

Worcester Central School District Reserves Plan as of June 30, 2023

OVERVIEW

The establishment and funding of reserves is an important consideration in the maintenance of a sound financial plan for any school district. Strict adherence to state laws is required to ensure reserves are both legal and appropriate. Adequately funded reserves are vital to the long-term health and stability of the school district.

The Worcester Central School District believes that the judicious use of reserves reduces long-term borrowing costs, smooths large fluctuations in tax rates, and minimizes the possibility of mid-year budget cuts which could have a direct impact on students. We believe it is in the best interest of students, staff, and taxpayers to prudently establish and use reserves to weather the financial storms and uncertainties that can occur throughout a school year.

Since New York State law mandates that expenditures can be no greater than the budget approved by the voters in May each year, Worcester Central School District budgets conservatively to ensure that unanticipated expenditures do not result in mid-year cuts or expenditure freezes that could have an immediate impact on students and/or staff. This practice has allowed the District to weather revenue reductions, state aid holdbacks, increases in expenditures such as Special Education, and other negative adjustments without impacting instructional programs. However, conservative budgeting can also result in budget surpluses at year-end. The Board of Education reviews budget surpluses via the annual Fund Balance Report and determines the best use of these surpluses including transfers to voter or Board approved reserves, or to a reduction in the ensuing year tax levy.

Legally established reserves can provide many benefits to the school district and to its taxpayers. However, these reserves can also cause confusion when not utilized and/or their purpose is not clearly understood by the community.

RESERVES

As stated, the Board is responsible for appropriately managing the financial affairs of the District. Reserves may be established by the Board in accordance with applicable laws. Money set aside in reserves must be used in compliance with statutory provisions which determine how reserves are established and how they may be funded, expended, and/or discontinued. Generally, school districts are not limited as to how much money can be held in reserves. However, reserve balances must be reasonable.

Funding reserves at greater than reasonable levels contributes to real property tax levies that are higher than necessary because the excessive reserve balances are not being used to fund operations. The Board is responsible for developing a formal plan for the use of its reserves, including anticipated use and need of reserve funds and how and when disbursements should be made. By maintaining excessive and/or unnecessary reserves, the Board and District officials may miss opportunities to lower the property tax burden and/or funds from being used to meet District needs.

The following is a plan with a report/analysis of the current status and internal controls over Reserve Funds at Worcester Central School District:

Tax Certiorari Reserve

Purpose – This reserve is used to pay for prior year judgments and claims in tax certiorari proceedings.

Creation – This reserve was created via board resolution.

Funding Goal- As the district receives tax certiorari claims; we reserve funds to cover the cost of these claims against the District.

Funding Level – The current amount of the fund is \$10,107, to be evaluated and adjusted on an annual basis.

Funding Methods – Funding methods may include from excess fund balance or transfers from other reserves. Funds placed in these reserves that are not used to pay tax certiorari judgments or claims must be returned to the General Fund by the first day of the fourth fiscal year after the establishment of the fund.

Use of Reserve – This reserve would be used to pay for prior year's tax certiorari claims.

Monitoring of Reserve – This reserve will be monitored by the Superintendent and Business Administrator. It is anticipated that detailed calculations will be required each year to support the amounts in this reserve.

Capital Reserve

Funding Goal- The board is presented with an annual fund balance report and recommendations from the superintendent and the business office in support of offsetting local costs related to future capital projects. Recommendations to the capital reserve fund are based on operating surpluses from the general fund and are approved by the board.

Funding Level – The current amount of the fund is \$1,577,609. The probable term shall be 10 years.

Creation – This reserve was created in 2022 via voter approval.

Purpose – The purpose of the fund is for construction, repair and construction of capital improvements and the acquisition of equipment.

Funding Methods – The source from which the funds will be obtained can include any or all of the following: unappropriated fund balance from the general fund as determined by the Board of Education, State aid related to expenditures from the capital reserve fund, interest income related to investments of monies in the fund, and any other monies thereafter authorized by the voters of the district.

Use of Reserve – Use of this reserve requires voter approval. The proposition to use these funds must be specific to a set of projects and dollar amounts.

Monitoring of Reserve – This reserve is monitored by the Superintendent and Business Administrator.

Capital Reserve for Purchase of Vehicles

Funding Goal- The board is presented with an annual fund balance report and recommendations from the superintendent and the business office in support of offsetting local costs related to future vehicle purchases. Recommendations to the vehicle purchase reserve fund are based on operating surpluses from the general fund and are approved by the board.

