

North Tonawanda City School District

Fund Balance and Reserves

Funding and Usage Plan

6/30/24 FYE



Last Updated: October 2024

Overview

The establishment and funding of reserves is an important consideration in the maintenance of a sound financial plan for any school district. While strict adherence to state law is required to ensure reserves are both legal and appropriate, adequately funded reserves are vital to the long-term health and stability of the school district. This concept is recognized by the New York State Comptroller:

Saving for future projects, acquisitions, and other allowable purposes is an important planning consideration for local governments and school districts. Reserve funds provide a mechanism for legally saving money to finance all or part of future infrastructure, equipment, and other requirements. Reserve funds can also provide a degree of financial stability by reducing reliance on indebtedness to finance capital projects and acquisitions. In uncertain economic times, reserve funds can also provide officials with a welcomed budgetary option that can help mitigate the need to cut educational programming. In good times when budgetary risk is not experienced, excess funds not needed for current purposes can often be set aside in reserves for future use (*Office of the New York State Comptroller — Local Government Management Guide — Reserve Funds, Pg. 1*). In addition to reserve funds, maintaining a reasonable amount of unassigned fund balance within operating funds is another important financial consideration for local governments and school districts. A reasonable level of unrestricted, unappropriated fund balance provides a cushion for unforeseen expenditures or revenue shortfalls and helps to ensure that adequate cash flow is available to meet the cost of operations. Combining a reasonable level of unassigned fund balance with specific legally established reserve funds provides resources for both unanticipated events and other identified or planned needs.

The North Tonawanda City School District believes that the use of reserves has the capacity to reduce long-term borrowing costs, smooths large fluctuations in tax rates for the community, and minimizes the possibility of mid-year budget cuts which would have a direct impact on students and education programming. The District believes that it is in the best interest of both the students and taxpayers to prudently establish and use reserves when appropriate. Reserves provide the Board of Education and District leaders a mechanism that permits financial flexibility in times of financial distress or other uncertainties to support quality educational services.

Reserves serve two major purposes:

- Saving money for a large, one-time future expenditure. For example, a capital reserve for the replacement of a roof.
- Reserves which are intended to protect the district against large from unknown risks such as major revenue or expenditure budget fluctuations. The contribution rate for the Employees Retirement System set annually by NYS is an example.

Since New York State law mandates that expenditures can be no greater than the budget approved by the voters each May, the North Tonawanda City School District budgets conservatively and practices fiscal prudence throughout each budget year to ensure that unanticipated expenditures do not result in mid-year budget cuts in other areas which would have an immediate impact on students. This practice has allowed and will allow the district in the future to weather reasonable and anticipated state aid reductions, potential modifications to property tax levy cap formula, and other negative budget impacts with reduced impact to the district's instructional programs. Conservative budgeting can also result in budget surpluses at

year-end when unanticipated financial risk has not been realized. The Board of Education reviews any budget surpluses and determines the best use of these surpluses including transfers to voter or Board of Education approved reserves or a reduction in the ensuing years' tax levy (assigned fund balance).

Legally established reserves can provide many benefits to the school district and to its taxpayers. However, these reserves can also cause confusion when their purpose is not clearly understood by the community. The purpose of this document is to detail the North Tonawanda City School District's plan for use and maintenance of reserves.

The stakeholders of the North Tonawanda City School District recognize the use of reserves as a one-time revenue funding source that can assist the district in tough budgetary times to minimize impact to educational programming. They also recognize the importance of funding such reserves in sound financial times so the reserve monies are strong enough to buffer the negative impacts of tougher times. The District believes in conservatively using such reserve monies in times of economic hardship in order to continually preserve and improve the district's current levels of student programming and activities.

Annual Updates

It is the responsibility of management and the Board to review and update this document annually in accordance with Policy 5511. Reserves should be established prior to the end of the fiscal year when possible. Preliminary estimates of available fund balance should be analyzed by management and the Board so decisions on reserve funding or use can be made prior to June 30 or soon thereafter and prior to the complete of the current year's external audit. Reserve discussions must be part of the annual budget process and refined as the fiscal year comes closing to an end.

Additionally, certain reserves allow for transfers between reserves, but have strict time frames that expire shortly after year end. Prudent and timely review of reserves allows the District to effectively manage financial resources in accordance with this plan and the District's current financial condition.

Summary

Upon review of the District's financial condition, reserve balances, and strategy as documented in the following pages, key highlights of the reserve plan are as follow:

- Audit and Finance Committee meets to review the results of the external audit and the final fund balance projection and makes a recommendation to the Board of Education upon the closing of the accounting records regarding reserve funding amounts effective June 30 of the fiscal year end.
- Audit and Finance Committee presents a recommendation to the Board of Education regarding specific final reserve funding amounts effective June 30 of the current fiscal year end on or about September after the financial records have been closed at the completion of the external audit.
- The 23-24 budget included the planned use of \$350,000 from the reserve for debt service for associated debt payments.
- Consider transferring funds from the Workers Compensation and Retirement Contribution Reserves to fund larger than anticipated expenditures throughout the year, if applicable.

