

Averill Park Central School District

Fund Balance and Reserve Plan

Adopted October 15, 2024

INTENDED USE OF RESERVES

Reserve funds, like other savings plans, are mechanisms for accumulating cash for future capital outlays and other allowable purposes. The practice of planning ahead and systematically saving for capital acquisitions and other contingencies is considered prudent management. Savings for future capital needs can reduce or eliminate interest and other cost associated with debt issuances. Similarly, certain reserve funds can be utilized to help protect the budget against known risks (a potential lawsuit) or unknown risks (a major ice storm).

Most reserve funds are established to provide resources for an intended future use. An important concept to remember is that a reserve fund should be established with clear intent or plan in mind regarding the future purpose, use and, when appropriate, replenishment of funds from the reserve. Reserve funds should not be merely a “parking lot” for excess cash or fund balance. Local governments and school districts should balance the desirability of accumulating reserves for future needs with the obligation to make sure tax payers are not overburdened by these practices. There should be a clear purpose or intent for reserve funds that aligns with statutory authorizations.

Each statute that authorizes a reserve fund sets forth a particular underlying purpose for the fund. For example, provisions of the General Municipal Law (the GML) and the Education Law allow municipalities and school districts, respectively, to establish capital reserves for future equipment purposes and capital improvements. The GML also authorizes the establishment of an employee benefit accrued liability reserve for the payment of the monetary value of accumulated, unused leave time to employees upon separation from service. Planning today and saving incrementally for expected future events can help mitigate the financial impact of major, nonrecurring or unforeseen expenditures on your annual operating budget. Establishing and funding allowable reserve funds for a clear purpose can help smooth out spikes in the annual budget and in the real property tax levy.

Source: Office of the New York State Comptroller-Local Management Guide for Reserves

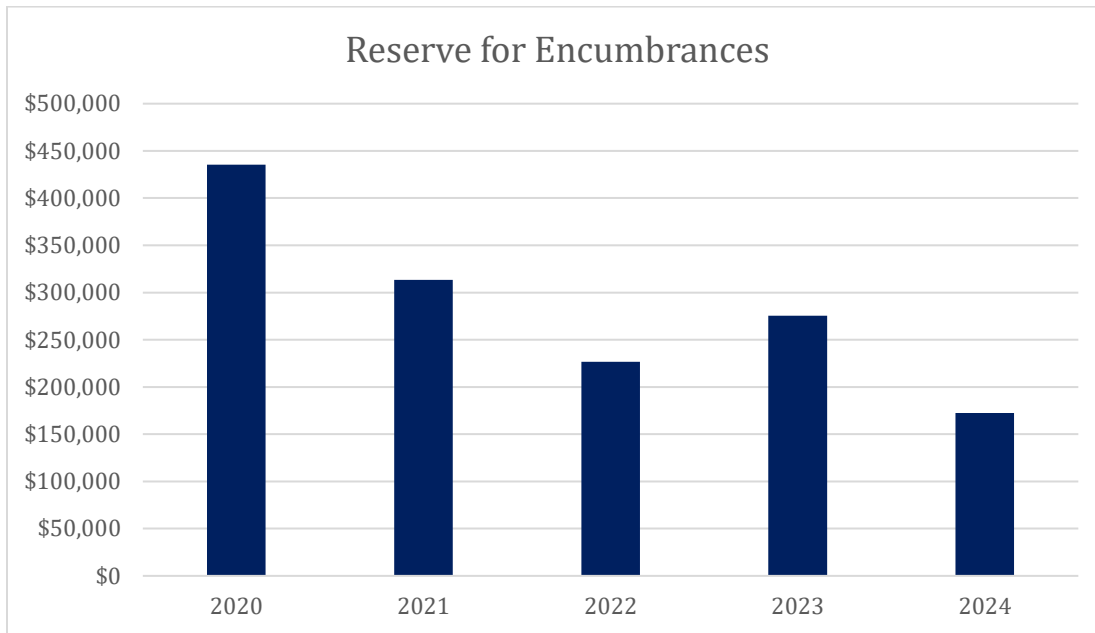
<http://www.osc.state.ny.us/localgov/pubs/lmg/reservefunds.pdf>

Reserve for Encumbrances

The reserve for encumbrances allows the district to carry over purchase orders at the end of a fiscal year into the next fiscal year if the obligation was not met in the fiscal year the purchase order was established. Purchase orders that are carried over to a new fiscal year need are for purchases of goods and services that have been ordered but not received. This reserve allows the district to carry over funds from the prior fiscal year to meet these obligations. The amount in the reserve will vary annually.

Balance at June 30, 2024: \$172,508

Ideal Balance: Equivalent to actual identified obligations



Employee Benefit Accrued Liability Fund

The governing board of any school district, by resolution, may establish a reserve for the purpose of funding the monetary value of accrued but unused sick leave, personal leave, vacation time, and any other forms of payment of accrued but unliquidated time earned by employees. Establishing or expending the reserve does not require voter approval. Expenditures may only be made for allowed cash payments earned by employees due upon their termination of employment (General Municipal Law, §6-p).

