

UNION SPRINGS CENTRAL
SCHOOL DISTRICT

Board of Education Reserve Fund Plan

Creation, Funding, and Use



December 13, 2021

Purpose: The purpose of this document is to detail the Union Springs Central School District's plan for use and maintenance of reserve funds.

What is a reserve fund?

A reserve fund acts as a savings account, allowing school districts in New York State to set aside funds for use in the future. There are 12 different types of school district reserve funds. Some reserve funds are used for short-term needs or to balance a school budget, while others help districts finance long-term projects and expenses.

Why do we need a reserve plan?

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.

Why do we need reserves?

The Union Springs Central school District believes that judicious use of reserves greatly reduces long-term borrowing costs, smooths large fluctuations in tax rates, and minimizes the impact of midyear funding cuts, which have a direct impact on students. The District believes it is in the best interest of both students and taxpayers to prudently establish and use reserves to weather financial uncertainties that will occur.

Reserves have many purposes, including:

- **Improvement of cash flow** - Reserve funds not required by law to be in a separate account can mitigate timing gaps in receipt of state aid and property taxes.
- **Avoidance of borrowing interest costs** - When a reserve fund finances purchases of materials or equipment, such as buses, the District does not have to borrow money and incur interest payments on debt.
- **Support of the credit rating** - Rating agencies such as Moody's typically provide a higher credit rating to local governments with higher reserve fund balances as a percent of the total budget. The higher the credit rating received, the lower the interest cost on multi-year bond financing, typically for capital project expenses.
- **Maintenance of a stable operating budget** - If money is available in reserve funds for projects or equipment, the funds do not need to come from the general operating budget, which would impact the tax levy.
- **Funding beyond the State's limitation on unrestricted fund balance** - New York State sets a limit on surplus funds that may be maintained from year to year at 4% of the succeeding year's budget. Reserve funds provide an additional mechanism for school districts to engage in financial planning for future needs beyond the 4% limitation.

When may we fund reserves?

Funding for reserves is allowable consistent with law and regulation. For example, the capital reserve can only be funded subject to the terms of the proposition initially authorized by the District voters. Funding for other reserves is subject to availability and District financial condition. The annual general fund budget contains estimates of revenues and expenditures, and the actual financial results will differ from the budget.

In addition, as recommended by the Office of the State Comptroller, there are contingencies built into budgeted expenditures. In the event that any surplus funds are available at the end of the year, the Board of Education will determine the best use of these funds in accordance with policy #5310, which may include using these funds to reduce taxes, maintain programs, and/or fund reserves.

Where may I find information on reserves?

Reserve information is contained within the District's annual financial statements; the most recent statements are posted online at www.unionspringscsd.org under the budget and tax page, historical information link. The statements contain the June 30th year-end balance for each reserve and a brief description within the notes section of each reserve's purpose and legal limitations.

In addition, the District's Property Tax Report Card contains the following information on reserves: type, name, brief description, March 31st actual balance, June 30th projected balance, and a statement of the intended use of the reserve in the budget year. The Property Tax Report Card is part of the annual budget packet and posted online at www.unionspringscsd.org under the budget and tax page, budget documents link.

The New York State Office of the State Comptroller has published a Local Government Management Guide entitled Reserve Funds and dated January 2010. This Guide is a comprehensive look at reserves authorized by General Municipal Law (GML) and by other statutes.

What types of reserves does the District have?

The District's audited financial statements are approved by the Board of Education on in the fall following the close of each school year (ex: year ending June 30, 2021, financial statements approved in fall of 2021), and contain reserve balances and information as of June 30 for the school year. The notes to the financial statements will describe the legal authority for each reserve, its purpose, and funding. General fund restricted reserves listed below were as follows on June 30, 2021, and includes updated balances as of December 13, 2021.

Reserve Account	Balance June 30, 2021
Workers Compensation	\$639,922.00
Unemployment Insurance	\$251,029.12
Retirement Contribution Reserve (ERS)	\$700,000.00
Retirement Contribution Reserve (TRS)	\$271,442.51
Tax Certiorari Reserve	\$245,408.88
Employee Benefits & Accrued Liabilities	\$102,520.50
Capital Reserve	\$355,982.00
Repair Reserve	\$2,154.09
Bus Reserve	\$312,013.23
Total Restricted Reserves	\$2,880,472.33

What might cause changes in reserve balances?

The funding or spending of a reserve can only be done by a Board resolution or voter authorization as prescribed by law or statute. Other increases or decreases in a reserve balance can occur from:

Increases:

- Excess surplus funds available from the District budget to fund a reserve
- Improved financial resources available from state and federal sources
- Receipt of State transportation aid to fund bus purchase reserve
- Tax litigation - The number of businesses filing tax certiorari may require the Board to fund higher amounts related to refund exposure.

