

**SAMPLE UNION FREE SCHOOL DISTRICT
RESERVES REPORT
JUNE 2024**

Worker's Compensation Reserve

Creation – This reserve was created prior to 1988.

Purpose – This reserve is used to pay for actual Worker's Compensation claims, related medical expenses and self-insurance administrative costs.

Funding Methods – This reserve was funded through excess fund balance over the course of several years.

Use of Reserve – The district is self-insured for Workers' Compensation. This reserve is used to pay claims that exceed the budgeted appropriations for Workers' Compensation. Actual expenses for Workers' Compensation doubled between 2020 and 2023, from \$XXXX to \$XXXX. The budget for this expense is insufficient to pay these expenses and will have to be increased for 2024-25.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – The current funding level was sufficient to pay 100% of the previously determined actuarial value of all outstanding self-insured claims at June 30, 2023. This will be re-evaluated for the audit of June 30, 2024.

6/30/23 Actual Balance: \$XXXX

Funds Used As of 6/4/24: \$XXXX

Balance (Prior to Restoring Funds and Accruing Interest) = \$XXXXX

Recommendation: Restore funds to defray future cost increases

Reserve for Retirement Contributions

Creation – This reserve was created on June 30, 2009.

Purpose – This reserve is used to pay employee contribution expenses for the NYS Employees' Retirement System. Payments to the Teachers Retirement System are not allowed from this reserve.

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

Use of Reserve – This reserve is used to pay expenses related to the Employees' Retirement System, and to smooth tax levy fluctuations that result from rate changes and cost increases associated with these expenses. The district's ERS expenses have increased almost 300% since 2019, from \$XXXX in 2019, to \$XXXXX in 2023. Costs for 2023-24 are expected to be approximately \$XXXXX.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – The reserve balance at June 30, 2023 equals approximately three years' worth of retirement system billings.

6/30/23 Actual Balance: \$XXXXXX

Funds Used As of 6/4/24: \$XXXXX

Balance (Prior to Restoring Funds and Accruing Interest) = \$XXXXX

Recommendation: Restore funds to defray future cost increases and levy fluctuations*

***Note: At present, the State does not permit school districts to establish a reserve for Teachers' Retirement Contribution expenses. Legislation has been proposed to authorize such a reserve. If a TRS Reserve is authorized, it may be possible to transfer funds from an existing reserve such as the ERS Reserve, if so authorized by the legislation.**

Reserve for Accrued Employee Benefits Liability

Creation – This reserve was created on July 1, 2013.

Purpose – This reserve is used to pay for unused accumulated leave time contractually provided to certain groups of employees. This typically includes payment for unused sick and vacation pay. This fund cannot be used to pay for items such as retirement incentives and retiree health insurance.

Funding Methods – This reserve was funded from excess fund balance.

Use of Reserve – This reserve is used when an employee separates from the District and payment of accumulated leave is required. These transactions flow through the budget via a budget revision with the offsetting revenue coming from a drawdown of this reserve. This reserve will continue to be used in this manner to make these payments.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business. Each year, a detailed analysis of the liability is computed and is used to support the funding of this reserve at 100% of the liability.

Funding Level – This reserve should be funded at 100% of the accrued liability for unused accumulated leave time.

6/30/23 Actual Balance: \$XXXXX

**Funds Used As of 6/4/24: estimated \$XXXXX by year-end
Balance (Prior to Restoring Funds and Accruing Interest) = \$XXXXX (estimated)**

Recommendation: Restore funds if necessary to meet liability.

Reserve for Unemployment Insurance

Creation – This reserve was created on June 30, 2011.

Purpose – This reserve is used to reimburse the State for payments made to claimants. The Unemployment Board has recently changed the methodology for billing school districts for unemployment. The expense will be a fluctuating rate based on payroll expenses, rather than a rate tied to actual costs.

Funding Methods – This reserve was funded entirely from excess fund balance.

Use of Reserve – The district is self-insured for Unemployment Insurance. This reserve is used to pay claims that exceed budgeted appropriations for unemployment claims and expenses. Actual expenses for unemployment vary from year to year. The district's costs increased from \$XXXXX in 2019 to \$XXXXX in 2022, and then they dropped to \$XXXX in 2023. In response to budgetary demands and a change in the State's billing methodology, the budget for Unemployment Expenses was reduced from \$XXXXX to \$XXXXX for 2023-2024.

