



North Colonie Central School District Fund Balance and Reserve Plan

2026-27

Presented to the Board of Education September 2026.

V 9-02-2026

Overview

The establishment and prudent funding of reserves is an important component of a sound financial plan for a school district. While compliance with New York State law is essential to ensure that reserves are legally established, funded and used, appropriately funded reserves are also an important component of the District's long-term financial stability. This concept is recognized by the NYS Comptroller:

Saving for future projects, acquisitions, and other allowable purposes is an important planning consideration for local governments and school districts. Reserve funds provide a mechanism for legally saving money to finance all or part of future infrastructure, equipment, and other requirements. Reserve funds can also provide a degree of financial stability by reducing reliance on indebtedness to finance capital projects and acquisitions. In uncertain economic times, reserve funds can also provide officials with a welcomed budgetary option that can help mitigate the need to cut services or to raise taxes. In good times, money not needed for current purposes can often be set aside in reserves for future use.

— New York State Office of the State Comptroller, *Local Government Management Guide: Reserve Funds*, p. 1.

The North Colonie Central School District recognizes that the prudent use of reserves can reduce long-term borrowing costs, mitigate significant fluctuations in the tax levy, and provide greater financial stability during periods of economic or fiscal uncertainty.

Legally established reserves can provide many benefits to the school district and to its taxpayers. However, these reserves can also cause confusion when their purpose is not clearly understood by the community. The purpose of this document is to detail the reserves North Colonie Central School District has in place and to detail the District's plan for use and maintenance of these reserves.

The District will establish and maintain reserve funds only when there is a demonstrated legal and financial need. Reserve balances will be reviewed annually and compared with the District's identified liabilities, historical expenditures, projected costs and statutory limitations.

The Board will seek to balance the financial stability provided by reserves with its responsibility to ensure that the property tax levy is not greater than necessary. The District will not accumulate or maintain reserve balances solely because resources are available. Each reserve balance will be supported by a documented statutory purpose and a reasonable financial need, liability, exposure or long-term objective. The District will periodically evaluate whether the balance remains reasonable in relation to the identified need.

Each reserve will have, as applicable, a statutory maximum, voter-authorized maximum, District target, or documented liability-based funding level.

During the annual budget development process and, where legally permitted, through subsequent Board action, the District identifies and authorizes funding for reserve funds in accordance with applicable statutory requirements and Board resolutions. The reserve balances, funding activity and related statutory purposes are presented below.

Interest earned on reserve funds is allocated to the respective reserve in accordance with applicable law and the District's investment practices. For 2025-26, interest earned on District deposits and investments resulted in reserve investment rates ranging from approximately 0.35% to 4.137%, as applicable.

Report Highlights for Board Review and Approval

Total Proposed Reserve Funding: \$3,046,028, subject to the specific recommendations, statutory requirements and Board resolutions described below.

- **Tax Certiorari Reserve:** Increase the reserve by \$486,467 based on district current exposure
- **Workers' Compensation Reserve:** Fund an additional \$559,561 to bring the reserve to approximately 7 years of program cost.
- **Insurance Reserve:** Add \$2,000,000, based on District's insurance coverage, deductibles and applicable statutory requirements.
- **Unassigned Fund Balance:** June 30, 2026 balance of \$6,583,254.

Note: For purposes of this report, "Statutory Limit" refers to a limitation established by New York State law, while "District Target" refers to a financial policy target established by the District based on its assessment of liabilities, historical experience, projected costs and its long-term financial plan. A District target is not a statutory requirement unless expressly identified as such.

RESERVE FOR EMPLOYEE BENEFIT ACCRUED LIABILITY (A867)

Authority: The governing board of a 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 the reserve does not require voter approval. Expenditures may only be made for allowed cash payments earned by employees due upon termination of employment (GML § 6-p). Established by the BOE on 6/30/2002.

Balance June 30, 2025	\$ 6,979,702
<u>Interest Earned</u>	<u>\$ 49,585</u>
Balance June 30, 2026	\$ 7,029,287

Documented liability-based Target : The District's target is to maintain a reserve sufficient to fund the outstanding compensated-absence liability. As of June 30, 2026, the calculated liability was \$7,188,295.

