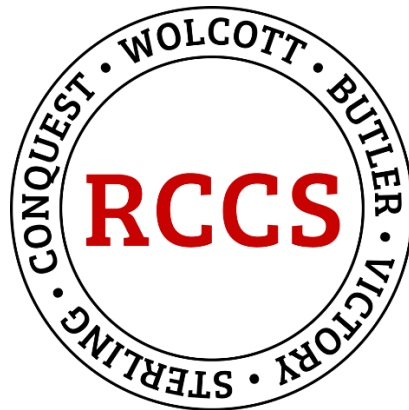


# Red Creek Central School District



## Financial Management & Reserve Plan 2024 – 2027

Last Updated: May 24, 2024



## Financial Management Philosophy

The Red Creek Central School District Board of Education believes that long-term financial health of the school district is essential to provide students with the educational programs and facilities to meet its mission.

Strong financial management will support the Red Creek Central School District (RCCSD) mission to: “[C]reate a safe and supportive learning environment for all of our students, in order to prepare them with the fundamental skills and knowledge necessary to successfully and responsibly contribute to society.”

The goal of these financial management practices are to provide long-term financial stability to the District and its students, avoid drastic cuts to educational programs, and maintain a stable tax levy.

## Core Beliefs

The Board of Education’s beliefs about fiscal management and maintenance of reserves are grounded in the following:

- Programs that provide a demonstrable benefit to students must be protected in both the short and long term.
- Exceeding the tax cap and proposing an override vote carries too great a risk to the District’s stability and should be avoided.
- The community has a significant investment in our schools and is owed transparency about the District’s financial management philosophy.
- Preserving infrastructure and school buildings is an essential component of creating and sustaining a positive learning environment for students.
- Use of budget surplus to support the ongoing budget structure undermines the long-term financial health of the District. Surplus funds should be used to provide long-term benefits to the District without creating a structural budget imbalance.

## Interpretation and Usage

The purpose of this financial management plan is to support the annual budget development process and District strategic plan in coordination with the long-term goals and visions of the District. Whenever the District’s strategic plan is revised or updated, the District’s financial management plan will also require review. At minimum, this plan will be reviewed and updated and re-adopted at least every five years.



## Financial Background Information

The Red Creek Central School District (RCCSD) is a high needs rural school district serving approximately 800 students. The District's annual budget is \$25,176,264 for the 2024-2025 school year. This annual budgetary amount is funded by State Aid (73%), the District's local tax levy (20%), and miscellaneous other local revenues (7%). Per the District's Financial Transparency Report, RCCSD has significantly less ability to raise local funds than the average district in NYS. High reliance on State Aid and this lowered ability to raise local funds (through raising taxes) means that RCCSD is strongly impacted by state-level decisions regarding the funding of education. If cuts were made to RCCSD's state aid, the District would likely need to consider drastic cuts to educational programming. As a result, ensuring that District reserves are well-funded is critical in providing financial insulation and stability to the District.

## Fiscal Transparency

The District believes that in exercising fiduciary responsibility for taxpayer money, its actions should be subject to public scrutiny. This is accomplished in a number of ways:

- Each fall, upon completion of the Audit of the district's financial statement, the external auditor will review with the audit committee and subsequently, full board, the districts' financial position. This presentation includes disclosure of all reserve fund balances, retiree health insurance obligations, an explanation of our financial practices and discussion of bonded indebtedness.
- Audited financial statements are posted on the District's website.
- Disclosure on the property tax report card of the following information:
  - the purpose of the reserve fund; and
  - reserve balances at the end of the 3rd quarter of the school year; and
  - projected June 30 balances; and
  - a brief description of any planned use of the reserve in the upcoming school year.
  - projected year-end balance of each reserve, even though this information is not required.
- All reserve deposits are authorized by Board of Education resolution. The amount that is recommended to fund reserves will be brought forward by the Executive Director of Business & Finance each June. The agendas of meetings at which funding resolutions are to be considered, are posted on the District's web site in Board Docs, as are minutes containing the adopted resolutions.
- Budget documents that include proposed voter authorized funding are posted on the District's website and placed in all school buildings. Line-item budgets contained in budget documents specifically reference proposed interfund transfers to various reserves.



