



Reserve Fund Plan and Analysis for General Fund as of June 30, 2024

**Board of Education Review/Approval
October 17, 2024**

OVERVIEW

The establishment and funding of reserves is an important consideration in the maintenance of a sound financial plan for any school district. Strict adherence to state laws 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.

The Schoharie Central School District believes that the judicious use of reserves reduces long-term borrowing costs, smooths large fluctuations in tax rates, and minimizes the possibility of mid-year budget cuts which could have a direct impact on students. We believe it is in the best interest of students, staff, and taxpayers to prudently establish and use reserves to weather the financial storms and uncertainties that can occur throughout a school year.

Since New York State law mandates that expenditures can be no greater than the budget approved by the voters in May each year, school districts craft fiscally sound budgets to ensure that unanticipated expenditures do not result in mid-year cuts that could have an immediate impact on students and/or staff. This practice has allowed the Schoharie Central School District to weather revenue reductions, state aid holdbacks, increases in expenditures such as transportation or special education, and other negative adjustments without impacting instructional programs. However, such conservative budgeting can also result in budget surpluses at year-end. The Board of Education reviews budget surpluses via the annual Fund Balance Report and determines the best use of these surpluses, including transfers to voter or Board-approved reserves, or to a reduction in the ensuing year tax levy.

Legally established reserves can provide many benefits to the school district and to its taxpayers. However, these reserves can also cause confusion when not utilized and/or their purpose is not clearly understood by the community.

Schoharie Central SD Reserve Funds

As stated, the Board of Education is responsible for appropriately managing the financial affairs of the District. Reserves may be established by the Board in accordance with applicable laws. Money set aside in reserves must be used in compliance with statutory provisions which determine how reserves are established and how they may be funded, expended, and/or discontinued. Generally, school districts are not limited as to how much money can be held in reserves. However, reserve balances must be reasonable.

Funding reserves at greater than reasonable levels may contribute to real property tax levies that may be higher than necessary because the excessive reserve balances are not being used to fund operations. The Board is responsible for developing a formal plan for the use of its reserves, including anticipated use and need of reserve funds and how and when disbursements should be made. By maintaining excessive and/or unnecessary reserves, the Board and District officials may miss opportunities to lower the property tax burden and/or funds from being used to meet District needs.

The following is a report/analysis of the current status and internal controls over Reserve Funds at Schoharie Central School District for the fiscal year ended June 30, 2024.

Reserve for Encumbrances

Funding Goal- Each year the reserve amount is equal to the outstanding purchase order obligations to be satisfied in the following school year.

Funding Level – The funding level currently stands at **\$96,205**.

Creation – This reserve was created prior to 2005 via board resolution.

Purpose – This reserve allows outstanding encumbrances remaining at the end of a school year to be carried over to the next school year.

Funding Methods – The funding is realized from revenue gleaned from the prior school year.

Use of Reserve – The reserve is used to liquidate purchase orders and requisitions from prior school years.

Monitoring of Reserve – The reserve will be monitored by the Superintendent and Business Administrator.

Caution- This reserve exists only for so long as there exists an encumbrance (e.g. P.O.) to match the funds in the reserve.

Workers' Compensation Reserve

Funding Goal- The purpose of this reserve is to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program.

Funding Level – The current amount of the fund is **\$227,570**, to be evaluated and adjusted on an annual basis.

Schoharie Central SD Reserve Funds

Creation – This reserve was created in 2005 via board resolution.

Purpose – To fund Workers’ Compensation expenses, related medical expenses, and self-insurance administrative costs.

Funding Methods – Budgetary appropriations or other funds that may be legally appropriated.

Use of Reserve – To pay Workers’ Compensation claims and related expenses when the expenses exceed the amounts appropriated in the budget.

Monitoring of Reserve – The reserve will be monitored by the Superintendent and Business Administrator.

Tax Certiorari Reserve

Funding Goal – To account for calculated pending tax certiorari liability.

Funding Level – This reserve is currently inactive; therefore the balance is **\$0.00**.

Purpose – This reserve is used to pay for prior year judgments and claims in tax certiorari proceedings.

Funding Methods – Funding methods may include from excess fund balance or transfers from other reserves. Funds placed in this reserve that are not used to pay tax certiorari judgments or claims must be returned to the General Fund by the first day of the fourth fiscal year after the establishment of the fund.

Use of Reserve – This reserve would be used to pay for prior year tax certiorari claims.

Monitoring of Reserve – This reserve, if needed, will be monitored by the Superintendent and Business Administrator. It is anticipated that detailed calculations will be required each year to support the amounts in this reserve.

Capital Reserve for Construction

Funding Goal- The board is presented with an annual fund balance report and recommendations from the superintendent and the business office in support of offsetting local costs related to future capital projects. Recommendations to the capital reserve fund are based on operating surpluses from the general fund and are approved by the board.

Funding Level – The current amount of the fund shall be **\$2,500,000**. The probable term shall be five (5) years. The voters in May, 2024 approved a proposition to transfer \$2,000,000 of this Reserve from the General Fund over to the Capital Fund.