The current budget will be insufficient to cover future unemployment expenses should there be multiple layoffs, or should unemployment awards increase.

Monitoring of Reserve – This reserve will be monitored by the Assistant Superintendent for Business in conjunction with other central office administrators to assess the potential for incurring unemployment claims.

Funding Level – This reserve was initially funded at \$XXXX. At this time, this level is deemed appropriate.

6/30/23 Actual Balance: \$XXXX

Funds Used As of 6/4/24: \$0

Balance (Prior to Restoring Funds and Accruing Interest) = \$XXXXX

Recommendation: Maintain current funding level to defray future claims

Capital Reserve (2017)

Creation – Funding of this reserve up to \$XXXXXX was authorized by the voters on May 20, 2017.

Purpose – This reserve is used to pay for future capital improvements.

Funding Methods – Funding may come from excess fund balance. Funds placed in this reserve are restricted for use for specific voter-authorized capital improvement projects. At the end of the 2023-24 school year, the district set aside \$XXXXXX into this reserve.

Use of Reserve – Expenditure of funds from this reserve requires pre-approval by the voters. On May 19, 2024, voters authorized the expenditure of \$XXXXXX from the reserve.

Monitoring of Reserve – This reserve will be monitored by the Assistant Superintendent for Business. Detailed records will be maintained to support the amounts in this reserve.

Funding Level – This reserve was created with a maximum funding of up to \$XXXXXXXX plus interest for five years. A maximum of \$XXXXXX plus interest remains for future funding.

6/30/23 Actual Balance: \$XXXXX

Funds Used As of 6/4/24: \$0

Balance (Prior to Restoring Funds and Accruing Interest) = \$XXXXX

Recommendation: Fund up to allowable limits from available funds June 30, 2024

Repair Reserve [FOR FUTURE CONSIDERATION]

Creation – This reserve has not been established by the Board of Education in Sample School District.

Purpose – This reserve is used to pay for repairs and maintenance expenses that are not usual maintenance expenses.

Funding Methods – This reserve may be funded from excess fund balance.

Use of Reserve – This reserve would be used to pay for repair and maintenance projects that are not included in the district’s general maintenance budget appropriations.

Monitoring of Reserve – This reserve would be monitored by the Assistant Superintendent for Business.

Funding Level – N/A at this time.

6/30/23 Actual Balance: N/A

Insurance Reserve [FOR FUTURE CONSIDERATION]

Creation – This reserve has not been established by the Board of Education in Sample UFSD.

Purpose – This reserve is used to pay casualty and other types of losses, except for those for which insurance may be purchased.

Funding Methods – This reserve may be funded from excess fund balance.

Use of Reserve – This reserve would be used to pay any allowable claims, as described in the purpose for this reserve.

Monitoring of Reserve – This reserve would be monitored by the Assistant Superintendent for Business.

Funding Level – N/A at this time.

6/30/23 Actual Balance: N/A

The following items are not reserve accounts, but are equally as important to planning revenues for the District.

Unassigned Fund Balance

Creation – Retention of these funds are allowed by law.

Purpose – These funds are unrestricted and may be used for any valid purpose.

Funding Methods – These funds have been accumulated from excess fund balance.

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.

Monitoring of Balance – These funds are monitored by the Assistant Superintendent for Business.

Funding Level – The maximum legal limit is recommended (4% of the ensuing budget).

6/30/23 Actual Balance: \$3,019,269

Recommendation for 6/30/24: Maximum 4% of 2024-25 budget, or \$3,028,442

Assigned Fund Balance - Appropriated for Subsequent Years

Creation – These funds are those funds in available fund balance which 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 – These funds are assigned from fund balance to offset the next year’s tax levy.

Use of Funds – It is recommended that the practice of returning these funds be reduced as much as possible, as budgets permit. As we develop tighter budgets, the amount of excess funds that will be available at year-end is restricted. This makes it more difficult to guarantee that funds will be available to be returned in a subsequent year.

Monitoring of Balance – The balance and use of these funds are monitored by the Assistant Superintendent for Business.

Funding Level – Over time, it is recommended that the planned amount of assigned fund balance included as a revenue source in future budgets be limited.

6/30/23 Actual Balance: \$3,475,000

Anticipated 6/30/24: \$2,845,000 Recommended: Continue to reduce the Appropriated Fund Balance in future budgets by reducing the budget when possible, and applying new and increased revenues