## Purpose & Funding of Reserves

The Office of the NY State Comptroller states: “Planning today and saving incrementally for expected future events can help mitigate the financial impact of major, nonrecurring or unforeseen expenditures on your annual operating budget.” (Reserve Funds, Office of State Comptroller Local Government Management Guide, February, 2022)

Some reserves are a savings account in which money is accumulated for a planned future use. The capital reserves (capital, bus purchase, equipment and technology) provide the opportunity to save surplus funds for the eventual use as a financing source for capital purchases or construction projects. When these reserve funds are used they may reduce the tax burden on the community by subsidizing the “local” responsibility of capital projects and/or purchases. They may also reduce the amount of debt required to fund capital projects and/or purchases, which results in lower interest expenses for the District.

The New York State Comptroller’s office states: “The practice of planning ahead and systematically saving for capital acquisitions and other capital needs is considered prudent management.”

More information from the New York State Comptroller’s office is available here:  
<https://www.osc.ny.gov/files/local-government/publications/pdf/reserve-funds.pdf>



## Unemployment Insurance Reserve

*Established:* June 21, 1978 by BOE Resolution

*Purpose:* To pay the cost of reimbursement to the New York State Unemployment Insurance Fund for payments made to claimants where the Red Creek Central School District uses the benefit reimbursement method, meaning the District reimburses New York State (NYS) for actual unemployment claims incurred rather than pay a premium for unemployment insurance coverage. The District does not pay NYS a fixed premium for unemployment coverage.

*Source of Funds:* Budgetary appropriations and other funds that may be legally appropriated or transfers from other appropriate reserves.

*Funding Level:* The District has a relatively low rate of staff turnover, however, unemployment costs have recently increased. Additionally, the District is funding this reserve conservatively due to uncertainty regarding State Aid funding levels in the future. If the District receives a cut to State Aid, layoffs may become necessary due to the District's inability to mitigate these cuts with raises in the tax levy. Accordingly, the District is funding this reserve to be able to support those potential costs.

*Expenditures:* Annual accounting of District's expenditures. The law does not require a Board of Education resolution to expend funds from this reserve.

*Duration:* No limit.

*Other Uses of Funds:* Excess funding could be transferred to other reserves or the General Fund by Board of Education resolution. The reserve may be terminated by Board of Education resolution if the District elects to cease self-insuring unemployment benefits and remaining funds may be transferred to another reserve authorized by General Municipal Law or Education Law §3651.

Legal Reference:	General Municipal Law, §6-m.
Account Code:	A815
Balance as of June 30, 2023:	\$131,607
Ideal Balance:	Approximately 2% of payroll (\$230,000+/-)



Retirement Contribution Reserve (ERS & TRS)

*Established:* November 30, 2005 (ERS) and June 17, 2020 (TRS) by BOE resolution.

*Purpose:* These reserves are used to pay for district employer contributions to the NYS Employees Retirement System and the Teachers Retirement System, if required, to support the general fund budget. ERS is budgeted using a blended rate for all retirement tiers. TRS rates estimates come from the NYS Teacher’s Retirement System administrative bulletins, applicable to the following year’s payroll.

*Source of Funds:* Funds may be placed into this reserve from excess fund balance, budgetary appropriations and other funds that may be legally appropriated or, transfers from the other appropriate reserves pursuant to GML or Education Law 3651.

*Funding Level:* There is no cap on funding the ERS Reserve. For the TRS reserve, a district may set aside up to two percent of its total TRS payroll, annually. The fund balance may not exceed 10% of total compensation paid to TRS members in the district during the prior fiscal year.

The current five-year average of payments for ERS is approximately \$255,000. The level in this reserve is sufficient to support a budgetary appropriation of the average amount for 3.5 years.

The current five-year average of payments for TRS is approximately \$685,685. The reserve may not exceed 10% of total compensation paid to TRS members in the district during the prior fiscal year. If current salaries are approximated at \$7.8, then the max funding limit for this reserve would be \$780,000. In the interest of long-term financial stability of the District, the Board of Education will continue to fund these reserves to the extent that surplus funds are available for this purpose. Expenditures for both ERS and TRS can vary widely from year to year based on economic swings. Therefore, funding these reserves to the maximum can help alleviate any budget concerns.

*Expenditures:* Our practice has been to authorize by budgetary appropriation and provide discretion in use of the appropriation by annual Board of Education resolution. These reserves should be used to support the general fund in times of large swings in the employer contribution rates for each retirement system.