Decreases:

- Property tax cap limitations on the ability of the Board to raise funds
- Budgetary need to withdraw from the reserve for contingent expenses
- Unanticipated workers compensation claims
- Additional unemployment claims from previous staff
- Limitation on reserve deposits over time

DISTRICT RESERVE DETAIL

Reserve:	Workers Compensation
Account:	0A814, Restricted Fund Balance
Purpose:	To fund workers compensation expenses, related medical expenses, and self-insurance administrative costs
Board Resolution:	November 24, 2003
06/30/20 Balance:	\$639,922.00
12/13/21 Balance:	\$639,922.00
Valuation:	The Board receives an annual update on the reserve, typically in May or June. The goal is to maintain no more than five years' worth of anticipated premiums and the cost of the district share of the OCM BOCES Workers Compensation Liability. This amount currently totals 639,922.00. The current balance is at 100.00% of the goal amount. As a reminder, the retention limit on the excess workers compensation policy is currently at \$500,000. In the event of a catastrophic employee injury, the District would be liable for the first \$500,000 in expenses and the excess policy would pay the overage. This further illustrates the need for a healthy reserve balance.
Plan:	For the 2021-2022 fiscal year, no withdrawals are planned. Budget planning for the 2022-2023 fiscal year is currently underway. Use of revenue from Reserve Funds will be reviewed as the budget picture comes into focus.

Reserve: **Unemployment Insurance**
Account: 0A815, Restricted Fund Balance
Purpose: 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

Board Resolution: **November 22, 1993**
06/30/20 Balance: \$251,029.12
12/13/21 Balance: \$251,029.12
Valuation: The Board receives an annual update on the reserve, typically in May or June. In light of unemployment costs associated with the COVID-19 Pandemic, anticipated annual unemployment claims in 2021 surpassed \$50,000.00. The current balance is at 100% of the goal amount.

Plan: For the 2021-2022 Fiscal year, no withdrawals are planned. Budget planning for the 2022-2023 fiscal year is currently underway. Use of revenue from Reserve Funds will be reviewed as the budget picture comes into focus.

Reserve: **Retirement Contribution Reserve Fund (ERS)**
Account: 0A827, Restricted Fund Balance
Purpose: To fund employer retirement contributions payable by an eligible school district to the New York State and Local Employees' Retirement System (ERS)

Board Resolution: December 14, 1998
06/30/20 Balance: \$700,000.00
12/13/21 Balance: \$700,000.00
Valuation: The Board receives an annual update on the reserve, typically in May or June. The goal is to maintain no more than five years' worth of employer retirement contribution expenses in the reserve, currently totaled at \$1,007,260.00. The current balance is at 70% of the maximum approved amount. The reserve balance can offset future payments made to the New York State and Local Employees' Retirement System.

Plan: During the 2021-2022 fiscal year, the plan is to continue to monitor employer contribution rates to the pension system and consider additional funding to the reserve. Budget planning for the 2022-2023 fiscal year is currently underway. Use of revenue from Reserve Funds will be reviewed as the budget picture comes into focus.

Reserve: Retirement Contribution Reserve (TRS)
Account: 0A828, Restricted Fund Balance
Purpose: To fund employer retirement contributions payable by an eligible school district to the New York State Teachers Retirement System
Board Resolution: April 24, 2019
06/30/20 Balance: \$271,442.51
12/13/21 Balance: \$271,442.51
Valuation: The Board will receive an annual update on the reserve beginning in May or June 2022. Currently the maximum for the reserve is estimated at \$625,000, with the balance totaling 43.00% of the maximum approved amount.

Plan: The current plan is to continue to monitor employer contribution rates to the pension system and add 2% of the prior year's TRS salary costs to the reserve each year, up to the maximum of 10%, should those funds be available. Budget planning for the 2022-2023 fiscal year is currently underway. Use of revenue from Reserve Funds will be reviewed as the budget picture comes into focus.

Reserve: Tax Certiorari
Account: 0A864, Restricted Fund Balance
Purpose: To pay judgments and claims in tax certiorari cases specific to the District
Board Resolution: June 30, 2000
06/30/20 Balance: \$245,408.88
12/13/21 Balance: \$245,408.88
Valuation: Tax certiorari reserves are usually evaluated at least twice per year based on the exposure outstanding on the open cases. The Board receives an update in either May or June. If the balance exceeds the exposure, excess is transferred back to the general fund. Any unused funds within the reserve at the end of four years must be returned to the general fund.

Plan: No additional funding is planned during the 2021-2022 school year. The reserve will be evaluated in December or January to ensure it is sufficient to pay settlements and is not overfunded. Budget planning for the 2022-2023 fiscal year is currently underway. Use of revenue from Reserve Funds will be reviewed as the budget picture comes into focus.