The Employee Benefit Accrued Liability (EBAL) Reserve was established on June 26, 2007 as follows: “Be it resolved that upon the recommendation of the Superintendent of Schools, the Board of Education approve the funding of the Employee Benefit Accrued Liability reserve fund in the amount of \$2,500,000.”

At the August 10, 2020 Board Meeting, a resolution was passed stating:

“The Board of Education directs that as of June 30, 2020 no additional transfers will be made from the General Fund into the Employee Benefit Accrued Liability until such time as the balance of the reserve is equal to fifty-percent of the total liability calculated at the fiscal year-end of some future year.”

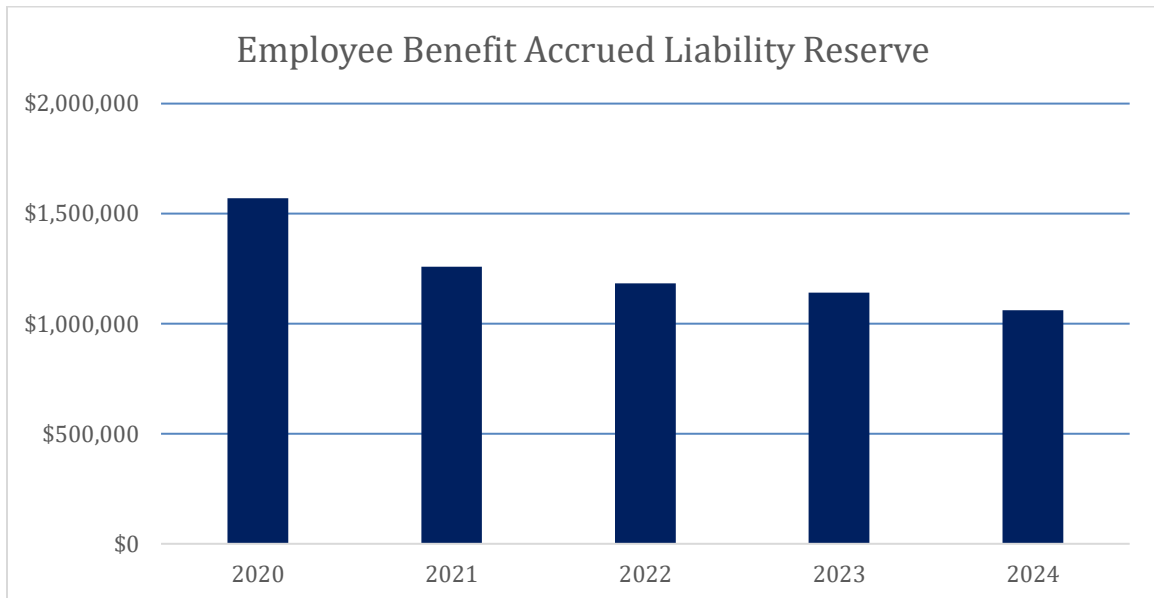
The amount of the liability as calculated as of June 30, 2024 was \$1,672,773.

As of June 30, 2024, the 50% threshold of the reserve was \$836,387. The last contribution into the reserve was June 30, 2019.

Over the past five years, the district has withdrawn \$263,827 (19-20), \$311, 202 (20-21), \$76,141 (21-22), \$46,944 (22-23), and \$111,806 (23-24) for payments related to sick leave.

Balance June 30, 2024: \$1,060,788

Ideal Balance: 50% of the calculated liability



Retirement Contribution Reserve

The governing board of a school district, by resolution, may establish a reserve for the purpose of financing retirement contributions made to the NY State and Local Employees' Retirement System (ERS). Employer contributions for the Teachers' Retirement System are not allowed under this reserve. Establishing or expending the reserve does not require voter approval. Expenditures may only be made pursuant to a board resolution and must be used to finance ERS contributions (General Municipal Law, §6-1).

The retirement contribution reserve was established by the Board of Education on January 11, 2011.