Duration:	No limit
Legal Reference:	General Municipal Law, §6-1
Account Code:	A827 and A282
Balance as of June 30, 2023:	ERS Balance: \$933,148 TRS Balance: \$419,658



Employee Benefit Accrued Liability Reserve – (EBALR)

*Established:* October 22, 2003 by BOE resolution.

*Purpose:* 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 may only be made for allowed cash payments of the monetary value of accrued and accumulated, but unused and unpaid sick leave, personal leave, vacation leave, holiday leave time allowances granted in lieu of overtime compensation earned by employees and due upon their termination of employment by retirement or otherwise. This fund cannot be used to pay for items such as retirement incentives, FICA and Medicare payments and retiree health insurance. Overall, this reserve is used when an employee separates from the District and payment of accumulated leave is required.

*Source of Funds:* Funds may be placed into this reserve from excess fund balance, budgetary appropriations and other funds that may be legally appropriated or transferred pursuant to GML or Education Law 3651, subject to permissive resolution.

*Funding Level:* Each year, a detailed analysis of the liability will be computed and is used to support the funding of this reserve at 100% of the liability. Necessary increases or decreases in funding are approved by Board of Education resolution.

*Expenditures:* The law does not require a Board of Education resolution to expend funds from this reserve.

Duration:	No limit.
Legal Reference:	General Municipal Law, §6-p
Account Code:	A867
Balance as of 6/30/23:	\$486,566
Ideal Balance:	Equivalent to the calculated total of compensated absences of all employees age 55 and over: \$1,460,222



Liability Reserve

*Established:* This reserve was originally established prior to 6/30/2006.

*Purpose:* For the payment of self-insured liability claims.

*Source of Funds:* Funds may be placed into this reserve from excess fund balance, budgetary appropriations and other funds that may be legally appropriated or transferred pursuant to GML or Education Law 3651, subject to permissive resolution.

*Funding Level:* The total amount of reserve cannot exceed three per centum, exclusive of any planned balance presently authorized, of the annual budget of the district. In the event that 3%, exclusive of any planned balance presently authorized, of the annual budget of the district would result in less than \$15,000, the total reserve funds may be for an amount not to exceed \$15,000.

*Expenditures:* The law does not require a Board of Education resolution to expend funds from this reserve.

Duration:	No limit.
Legal Reference:	Education Law Section 1709 [8-c]
Account Code:	A862
Balance as of 6/30/23:	\$712,058
Ideal Balance:	3% of the District Budget (Approximately \$745,000+/-)



## 2024 Capital Reserve

*Established:* This reserve was approved by the voters of the Red Creek Central School District at its Annual Meeting in May 2024.

*Purpose:* The Capital Reserve Fund is used to pay the cost of any object or purpose for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and to spend 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. Expenditures must be specific i.e., to purchase school buses, facility construction, equipment, etc. The reserve is intended to reduce the impact to district residents of capital projects.

*Source of Funds:* Per the Resolution approved by voters in May 2018, deposits up to \$5,000,000 plus accrued interest and investment earnings with a probable term of ten (10) years shall be from surplus dollars, and/or legally available funds available to the District when it closes its books every June 30.

*Expenditures:* Voter approval is required to spend money from a capital reserve fund.

*Duration:* The authorization to make deposits to this reserve expires after 10 years or when the total amount of deposits reaches the cumulative maximum threshold of \$5,000,000.

*Other Uses of Funds:* Voter approval is required to terminate the capital reserve fund before its expiration date. If terminated, unused funds must first be applied to the District's outstanding indebtedness and then to lower the tax levy.

Legal Reference:	Education Law, §3651
Account Code:	A878
Balance as of June 30, 2023:	\$2,174,460



2020 Capital Reserve – Bus Reserve

*Established:* This reserve was approved by the voters of the Red Creek Central School District in June 2020.

*Purpose:* The Capital Reserve for Transportation Fund is used to pay the cost of any transportation related object or purpose for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and to spend 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. Expenditures must be specific i.e., to purchase school buses, facility construction, equipment, etc. The reserve is intended to reduce the impact to district residents of transportation related capital projects.

*Source of Funds:* Per the Resolution approved by voters in May 2021, deposits up to \$2,000,000 plus accrued interest and investment earnings with a term of ten (10) years shall be from surplus dollars, and/or legally available funds available to the District when it closes its books every June 30.

*Expenditures:* Voter approval is required to spend money from a capital reserve fund.

