

SUBJECT: RESERVE FUNDS

Reserve funds (essentially a legally authorized savings account designated for a specific purpose) are an important component in the District's financial planning for future projects, acquisitions and other lawful purposes. To this end, the District may establish and maintain reserve funds in accordance with New York State Laws, Commissioner's Regulations and the rules and/or opinions issued by the Office of the New York State Comptroller, as applicable. The District shall comply with the reporting requirements of Article 3 of the General Municipal Law of the State of New York and the Governmental Accounting Standards Board (GASB) issued GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Any and all District reserve funds shall be properly established and maintained to promote the goals of creating an open, transparent and accountable use of public funds. The District will authorize all payments or transfers into a reserve fund by express resolution. The District may engage independent experts and professionals, including but not limited to, auditors, accountants and other financial and legal counsel, as necessary, to monitor all reserve fund activity and prepare any and all reports that the Board may require.

Reserve Funds Approved by the Board of Education

a) Capital Reserve:

Purpose: To finance all or part of the cost of construction, reconstruction, or acquisition of a "specific" or "type" capital improvement or for the acquisition of a "specific" or a "type" item(s) of equipment including school buses.

Funding and maintenance: The Board of Education will from time to time propose the creation of capital reserve funds to address various District needs including, but not limited to, projects derived from the District's Building Condition Survey. Propositions to create such proposed capital reserve funds will be placed before the voters. The objectives, probable term, maximum funding amount, and sources of funds will be identified in such propositions. The terms of each such voter-approved proposition shall determine the maintenance and usage of such capital reserve funds.

b) Workers Compensation Reserve:

Purpose: To pay compensation and benefits, medical, hospital, or other expenses authorized by Article 2 of the Workers' Compensation Law and to pay the expenses of administering a self-insurance program.

(Continued)

Non-Instructional/Business Operations

SUBJECT: RESERVE FUNDS (Cont'd.)

Funding and Maintenance: The Worker's Compensation Reserve shall be funded based on an analysis of estimated claims for the upcoming year conducted during budget development. The fund will be adjusted annually. To the extent permitted by the General Municipal Law, if at the end of any fiscal year the moneys in such fund shall exceed the amounts required to be paid plus any additional amount required to pay all pending claims, the Board of Education may, within sixty days of the close of such fiscal year, elect to: (a) transfer said excess, or any part thereof, to any other reserve fund authorized by law; and/or (b) apply said excess, or any part thereof, to the budget appropriation of the next succeeding fiscal year.

c) Unemployment Reserve:

Purpose: To reimburse the State Unemployment Insurance Fund for payments made to claimants where the district has elected to become liable for payments in lieu of contributions.

Funding and Maintenance: The Unemployment Reserve Fund shall be funded based on an analysis of estimated claims for the upcoming year conducted during budget development. The fund will be adjusted annually. At the end of the fiscal year, the moneys in such fund may not exceed the amounts required to be paid to claimants plus any additional amount required to pay all pending claims. The Board of Education may, within sixty days of the close of such fiscal year, elect to: (a) transfer said excess, or any part thereof, to any other reserve fund authorized by law; and/or (b) apply said excess, or any part thereof, to the budget appropriation of the next succeeding fiscal year.

d) Retirement Contribution Reserve:

Purpose: For the financing of "retirement contributions," which are defined as all or any portion of the amount payable to either the New York State and Local Employees' Retirement System pursuant to Sections 17 of the Retirement and Social Security Law.

Funding and Maintenance: The Retirement Contribution Reserve Fund shall be funded based on an analysis conducted during budget development each year of the estimated amount payable to the New York State Local Employees Retirement System. The fund will be adjusted annually.

e) Insurance Reserve:

Purpose: To fund certain uninsured losses, claims, actions, or judgments for which the school district is authorized or required to purchase or maintain insurance, with a number of exceptions. The fund may also be used to pay for expert or professional services in connection with the investigation, adjustment, or settlement of claims, actions, or judgments.

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Non-Instructional/Business Operations

SUBJECT: RESERVE FUNDS (Cont'd.)

