

Policy Information

Series 4000 – Non-Instructional/Business Operation

Budgetary Process

Policy # 4145

POLICY

2023

4145

Non-Instructional/Business Operations

SUBJECT: RESERVE FUNDS

Reserve funds (essentially a legally authorized savings account designated for a specific purpose) are an important component in the BOCES financial planning for future projects, acquisitions and other lawful purposes. To this end the BOCES 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.

Any and all BOCES reserve funds shall be properly established and maintained to promote the goals of creating an open, transparent, and accountable use of public funds. The BOCES 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.

The Board of Education will periodically review all reserve funds. The BOCES will also prepare and submit an annual report of all reserve funds to the Board of Education. The annual report shall include the following information for each reserve fund:

- a) The type and description of the reserve fund;
- b) The date the reserve fund was established and the amount of each sum paid into the fund;
- c) The interest earned by the reserve fund;
- d) Capital gains or losses resulting from the sale of investments of the reserve fund;
- e) The total amount and date of each withdrawal from the reserve fund;
- f) The total assets of the reserve fund showing cash balance and a schedule of investments.

SUBJECT: RESERVE FUNDS (Cont'd.)

The Board shall utilize the information in the annual report to make necessary decisions to adequately maintain and manage the BOCES reserve fund balances while mindful of its role and responsibility as a fiduciary of public funds.

The District Superintendent shall develop any necessary and/or appropriate regulations to implement the terms of the Board's policy.

The following reserves have been established and approved by the BOCES Board:

Reserve Fund/Statutory Authority	Purpose of Reserve Fund	How to Create Reserve Fund	Funding Level of Reserved Fund
Unemployment Insurance Payment Reserve Fund /General Municipal Law Section 6-m	To reimburse the Unemployment Insurance Fund for payments to claimants (in lieu of contributions required of employers under Article 18 of the Labor Law).	Board resolution; Board approval is not required to expend monies from the reserve (per Labor Law Section 581 (1) €.	The goal is to maintain a balance not to exceed 15 years projected expenses. Any excess accumulated will then either be used to cover current years expenditures or be transferred to other reserves.
Insurance Reserve Fund /General Municipal Law Section 6-n	To insure certain uninsured losses, claims, actions or judgements for which the local government is authorized or required to purchase or maintain insurance, with a number of exceptions.	Board resolution; Board approval is not required to expend monies from the reserve	The goal is not to exceed 2% of the annual General Fund operating budget.
Career Education Instructional Equipment Fund /Education Law Section 1950(4)	To finance all or part of the cost of the replacement or purchase of advanced technology equipment used in instructional programs conducted by BOCES.	Established by vote of the BOCES board and a majority of the component school districts.	Maximum funding is subject to limitation imposed by regulations of the Commissioner of Education.
Employee Benefit Accrued Liability Reserve Fund /General Municipal Law Section 6-p	To pay for any accrued employee benefit (e.g., cash payment of the monetary value of accrued and accumulated but unused and unpaid sick leave, personal leave, vacation leave, etc.) due upon an employee's termination of service.	Board resolution; Board approval is not required to expend monies from the reserve.	The goal is to maintain an appropriate balance based on estimated liability calculations.
Retirement Contribution Reserve Fund /General Municipal Law Section 6-r ERS TRS Sub -Fund	To pay for retirement contributions, defined as, all or any portion of the amount payable to the NYS and Local Employees' Retirement System (ERS). Effective April 12, 2019, a sub fund may be established to fund TRS expenditures.	Board resolution; Board approval is not required to expend monies from the reserve.	The goal is to maintain an ERS Reserve balance not to exceed 10 years projected expenses. The TRS sub-fund cannot exceed 10% of the salaries of all TRS members paid during the immediately preceding fiscal year. The amount of moneys contributed annually to the sub-fund cannot exceed 2% of the salaries of TRS members paid during the immediately preceding fiscal year.

SUBJECT: RESERVE FUNDS (Cont'd.)

Funding Method

Funding of all approved reserves will be provided through budgetary appropriations or other funds that may be legally appropriated as recommended by the District Superintendent and approved by the Board of Education. Budgeting appropriations for unemployment, teacher's retirement, and employee retirement may be used to fund these reserves.

Common Principles

In general, the BOCES shall adhere to the following principles with respect to the creation and funding of any or all reserve funds for the BOCES:

- 1) Consult with legal counsel and other financial experts as necessary for guidance on the authority to establish the reserve fund;
- 2) Identify the financial need or purpose to be served by the prospective reserve fund, including an assessment of whether the reserve fund will complement the long-term financial or capital plans of the BOCES;
- 3) Communicate clearly and effectively to component districts the specific purpose of and the financial objectives for the reserve;
- 4) Maintain open and transparent records of all reserve fund transactions for the benefit of component districts;
- 5) Determine optimal funding levels for the reserve, as well as the conditions under which the reserve assets will be utilized in consultation with our external auditors;
- 6) Periodically assess the reasonableness of the amounts accumulated in the reserve and when conditions warrant (and subject to any/all legal requirements) reduce reserve funds to a reasonable level or liquidate and discontinue a reserve fund that is no longer needed or whose purpose has been achieved; and
- 7) Provide the Board with annual financial reports on reserve fund activity.

Fund Balance and Budget Development

The BOCES ability to maintain its unassigned fund balance within the limits articulated above is contingent upon the development of a reasonable budget. Consequently, the BOCES will develop and adopt budgets that, to the extent possible, reflect the anticipated revenues and expenditures.

Likewise, the BOCES will ensure that appropriate reserve funds are established and utilized, consistent with applicable law and Board policy, to ensure the fund balance is sufficient to meet BOCES needs.

SUBJECT: RESERVE FUNDS (Cont'd.)

Compliance

The BOCES will adhere to the reporting requirements of Article 3 of the General Municipal Law of the State of New York, and the practices set forth in GASB Statement Number 54.

General Municipal Law Sections 6-m, n, p, r
Educational Law Section 1950(4)

Board Approved
3/15/2023