*Duration:* The authorization to make deposits to this reserve expires after 10 years or when the total amount of deposits reaches the cumulative maximum threshold of \$2,500,000.

Legal Reference:	Education Law, §3651
Account Code:	A878
Balance as of June 30, 2023:	\$1,122,193
Restrictions:	Voter approval needed to expend funds from this reserve.



## Workers' Compensation Reserve

*Established:* April 19, 2018 by BOE resolution.

*Purpose:* This reserve is used to pay for actual worker's compensation benefits. Workers' compensation gives employees benefits if they have a work-related injury or illness. This coverage can help cover injured or sick employees' medical expenses. It can also help replace wages from lost work time. The district is self-insured which allows for this reserve.

*Authorization:* General Municipal Law §6-j

*Funding Methods:* Fund balance or budgetary appropriations.

*Use of Reserve:* The Workers Compensation Reserve may be used to pay some or all of our annual claims to support the general fund budget. While the budgeted appropriation has been sufficient in past years to cover claims, this reserve should be funded higher than its current amount in the event of a catastrophic event.

*Funding Level:* The current funding level is sufficient to pay claims for 3.1 years based on a normal year's budgeted use and assuming no increase in claims. In the interest of long-term financial stability of the District, the Board of Education will continue to fund this reserve to the extent that surplus funds are available for this purpose.

Balance as of June 30, 2023:

\$318,247

Ideal Balance:

The equivalent of three years of annual expenditure plus current outstanding case reserves. (3 x annual premium + outstanding case reserves)



## Debt Service Fund

*Purpose:* The District has established a fund for debt service as allowed by the School District and Reporting Manual published by the office of the State Comptroller. This fund is used to segregate funds required for debt payments as well as to transfer the interest earned on proceeds of long-term debt as required. The purpose of the fund is to hold interest earned from borrowed funds during construction period and unexpected funds from completed capital projects. It is intended to be used to offset the local cost of future debt service payments.

*Funding Methods:* The reserve is the entire balance of the Debt Service fund which may come from interfund transfers for the General Fund, construction period interest revenue from the Capital fund and bond premiums.

*Funding Level:* There are no specific rules that set the total amount of money that may remain on deposit at any one time.

*Expenditures:* All expenditures are for debt service and related transactions and are made from the Debt Service Fund, not from the reserve.

Duration:	No limit.
Balance as of June 30, 2023:	\$802,469
Ideal Balance:	Should not exceed outstanding bonded debt.
Recommended:	Debt Service Reserve is used to offset Annual Debt Service or to avoid capitalized interest costs to the District.



Assigned Fund Balance/Reserve for Subsequent Year/Designated for Expenditures:

**Note: Assigned fund balance is not a reserve but is equally important to the District's financial planning.**

*Established:* These funds are actually fund balance that 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:* Surplus fund balance from the General Fund.

*Use of Funds:* It is recommended that the practice of using these funds to reduce the property tax levy be curtailed over time as the operating surpluses from which they are created are reduced. Done properly, this should have no net impact on tax levies.

*Funding Level:* Since this is a nonrecurring revenue, it is desirable to reduce the budget's reliance on it.

*Accounting:* The assigned fund balance is accounted for in the General Fund.



## Unassigned Fund Balance

**Note: Unassigned fund balance is not a reserve but is equally important to the District's financial planning. The District intends to retain its unexpended funds in this account up to or below the legal limit of 4% of the upcoming year's budget. (RPTL §1318).**

*Established:* Retention of these funds are allowed by law.

*Purpose:* These funds are unrestricted and may be used for any ordinary, contingent expense.

*Funding Methods:* These funds have been accumulated from surpluses in the operating budget.

*Use of Funds:* It is recommended that these funds not be used except for an emergent, unanticipated expense, or revenue shortfall, that cannot be handled either in the budget or with other available reserves.

*Funding Level:* The maximum legal limit is recommended (4% of the ensuing budget). In an April, 2011 accounting bulletin the Office of the State Comptroller addressed the calculation of this limit as follows: "Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4 percent of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4 percent limitation. In the context of previous fund balance reporting, an unexpended surplus was interpreted to be synonymous with unappropriated unreserved fund balance. Under Statement 54 fund balance classifications, the 4 percent limitation would be interpreted to be applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance."<sup>1</sup>

*Expenditures:* Unassigned fund balance must be appropriated by Board of Education resolution and then expended through the General Fund budget.