Funding and Maintenance: The Insurance Reserve Fund shall be funded based on an analysis of payments to be made for uninsured losses that will be incurred in the upcoming fiscal year and will be adjusted annually during budget development. The amount paid into this reserve fund during any fiscal year may not exceed the greater of \$33,000 or 5 percent of the total budget of the fiscal year. Moneys in the fund may be used to fund the payment of actions or claims that have been compromised or settled with judicial approval, except where the amount of the settlement or compromise does not exceed \$25,000.

f) Tax Certiorari Reserve:

Purpose: To pay judgments and claims in tax certiorari proceedings in accordance with Article Seven of the Real Property Tax Law.

Funding and Maintenance: The Tax Certiorari Reserve Fund shall be funded based on an analysis of payments to be made for judgments and claims in tax certiorari proceedings that will be incurred in the upcoming fiscal year and will be adjusted annually during budget development. The reserve fund shall not be funded beyond the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of such tax certiorari proceedings. Any monies deposited to this reserve fund which are not expended for the payment of judgments or claims arising out of tax certiorari proceedings for the tax roll in the year such monies are deposited to the said fund and/or which will not reasonably be required to pay any such judgment or claim shall be returned to the general fund on or before the first day of the fourth fiscal year following the deposit of such monies to said reserve fund.

g) Employee Benefits Reserve

Purpose: The Employee Benefits Reserve is established to pay for the cost, including interest, of cash payments to employees for the monetary value of accrued and accumulated but unused sick leave, personal leave, holiday leave, vacation leave, time allowance granted in lieu of overtime compensation and other forms of payment for accrued but unliquidated leave time and benefits due to employees upon termination of employment and separation from service, as required by ordinance, local law, collective bargaining agreement or Section 6 of the Civil Service Law. The fund may also be used for paying the reasonable costs of the administration of the reserve fund as well as expert or professional services rendered in connection with the investigation, adjustment or settlement of claims, actions or judgments relating to claims for accrued employee benefits.

Funding and Maintenance Rules: The fund will be analyzed annually as part of the budget development process established by the District.

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Non-Instructional/Business Operations

SUBJECT: RESERVE FUNDS (Cont'd.)

h) Liability Reserve:

Purpose: To cover property loss and liability claims incurred. Examples of claims include workers' compensation, automobile, professional liability, and general business liabilities.

Funding and Maintenance: The Liability Reserve shall be funded based on risk the District experiences. Any annual contribution to the fund will not exceed three (3) percent of the annual budget.

i) Tax Reduction Reserve:

Purpose: To gradually reduce taxes.

Funding and Maintenance: The Tax Reduction Reserve shall be funded when the sale of school district property occurs and proceeds are not required to be placed in a mandatory reserve for debt service. The district shall retain these funds up to a maximum of ten years and use them during that period to reduce taxes.

Periodic Review and Annual Report

The Board of Education will periodically review all reserve funds. The District will also prepare and submit an annual report of all reserve funds to the Board of Education. The annual report shall include the following information for each reserve fund:

- a) The type and description of the reserve fund;
- b) The date the reserve fund was established and the amount of each sum paid into the fund;
- c) The interest earned by the reserve fund;
- d) Capital gains or losses resulting from the sale of investments of the reserve fund;
- e) The total amount and date of each withdrawal from the reserve fund;
- f) The total assets of the reserve fund showing cash balance and a schedule of investments;
and
- g) An analysis of the projected needs for the reserve fund in the upcoming fiscal year and a recommendation regarding funding those projected needs.

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Non-Instructional/Business Operations

SUBJECT: RESERVE FUNDS (Cont'd.)

The Board shall utilize the information in the annual report to make necessary decisions to adequately maintain and manage the District's reserve fund balances while mindful of its role and responsibility as a fiduciary of public funds.

The Superintendent shall develop any necessary and/or appropriate regulations to implement the terms of the Board's policy.

Education Law § 3653

Adopted: 05/20/15

Revised: 05/17/17; 07/10/18