Contribution rates for ERS vary based on economic conditions, particularly stock market performance. If investment returns for the system decline, employer contributions increase. The contribution rate for 2024-25 is 15.2%. Contribution rates for the past five were:

2019-20	14.60%
2020-21	14.60%
2021-22	16.20%
2022-23	11.60%
2023-24	13.10%

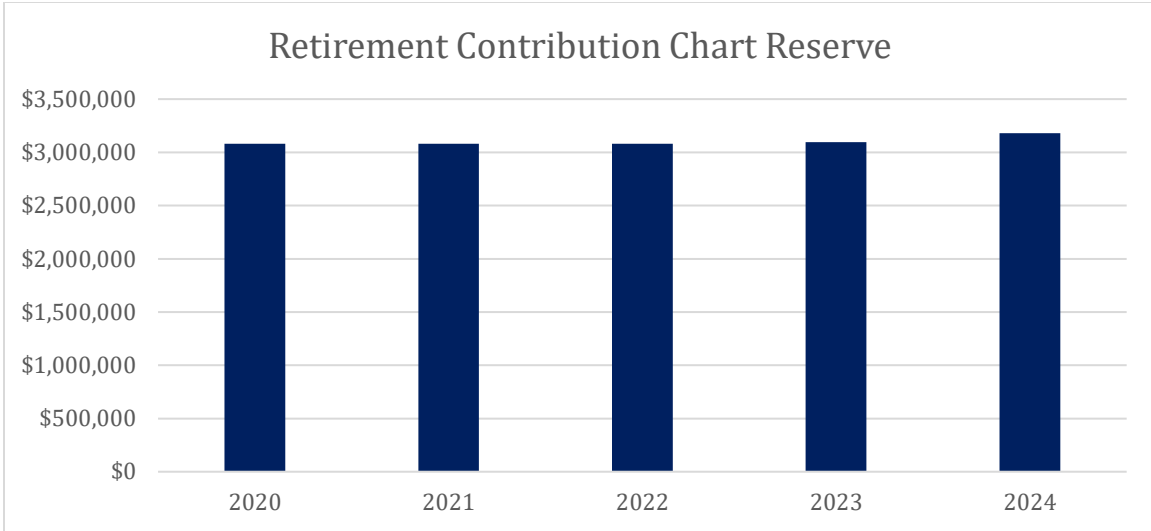
The ERS contribution for 2022-23 salaries was \$1,010,620. The ERS reserve is also used to balance the annual budget. Over the past five years the following amounts have been the budgeted use of the reserve:

2020-21	\$ 869,284
2021-22	\$ 500,000
2022-23	\$ 500,000
2023-24	\$ 500,000
2024-25	\$ 700,000

Balance June 30, 2024: \$3,181,120

Ideal Balance: Five years of employer contributions.

Recommendation: Based on a \$1.0M annual contribution, the current ERS reserve is approximately 63% of five years of employer obligations. Funding for this reserve should be reviewed annually to determine if the additional funding is necessary to offset future rate increases and to offset the planned annual use of the reserve.



Teachers' Retirement System Contribution Reserve Sub-Fund

The governing board of a school district, by resolution, may establish a reserve for the purpose of financing retirement contributions made to the NY State Teachers' Employees' Retirement System (TRS). Establishing or expending from the reserve does not require voter approval. Expenditures may only be made pursuant to a board resolution and must be used to finance TRS contributions (General Municipal Law, §6-1). This reserve fund is a sub-fund of the ERS Contribution Reserve.

Each year districts are allowed to fund the reserve up to 2% of TRS salaries paid in the prior year. However, the total amount in the reserve may not exceed 10% of all eligible TRS salaries.

The retirement contribution reserve was established by the Board of Education on August 10, 2020 at a maximum funding level of 10% of salaries for members of TRS the prior year.

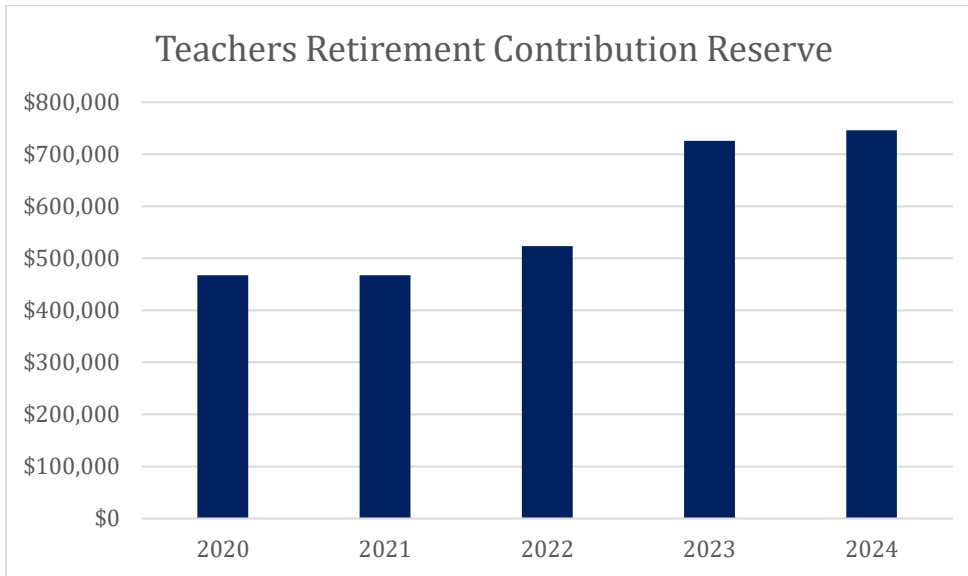
Contribution rates for TRS vary based on economic conditions, particularly stock market performance. If investment returns for the system decline, employer contributions increase. The contribution rate for 2024-25 is 10.11% Contribution rates for the past five were:

2019-20	8.86%
2020-21	9.53%
2021-22	9.80%
2022-23	10.29%
2023-24	9.76%

Balance June 30, 2024: \$746,267

Ideal Balance: Board approved level.