Creation – This reserve was reestablished on May 16, 2023 via voter approval.

Purpose – The purpose of the fund is for construction, repair and construction of capital improvements and the acquisition of equipment.

Schoharie Central SD Reserve Funds

Funding Methods – The source from which the funds will be obtained can include any or all of the following: unappropriated fund balance from the general fund as determined by the Board of Education, State aid related to expenditures from the capital reserve fund, interest income related to investments of monies in the fund, and any other monies thereafter authorized by the voters of the district.

Use of Reserve – Use of this reserve requires voter approval. The proposition to use these funds must be specific to a set of projects and dollar amounts.

Monitoring of Reserve – This reserve is monitored by the Superintendent and Business Administrator.

Capital Reserve for Bus Replacement

Funding Goal- The board is presented with an annual fund balance report and recommendations from the superintendent and the business office in support of costs related to the implementation of the district's five-year bus purchasing program (please see attachments). Recommendations to the bus reserve are based on estimated surpluses from the general fund and are approved by the board.

Funding Level – The current funding level is **\$0.00**. When funded, the probable term shall be five (5) years.

Creation – This reserve was created in October, 2018, with an initial authorization of \$1,000,000, via voter approval. Such funding has now been expended during 2019-2023. During the school fiscal year 2024-25, the needs of the school district will be assessed with regards to funding for this Reserve as of June 30, 2025.

Purpose – The purpose of the fund is for the replacement and acquisition of school district buses per- the District's five-year bus replacement planning cycle.

Funding Methods – The source from which the funds will be obtained can include any and all of the following: unappropriated fund balance from the general fund as determined by the Board of Education, State aid relating to expenditures from the bus replacement reserve fund and transportation aid, interest income related to the investment of monies in the fund, and any other additional monies thereafter authorized by the voters of the District.

Use of Reserve – Use of this reserve requires voter approval. The proposition to use these funds must be specific to a set of projects and dollar amounts.

Monitoring of Reserve – This reserve is monitored by the Superintendent and Business Administrator.

Employee Benefit Accrued Liability Reserve (EBLAR)

Funding Goal- Not to exceed actuarial projections prepared by the Schoharie CSD Business Office.

Funding Level – The current amount of the fund is **\$644,713**. (Fixed per guidance promulgated by the New York State Comptroller's Office). If the District determines that such an account is no longer needed or is overfunded, monies may be transferred

Schoharie Central SD Reserve Funds

to a reserve fund established under Education Law ,§3651, but only to the extent that the monies in the employee benefit accrued liability reserve fund exceed a sum sufficient to pay all liabilities incurred or accrued against the employee benefit accrued liability fund, as certified to the governing board by the fiscal and legal officers of the local government prior to the discontinuance of the fund. Consequently, the Business Administrator and Superintendent, working in concert with the external auditor and the board of education, will transfer excess EBLAR reserve funds to the Retirement Contribution (ERS) or unemployment reserves pending BOE approval on the following schedule: As of July 1, 2016, any excess funds in the EBLAR reserve that exceed the District's liability for compensated absences will be reallocated to the capital reserve or Employee Retirement Contribution Reserve (ERS).

Creation – This reserve was created in August, 2003 via board resolution.

Purpose – The purpose of this fund is to pay accrued benefits due to employees upon termination of service for vacation, sick, leave, personal leave, etc.

Funding Methods – The source from which the funds will be obtained can include any and all of the following: unappropriated fund balance from the general fund as determined by the Board of Education, , interest income related to the investment of monies in the fund, and any other additional monies thereafter authorized by the voters of the District.

Use of Reserve – This reserve is used to pay for employee compensated absences upon termination of employment from the school district. Recent amendments to General Municipal Law allow for use of the reserve as a revenue to cover the amount equivalent to a district's remaining gap elimination adjustment or the dollar value of excess funding remaining in the fund as determined by the Comptroller.

Monitoring of Reserve – The reserve is monitored by the Superintendent and Business Administrator.

Reserve for Repairs

Funding Goal- In any given school year, fund to a level sufficient to account for approximately 1% of the approved budget.

Funding Level – The current funding level is **\$133,047** and will continue to be funded as deemed appropriate.

Creation – This reserve was most recently reestablished in May, 2022 via voter approval.

Purpose – This reserve is used to pay for unanticipated, non-recurring repairs to district capital improvements, facilities and equipment.

Funding Methods – Voter approval is required to fund this reserve.

Use of Reserve – In accordance with the law, a public hearing must be held in order to use funds from this reserve, except in an emergency. Funds used for an emergency without holding a public hearing must be returned to the fund over two years with at

Schoharie Central SD Reserve Funds

least one-half in the first year. A vote of two-thirds of the Board is required to authorize an emergency expenditure. Use is restricted to the purpose stated above.

Monitoring of Reserve – This reserve is monitored by the Superintendent and Business Administrator.

Employee Retirement (ERS) Contribution Reserve Fund

Funding Goal- A minimum funding level equivalent to value of five consecutive highest assessed years .