Discussion: This reserve is used to fund qualifying contractual payments for accumulated compensated absences that become payable upon an employee's retirement or other eligible termination of employment. The reserve does not fund the District's GASB 75 other post-employment benefit liability. The liability for qualifying compensated absences is recalculated annually based on contractual provisions and the accumulated leave balances of eligible employees.

Action/Recommendation: *The District recommends funding the reserve toward the calculated compensated-absence liability as resources permit and recalculating the liability annually.*

TAX CERTIORARI RESERVE (A864)

Authority: Under Education Law § 3651(1-a), a school district may establish a reserve fund for the payment of judgments and claims arising from tax certiorari proceedings without voter approval. The amount maintained in

the reserve may not exceed the amount reasonably deemed necessary to meet anticipated judgments and claims. Established by the BOE on 6/29/2007.

Balance June 30, 2025	\$ 2,468,159
Changes during year use in '25-'26	\$ (111,230)
Additions	\$ 486,467
<u>Interest Earned</u>	<u>\$ 95,744</u>
Balance June 30, 2026	\$ 2,939,140

District Target: The amount reasonably deemed necessary to meet anticipated tax certiorari judgments and claims, based on the District's current assessment of pending cases and expected settlements

Discussion: North Colonie Central School District has a long history of tax certiorari proceedings. The total current exposure for North Colonie is \$3,615,715. Historically, tax refunds have been paid from the tax certiorari reserve rather than the General Fund. The District will review the reserve annually based on pending cases, legal counsel's assessment, assessment challenges and anticipated settlement amounts. The reserve will be reviewed annually, and amounts no longer reasonably required to meet anticipated judgments and claims will be addressed in accordance with applicable statutory requirements.

Action/Recommendation: *The District recommends increasing the reserve by \$486,467 to \$2,939,140, based on the current documented estimate of anticipated judgments and claims, subject to annual review.*

UNEMPLOYMENT INSURANCE RESERVE (A815)

Authority: This reserve is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants. The reserve may be established by Board action and funded by budgetary appropriations or other funds as may be legally appropriated (GML §6-m). Established by the BOE on 06/30/2006.

Balance June 30, 2025	\$ 742,613
Changes during year	\$
<u>Interest Earned</u>	<u>\$ 1,769</u>
Balance June 30, 2026	\$ 744,382

District Target: The District's planning target is a balance sufficient to address reasonably anticipated unemployment reimbursement costs.

Discussion: The District has historically funded unemployment claims from the General Fund when possible while maintaining a reserve for periods of elevated or unexpected unemployment costs. The reserve provides additional financial flexibility should unemployment claims increase significantly.

Action/Recommendation: *The District will continue to monitor the use of this fund and its established planning target while balancing other identified reserve needs and the impact on the tax levy.*

RETIREMENT CONTRIBUTION RESERVES

Employees' Retirement System (ERS) — Retirement Contribution Reserve (A827)

Authority: 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 Local Employees' Retirement System (ERS). 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 retirement contributions. (GML sec. §6-r) Established by the BOE on 5/17/2009.

Balance June 30, 2025	\$ 11,753,406
Changes during year	\$
Interest Earned	\$ 123,727
Balance June 30, 2026	\$ 11,877,133

District Target: Based on the District's five-year financial forecast, the projected ERS contribution requirements, anticipated payroll growth and projected employer contribution rates, the District's target ERS reserve is up to 5 years of projected ERS contributions \$14,551,530 based on the last year of known contributions. The target will be reassessed annually.

Fiscal Year	ERS Contribution
2025-26	\$2,910,306
2024-25	\$2,610,474
2023-24	\$2,099,793

Discussion: The purpose of this reserve is to set aside available surplus to provide a source of funds to limit the property tax impact of increases in an employer contribution rate for ERS. This reserve was authorized by the state legislature in reaction to the significant increases in retirement contribution rates that municipalities and school districts were facing.