Recommendation: The current TRS reserve is approximately 3% of TRS salaries. Funding for this reserve should be reviewed annually to determine if the additional funding is necessary to offset future rate increases.

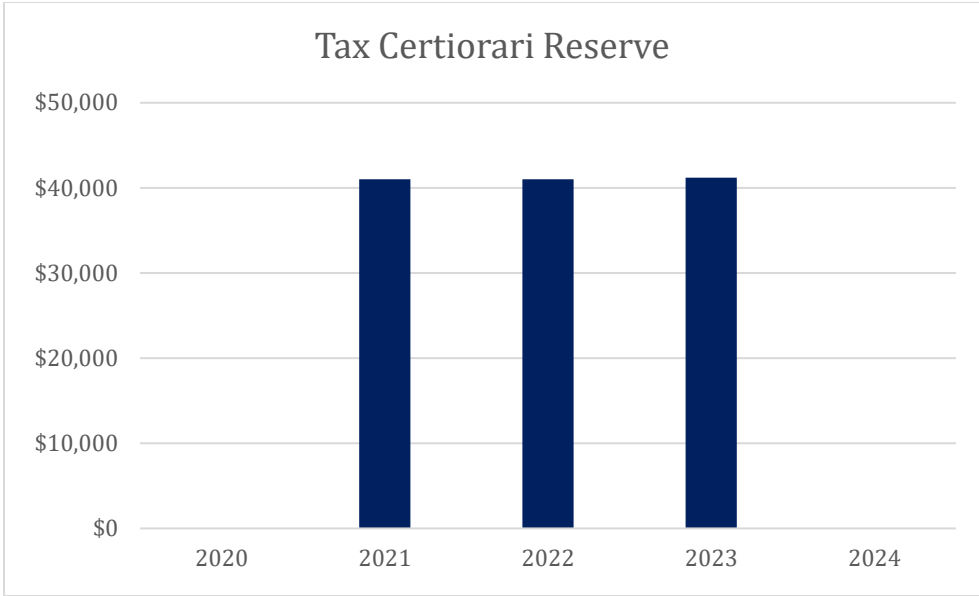


Tax Certiorari Reserve

The tax certiorari reserve was established by the Board of Education on August 30, 2021, with an effective date of June 30, 2021. This reserve is used to pay settlements on tax certiorari cases. The allowable amount in this reserve is limited to a reasonable estimate based on pending tax certiorari cases. The reserve will be adjusted annually based on new, current and expiring claims.

Balance June 30, 2024: \$0

Ideal balance: Requires annual review and adjustment based on pending claims. At June 30, 2024 our potential liability was \$0 so the reserve was closed and funds returned to the General Fund.



Workers’ Compensation Reserve

The Workers’ Compensation Reserve was established by the Board of Education on June 26, 2007. This reserve is used to pay for expenses related to Workers’ Compensation including medical and indemnity claims and self-insurance administrative costs (General Municipal Law, §6j). The District is self-funded for Workers’ Compensation. The reserve also limits the district’s financial exposure in the case of a catastrophic event. Workers Compensation claims over the past five years were:

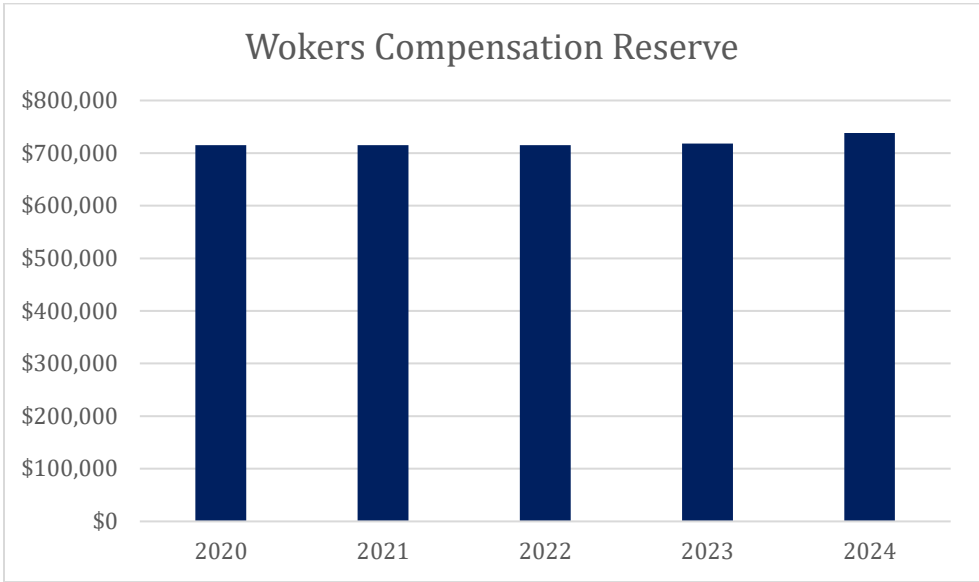
2019-20	\$209,677
2020-21	\$168,476
2021-22	\$101,393
2022-23	\$91,922
2023-24	\$241,450
Total	\$812,918

