Understanding Fund Balance/Reserves

June 23, 2026

Categories of Fund Balance

Fund Balance

- Unassigned Fund Balance
  - Recommended and maximum amount is 4% of next year's budget
- Appropriated Fund Balance
  - Funds designated for revenue for next year's budget
  - Approved in budget process
- Reserve for Encumbrances
  - Incomplete orders at year-end that carry over to next year's budget
  - Amounts fluctuate from year-to-year
- Reserve Funds
  - Restricted for specific purposes
  - Funds assist with long range financial planning, managing liabilities, and future budgetary "surprises"

Categories of Fund Balance (cont.)

Current Reserve Funds

- Tax Certiorari
  - Used to pay tax refunds on successful claims
- Capital Fund
  - Used with voter approval for future projects
- Worker's Comp
  - Used for self-insured districts to pay claims
- Employee Benefits Accrued Liability (EBALR)
  - Used for contractual employee benefits upon retirement
- TRS/ERS
  - Used for contractual retirement contribution matches set by NYSTRS and NYSLRS
- Liability Claims
  - Used to pay board approved legal settlements
- Insurance Liability
  - Used to pay liability, casualty, and other types of uninsured losses

More reserves are allowed: Repair, Property Loss, Unemployment

Current Fund Balances

As of June 30, 2025

Reserve Fund Balances	June 2025
Unassigned Fund Balance	3,183,056
Reserves for Encumbrances	581,962
Appropriated for Revenue	422,500
Reserve for Tax Certiorari	4,819,607
Reserve for Employee Benefit Liability	859,764
Reserve for Worker Compensation	733,929
Reserve for Capital	4,505,596
Reserve for ERS/TRS Retirement Contribution	1,649,132
Reserve for Liability Claims	1,424,182
Reserve for Insurance Liability	608,478
Total Fund Balance	**18,788,206**

Allowable Sources of Fund Balance

- Surplus resulting from expenditures not exceeding revenues
  - Expenditures lower than budget
  - Revenues higher than budget
- Borrowing
- Sale of building/land
- Unexpended capital project

What are the Key Variances Creating Surplus This Year?

Revenue:

- Interest revenue – rates above forecast for investment of cash
- Tuition of non-resident students (Special Ed and General Ed)
- Sales tax revenue remained strong
- State aid from prior year expenditures (BOCES, Excess Cost) and additional foundation aid after budget was adopted
- BOCES refund of prior year expense

Expenditures:

- Special Ed tuitions
- Health Insurance (higher rates but better mix with waiver program)
- Utilities – cold winter but had locked in gas rate
- Facility projects coming in under estimates
- Non-Contract salary such as reduced overtime and Contract salary with staff movement
- Reduced Worker's Comp expenses
- Reduced Transportation expense – share costs improved

Why Have Reserves?

- Used for long range planning – known costs
  - Worker's Comp tail claim payments
  - Tax Certiorari refund payments
  - Legal settlements
  - Contractual payments to retirees

- Used for long range planning – future costs
  - Long range facilities plan

- Used to manage economic fluctuations and reduce budgetary swings
  - TRS/ERS rates increasing can result in severe budgetary pressure
  - Inflation effects - example utilities, health insurance
  - Costs that may be uninsured or within deductible limits

Why Have Unassigned Fund Balance?

- Office of State Comptroller/SED allows up to 4% of the next year's budget as unassigned funds and recommends 4% as a measure of fiscal health to avoid fiscal stress
- Previously larger levels were allowed – municipalities are not restricted to 4%
- Cash flow – avoid borrowing for Tax Anticipation Notes (T.A.N.) and resulting interest costs to fund operations until tax funds arrive in October and February
- Strong financial health leads to a better credit rating typically resulting in a lower borrowing rate for future capital projects
- Ability to weather any potential storms and manage fluctuations in key drivers such as pension match rates or insurance premium increases

Do We Gain Interest on Our Reserves?

YES!

- Our reserve funds are invested throughout the year
  - Investments must follow NY General Municipal Law, Article 5-G and 3-A, which requires safety and liquidity
  - District primarily invests through a Local Government Investment Pool managed by NYCLASS (merged with NYLAF), NY Cooperative Liquid Assets Securities System

- Some years, interest rates are low and thus cannot be expected to add much to our reserves

- Current year, we expect approximately $515,000 in interest revenue with rates approximately 3.5-4.0% much of this year. While interest rates were lower than our experience in 2024-25, our increased balances kept interest revenue strong in addition to utilizing higher yield Treasuries.