Funding Level – The current amount of the fund is \$500,000. The probable term shall be 10 years.

Creation – This reserve was created in 2023 via voter approval.

Purpose – The purpose of the fund is for purchases of transportation vehicles and equipment.

(Capital Reserve for Purchase of Vehicles-continued)

Funding Methods – The source from which the funds will be obtained can include any, or all, of the following: unappropriated fund balance from the general fund as determined by the Board of Education, State aid related to expenditures from the capital reserve fund, interest income related to investments of monies in the fund, and any other monies thereafter authorized by the voters of the district.

Use of Reserve – Use of this reserve requires voter approval. The proposition to use these funds must be specific to a set of projects and dollar amounts.

Monitoring of Reserve – This reserve is monitored by the Superintendent and Business Administrator.

Employee Benefit Accrued Liability Reserve (EBLAR)

Purpose – The purpose of this fund is to pay accrued benefits due to employees upon termination of service for vacation, sick, leave, personal leave, etc.

Creation – This reserve was created via board resolution.

Funding Goal-The amount of the liability calculated by the District.

Funding Level – The current amount of the fund is \$233,396, which would cover the calculated liability at year end. If the District determines that such an account is no longer needed or is overfunded, monies may be transferred to a reserve fund established under Education Law §3651, but only to the extent that the monies in the employee benefit accrued liability reserve fund exceed a sum sufficient to pay all liabilities incurred or accrued against the employee benefit accrued liability fund, as certified to the governing board by the fiscal and legal officers of the local government prior to the discontinuance of the fund.

Funding Methods – The source from which the funds will be obtained can include any and all of the following: unappropriated fund balance from the general fund as determined by the Board of Education, interest income related to the investment of monies in the fund, and any other additional monies thereafter authorized by the voters of the District.

Use of Reserve – This reserve is used to pay for employee compensated absences upon termination of employment from the school district. Recent amendments to General Municipal Law allows for use of the reserve as a revenue to cover the amount equivalent to a district's remaining gap elimination adjustment or the or dollar value of excess funding remaining in the fund as determined by the Comptroller.

Employee Retirement Contribution (ERS) Reserve Fund

Purpose – This reserve is used to pay for district expenses to the NYS Employee’s Retirement System only.

Creation – This reserve was created via board resolution.

Funding Goal- A minimum funding level equivalent to value of five consecutive highest assessed years.

Funding Level – The current funding level is \$562,088.

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

Use of Reserve – Funds will be used to offset New York State Employees Retirement System billings.

Monitoring of Reserve – This reserve is monitored by the Superintendent and Business Administrator.

Employee Retirement Contribution (TRS) Reserve Fund

Purpose – This reserve is used to pay for district expenses to the NYS Teacher’s Retirement System only.

Creation – This reserve was created via board resolution.

Funding Goal- A maximum funding level equivalent to 10% of the salaries paid to TRS employees during the immediately preceding fiscal year.

Funding Level – The current funding level is \$150,910.

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

Use of Reserve – Funds will be used to offset New York State Teachers Retirement System billings.

Monitoring of Reserve – This reserve is monitored by the Superintendent and Business Administrator.

Property Loss Reserve

Purpose – This reserve is used to pay for unanticipated, non-recurring property loss expenses.

Creation – This reserve was established via board resolution.

Funding Goal- An amount that is deemed adequate to offset the costs of unanticipated property loss expenses.

Funding Level – The current funding level is \$25,877.

Funding Methods – This reserve will be funded from excess fund balance or by budgetary appropriations.

Use of Reserve – This reserve may be used at the discretion of the superintendent and business manager specifically to offset unanticipated property loss expenses.

Monitoring of Reserve – This reserve is monitored by the Superintendent and Business Administrator.

Liability Reserve

Purpose – This reserve is used to pay for unanticipated, non-recurring liability claims.

Creation – This reserve was established via board resolution.

Funding Goal- An amount that is deemed adequate to offset the costs of unanticipated liability claims.

Funding Level – The current funding level is \$25,877.

Funding Methods – This reserve will be funded from excess fund balance or by budgetary appropriations.

Use of Reserve – This reserve may be used at the discretion of the superintendent and business manager specifically to offset unanticipated liability claims.

Monitoring of Reserve – This reserve is monitored by the Superintendent and Business Administrator.

Unemployment Insurance Reserve

Purpose – This reserve is used to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for unemployment benefit payments to claimants.

Creation – This reserve was established via board resolution.

Funding Goal- An amount that is deemed adequate to offset the costs of unemployment benefits for the District.

