

Reserve Fund Disclosure

New York State Education Law and New York State General Municipal Law allows for the establishment of various reserve funds that provide the means to fund very specific expenses. Some reserve funds require voter approval and others only require action by the Board of Education. These funds are allowed to be established for a specific purpose and cannot be used for any other purpose.

Establishment and funding of reserve funds are given careful consideration in the overall financial plan for the district. Once reserves are used in any given year, they are gone forever, unless the district generates an operating surplus in subsequent years. While the district is able to use significant reserves to balance the 2010-11 Budget, it will not be able to maintain that level of the use of reserves to offset the tax levy over both the short term and the long term. With that in mind, the district is carefully planning the phasing out, over the next few years, the amount of reserves used each year to offset the tax levy. The 2010-11 Budget includes funding from a number of the district's reserves. A total of approximately \$1,260,000 will be used to fund some expenses and to offset, what would have been, a larger increase in the tax levy. They include \$285,000 from the district's unappropriated fund balance, *\$380,000 from the Employee Benefits Reserve, \$250,000 from the Insurance Reserve, \$170,000 from the Employees Retirement Reserve and \$175,000 from the Unemployment Insurance Reserve.

Reserves also serve to provide short term cash before State Aid payments are received, or when State Aid payments are delayed and when expenses made from federal and state grants are incurred before reimbursement is actually received. This allows the district to fund operations without experiencing cash flow shortages. Districts that don't have reserves have to borrow money when there are cash flow shortages.

Current District Reserves

2009-10				
Reserve Fund Title	Approval Authority	Date Established	Amount Established	Balance 3/31/2010
2004 Capital Reserve	Voters	5/18/2004	2,000,000	604,199
2007 Capital Reserve	Voters	12/12/2006	3,000,000	3,055,607
2002 Bus Purchase Reserve	Voters	12/17/2002	1,250,000	325,895
Unemployment Insurance Reserve	Board of Education	2/8/2006	Various	180,265
Employees Retirement Reserve	Board of Education	12/15/2004	Various	385,426
Insurance Reserve	Board of Education	8/13/2003	Various	912,842
Tax Certiorari Reserve	Board of Education	6/30/2001	Various	1,060,470
Employee Benefits Reserve	Board of Education	12/15/2004	Various	2,306,005
Unappropriated Fund Balance	Education Law	Annually	Various	1,350,422
Total Reserves				10,181,131
Note: All reserve fund balances are as of 3/31/2010, except Unappropriated Fund Balance, which is as of 6/30/2009.				
Interest earnings are added to the amount originally approved by voters.				

Bus Purchase Reserve

This reserve fund can only be used to pay for new school buses. The reserve requires voter approval to establish the fund as well as voter approval to make expenditures from the fund. This fund has been used successfully to purchase new buses since 2002 without the need to borrow money or to assess any additional tax levy. The fund currently has a balance of \$325,895. A proposition is on the May ballot to purchase two new school buses at a cost not to exceed \$207,200. If approved, the new buses will be paid from the existing reserve. That would leave \$118,695. That amount will be insufficient to purchase buses after the 2010-11 school year without having to borrow money. The district will be asking voters, on the May ballot, to authorize a new Bus Purchase Reserve Fund in an amount not to exceed \$2,650,000. If approved, this will provide the district the means to fund the purchase of new buses over an estimated ten year period without having to borrow money.

Capital Reserve

This reserve can only be used to pay for capital reconstruction projects. The reserve requires voter approval to establish the fund as well as voter approval to make expenditures from the fund. This fund was used successfully recently to complete renovations to the High School Auditorium and the High School heating system controls. There are two capital reserve funds that currently have a combined balance of \$3,659,806. This reserve will be used in the future for renovations identified in the district's long range facilities plan.

Unemployment Reserve

This reserve can only be used to pay claimants for unemployment benefits. This reserve only requires Board of Education action to be established and to expend funds. Due to the amounts of staff cuts that will take place in 2010-11, there will be a significant increase in the cost of those benefits. Up to \$175,000 will be used to offset those costs. The use of those funds will not have any impact on the tax levy.

Employees Retirement System Reserve

This reserve can only be used to pay employer contributions to the New York State Employee's Retirement System. This reserve only requires Board of Education action to be established and to expend funds. Due to the economy, the retirement system was forced to significantly increase the district's level of contribution by over 60%. Up to \$170,000 will be used to offset those costs. The use of those funds will not have any impact on the tax levy.

Insurance Reserve

This reserve was established to fund costs associated with a lawsuit that was filed against the district by the State Attorney General's Office almost ten years ago. This reserve only requires Board of Education action to be established and to expend funds. Up to \$250,000 will be used to offset legal costs to defend the claim against the district. The use of those funds will not have any impact on the tax levy.

Tax Certiorari Reserve

This reserve can only be used to pay expenses associated with tax certiorari proceedings. Tax certioraris are legal actions that property owners take to challenge their assessments. Some certiorari actions can take many years to resolve and can result in significant refunds of prior year's taxes. This reserve only requires Board of Education action to be established and to expend funds. The amount in the reserve represents the potential refunding of taxes for all pending claims through June 30, 2009.

Employee Benefits and Accrued Liabilities (EBALR) Reserve

This reserve can only be used to fund certain post retirement benefits. They include employee's shares of health insurance that is paid from unused sick leave at the time of their retirement. The district had also funded the reserve to fund retirement incentives to employees that elect to retire early. The Comptroller's Office recently ruled that retirement incentives cannot be funded from this reserve. There is pending legislation as part of the Governor's budget to allow use of funds from this reserve for tax levy reduction. Up to \$380,000 will be used to offset those costs.

Unappropriated Fund Balance

Current law allows the district to carry over up to 4% of the 2010-11 Budget as undesignated fund balance. The district uses the fund balance as a hedge against unanticipated expenses that are in addition to those identified above.