- If mid-year projections are indicating that the District is on track to achieve a surplus, then consider transfer to the Retirement Contribution Reserves prior to May, 2024 to be used as a funding source for future retirement contribution increases.
- Include appropriated fund balance in the 2024-25 revenue budget of \$4,750,000. It is the recommendation to reduce the planned use of fund balance through appropriations.
- If funds are available at year end, maintain unassigned fund balance at a percentage of subsequent year's budget that remains in accordance with the 4% allowed by law.
- 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:
 - Capital Project Reserve – up to a maximum of the allowable contribution limit as approved by the district voters that has not yet been funded for future projects based on the Building Condition Survey;
 - Retirement Contribution Reserve (TRS) – up to a maximum of 2% of the annual TRS expense to the lawful cap of 10% of year appropriations;
 - Retirement Contribution Reserve (ERS) – up to an idealized funding level of three times the annual ERS expense of approximately \$700,000;
 - Workers Compensation Reserve – up to an idealized funding level of three times the annual worker's compensation expense of approximately \$725,000;
 - Employee Benefit Accrued Liability Reserve – up to a maximum of the accrued liability for unused accumulated leave time of district employees;
 - Unemployment and Insurance Reserves – to continue to ensure balances keep up with the pace of inflation;
 - Create a *Repair Reserve* to safeguard the need for unanticipated budgetary expenditures

**In the event that the state permits the creation of other reserves in future years such as a Self-Insured Healthcare Reserve, it is recommended the Board of Education immediately considers the creation of such a reserve including a nominal funding source to ensure permanency. Creation of such reserves allows for greater levels of financial flexibility to meet District demands in unstable fiscal environments.*

Authority: The purpose of this reserve fund is to pay for compensation benefits and other expenditures authorized by the Workers’ Compensation Law, and for payment of expenditures of administering this self-insurance program. The reserve may be established by board resolution and is funded by budgetary appropriations and such other funds as may be legally appropriated (General Municipal Law, §6-j). Appropriations from this reserve shall be included in the annual budget as a revenue source. Expenditures from this reserve do not require board action. Annual budgeted appropriations from this reserve should not exceed the budgeted expenditure in A 9040.800. Annual actual appropriations from this reserve should not exceed annual actual expenditures from A 9040.800.

Established by: Board Resolution
 Term Limit: N/A
 Monetary Limit: N/A
 Appropriations: Budgetary appropriations
 Expenditures: No action needed. Must be less than or equal to the annual expenditures related to Worker’s Compensation Insurance- A9040.800
 Overfunding: Within 60 days of year end the Board may elect to transfer excess monies from this reserve to other reserves, apply to unappropriated fund balance, or apply towards budgetary appropriations for the new school year.
 Established: June 1991

Opening Reserve Balance	Net Change in Reserve Expenses/Funding	Closing Reserve Balance
7/1/2017 \$ 212,156	\$ 901,328	6/30/2018 \$ 1,113,484
7/1/2018 \$ 1,113,484	\$ 18,596	6/30/2019 \$ 1,132,080
7/1/2019 \$ 1,132,080	\$ 10,747	6/30/2020 \$ 1,142,827
7/1/2020 \$ 1,142,827	\$ 228	6/30/2021 \$ 1,143,055
7/1/2021 \$ 1,143,055	\$ 408	6/30/2022 \$ 1,143,464
7/1/2022 \$ 1,143,464	\$ 119,581	6/30/2023 \$ 1,263,045
7/1/2023 \$ 1,263,045	\$ 910,968	6/30/2024 \$ 2,174,013

Ideal Balance: This reserve should be adequate to stabilize the District’s contribution to workers compensation, which can vary in cycles with claims experience. It should be funded in the current year to offset costs related to transitioning to fully insured. Three years’ worth of expenses is an idealized reserve balance.

Discussion: The district previously utilized FCS Administrators which is a fully licensed, full service, third party claims administrator serving NY State employers for over thirty-five years. Annual premiums approximately \$68,000 are calculated at a rate of \$0.1988 per \$100 of estimated payroll of \$34,250,000 providing the District Specific Excess Workers Compensation/Employers Liability with statutory policy limit and coverage of \$1,000,000 and a self-insured retention (SIR) of \$700,000. Over the past four years, the District has averaged slightly over \$400,000 in self-insured claims and other related expenses. Due to poor recent claims experience, the district’s experience rating is high compared to industry averages. The district is in the process of transitioning to a fully insured workers compensation company,

PERMA. Workers compensation is now funded through premiums rather than actual claims. It is anticipated that expenses will stabilize with a large cost upfront in order to transition old claims and settlements to the new provider. The *Workers Compensation Reserve* will assist in reducing the financial burden on this transition to the district's budget.

Authority: This reserve fund is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants on unemployment. The reserve may be established by board action and funded by budgetary appropriations or other funds as may be legally appropriated (General Municipal Law, §6-m). Appropriations from this reserve shall be included in the annual budget as a revenue source. Expenditures from this reserve do not require board action. Annual budgeted appropriations from this reserve should not exceed the budgeted expenditure in A 9050.800. Annual actual appropriations from this reserve should not exceed annual actual expenditures from A 9050.800.

Established by: Board Resolution
 Term Limit: N/A
 Monetary Limit: N/A
 Appropriations: Budgetary appropriations
 Expenditures: No action needed. Must be less than or equal to annual expenditures related to NYS Unemployment Insurance- A 9050.800
 Overfunding: Within 60 days of year end the board may elect to transfer excess monies from this reserve to other reserves, apply to unappropriated fund balance, or apply towards budgetary appropriations for the new school year.
 Established: June 2010

Opening Reserve Balance	Net Change in Reserve Expenses/Funding	Closing Reserve Balance
7/1/2017 \$ 156,386	\$ 314	6/30/2018 \$ 156,700
7/1/2018 \$ 156,700	\$ 2,616	6/30/2019 \$ 159,316
7/1/2019 \$ 159,316	\$ 1,513	6/30/2020 \$ 160,829
7/1/2020 \$ 160,829	\$ 32	6/30/2021 \$ 160,861
7/1/2021 \$ 160,861	\$ 58	6/30/2022 \$ 160,919
7/1/2022 \$ 160,919	\$ 2,755	6/30/2023 \$ 163,674
7/1/2023 \$ 163,674	\$ 36,326	6/30/2024 \$ 200,000

Ideal Balance: Typically, a percent of annual payroll. See below.