Funding Level – The current funding level is **\$1,788,334**.

Creation – The ERS reserve was created in August, 2005 via board resolution.

Purpose – This reserve is used to pay for district expenses to the NYS Employee's Retirement System.

Funding Methods – Funds are placed in this reserve from excess fund balance.

Use of Reserve – Funds will be used to offset ERS billings which are increasing at an exponential rate.

Monitoring of Reserve – This reserve is monitored by the Superintendent and Business Administrator.

Teachers' Retirement System (TRS) Contribution Reserve Fund

Funding Goal- A minimum funding level equivalent to value approaching about 50% of the current TRS liability.

Funding Level – The current funding level is **\$493,648**.

Creation – The ERS reserve was created in 2018 via board resolution.

Purpose – This reserve is used to pay for district expenses to the NYS Teachers' Retirement System.

Funding Methods – Funds are placed in this reserve from excess fund balance.

Use of Reserve – Funds will be used to offset TRS billings which are increasing at an exponential rate.

Monitoring of Reserve – This reserve is monitored by the Superintendent and Business Administrator.

Unemployment Insurance Reserve

Funding Goal- Currently, reserve balance represents approximately 0.005% of the 2023-24 budget salaries.

Funding Level – This reserve is funded at **\$50,000**.

Schoharie Central SD Reserve Funds

Creation – This reserve was established prior to 2005 via board resolution.

Purpose – This reserve is used to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for unemployment benefit payments to claimants.

Funding Methods – This reserve may be established by a board resolution and funded by budgetary appropriations or other funds as may be legally appropriated.

Use of Reserve – In accordance with the law, this reserve may be used at the discretion of the superintendent and business manager specifically to offset expenses tied to unemployment insurance claims related to employee attrition.

Monitoring of Reserve – This reserve is monitored by the Superintendent and Business Administrator.

Property Loss & Liability Reserves

Funding Goal- A minimum funding level to cover property loss and liability claims incurred. Annual contribution(s) limited to greater of \$15,000 or 3% of the budget. Separate funds required for property loss and liability claims. Funding cannot be used for another purpose without voter approval except the board may use appropriate funding 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

Funding Level – The current combined funding level is **\$300,000**.

Creation – These reserves was established in 2019 of via board resolution.

Purpose – These reserves are used to cover property losses.

Funding Methods – These reserves may be funded by budgetary appropriations or other funds as may be legally appropriated.

Use of Reserve – In accordance with the law, these reserves may be used at the discretion of the board with a separate resolution.

Monitoring of Reserve – These reserves are monitored by the Superintendent and Business Administrator.

Insurance Reserve

Funding Goal- A minimum funding level to fund certain uninsured losses, claims, actions, or judgments for which the local government is authorized or required to purchase or maintain insurance.

Funding Level – The current funding level is **\$397,000**.

Creation – This reserve was established in 2009 via board resolution.

Schoharie Central SD Reserve Funds

Purpose – This reserve is used to pay the certain uninsured losses, claims, actions or judgments for which the District is authorized or required to purchase or maintain insurance.

Funding Methods – This reserve may be funded by budgetary appropriations or other funds as may be legally appropriated.

Use of Reserve – In accordance with the law, this reserve may be used at the discretion of the Superintendent and Business Administrator.

Monitoring of Reserve – This reserve is monitored by the Superintendent and Business Administrator.

Schoharie Central School District- Statutory Reserve Fund Analysis Report

Reserve Name	Date Established	Balance A/O 6/30/23	Transfers In	Withdrawals Out	Balance A/O 6/30/24
<i>Workers' Compensation Reserve</i>	June 2014	\$227,570	\$0.00	\$58,000	\$169,570
<i>Capital Reserve</i>	May 2023 Pending \$2.0 mil. To Capital Fund	\$2,500,000	\$0.00	\$0.00	\$2,500,000
<i>Capital Reserve Buses</i>	October 2018	\$0.00	\$0.00	\$0.00	\$0.00
<i>EBLAR</i>	August 2003	\$644,713	\$0.00	\$79,556	\$565,157
<i>Reserve for Repairs</i>	May 2022 (most recent)	\$133,047	\$0.00	\$0.00	\$133,047
<i>TRS Reserve</i>	June 2018	\$493,648	\$0.00	\$ 0.00	\$493,648
<i>Insurance Reserve</i>	June 2009	\$397,000	\$33,000	\$0.00	\$420,000
<i>Property Loss Reserve</i>	June 2020	\$150,000	\$0.00	\$0.00	\$150,000
<i>Liability Reserve</i>	June 2020	\$150,000	\$0.00	\$0.00	\$150,000
<i>ERS Reserve</i>	August 2005	\$1,788,334	\$0.00	\$100,000	\$1,688,334

Schoharie Central SD Reserve Funds

<i>Unemployment Reserve</i>	August 2003	\$50,000	\$0.00	\$0.00	\$50,000
<i>Totals</i>		\$6,534,672	\$33,000	237,556	\$6,534,672