Reserve: **Employee Benefit & Accrued Liabilities**
Account: 0A867, Restricted Fund Balance
Purpose: To pay accrued benefits due employees upon termination of service.
Board Resolution: December 11, 2006
06/30/21 Balance: \$102,520.50
12/13/21 Balance: \$102,520.50
Valuation: The reserve is valued at the end of each fiscal year based on the number of accumulated sick and personal days times the contractually determined compensation rate (varies by contract). As of June 30, 2021, the value of the reserve was deemed to be within expected limits, by the District's auditing firm. The current potential liabilities totals \$147,201.00. Using this number as a ceiling for the fund, the current balance equals 70.00% of the maximum.
Plan: Our District reserve is not overfunded. This reserve will continue to be funded up to the maximum as the budget allows. Budget planning for the 2022-2023 fiscal year is currently underway. Use of revenue from Reserve Funds will be reviewed as the budget picture comes into focus.

Reserve: **Capital Reserve**
Account: A878, Restricted Fund Balance
Purpose: To pay the cost of any object or purpose for which bonds may be issued (For our District, capital construction)
Voter Approval: Voter Proposition May 16, 2017
06/30/20 Balance: \$355,982.00
12/13/21 Balance: \$355,982.00
Valuation: The current funds indicate the remainder of this reserve.
Plan: When the next capital project is planned, there may be consideration given to using the reserve funds to offset some project costs rather than bonding.

Reserve: **Capital Reserve – Bus Purchases**
Account: 0A878, Restricted Fund Balance
Purpose: To pay the cost of any object or purpose for which bonds may be issued (For our District, bus purchases)
Voter Approval: Voter Proposition May 18, 2021
06/30/20 Balance: \$312,013.25
12/13/21 Balance: \$465,506.23
Valuation: The bus portion of the reserve is valued each year based on the beginning balance, plus state aid attributable to bus purchases, less the cost of bus purchases approved by the voters as a withdrawal from the reserve. The terms of the proposition also allow additional funding of the reserve by resolution of the Board. Such additional funding is subject to availability and District financial condition.

Plan: The current plan is to fund this reserve, when the budget allows, up to the maximum in preparation for the need to purchase additional buses. Budget planning for the 2022-2023 fiscal year is currently underway. Use of revenue from Reserve Funds will be reviewed as the budget picture comes into focus.

Reserve: **Repair Reserve**
Account: 0A911, Restricted Fund Balance
Purpose: To pay for the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually or at shorter intervals.
Voter Approval: November 16, 1992
06/30/2021 Balance: \$2,154.09
12/13/2021 Balance: \$37,154.09
Valuation: The District utilizes an architect to review repair reserve items and to create work specifications for bid purposes. The architect reviews the work when it is completed and verifies that it meets required specifications. The goal is to maintain no more than five years' worth of expenses in the reserve. The current balance is under the goal amount.

Plan: The current plan calls for an annual general fund budgetary appropriation subject to voter approval of the general fund budget in May 2022 and in each successive school year in anticipation of future repair costs to district buildings and equipment.

Reserve: **Capital Reserve 2022 (anticipated)**
Account: 0A878, Restricted Fund Balance
Purpose: To pay the cost of any object or purpose for which bonds may be issued (For our District, capital construction)
Voter Approval: Voter Proposition May 17, 2022
06/30/21 Balance: NA
12/13/21 Balance: NA

Valuation: This capital reserve is designed with a “not to exceed” amount of \$2,500,000.00 and is to be used for renovations and additions to all District facilities.

Plan: When future capital projects are planned, there will be consideration to using reserve funds to offset some project costs rather than bonding.

In addition to restricted reserves, the District also has an assigned and unassigned 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.

Assigned Unappropriated Fund Balance

Purpose: To record the amount of outstanding encumbrances at the end of the fiscal year.

Unassigned Fund Balance:

Purpose: Provides a source of funds for unanticipated increases in expenditures, Decreases in revenue, and interruptions in cash flow. The district hopes to maintain a 4% unassigned fund balance in the future – currently the unassigned fund balance is funded at at 3.8%.

RESOLUTION:

Resolved, the Board of Education of the Union Springs Central School District hereby adopts the general fund restricted reserves plan and reauthorizes the following reserves of the Union Springs Central School District as authorized by Education Law and General Municipal Law and reflected in the District’s financial statements effective June 30, 2021: Workers Compensation Claims, Unemployment Insurance, Retirement Contribution Reserve (ERS), Retirement Contribution Reserve (TRS), Tax Certiorari Reserve, Employee Benefits and Accrued Liabilities, Capital Reserve, Bus Reserve and Repair Reserve.

Motion:

Second:

Ayes: Nays: Abstentions: