



Cold Spring Harbor Central School District

RESERVE FUNDS

October 10, 2017

Reserve Funds

- *What is a reserve fund?*
 - A reserve fund is a “savings account” for a specific purpose to offset costs in a future fiscal year.
- *What governs the establishment of a reserve fund?*
 - Education and/or General Municipal Law authorize reserve funds and stipulate their purpose, establishment, spending, limit (if applicable), and dissolution.



Reserve Funds

- *Are reserve monies considered fund balance?*
 - Yes, but unlike the unassigned, undesignated fund balance (“the 4%”), reserve funds are considered restricted and may only be used for their expressed purpose.
- *How are reserves funded?*
 - Generally, the Board will deposit monies remaining at the end of a fiscal year into a reserve fund. An appropriation may also be included in the budget.



Reserve Funds

- *How are reserve funds spent?*
 - A Board resolution is required to withdraw from a reserve. To expend from a capital reserve, voter approval must be obtained.
- *How do we keep the public informed?*
 - The District's reserve balances are included in the annual financial statements and monthly trial balances. In addition, beginning 7/1/17, the District is required to report actual and projected reserve balances on the property tax report card.



Reserve Funds

- *How do reserve funds aid the long-term financial health of the school district?*
 - Available reserve funds allow the District to offset future costs without increasing the tax levy. This is especially important in years with a levy limit less than 2% or with exponentially increasing costs, such as the employer contribution rate to the NYS local employee retirement system.
 - Rating agencies and the NYS Office of the State Comptroller regard available reserve funds as a sign of fiscal strength.



Current Reserve Balances

- **Reserve for Capital** – To pay for the costs of any capital project that is eligible to be financed with a bond issue – **\$1,549,280**
- **Reserve for Employee Benefit Accrued Liability** – To pay for accumulated unused leave days upon employee retirement/termination – **\$1,424,464**



Current Reserve Balances

- **Reserve for Worker's Compensation** – To pay for worker's compensation claims – **\$651,259**
- **Reserve for Unemployment Insurance** – To pay the State Unemployment Insurance Fund for payments made to claimants – **\$274,805**



Available Reserve Funds

- **Reserve for Retirement Contributions** – To pay retirement contributions to the state local employee pension plan (not the teachers' pension plan)
- **Reserve for General Insurance** – To pay any loss, claim or action of judgment for which a school district is authorized or required to purchase insurance
- **Reserve for Repairs** – To pay for repairs to capital improvements or equipment, not including recurring maintenance
- **Reserve for Property Loss** – To pay property loss claims
- **Reserve for Liability Claims** – To pay liability claims



Recommendation

- To establish a reserve for retirement contributions
 - Requires a Board resolution
 - Provides another option to the Board at the end of the fiscal year to place remaining funds
 - There is no obligation to fund the reserve
 - Although there is no funding limit, best practice suggests full funding would be an amount equivalent to two year's invoices



Recommendation

- *Why this reserve?*
 - Required employer contribution rates are steady after several years of decline, but these rates will inevitably increase again.
 - Rates generally rise during times of state fiscal stress, when state aid and tax levy increases are limited.
 - Currently, there is no available reserve fund for the NYS Teachers' Retirement Fund.



Additional Resources

- NYS Education Department
 - Fund Balance Reserves And Designations
 - http://www.p12.nysed.gov/mgtserv/accounting/docs/reserve_funds.pdf
- Questar III BOCES – State Aid and Financial Planning Service
 - Reserve Funds That May Be Used By School Districts
 - https://www.questar.org/wp-content/uploads/2017/08/Reserve_Funds_Chart-1.pdf