Discussion: Recent history is generally used to see what percentage the total annual claims are to payroll in determining the annual use from the reserve fund and ideal balance of the reserve fund. Recent history for the District is not a good indicator as to use or balance of the reserve as over the past six years the district has experienced stable levels of state funding as well as federal stimulus COVID funding. The factors that affect the annual expenditures are layoffs, lack of hiring in surrounding districts, and previous extensions of benefits by the federal government.

Since the general fund expense fluctuates annually, the unemployment reserve for the District will be used to offset the annual budgeted expenditure, including all or part of the annual actual expense. Accordingly, if the reserve is used to pay for 100% of general fund expenses, the balance as of June 30, 2024 would be sufficient to cover the benefits for 15 employees for 26 weeks each at the maximum weekly benefit payout of \$504 (assuming 50% of benefits would be eligible for Federal reimbursement).

Given the positive financial standing of the District at current time and the likelihood of future NYS aid cuts, District expenses for unemployment benefits present a moderate risk. Unfortunately, the general economic outlook is uncertain in terms of a potential recession and the Executive Budget has proposed *Foundation Aid* of reductions totally \$2,000,000 along with capping expense driven aid categories. Having sufficient reserves to cover these potential reductions in funding which may lead to necessary adjustments in staffing is a prudent financial decision.

RETIREMENT CONTRIBUTION RESERVE (ERS)**A827**

Authority: This reserve fund is used to offset the cost of annual district payments made to the New York State and Local Employees’ Retirement System (ERS). The reserve may be established by board action and funded by budgetary appropriations or other funds as may be legally appropriated (General Municipal Law, §6-r). Appropriations from this reserve shall be included in the annual budget as a revenue source. Expenditures from this reserve do not require board action. Annual budgeted appropriations from this reserve should not exceed the budgeted expenditure in A 9010.800. Annual actual appropriations from this reserve should not exceed annual actual expenditures from A 9010.800.

Established by: Board Resolution
 Term Limit: N/A
 Monetary Limit: N/A
 Appropriations: Budgetary appropriations and other sources
 Expenditures: No action needed. Must be less than or equal to annual expenditures related to NYS ERS payments-A 9010.800
 Overfunding: Transfer to certain reserve funds require a public hearing with 15 days’ notice published in the official newspaper
 Established: June 2010

Opening Reserve Balance	Net Change in Reserve Expenses/Funding	Closing Reserve Balance
7/1/2017 \$ 421,161	\$ 844	6/30/2018 \$ 422,005
7/1/2018 \$ 422,005	\$ 7,048	6/30/2019 \$ 429,053
7/1/2019 \$ 429,053	\$ 4,073	6/30/2020 \$ 433,126
7/1/2020 \$ 433,126	\$ 1,750,087	6/30/2021 \$ 2,183,213
7/1/2021 \$ 2,183,213	\$ 958	6/30/2022 \$ 2,184,171
7/1/2022 \$ 2,184,171	\$ 45,965	6/30/2023 \$ 2,230,136
7/1/2023 \$ 2,230,136	\$ 137,893	6/30/2024 \$ 2,368,029

Ideal Balance: This reserve should be adequate to stabilize the District’s contribution to the NYS Employee’s Retirement System (ERS). Three years’ worth of expenses is an idealized reserve balance.

Between 30%-45% of non-instructional payroll of \$6,127,292 on the December 2022 ERS invoice will result in between two to three years of funding ERS contributions, or approximately \$2,600,000 based on fiscal year 2021-22 estimated payroll.

Discussion: ERS contributions are a direct result of the District’s non-instructional ERS eligible salaries multiplied by a percentage identified by ERS. The intended use of this reserve is to fund contributions in excess of budgeted amounts. In times of fiscal stress, the District could use up to 100% of annual cash contributions from this reserve. Accordingly, if the reserve is used to pay for 100% of general fund expenses, the balance as of June 30, 2024 would be sufficient to cover approximately three years’ worth of contribution expenses.

Although the District has direct control over the amount of non-instructional salaries subject to ERS contributions, it has no control over the ERS rates. These rates are set by ERS and are based

on actuarial assumptions which adjust annually. The most notable impact on these rates is the annual investment return on the state's plan assets and the number of retirees across the state.

<https://www.osc.state.ny.us/retirement/employers/partnership/long-term-expected-contribution-rates>

Authority: This reserve fund is used to offset the cost of annual district payments made to the New York State Teachers’ Retirement System (TRS). The reserve may be established by board action and funded by budgetary appropriations. This reserve is considered a sub fund of the ERS retirement reserve (General Municipal Law, §6-r). Appropriations from this reserve shall be included in the annual budget as a revenue source. Expenditures from this reserve do not require board action. Annual budgeted appropriations from this reserve should not exceed the budgeted expenditure in A 9020.800. Annual actual appropriations from this reserve should not exceed annual actual expenditures from A 9020.800. Annually a district can fund up to 2% of annual instructional payroll up to a funding cap of 10% of annual instructional payroll.

Established by: Board Resolution
 Term Limit: N/A
 Monetary Limit: Up to a 10% cap of annual instructional payroll
 Appropriations: Budgetary appropriations up to a 2% of annual instructional payroll
 Expenditures: No action needed. Must be less than or equal to annual expenditures related to NYS TRS payments- A 9020.800
 Overfunding: N/A
 Established: June 02, 2020

Opening Reserve Balance	Net Change in Reserve Expenses/Funding	Closing Reserve Balance
7/1/2020 \$ 0	\$ 500,000	6/30/2021 \$ 500,000
7/1/2021 \$ 500,000	\$ 0	6/30/2022 \$ 500,000
7/1/2022 \$ 500,000	\$ 500,000	6/30/2023 \$ 1,000,000
7/1/2023 \$ 1,000,000	\$ 588,742	6/30/2024 \$ 1,588,742

Ideal Balance: 10% of instructional payroll is the maximum funding limit permitted by law, which is approximately \$2,960,000 based on the 2023-2024 instructional payroll expense.