Beginning with the 2022-23 budget, \$100,000 of the Workers’ Compensation Reserve was used to balance the annual budget. In 2024-25 budget, that amount was increased to \$125,000.

Balance June 30, 2024: \$738,350

Ideal Balance: Five years of claims.

Recommendation: Review the reserve balance annually to monitor claims and the planned use of the reserve.



Property Loss Reserve

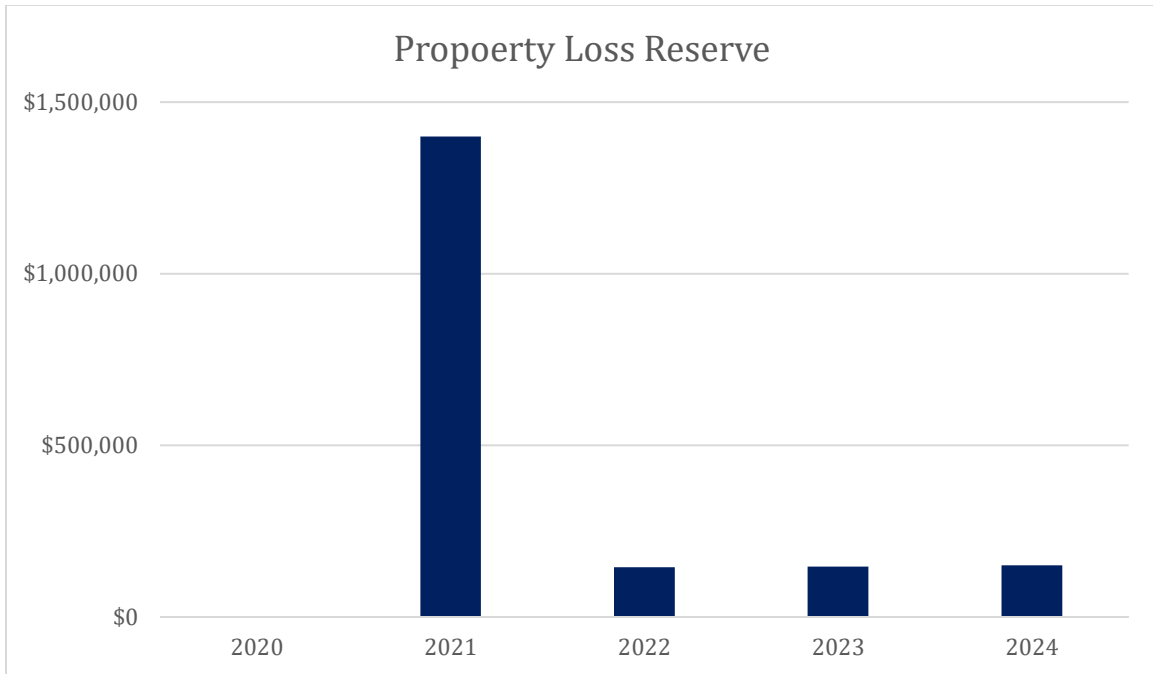
The Property Loss Reserve was established by the Board of Education on August 30, 2021, taking effect June 30, 2021 pursuant to Section 1709 (8-c) of Education Law. This reserve is used to pay for property loss and liability claims incurred. Contributions to this reserve are limited to 3% of the budget.

In the 2021-22, \$1,255,000 was withdrawn from the reserve for two emergency projects. The first project was to help pay for damage in Algonquin Middle School and Averill Park High School caused by a flood in July 2021. The amount used from the reserve for this project was \$1,195,000. The second project was to install a water filtration system at Algonquin Middle School to address high levels of PFOA's. The amount used from the reserve for this project was \$60,000.

Funding Source: Fund Balance

Balance June 30, 2024: \$150,921

Ideal Balance: This reserve was established for two property loss claims. The reserve should be evaluated to determine necessity and any remaining funds transferred to another reserve.