Funding Level – The current funding level is \$77,022.

Funding Methods – This reserve will be funded from excess fund balance or by budgetary appropriations.

Use of Reserve – In accordance with the law, this reserve may be used at the discretion of the superintendent and business manager specifically to offset expenses tied to unemployment insurance claims related to employee attrition.

Monitoring of Reserve – This reserve is monitored by the Superintendent and Business Administrator.

Worcester Central School District- Reserve Fund Analysis Report

Reserve Name	Date Established	Balance 7/1/22	Transfers In	Withdrawals Out	Balance 6/30/23
<i>Tax Certiorari Reserve</i>	2008	\$10,018			\$10,107
<i>Capital Reserve</i>	2022	\$1,068,080	500,000		\$1,577,609
<i>Capital Reserve for Purchase of Vehicles</i>	2023	-	500,000		\$500,000
<i>EBLAR</i>	2003	\$231,332			\$233,396
<i>Retirement Contributions Reserve-ERS</i>	2008	\$556,679			\$562,088
<i>Retirement Contributions Reserve-TRS</i>	2021	\$100,018	50,000		\$150,910
<i>Property Loss Reserve</i>	2008	\$25,648			\$25,877
<i>Liability Reserve</i>	2008	\$25,648			\$25,877
<i>Unemployment Reserve</i>	2008	\$76,341			\$77,022
<i>Totals</i>		\$2,093,764	\$1,050,000		\$3,162,886

Worcester Central School District																
Reserve Fund Information																
	2018-19			2019-20			2020-21			2021-22			2022-23			
	Actual	Changes(-)	Interest	Actual	Changes(-)	Interest	Actual	Changes(-)	Interest	Actual	Changes(-)	Interest	Actual	Changes(-)	Interest	Actual
	6/30/2018			6/30/2019			6/30/2020			6/30/2021			6/30/2022			6/30/2023
GENERAL FUNDS																
Unemployment Insurance	\$ 76,281	\$ -	\$ 15	\$ 76,296	\$ -	\$ 15	\$ 76,311	\$ -	\$ 15	\$ 76,326	\$ -	\$ 15	\$ 76,341	\$ -	\$ 15	\$ 77,022
Retirement Contribution	\$ 506,293	\$ (50,000)	\$ 101	\$ 456,394	\$ (50,000)	\$ 89	\$ 406,483	\$ 150,000	\$ 89	\$ 556,572	\$ -	\$ 107	\$ 556,679	\$ -	\$ 107	\$ 562,088
Retirement Cont Sub Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ 3	\$ 50,003	\$ 50,000	\$ 15	\$ 100,018	\$ 50,000	\$ 892	\$ 150,910
Property Loss	\$ 25,627	\$ -	\$ 5	\$ 25,632	\$ -	\$ 6	\$ 25,638	\$ -	\$ 5	\$ 25,643	\$ -	\$ 5	\$ 25,648	\$ -	\$ 229	\$ 25,877
Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance	\$ 25,627	\$ -	\$ 5	\$ 25,632	\$ -	\$ 6	\$ 25,638	\$ -	\$ 5	\$ 25,643	\$ -	\$ 5	\$ 25,648	\$ -	\$ 229	\$ 25,877
Tax Certiorari	\$ 10,011	\$ -	\$ 2	\$ 10,013	\$ -	\$ 1	\$ 10,014	\$ -	\$ 2	\$ 10,016	\$ -	\$ 2	\$ 10,018	\$ -	\$ 89	\$ 10,107
Employee Benefit	\$ 131,204	\$ -	\$ 26	\$ 131,230	\$ -	\$ 26	\$ 131,256	\$ 100,000	\$ 32	\$ 231,288	\$ -	\$ 44	\$ 231,332	\$ -	\$ 2,064	\$ 233,396
Capital	\$ 68,017	\$ -	\$ 13	\$ 68,030	\$ -	\$ 14	\$ 68,044	\$ -	\$ 14	\$ 68,058	\$ 1,000,000	\$ 22	\$ 1,068,080	\$ 500,000	\$ 9,529	\$ 1,577,609
Capital-Vehicle Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,000	\$ -	\$ 500,000
Repair	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance Recoveries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Reduction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL GENERAL FUNDS	\$ 843,060	\$ (50,000)	\$ 167	\$ 793,227	\$ (50,000)	\$ 157	\$ 743,384	\$ 300,000	\$ 165	\$ 1,043,549	\$ 1,050,000	\$ 215	\$ 2,093,764	\$ 1,050,000	\$ 19,122	\$ 3,162,886