Discussion: Similar to the ERS contributions, TRS required contributions are based on District payroll multiplied by an established rate. In accordance with NYS law, the District can only contribute 2% of instructional payroll per year, up to a cumulative maximum reserve balance of 10% of instructional payroll. It would be advised to continue funding this reserve be funded in the current year as well in the future to provide the district financial flexibility in accessing multiple reserves in times of fiscal stress.

Although the District has direct control over the amount of instructional salaries subject to TRS contributions, it has no control over the TRS rates. The required level of employer contributions is determined annually based upon an actuarial valuation. This actuarial valuation projects future member benefits utilizing actuarial assumptions, such as the valuation rate of interest, rates of salary increase, and mortality.

PROPERTY LOSS RESERVE and LIABILITY RESERVE

A861/A862

Authority: This reserve fund is used to pay for property losses incurred. The reserve may be established by board action and funded by budgetary appropriations or other funds as may be legally appropriated (Education Law § 1709 (8-c)). The amount that can be paid into the reserve during each fiscal year is limited to the greater of \$15,000 or 3% of the annual budget. There is no limit on the accumulated reserve balance. Appropriations from this reserve shall be included in the annual budget as a revenue source. Expenditures from this reserve do not require board action.

Established by: Board Resolution
 Term Limit: N/A
 Monetary Limit: N/A
 Appropriations: Budgetary appropriations
 Expenditures: No action needed. Can only be used for property loss purposes
 Overfunding: Balances not required to settle pending claims can be liquidated by voter approval
 Established: N/A

Opening Reserve Balance	Net Change in Reserve Expenses/Funding	Closing Reserve Balance
7/1/2017 \$ 0	\$ 0	6/30/2018 \$ 0
7/1/2018 \$ 0	\$ 0	6/30/2019 \$ 0
7/1/2019 \$ 0	\$ 0	6/30/2020 \$ 0
7/1/2020 \$ 0	\$ 0	6/30/2021 \$ 0
7/1/2021 \$ 0	\$ 0	6/30/2022 \$ 0
7/1/2022 \$ 0	\$ 0	6/30/2023 \$ 0
7/1/2023 \$ 0	\$ 0	6/30/2024 \$ 0

Ideal Balance: The District does not currently fund this reserve.

Discussion: The District does not currently fund this reserve.

INSURANCE RESERVE (LIABILITY AND CASUALTY)**A863**

Authority: This reserve fund is used to pay liability, casualty, and other types of losses, except losses incurred for which certain types of insurance may be purchased. It includes funds for judgments, claims, incidental costs and professional services connected with the investigation and settlement of claims. The reserve may be established by board action and funded by budgetary appropriations or other funds as may be legally appropriated (General Municipal Law, §6-n). The amount that can be paid into the reserve during each fiscal year is limited to the greater of \$33,000 or 5% of the annual budget. There is no limit on the accumulated reserve balance.

Established by: Board Resolution
 Term Limit: N/A
 Monetary Limit: N/A
 Appropriations: Included in Annual Revenue Budget
 Expenditures: No action needed. Cannot cover any expense covered by another special reserve. Settled or compromised claims up to \$25,000 may be paid without judicial approval.
 Overfunding: If reserve is terminated by Board, remaining funds in excess of incurred or accrued liabilities may be transferred to any other reserve fund.
 Established: June 1999

Opening Reserve Balance	Net Change in Reserve Expenses/Funding	Closing Reserve Balance
7/1/2017 \$ 1,163,886	\$ 2,335	6/30/2018 \$ 1,166,221
7/1/2018 \$ 1,166,221	\$ 19,476	6/30/2019 \$ 1,185,697
7/1/2019 \$ 1,185,697	\$ 11,257	6/30/2020 \$ 1,196,954
7/1/2020 \$ 1,196,954	\$ 240	6/30/2021 \$ 1,197,194
7/1/2021 \$ 1,197,194	\$ 427	6/30/2022 \$ 1,197,621
7/1/2022 \$ 1,197,621	\$ 20,509	6/30/2023 \$ 1,218,130
7/1/2023 \$ 1,218,130	\$ 86,124	6/30/2024 \$ 1,304,254

Ideal Balance: No ideal balance. Maximum contribution allowed annually is 5% of approved voter budget.

Discussion: Due to the degree of insurance coverage the district subscribes to, there are few unique situations that would result in claims for the district to pay out of pocket. This reserve is not intended for use on an ongoing basis; rather, it protects the district in the case of a unique catastrophic event.

Authority: The purpose of this reserve is to fund the refunding of taxes of the current year due to tax certiorari proceedings, per Real Property Tax Law, Article 7. The reserve may be established by board action and funded by budgetary appropriations or other funds as may be legally appropriated (Education Law §365 1, Sub.1a, 3a). Expenditures from this reserve do not require board action. Amounts not necessary to refund taxes must be returned to the unreserved fund balance of the general fund by the first day of the fourth fiscal year following the year for which the monies were deposited.

Established by: Board Resolution
 Term Limit: N/A
 Monetary Limit: May not exceed amount necessary to meet anticipated judgments and claims
 Appropriations: Budgetary appropriations
 Expenditures: No action needed
 Overfunding: Any balance not required to meet anticipated judgments or claims must be returned to the General Fund on or before the first day of the fourth school year after such monies had been deposited into the reserve
 Established: N/A

Opening Reserve Balance	Net Change in Reserve Expenses/Funding	Closing Reserve Balance
7/1/2017 \$ 0	\$ 0	6/30/2018 \$ 0
7/1/2018 \$ 0	\$ 0	6/30/2019 \$ 0
7/1/2019 \$ 0	\$ 0	6/30/2020 \$ 0
7/1/2020 \$ 0	\$ 0	6/30/2021 \$ 0
7/1/2021 \$ 0	\$ 0	6/30/2022 \$ 0
7/1/2022 \$ 0	\$ 0	6/30/2023 \$ 0
7/1/2023 \$ 0	\$ 0	6/30/2024 \$ 0

Ideal Balance: Amount necessary to meet anticipated judgments and claims, which varies annually.