Insurance Reserve

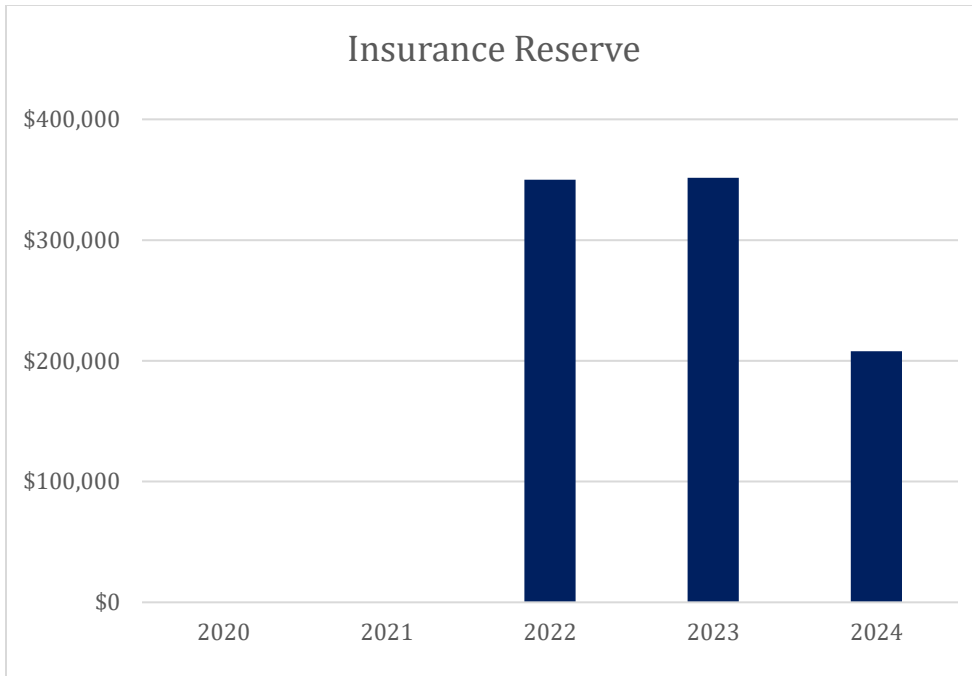
The Insurance Reserve was established by the Board of Education on June 13, 2022 pursuant to General Municipal Law Section 6-n. This reserve is used to pay for property loss and liability claims incurred. The board approved funding level is up to \$350,000.

In 2023-24, \$150,00 was used from the reserve for a settlement that was not covered by insurance.

Funding Source: Fund balance

Balance June 30, 2024: \$207,905

Ideal Balance: Maintain at the board approved level to match potential settlements.



Capital Reserve-2023

The Capital Reserve Fund is used to pay the cost of any object or purpose for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and for payments from the reserve. The form of the required legal notice for the vote on establishing the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. The reserve is intended to reduce the impact to district residents of capital projects. The Capital Reserve was approved by voter referendum on May 16, 2023. The term of the reserve is 10 years with a maximum funding level of \$10,000,000. In 2023, the District conducted a Building Conditions Survey (BCS) and created a Five-Year Plan outlining work that needs to be done at each of the district's facilities. The information from the BCS was used to plan the scope of the next project. The vote date for the next project is September 24, 2024. The use of \$2M from the Capital Reserve is included in the capital project plan.

The funds in this reserve will be used to lower the amount of a future borrowing associated with capital projects.

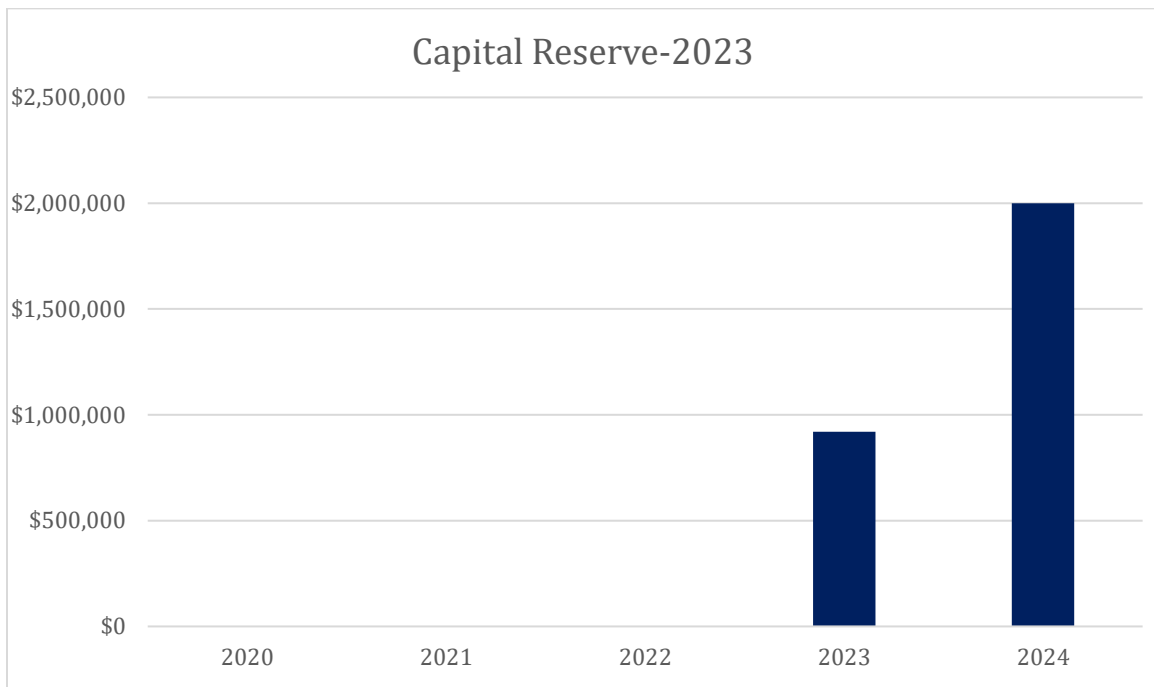
The reserve was established May 2023 as follows:

