The logo for MSAD 75 is a blue, watercolor-style splash shape. The text is centered within this shape.

MSAD 75
PART I
SUPERINTENDENT
BUDGET
PRESENTATION
24-25

1

The background of the slide features a large, abstract orange brushstroke that tapers to the right, creating a sense of movement and depth.

Reserve Funds
Saving for the Future

1. 14 different types of reserve funds
2. Some are used for short term needs or to balance a school budget...
3. while others help districts finance long-term projects and expenses

2



Reasons to Create Reserves

By establishing a reserve fund, districts plan ahead and save incrementally for the future.

3



This helps mitigate the financial impact of major, non-recurring or unforeseen expenditures on a school district's annual operating budget.

It also can reduce or even eliminate a district's need to raise taxes and/or cut staff, programs and services in response to certain financial obligations, such as legal judgments or emergency repairs.

4

Reserved for a Purpose

A school district must follow strict legal requirements, under Education Law or General Municipal Law, to create, fund, dissolve or draw money from school district reserve funds.

5

THE STATUS OF A DISTRICT'S RESERVE FUNDS AND FUND BALANCE CAN ALSO AFFECT ITS BOND RATING. GENERALLY, HAVING A HEALTHIER FUND BALANCE AND RESERVE FUNDS LEAD TO A HIGHER BOND RATING. THE HIGHER A BOND RATING, THE LESS IT COSTS A DISTRICT TO BORROW MONEY FOR SUCH THINGS AS CAPITAL PROJECTS.

MSAD No. 75 Works with Maine Municipal Bond Bank and their interest rates are independent of the District's financial status but it does help in their credit review of the District.

6

Fund Balance

Fund balance is money left at the end of the fiscal year due to underspending or taking in additional revenues.

An **“unassigned” fund balance** provides cash flow that can be used for a variety of needs.

Reserve funds, on the other hand, are targeted for specific purposes.

While the financial industry recommends organizations have unassigned fund balances of between 5 and 10 percent of their total annual budget, Maine limits school districts' fund balances to 5 percent. Generally, a 5 percent fund balance could cover a district's operating costs for about two months. Through '24-25 Maine is at 9%.

7



Unassigned fund balance is an important measure of economic stability.

8

Fund Balance Overall Left!

A district's fund balance is the difference between a district's assets and the liabilities, and the changes to the fund balance result in a difference of revenues and expenditures.



9

Until the money is needed, wise districts invest this excess cash in accounts or instruments that mature or are available in time to meet their anticipated expenses. The idea is to leave funds fully invested until the money is needed.



10

20-A MRSA, section 15689-B, subsection 6 states: "

For fiscal years 2021-22, 2022-23, 2023-24 and 2024-25 only, unallocated balances in excess of 9% of the previous fiscal year's school budget must be used to reduce the state and local share of the total allocation for the purpose of computing state subsidy.

School boards may carry forward unallocated balances in excess of 9% of the previous fiscal year's school budget and disburse these funds in the next year or over a period not to exceed 3 years." [Revised 2021, previously the threshold was 3%.]

Fund Balance Statute

Rate has increased from 3% to 9%. Unsure what allowable percentage will be for FY 2026.

11

An RSU has the Authority to:

Establish reserve funds for the following purposes:

- Reserve for School construction Projects.
- Reserve to finance acquisition or construction of a specific capital improvement or type of capital improvement.
- Reserve to finance acquisition of a specific item or type of capital equipment.
- Reserve for any of the cost center expenditure categories listed in [20-A M.R.S. §1485\(1\)\(A\)](#), i.e., regular instruction, special education, career and technical education, other instruction, student and staff support, system administration, school administration, transportation and buses, facilities maintenance, debt service and other commitments, and all other expenditures, including school lunch (reserve authority for these first 4 purposes is set forth in [20-A M.R.S. §1491](#))
- Reserve for maintenance of plant or minor remodeling ([20-A M.R.S. §4001\(5\)](#))
- Reserve for a "fuel cost stabilization fund," to offset fuel costs for heating and transportation that exceed budgeted amounts ([20-A M.R.S. §15008](#))

12

REVENUES



MaineCare

Special Education.
Revenue was \$190k in SFY23, carry over balance was \$42k.