Discussion: Annually, the district budgets \$42,000 in the general fund expenditure budget for real property tax refunds. Beyond the budgeted expenditure, the district attempts to reserve all of the outstanding tax certiorari cases. The amount of outstanding cases is examined annually in the summer and a decision is made by the Assistant Superintendent regarding the appropriate level of funding. The District does not currently fund this reserve..

EMPLOYEE BENEFIT ACCRUED LIABILITY RESERVE (EBALR)**A867**

Authority: The governing board of any school district, by resolution, may establish a reserve for the purpose of funding the monetary value of accrued but unused sick leave, personal leave, vacation time, and any other forms of payment of accrued but unliquidated time earned by employees. Establishing or expending the reserve does not require voter approval. Expenditures from this reserve do not require board action. Expenditures may only be made for allowed cash payments earned by employees due upon their termination (retirement) of employment (General Municipal Law, §6-p). Health insurance and “other” postemployment benefits are not eligible to be funded by this reserve. Appropriations from this reserve shall be included in the annual budget as a revenue source. Annual actual appropriations from this reserve should not exceed annual actual contractual payments to retirees for accrued leave.

Established by: Board Resolution
 Term Limit: N/A
 Monetary Limit: N/A
 Appropriations: Budgetary appropriations
 Expenditures: No action needed. Must be less than or equal to annual expenditures related to payments to retirees for accrued leave
 Overfunding: Any balance not required to satisfy all incurred or accrued liabilities may be transferred to any other reserve fund authorized by GML upon certification by a fiscal or legal officer.
 Established: May 2004

Opening Reserve Balance	Net Change in Reserve Expenses/Funding	Closing Reserve Balance
7/1/2017 \$ 104,336	\$ 209	6/30/2018 \$ 104,545
7/1/2018 \$ 104,545	\$ 1,746	6/30/2019 \$ 106,291
7/1/2019 \$ 106,291	\$ 1,009	6/30/2020 \$ 107,300
7/1/2020 \$ 107,300	\$ 500,021	6/30/2021 \$ 607,321
7/1/2021 \$ 607,321	\$ 217	6/30/2022 \$ 607,538
7/1/2022 \$ 607,538	\$ 110,404	6/30/2023 \$ 717,942
7/1/2023 \$ 717,942	\$ 540,500	6/30/2024 \$ 1,258,422

Ideal Balance: Amount necessary to equal the year end compensated absences calculation (according to State Comptroller).

Discussion: This reserve is for contractual earned benefits that will be paid directly upon an employee’s retirement. It does not include postemployment health benefits, lump-sum stipends, or severance payments. The use of this reserve is intended for the cash payments directly to a former employee or an employee’s account such as a 403b retirement account and must be from earned benefits such as accumulated sick or vacation time.

Authority: The Capital Reserve Fund is used to pay the cost of any specific object or purpose for which bonds may be issued (building acquisition and improvement, land acquisition and improvement, vehicle acquisition, technology). Voter authorization is required for both the establishment of the reserve and for payments from the reserve. The form of the required legal notice for the vote on establishing the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. The proposition put before voters must address the specific purpose of the reserve, the ultimate dollar amount of the reserve, the probable term of the reserve, and the source of the funds that will be deposited into the reserve.

Established by: Voter Resolution
 Term Limit: Limit as set by voters, may be extended by voters upon expiration of term. After expiration, monies moved to General Fund as Unappropriated Fund Balance
 Monetary Limit: Limit as set by voters
 Appropriations: Requires voter approval
 Expenditures: Requires voter approval
 Overfunding: Voters must elect to transfer excess monies from this reserve to other reserves. Voters must also elect to terminate reserve prior to expiration of term limit. Upon termination, excess monies must first be applied to outstanding debt and second to reduce the tax levy.

In short, the use of cash financing through capital reserves is prudent financial planning, avoids the expense of bond interest and may offset portions of the community share of proposed projects.

A reserve was established in May 2019 with the following purpose: purchasing vehicles to be used in the transportation program of the District

Established: May 2019
 Term Limit: 10 years (expiration in May 2029)
 Monetary Limit: Not to Exceed \$ 1,500,000 plus accumulated interest earnings

Opening Reserve Balance	Net Change in Reserve Expenses/Funding	Closing Reserve Balance
7/1/2018 \$ 0	\$ 1,500,000	6/30/2019 \$ 1,500,000
7/1/2019 \$ 1,500,000	\$ 14,241	6/30/2020 \$ 1,514,241
7/1/2020 \$ 1,514,241	\$ 1,194,225 (-)	6/30/2021 \$ 320,016
7/1/2021 \$ 320,016	\$ 114	6/30/2022 \$ 320,130
7/1/2022 \$ 320,130	\$ 5,480	6/30/2023 \$ 325,610
7/1/2023 \$ 325,610	\$ 14,195	6/30/2024 \$ 339,805

Ideal Balance: May not exceed the voter authorized contribution limits not including accumulated interest earnings. The District reached the monetary limit for contributions in August 2019.