Shall the Board of Education of the Averill Park Central School District be authorized to (1) create a Capital Reserve Fund pursuant to Education Law § 3651(1) for the purpose of financing the purchase of, and general improvement, reconstruction, renovations or additions to the District's buildings, including the acquisition of sites (land and/or buildings), site work and the acquisition of original furnishings, equipment, machinery,

acquisition and installation of technology equipment, or other apparatus required for the purpose for which such buildings are to be used; (2) the maximum amount for such fund shall be capped at \$10,000,000; (3) deposit into the Capital Reserve Fund such unallocated fund balance of the General Fund as determined by the Board of Education; State Aid related to expenditures from the capital reserve fund; and interest income related to investment monies in the fund. The probable duration of the Capital Reserve Fund is ten (10) years.

Balance June 30, 2024: \$2,000,000

Ideal Balance: May not exceed to voter authorized limit (\$10,000,000), plus accumulated interest earnings



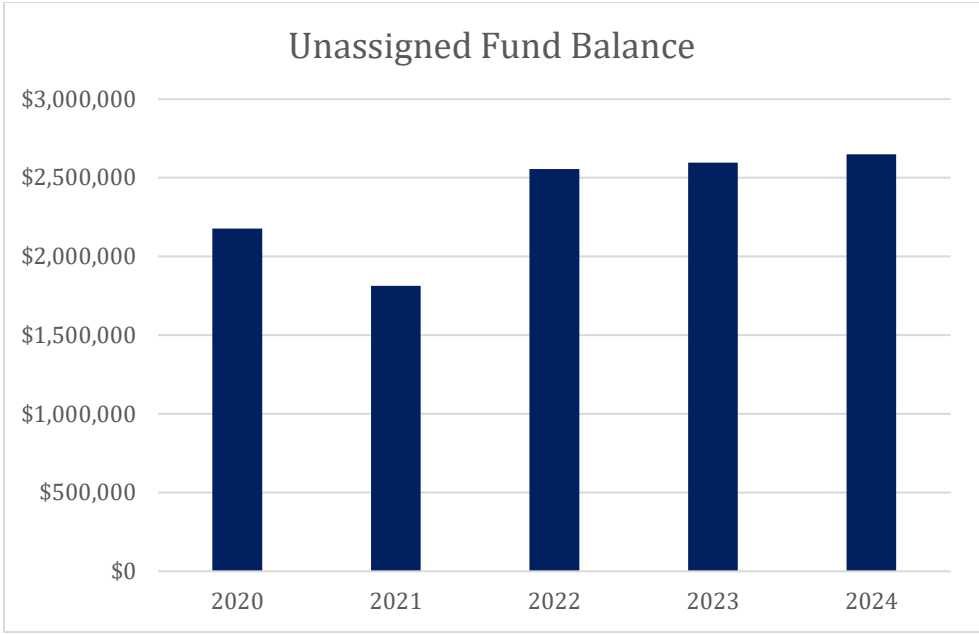
Unassigned Fund Balance

Unassigned fund balance is limited to 4% of the subsequent year's budget. The balance at June 30, 2024 represents 3.98% of the 2024-25 budget.

Funding Source: Fund balance

Balance June 30, 2024: \$2,648,780

Ideal Balance: Maintain full funding at the 4% level.



