

## **RESERVE FUNDS**

Reserve funds (essentially a legally authorized savings account designated for a specific purpose) are an important component in the District's financial planning for future projects, acquisitions and other lawful purposes. To this end, the District may establish and maintain reserve funds in accordance with New York State Laws, Commissioner's Regulations and the rules and/or opinions issued by the Office of the New York State Comptroller, as applicable. The District shall comply with the reporting requirements of Article 3 of the General Municipal Law of the State of New York and the Governmental Accounting Standards Board (GASB) issued GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Any and all District reserve funds shall be properly established and maintained to promote the goals of creating an open, transparent and accountable use of public funds. The District may engage independent experts and professionals, including but not limited to, auditors, accountants and other financial and legal counsel, as necessary, to monitor all reserve fund activity and prepare any and all reports that the Board may require.

### **Periodic Review and Annual Report**

The Board of Education will periodically review all reserve funds. The District will also prepare and submit an annual report of all reserve funds to the Board of Education. The annual report shall include the following information for each reserve fund:

- a) The type and description of active reserve funds;
- b) The date the reserve fund was established, the expiration date of the reserve fund (if any), the current balance of the reserve fund, and the amount of each sum paid into the fund in the previous twelve months;
- c) The interest earned by the reserve fund;
- d) Capital gains or losses resulting from the sale of investments of the reserve fund;
- e) The total amount and date of each withdrawal from the reserve fund in the previous twelve months;
- f) The total assets of the reserve fund showing cash balance and a schedule of investments;
- g) An analysis of the projected needs for the reserve fund in the upcoming fiscal year and a recommendation regarding funding those projected needs; and
- h) Any recommendations for any new reserve funds to be established including the process for establishing such fund and the justification.

The Board shall utilize the information in the annual report to make necessary decisions to adequately maintain and manage the District's reserve fund balances while mindful of its role and responsibility as a fiduciary of public funds.

The Superintendent shall develop any necessary and/or appropriate regulations to implement the terms of the Board's policy.

In New York State, reserve funds may be established and maintained by School Districts for a limited number of specific intended purposes and pursuant to the requirements of select provisions of Education and General Municipal law. The following outlines some of the more common types of reserve funds that may be created by School Districts - their purpose, statutory/legal authority and how and why they are established.

### Common Types of Reserve Funds - Purpose, Statutory Authority and Creation

Type of Reserve	Statutory/Legal Authority	Why create?/Purpose	How to Create
Repair Reserve Fund	General Municipal Law Section 6-d	To pay for certain repairs (non-recurring repairs) to capital improvements or equipment.	Voter approval is required to fund the repair reserve.
Unemployment Insurance Payment Reserve Fund	General Municipal Law Section 6-m	To reimburse the State Unemployment insurance Fund for payments to claimants (in lieu of contributions required of employers under Article 18 of the Labor Law).	Board resolution; voter approval is not required to either create or expend monies from the reserve (per Labor Law Section 581(1) (e)).
Workers Compensation Reserve Fund	General Municipal Law Section 6-j	To pay compensation and benefits (e.g., medical, hospital or other expenses authorized by Article 2 of the Workers Compensation Law and to pay the administrative expenses of administering a self-insurance program.	Board resolution; voter approval is not required to either create or expend monies from the reserve.
Capital Reserve Fund	Education Law Section 3651(1)	To pay the cost of any object or purpose of a School District.	Voter approval is required.
Tax Certiorari Reserve Fund	Education Law Section 3651 (1-a)	To pay judgments or claims in tax certiorari proceedings per Article 7 of the Real Property Tax Law. (Some City School Districts <i>may</i> , and others <i>must</i> , establish a reserve fund to cover uncollected taxes per Education Law Section 3651 (1-b)).	Board resolution; voter approval is not required provided the total amount of the reserve fund doesn't exceed the amount needed to pay the anticipated judgments and claims of the tax certiorari proceedings.
Employee Benefit Accrued Liability Reserve Fund	General Municipal Law Section 6-p	To pay for any accrued employee benefit (e.g., cash payment of the monetary value of accrued and accumulated but unused and unpaid sick leave, personal leave, vacation leave, etc.) due upon an employee's termination of service. (School Districts in a city with a population of 125,000 or more are not eligible to create this type of reserve).	Board resolution; voter approval is not required to either create or expend monies from the reserve.
Retirement Contribution Reserve Fund	General Municipal Law Section 6-r	To pay for retirement contributions, defined as, all or any portion of the amount payable to the NYS and Local Employees' Retirement System, pursuant to Section 17 of the Retirement and Social Security Law. (School Districts in a city with a population of 125,000 or more are not eligible to create this type of reserve).	Board resolution to finance retirement contributions. Voter approval is not required to either create or expend monies from the reserve.