Discussion: This reserve was created to provide a mechanism to purchase the fleet of buses currently being leased on a yearly basis without having a negative impact on the tax levy and tax cap exclusion calculation due to the significant funds needed to purchase the District fleet of buses. Since a long-term fleet plan has been established the future use of this fund will be limited to those

vehicles necessary to be purchased beyond the current amount allocated in the general fund budget. It is expected there will not be a significant need to expand the size of the fleet beyond the current size. The general fund should have the ability to fund future bus purchases in accordance to the fleet rotation plan. A vehicle reserve allows the district to save money in anticipation of the replacement of transportation vehicles. Funding vehicle purchases in this fashion offers the district three advantages:

1. Minimizes the future financial impact on the budget, tax levy, and the community;
2. Allows the district to avoid the interest charges associated with borrowing;
3. The current transportation aid formula provides state aid to the District for such expenditures, whether purchased through a reserve, through budgetary appropriations, or through a borrowing plan.

**As the state's electric busing mandate becomes more concrete, a need to examine the District's future transportation needs will become necessary.*

Authority: The Capital Reserve Fund is used to pay the cost of any specific object or purpose for which bonds may be issued (building acquisition and improvement, land acquisition and improvement, vehicle acquisition, technology). Voter authorization is required for both the establishment of the reserve and for payments from the reserve. The form of the required legal notice for the vote on establishing the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. The proposition put before voters must address the specific purpose of the reserve, the ultimate dollar amount of the reserve, the probable term of the reserve, and the source of the funds that will be deposited into the reserve.

Established by: Voter Authorization
 Term Limit: Limit as set by voters, may be extended by voters upon expiration of term. After expiration, monies moved to General Fund as Unappropriated Fund Balance
 Monetary Limit: Limit as set by voters
 Appropriations: Requires voter approval
 Expenditures: Requires voter approval
 Overfunding: Voters must elect to transfer excess monies from this reserve to other reserves. Voters must also elect to terminate reserve prior to expiration of term limit. Upon termination, excess monies must first be applied to outstanding debt and second to reduce the tax levy.

In short, the use of cash financing through capital reserves is prudent financial planning, avoids the expense of bond interest and may offset portions of the community share of proposed projects. Leveraging capital reserve funds allows the District to improve facilities while accessing *Building Aid* to offset expenses.

Established: May 2021
 Term Limit: 10 years (expiration in May 2031)
 Monetary Limit: Not to Exceed \$ 15,000,000 plus accumulated interest earnings

Opening Reserve Balance	Net Change in Reserve Expenses/Funding	Closing Reserve Balance
7/1/2020 \$ NA	\$ NA	6/30/2021 \$ 0
7/1/2021 \$ 0	\$ 5,978,816	6/30/2022 \$ 5,978,816
7/1/2022 \$ 5,978,816	\$ 8,071,308	6/30/2023 \$ 14,050,124
7/1/2023 \$ 14,050,124	\$ 1,665,006	6/30/2024 \$ 15,715,130

Ideal Balance: May not exceed the voter authorized limits, plus accumulated interest earnings. The District reached the monetary limit for contributions in June 2024.

Discussion: This reserve was created to provide a mechanism to fund future capital projects to keep the local share in line with the current level of debt service. In a tax cap era, it is important to have a method of financing that can help support tax neutral capital projects. Funding the local share of capital projects in this fashion offers the district a couple of advantages:

1. Minimizes the future financial impact on the budget, tax levy, and the community;
2. Allows the district to avoid interest charges associated with excessive borrowing

Authority: The Repair Reserve is used to pay the cost of repairs to capital improvements or equipment that do not occur annually (or at shorter intervals).

Established by: Voter Authorization
 Term Limit: N/A
 Monetary Limit: N/A
 Appropriations: Budgetary appropriations (however requires voter approval)
 Expenditures: Funds are placed in this reserve from budgetary appropriations or excess fund balance. Voter approval is required to fund this reserve. Unexpended balance may be transferred to Capital, Tax Certiorari or Retirement Contribution Reserves. Expenditures from this reserve may be made only after a public hearing has been held requiring two thirds majority vote of the Board, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years.

Overfunding: May be transferred to other reserves with specific rules on how to authorize the transfer dependent on the receiving reserve fund

Established: N/A

Opening Reserve Balance	Net Change in Reserve Expenses/Funding	Closing Reserve Balance
7/1/2017 \$ 0	\$ 0	6/30/2018 \$ 0
7/1/2018 \$ 0	\$ 0	6/30/2019 \$ 0
7/1/2019 \$ 0	\$ 0	6/30/2020 \$ 0
7/1/2020 \$ 0	\$ 0	6/30/2021 \$ 0
7/1/2021 \$ 0	\$ 0	6/30/2022 \$ 0
7/1/2022 \$ 0	\$ 0	6/30/2023 \$ 0
7/1/2023 \$ 0	\$ 0	6/30/2024 \$ 0

Ideal Balance: The District does not currently use this reserve.

Discussion: The District does not currently use this reserve.

Authority: This reserve fund is used to cover debt service payments on outstanding obligations (BANS, bonds) after the sale of district capital assets or improvements. Expenditures may be only for debt service or to retire outstanding obligations (General Municipal Law, §6-1). The reserve may be established by board resolution and is funded by proceeds from the sale of capital assets and improvements, excess/unexpended monies related to capital project debt, and interest earnings from bonded projects (General Municipal Law, §6-c).

Established by: Situation specific, Board Resolution
 Term Limit: Once outstanding obligations are repaid
 Monetary Limit: N/A
 Appropriations: Budgetary appropriations
 Expenditures: Must be less than or equal to annual expenditures related to debt service (principal & interest)-A 9711.600, A 9711.700, A 9731.600, and A 9731.700
 Overfunding: If all outstanding obligations are paid in full, balance may be expended for any other lawful district purpose.
 Established: June 2005

Opening Reserve Balance	Net Change in Reserve Expenses/Funding	Closing Reserve Balance
7/1/2017 \$ 3,111,350	\$ 227,128	6/30/2018 \$ 3,338,478
7/1/2018 \$ 3,338,478	\$ 303,859	6/30/2019 \$ 3,642,337
7/1/2019 \$ 3,642,337	\$ 73,732	6/30/2020 \$ 3,716,069
7/1/2020 \$ 3,716,069	\$ 132,864	6/30/2021 \$ 3,848,933
7/1/2021 \$ 3,848,933	\$ 698,787 (-)	6/30/2022 \$ 3,150,146
7/1/2022 \$ 3,150,146	\$ 54,103	6/30/2023 \$ 3,204,249
7/1/2023 \$ 3,204,249	\$ 139,741	6/30/2024 \$ 3,343,990

Ideal Balance: N/A – voluntary increase in reserve is not allowed. Balance should not exceed outstanding debt from which the funded reserve was created.