*Accounting:* The unassigned fund balance is accounted for in the General Fund.

6/30/23: 1,047,470 (4.21%)

<sup>1</sup> Appropriated fund balance is classified as assigned but must be excluded from the 4 percent calculation because it is not being retained and is already being used to reduce the tax levy for the subsequent fiscal year. Encumbrances classified as committed or assigned and amounts reserved for insurance recovery and tax reduction have been excluded from the calculation for consistency, because they are not considered surplus funds and were previously excluded.



## Red Creek Central School District Reserve Fund Strategy

The District will continue to use conservative budgeting practices which will likely result in excess revenues over expenditures at the end of the fiscal year. The District wishes to avoid cuts to educational programs due to reductions in State Aid or other critical revenue streams.

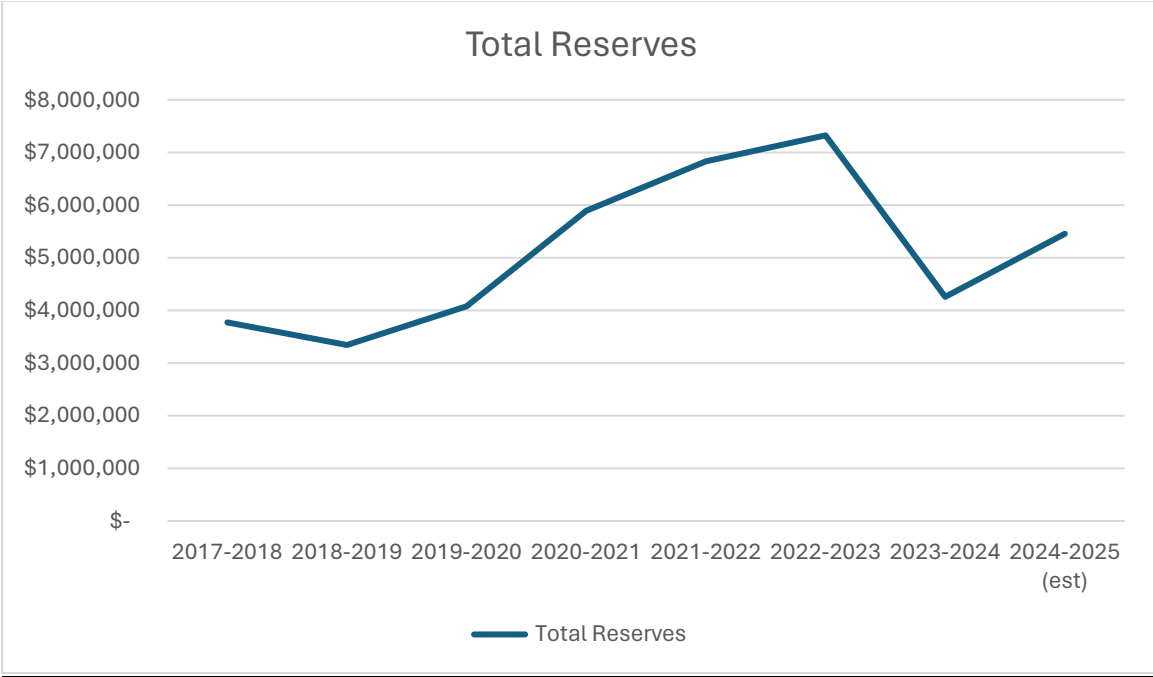
Through the management of its reserves the District hopes to achieve the following:

- Maintenance of educational programming during economic downturns
- Cash flows that will eliminate the need to issue Revenue Anticipation Notes in the event state or federal aid is not paid timely or reduced
- Cash flows that will allow increased invested earnings
- The ability to take advantage of opportunities as they arise, relevant to school district operations, that could result in better efficiencies, facilities/capital improvements, and instruction that are a savings to the taxpayers in the long run
- Consistencies and improvements in its education program
- A long-term plan for preserving its infrastructure and school buildings
- The ability to maintain a stable tax levy
- The ability to maintain and/or improve its bond rating which will save taxpayers at both the local and state level

In terms of its mission and responsibility to manage its fiscal affairs prudently, the Board of Education considers all of the goals above to be critical to its philosophy in managing reserves.



Historical Review of Reserves



### Reserves Over Time (Condensed)