Action/Recommendation: The 2026-27 adopted budget includes planned use of \$1,279,262 from the ERS reserve. The District will continue to monitor the reserve balance and projected ERS contribution costs.

Teachers' Retirement System (TRS) — Retirement Contribution Reserve (A828)

Authority: 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' Retirement System (TRS). 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 retirement contributions. (GML sec. §6-r) Established by the BOE on 6/30/2019.

Balance June 30, 2025	\$ 6,245,172
Changes during year	\$
Interest Earned	\$
Balance June 30, 2026	\$ 6,245,172

Qualifying TRS compensation for 2024-25:	\$ 62,451,724
Statutory 2% annual funding limit:	\$ 1,249,034
Statutory 10% maximum reserve balance:	\$ 6,245,172
June 30, 2026 reserve balance:	\$ 6,245,172
Remaining statutory capacity:	At cap

Statutory limitations applicable to the TRS sub-fund: Annual Funding Limit: Contributions to the TRS reserve may not exceed 2% of the total compensation or salaries of qualifying TRS members paid during the immediately preceding fiscal year.

Maximum Reserve Balance: The balance may not exceed 10% of qualifying TRS compensation or salaries paid during the immediately preceding fiscal year.

Discussion: The purpose of this reserve is to set aside available surplus to provide a source of funds to limit the property tax impact of increases in an employer contribution rate for TRS. This reserve was authorized by the State Legislature in reaction to support budgets when there are increases in retirement contribution rates that municipalities and school districts will face.

Action/Recommendation: *The reserve is currently at the statutory maximum based on qualifying TRS compensation for 2024-25; no additional funding is proposed unless and until the applicable statutory calculation produces additional capacity.*

WORKERS' COMPENSATION RESERVE (A814)

Authority: The purpose of this reserve fund is to pay for compensation benefits, medical, hospital and other expenditures authorized by the Workers' Compensation Law. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated (GML §6-j). Established by the BOE on 06/30/2006.

Balance June 30, 2025	\$ 1,601,663
Changes during year	\$ 559,691
<u>Interest Earned</u>	<u>\$ 41,881</u>
Balance June 30, 2026	\$ 2,203,235

District Target: 7 years of the District's program cost is a policy target rather than a statutory limit. The target is intended to provide sufficient liquidity to address significant claims and is reviewed in light of historical claims experience, outstanding claims, actuarial or third-party claims information where available, and the District's self-insurance exposure. The District believes this level of funding provides an appropriate financial cushion against significant increases in workers' compensation costs. 7 years of program cost is equal to \$2,494,142.

Discussion: The District has historically managed workers' compensation costs effectively; however, the financial impact of individual claims can be significant and costs may increase over time due to wage levels, medical costs and claim severity. Maintaining this reserve provides an appropriate financial cushion against significant or unexpected workers' compensation costs.

Action/Recommendation: Add additional funding of \$559,561 at this time. Continue to monitor the program and anticipated costs as related to it. Add to this reserve when funds become available.

INSURANCE RESERVE FUND (A863)

Authority: The purpose of this reserve fund is to provide resources for allowable losses, claims, actions and judgments for which the District is authorized or required to purchase or maintain insurance, as permitted by GML §6-n. The reserve is established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated (GML § 6-n) Established by the BOE on 6/18/2025.

Balance June 30, 2025	\$ 1,818,639
Changes during year	\$ 2,000,000
<u>Interest Earned</u>	<u>\$ 4,774</u>
Balance June 30, 2026	\$ 3,823,413

Annual Contribution Funding Limit: The amount contributed to the reserve during any fiscal year may not exceed the greater of \$33,000 or 5% of the applicable annual budget, subject to GML §6-n. 5% of the 2025-26 total budget or \$7,811,525.

Discussion: By maintaining this reserve, the District strengthens its financial flexibility and provides an additional resource to address allowable claims and losses without placing immediate pressure on the operating budget.

Action/Recommendation: The District recommends adding \$2,000,000 to the Insurance Reserve, based on the District's documented claims exposure, insurance coverage, deductibles and applicable statutory requirements.