Discussion: The purpose of this reserve is to use proceeds of the sale of district capital assets or unused debt proceeds to repay outstanding debt service. This reserve should be used to offset the annual cost of debt service to the district’s taxpayers. The district considers *Building Aid* scheduled to be received when determining any expenditure of this reserve. The amount budgeted to be used from this reserve should not exceed the balance remaining after state aid is subtracted from debt payments.

In addition to reserves the district also has an Assigned/Appropriated and Unassigned/Unappropriated fund balance. Fund balances are used for the following purposes:

ASSIGNED/APPROPRIATED FUND BALANCE

Purpose: Planned reduction in fund balance to reduce the property tax levy necessary to support the current budget.

District Approved Budget	Appropriated Fund Balance	Percent of Yearly Budget
2018-2019 \$77,887,449	\$ 5,000,000	6.3%
2019-2020 \$ 79,431,300	\$ 5,000,000	6.2%
2020-2021 \$ 81,016,940	\$ 4,750,000	5.8%
2021-2022 \$ 84,854,500	\$ 4,750,000	5.7%
2022-2023 \$ 83,555,000	\$ 4,750,000	5.6%
2023-2024 \$ 85,120,000	\$ 4,750,000	5.6%

Ideal Balance: The designation of fund balance represents a “one-shot” revenue that cannot be anticipated to be available in the ensuing year’s budget. Overuse can cause the depletion of available fund balance, ultimately leading to spikes in the property tax rate or budget cuts. It is projected the current designated fund balance is not sustainable for the foreseeable future and the amount appropriated should be reduced slowly over time.

UNASSIGNED/UNDESIGNATED FUND BALANCE

Purpose: Used to fund expenditures from July through September of the ensuing year prior to the inflow of property tax receipts. Also provides a source of funds for unanticipated increases in expenditures, decreases in revenue and interruptions in cash flow.

District Approved Budget	Unappropriated Fund Balance	Percent of Yearly Budget
2018-2019 \$ 77,887,449	\$ 5,133,505	6.6%
2019-2020 \$ 79,431,300	\$ 4,367,121	5.5%
2020-2021 \$ 81,016,940	\$ 4,842,045	5.98%
2021-2022 \$ 84,854,500	\$ 3,231,072	3.96%
2022-2023 \$ 83,555,000	\$ 3,342,200	4.00%
2023-2024 \$ 85,120,000	\$ 3,404,800	4.00%
2024-2025 \$ 83,510,000	\$ 3,340,400	4.00%

RESERVE FUNDS THAT MAY BE USED BY NEW YORK SCHOOL DISTRICTS

Reserve Name/ Account Code	Legal Citation	Purpose	Established By:	Funding Source(s)	Expenditures	Duration	Restrictions
Retirement Contribution Reserve Fund (A 827)	GML §6-r	To fund employer retirement contributions, i.e. any portion of the amount(s) payable by an eligible school district to the NY State and Local Employees' Retirement System (ERS), but not TRS	BOE Resolution	1. Budgetary Approp. or other funds that may be legally appropriated. 2. Revenue not restricted by Law to be paid to another fund or account. 3. Transfers from Tax Certiorari, Capital or Repair Reserves	Authorized by BOE Resolution	No Limit.	Transfers from or back to other reserve funds require a public hearing with 15 days notice published in official newspaper(s)
Workers Compensation Reserve Fund (A 814)	GML §6-j (S)	To fund Workers Compensation expenses, related medical expenses and self-insurance administrative costs.	BOE Resolution	Budgetary Approp. or other funds that may be legally appropriated	Separate BOE authorization not required to spend from this reserve.	No Limit. BOE may terminate if district no longer self-insures	Districts that self-insure may establish reserve. Funds remaining at the end of each school year, in excess of requirement to pay all pending claims, may be transferred, within 60 days of the close of the school yr., to other reserve funds or applied to budgetary appropriations for new school year.
Unemployment Insurance Reserve (A 815)	GML §6-m	To pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the school district uses the benefit reimbursement method.	BOE Resolution	Budgetary Approp. or other funds that may be legally appropriated or funds from other reserves authorized in the GML, or Ed. Law subject to permissive referendum.	Separate BOE authorization not required to spend from this reserve.	No Limit. BOE may terminate if district converts to tax contribution method of funding	If district converts to tax contribution funding mechanism, balance exceeding the amount necessary to pay all outstanding claims may be transferred, to any other reserve fund(s) authorized by GML or Ed. Law §3651. Excess funds remaining at end of any school year may be transferred, within 60 days of the close of that school yr., to other reserve fund(s) or applied to budgetary appropriations for the new school year.
Insurance Reserve Fund (A 863)	GML §6-n	To pay liability, casualty and other types of losses, except those 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.	BOE Resolution	Budgetary Approp. or other funds that may be legally appropriated or funds from other reserves authorized in the GML, subject to permissive referendum.	Separate BOE authorization not required to spend from this reserve.	No Limit.	Annual contribution(s) limited to greater of \$33,000 or 5% of the budget. No limit on accumulated reserve balance. Cannot use \$ for any purpose covered by another special reserve. Settled or compromised claims up to \$25,000 may be paid without judicial approval. Should BOE terminate this reserve, remaining funds in excess of incurred or accrued liabilities may be transferred to any other reserve fund authorized by the GML or Ed. Law §3651.
Property Loss Reserve (A 861) Liability Reserve (A 862)	Ed. Law §1709 (8-c) (S)	To pay for property loss & liability claims incurred	BOE Resolution	Budgetary Approp. or other funds that may be legally appropriated	Separate BOE Resolution not required for most expenditures. (See restrictions.)	No Limit.	Annual contribution(s) limited to greater of \$15,000 or 3% of the budget. Separate funds required for property loss and liability claims. \$ deposited cannot be used for another purpose w/o voter approval except BOE may use \$ not required to settle pending claims, to purchase insurance policies to cover losses previously self-insured. Balances may not be reduced below amounts required. to settle all pending claims.

