required for the purpose for which such buildings are to be used: (2) fund said reserve to the ultimate amount of \$10,000,000; (3) annually deposit into the Capital Reserve Fund such portion of the [General Fund, unallocated fund balance, other reserve funds, etc.] as determined by the Board of Education. The probable duration of the Capital Reserve Fund is ten (10) years. On August 2017, the Board of Education passed a motion to fund the Capital Reserve Fund in the amount of \$1,550,000.00.