CAPITAL RESERVE FUND - (A878)

Authority: The Capital Reserve Fund can be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a Capital Reserve Fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount and its probable term. An expenditure from this reserve must also be authorized by the voters. On 5/15/2018, the voters of North Colonie Central School District authorized the District to set up a Capital Reserve at a maximum amount of \$10,000,000 for a probable term of 10 years.

Balance June 30, 2025	\$ 9,291,969
<u>Interest Earned</u>	<u>\$ 360,060</u>
Balance June 30, 2026	\$ 9,652,029

District Target / Statutory-Voter Limitation: The reserve may not exceed the ultimate amount authorized by the voters, subject to the terms of the voter-approved proposition and applicable law - \$10,000,000.

Discussion: The Capital Reserve provides the District with a planned source of funding for eligible capital projects and can reduce the amount of borrowing required to finance those projects. Use of the reserve may therefore reduce future debt service and associated interest costs while allowing the District to leverage available New York State Building Aid.

Action/Recommendation: *The District recommends using the Capital Reserve for eligible capital projects consistent with the voter-approved purpose and as capital needs arise, subject to voter authorization.*

MANDATORY RESERVE FOR DEBT SERVICE (A884)

Authority: General Municipal Law §6-I establishes a mandatory reserve fund for certain proceeds associated with the sale of capital improvements and certain State or federal aid received in connection with capital improvements for which outstanding obligations remain. Funds in the reserve may be appropriated only for the payment of outstanding indebtedness, subject to the provisions of the statute.

Balance June 30, 2025	\$ 9,704,424
Changes during year	\$ 560,560 (BAN Premium)
<u>Interest Earned</u>	<u>\$ 164,157</u>
Balance June 30, 2026	\$10,429,141

Discussion: The District will identify the statutory or bond-related source of amounts maintained in the Debt Service Fund and will restrict and use those funds only as permitted by applicable law and the terms of the related financing. Through the annual budget development process, the District will evaluate the use of legally available funds to reduce outstanding debt and minimize associated tax and interest costs.

Action/Recommendation: *The 2026-27 adopted budget includes an appropriation of \$750,000 from the Debt Service Reserve for legally permissible debt service expenditures. The District will continue to evaluate the use of these funds in accordance with applicable statutory requirements and the source restrictions associated with the reserve.*

ASSIGNED APPROPRIATED FUND BALANCE

Purpose: Appropriated fund balance represents the planned use of accumulated fund balance as a financing source for the ensuing year's budget. Because fund balance is a nonrecurring resource, continued reliance on appropriated fund balance should be evaluated annually to ensure that it does not create an ongoing structural imbalance.

Budgeted 26-27	\$ 1,500,000
Budgeted 25-26	\$ 907,642
Budgeted 24-25	\$ 907,642
Budgeted 23-24	\$ 4,836,393
Budgeted 22-23	\$ 3,600,000
Budgeted 21-22	\$ 3,600,000

District Target: The designation of Fund Balance represents a "one shot" revenue that cannot be anticipated to be available in the ensuing year's budget. Overuse can cause the depletion of available Fund Balance. The District recognizes that continued reliance on appropriated fund balance is not a sustainable recurring revenue source and may increase future tax levy pressure if the appropriated amount is not replenished. The 2026-27 adopted budget includes \$1,500,000 of appropriated fund balance as a financing source.

UNASSIGNED FUND BALANCE

Purpose: Unassigned fund balance provides the District with financial flexibility to address unanticipated expenditures and revenue fluctuations and supports cash-flow needs during periods when property tax receipts have not yet been received.

Balance June 30, 2026	\$ 6,583,254
Balance June 30, 2025	\$ 6,209,219
Balance June 30, 2024	\$ 6,163,697
Balance June 30, 2023	\$ 10,918,065
Balance June 30, 2022	\$ 5,383,467

District Target: The District intends to maintain unassigned fund balance at or below the statutory threshold applicable to school district unexpended surplus funds under RPTL §1318, subject to amounts properly retained under other statutory provisions.

2026-27 adopted budget: \$164,581,354

4% statutory threshold: \$6,583,254

June 30, 2026 unassigned fund balance: \$6,583,254