Building Use

Amount rather low due to not charging most entities. Approx \$10k



Interest Earned

Interest Earned from bank account/investments. Approx \$12-20k



Gate Receipt

Collected at sporting events per article 23 moved to Athletic Facilities Capital Reserve Fund. Approx \$20k

13

\$8,306,878

Total Fund Balance as of June 20, 2022

14

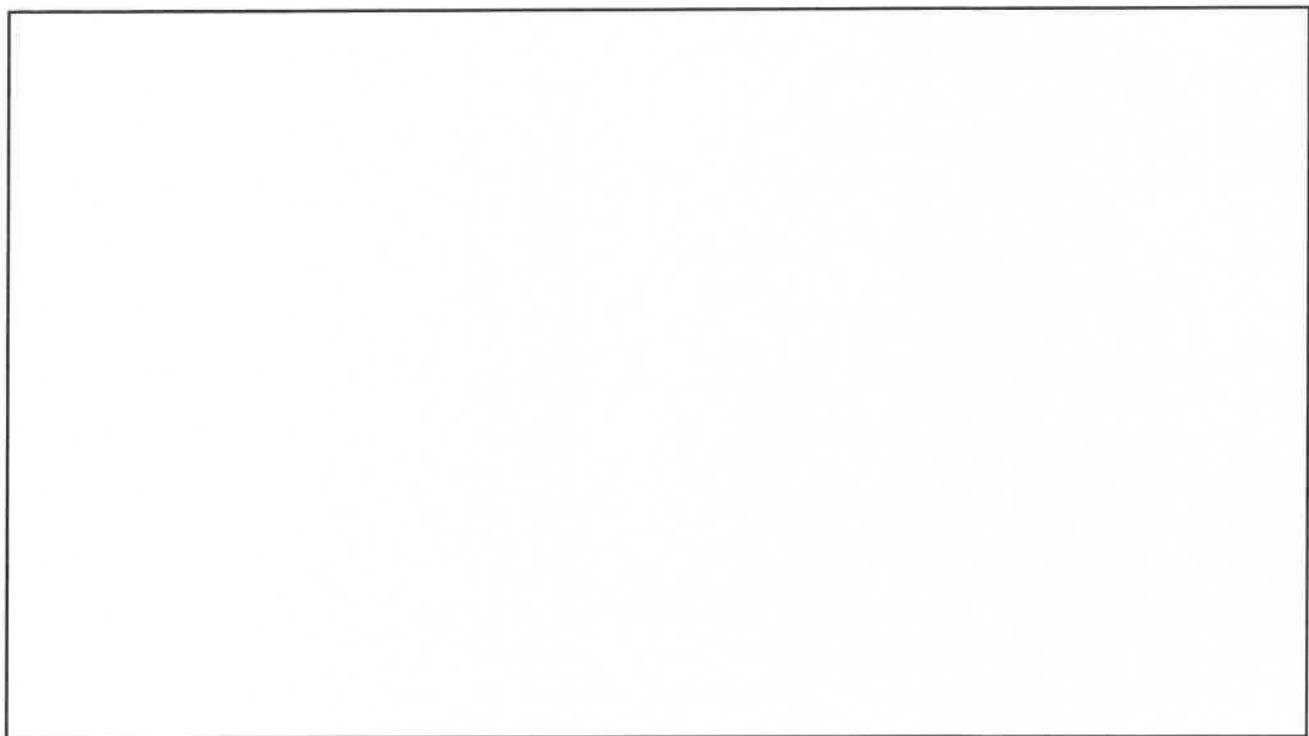


15

What are the Types of Ways we Will Use Reserves?

Fuel Costs Elaborate on what you want to discuss.	Capital Reserve buildings, grounds, pavings, irrigations, roofing	Special Education Out of District Costs
Teacher Costs Unexpected teaching costs due to population growth.	Security and Access Upgrading security systems in schools.	Transportation Potential Electric Bus

16



17

What Can Schools Use Reserve Funds For?

- Construction projects - Building or fixing school facilities
- Buying equipment - Things like computers, furniture, kitchen appliances
- Transportation costs - Paying for buses, fuel, repairs
- School safety upgrades - Security cameras, fences, fire alarms etc.
- Special education - Resources for students with extra needs
- Unexpected expenses - If something breaks and needs quick fixing
- New programs - Starting music, sports, art or advanced classes
- Technology - Keeping computers and software up-to-date
- Staff training - Sending teachers to workshops to improve skills
- Legal fees - If the school gets sued and needs lawyer help
- During emergencies - Helping the school respond to a crisis fast

The reserve fund is like the school's savings account. Voters have to first approve setting money aside for specific uses. Later if an emergency happens or the law says money is required, the school board can spend reserve funds without another vote. But for other uses, voters must give permission again.

The goal is to save extra money when possible so it's there if the school system needs it in the future!