(S) in legal citation column indicates requirement for separate bank account per OSC Financial Management Guide.

State Aid & Financial Planning Service – Questar III BOCES
 10 Empire State Boulevard • Castleton, NY 12033 • Phone: 518.477.2635 • Fax: 518.477.4284
<http://safo.questar.org> • Twitter: [QIII/SAP](#)

RESERVE FUNDS THAT MAY BE USED BY NEW YORK SCHOOL DISTRICTS

Reserve Name/ Account Code	Legal Citation	Purpose	Established By:	Funding Source(s)	Expenditures	Duration	Restrictions
Employee Benefit Accrued Liability Reserve (A.830)	GML §6-p	To pay accrued benefits due employees upon termination of service for vacation, sick leave, personal leave etc.	BOE Resolution	Budgetary Approp. or other funds that may be legally appropriated or funds from other reserves authorized in the GML, subject to permissive referendum.	Separate BOE authorization not required to spend from this reserve.	No Limit.	Upon termination by BOE, balance not required to satisfy all incurred or accrued liabilities may be transferred to any other reserve fund(s) authorized in the General Municipal Law (GML). May not be used to fund health or other post retirement benefits.
Tax Certiorari Reserve (A.864)	Ed. Law §3651(1-a) (S)	To pay judgments & claims in tax certiorari proceedings per RPTL, Article 7	BOE Resolution	Budgetary Approp. or other funds that may be legally appropriated. Monies held in reserve may not exceed amount necessary to meet anticipated judgments & claims	Separate BOE authorization not required to spend from this reserve.	No Limit	\$ not expended for judgments & claims in the year deposited, must be returned to General Fund on or before 1 st day of the 4 th school yr. after deposit of such monies into the reserve unless claim(s) are still open and not finally determined or otherwise terminated or disposed of after the exhaustion of all appeals.
Repair Reserve (A.882)	GML §6-d (S)	For repairs to capital improvements or equipment not recurring annually or at shorter intervals.	BOE Resolution	Budgetary Approp. or other funds that may be legally appropriated.	Public hearing required (except in an emergency) before spending from this reserve.	No Limit	Reserve must be repaid in equal installments over next two school yrs. if expenses are made without holding a public hearing. Emergency spending requires 2/3 majority vote of BOE. Legal notice required 5 days in advance of hearing. Unneeded balance may be transferred to Capital, Tax Certiorari or Retirement Contribution Reserves.
Capital Reserve (A.878)	Ed. Law §3651 (S)	To pay the cost of any object or purpose for which bonds may be issued	Viewer Approval Only	Proposition(s) put before voters must specify purpose(s), ultimate \$ amount(s) to be deposited into reserve(s), probable term(s) or life lives and source(s) of funds to be deposited into the reserve(s).	Viewer approval required to spend from these reserve(s). Annual approval(s). to fund reserve(s) require voter approval.	Limited to term or life approved by voters. Voters may extend term only before end date. Reserve(s) defunct after term(s) expire, except to spend remaining funds w/ voter approval.	Purpose must be specific i.e. to purchase school buses, facility construction, equipment etc. Total exp. over life of each reserve may not exceed voter-approved maximum. Funds may be transferred to other reserves only with voter approval. Voter approval required to terminate reserve before specified expiration date. Remaining funds must first be applied to district's outstanding bonded indebtedness and secondarily to reduce the tax levy.
Mandatory Reserve for Debt Service (A.884) (V 884)	GML §6-1 (S)	To cover debt service payments on outstanding obligations (bonds, BANS) after the sale of district capital assets or improvements	BOE Resolution BOE must establish if	Proceeds from the sale of capital assets and improvements as defined in GML § 6-c. Includes but not limited to land, buildings, equipment and vehicles	For debt service only or to retire outstanding obligations	Terminates once obligations are repaid.	Applicable State or Federal Aid must also be deposited into the reserve fund if proceeds from sale are not sufficient to repay all outstanding obligations. Proceeds of sale in excess of indebtedness may be expended for any other lawful district purpose.
Reserve for Tax Reduction (A.891)	Ed. Law §1604(36) §1709(37)	To allow for the gradual use of proceeds from the sale of district real property	BOE Resolution	Proceeds from the sale of real property in excess of what is required to repay outstanding debt (Bonds, BANS)	\$'s from reserve to be appropriated annually over ten or fewer yrs. to offset tax levy	Up to ten yrs.	Proceeds of must be placed in Mandatory Reserve for Debt Service in amount necessary to retire all outstanding obligations before BOE may establish Reserve for Tax Reduction.

(S) in legal citation column indicates requirement for separate bank account per OSC Financial Management Guide.

NOTE: Reserve for Inventory (A 845) may be established to limit maximum investment in inventory and to restrict that portion of fund balance, which is not available for appropriation.

State Aid & Financial Planning Service – Questar III BOCES
 10 Empire State Boulevard • Castleon, NY 12033 • Phone: 518.477.2635 • Fax: 518.477.4284
<http://saps.questar.org> • Twitter: [QIIIISAP](#)