Assigned Fund Balance

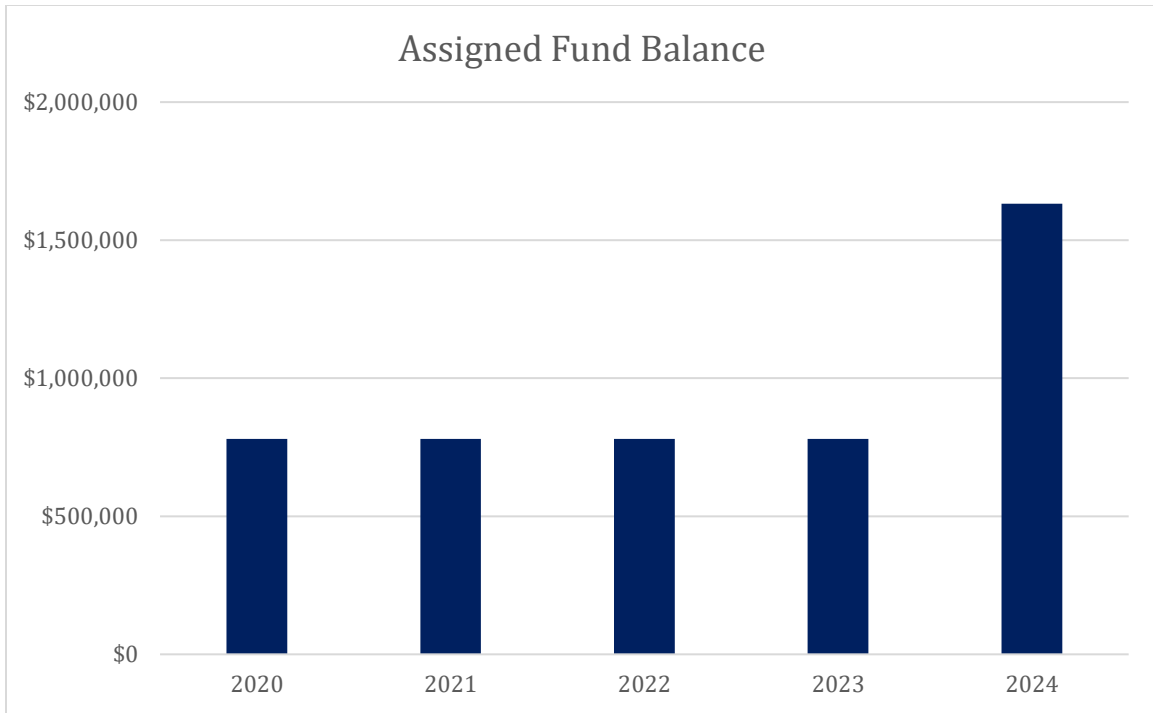
Assigned fund balance is funds set aside to reduce the tax levy that supports the following year’s budget. Since the 2017-18 year, the assigned fund balance to support the budget has been \$780,000. For the 2024-25 budget, the assigned fund balance was increased to \$1,631,608, this represents 2.45% of budget.

Funding Source: Fund balance

Balance June 30, 2024: \$1,631,608

Ideal Balance: Less than 1% of budget

Recommendation: Over time the district should reduce its reliance on fund balance.



Averill Park Central School District Reserve Fund Strategy

Over the long run the District will continue to use conservative budgeting practices which will likely result in excess revenues over expenditures at the end of the fiscal year. The District wishes to avoid draconian cuts in programs during a weak economic climate. The District hopes for additional state aid and mandate relief in future years to reduce the amount of fund balance needed to support the budget. Through the management of its reserves the District hopes to achieve the following:

- Maintenance of educational programming during economic downturns
- Cash flows that will allow increased investing earnings
- The ability to take advantage of opportunities as they arise, relevant to school district operations, that could result in better efficiencies, facilities/capital improvements, and instruction that are a savings to the taxpayers in the long run
- Consistencies and improvements in its education program
- A long-term plan for preserving its infrastructure and school buildings
- The ability to maintain a stable tax levy
- To maintain and/or improve its bond rating which will save taxpayer dollars due to the ability to finance at lower interest rates

In terms of its mission and responsibility to manage its fiscal affairs prudently the Board of Education considers all the goals above to be critical to its philosophy in managing reserves.

2024-2025 Reserve Fund Use Priorities

- Maintain the assigned fund balance used to offset the local tax levy.
- Increase funding to the Capital Reserve for future referendums.
- Increase funding to the Teachers Retirement Contribution Reserve.
- Reassess Retirement Contribution Reserve as rates change annually.
- Reassess Workers Compensation Reserve limit based on actual expenses.
- Recalculate the Employee Benefit & Accrued Liability annually and reassess the reserve amount to remain at or below the approved 50% of obligation level.
- Determine if more funds are needed for insurance reserve based on existing claims.

Restricted Fund Balance:	June 2024
Workers' Compensation Reserve	\$738,350
Retirement Contribution (ERS) Reserve	\$3,181,120
Retirement Contribution (TRS) Reserve	\$746,267
Property Loss Reserve	\$150,921
Tax Certiorari Reserve	\$0
Employee Benefits and Accrued Liabilities Reserve	\$1,060,788
Insurance Reserve	\$207,905
Capital Reserve- 2023	\$2,000,000
Total Restricted Fund Balance	\$8,085,351