Example: Long Range Facility Planning Aided by Capital Reserve

- The District maintains a long range facilities plan. This includes work that cannot be covered in an annual budget resulting from our building conditions survey and from improvement ideas. Some projects contained in our long range facility plan include:
  - Roofing and ceilings
  - HVAC and plumbing fixtures
  - Electrical upgrades
  - Windows and door replacements
  - Paving and concrete work
  - Repurposing of space requiring renovations for academic needs
- When identified areas of concern become more urgently needed or desired, District seeks to initiate a capital project with voters.
- Funding is typically through a voter approved bond but amount may be offset with funds in a capital reserve. Use of the reserve reduces annual borrowing costs that must be included with the general fund budget

Example: Long Range Facility Planning Aided by Capital Reserve

- Began year with $4,505,596
- Voters approved $3,950,000 in May 2025 – funds transferred to Capital Fund
  - Field lights, Turf and Track Replacement
  - High School Classroom and bathroom renovations
  - Middle School Window replacements and basketball court paving
  - Dows Basketball court and Peaceful Playground paving and refurbishment
- Recommend adding $1,400,000 plus any remaining surplus to supplement next capital project
- Ending Reserve Balance of ~$2,100,000

Example: Long Range Financial Planning/Budgeting Aided by Retirement Reserve

- Having a retirement reserve will minimize the budgetary impact of any large swings in retirement system contribution rates

Fiscal Year	Salaries	Contribution Rate	TRS Payable	Variance to current year
2023-24	$30,000,000	9.76%	$2,928,000	
2024-25	$30,000,000	10.11%	$3,033,000	$105,000
2025-26	$30,000,000	9.59%	$2,877,000	-$156,000
2026-27	$30,000,000	8.24%	$2,472,000	-$405,000
Future year Possibility	$30,000,000	10.00%	$3,000,000	$528,000
Future year Possibility	$30,000,000	11.00%	$3,300,000	$828,000

- In this example, if the contribution rate increased to 10% from the 8.24% match, the budget would need to include an additional $528,000 which could consume much of the tax levy increase. A rate match of 11% might necessitate program/staff cuts if funds in a reserve were not available. The contribution rate is largely dependent on the stock market and investment performance by NYS TRS as investments account for 85% of the TRS income, and 15% coming from employers and employees matches.

Example of Reserve Use: Tax Certiorari Reserve

- Began year with $4,819,607
- Money is added and subtracted each year
- Transferred $1,683,544 to General Fund to pay out on settlements for current fiscal year compared with $458,516 the previous year
- Total exposure is ~$1,241,408,606 based on actual filings as provided from the Assessor's office. This represents the difference between the assessed value and requested reduction. A more realistic exposure is closer to $7.5 - $12 million through settlements and court proceedings.
- In 2012-13, the District borrowed $3,575,000 to augment reserve. This borrowing has been paid and the goal is not to have to borrow again as interest payments create a budget burden.
- Recommend maintaining current level by adding to tax cert reserve with $1,500,000 allocation of surplus funds available to avoid future borrowing
- Supplement with a $300,000 transfer from the Workers Comp reserve which is now overfunded

Reserve Funding Recommendations

With an expected surplus of ~$2,400,000:

- Fund to 4% limit for Unassigned Fund Balance
- Add $0 to Worker's Comp Reserve
  - Reallocate $300,000 to Tax Certiorari Reserve
- Add $350,000 to Employee Benefits Reserve
  - Plan for larger concentration of staff eligible to retire in the next few years
- Add $1,500,000 to Tax Certiorari Reserve plus $300,000 reallocation
  - Replenish account after heavy payment year
- Add $800,000 to Liability Reserve for pending litigation and replenishment
- Add $100,000 to Insurance Reserve
  - Allow for higher deductibles in the future to lower rising premiums
- Add $350,000 to TRS/ERS Reserve
- Add $1,400,000 to Capital Reserve
- Add any remaining surplus funds to the Capital Reserve or Liability Reserve after consultation with the BOE

These estimates are based on current financials and accrual estimates. Final numbers/funding recommendation is available end of July/August as audit is completed and will be provided to the Board prior to finalizing reserve funding.

Projected Fund Balances Illustrated

As of June 14, 2026

	June 2025	2025-26 Recommended Projected Year End*	Net Change
Unassigned Fund Balance	3,183,056	$3,298,878	$115,822
Appropriated Fund Balance	$422,500	$422,500	$0
Reserve for Encumbrances*	$581,962	$581,962	$0
Reserve for Tax Certiorari **	4,819,607	$5,105,475	$285,868
Reserve for Employee Benefits Liabiity **	859,764	$1,026,180	$166,416
Reserve for Worker's Compensation **	733,929	$389,816	-$344,113
Reserve for Capital**	4,505,596	$2,146,196	-$2,359,400
Reserve for TRS/ERS*	1,649,132	$2,057,300	$408,168
Reserve for Liability**	1,424,182	$1,474,416	$50,234
Reserve for Insurance*	608,478	$729,940	$121,462
Total	$18,788,206	$17,232,663	-$1,555,543
Transfer to Capital			$3,950,000
Net increase			$2,394,457
* Final numbers depend on actual surplus determined at fiscal close			
** Net change includes fund spent from the reserve during the current fiscal year plus funds expected to be added			