

STATE OF NEW YORK  
STATE EDUCATION DEPARTMENT

Johannes C. Wille,

Petitioner,

v.

**Board of Education,**

**Katonah-Lewisboro Union**

**Free School District,**

Respondent

**VERIFIED PETITION**

In the Matter of Illegal  
Resolution to Create and  
Fund Unnecessary Reserve  
for Liability Claims

- 
1. Petitioner, Johannes C. Wille, resides at 109 Lockwood Road, South Salem, NY 10590 and is a taxpayer in the Katonah Lewisboro Union Free School District (hereinafter KLSD).
  2. Respondent Board of Education (hereinafter BOE) of the KLSD is charged with among other duties, faithfully carrying out the laws of the State of New York in its management and oversight role of KLSD in compliance with Real Property Tax Law Section 1318 (hereinafter RPTL 1318).
  3. BOE's legal duties include, but are not limited to, (a) preparation of honest annual budgets based on timely, accurate data and (b) application of year-end unexpended funds to reduce the subsequent year's tax levy.
  4. The BOE failed to comply with RPTL 1318 insofar as it failed to determine accurately 2012-13 budget surplus which deprived KLSD taxpayers' appropriate reduction in the 2013-14 tax levy.

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5. At least \$808,500 that under RPTL 1318 should have been applied to reduce the 2013-14 tax levy under RPTL 1318 instead was retroactively designated to the June 30, 2013 fund balance in a heretofore non-existent "**Reserve for Liability Claims**" (hereinafter "Liability Reserve").
6. This financial transaction in a September 12, 2013 BOE resolution occurred after the deadline for such transactions in violation of law and Commissioner's Decisions.
7. For the benefit of the taxpayer and in order to seek compliance with the law, Petitioner demands a reversal of this financial malfeasance by the hands of respondent BOE.

**TIMELINE OF EVENTS LEADING UP TO THE ILLEGAL  
CREATION OF THE 'RESERVE FOR LIABILITY CLAIMS' ON SEPTEMBER 12, 2013**

8. **JUNE 20, 2013**: Respondent approves "*General Fund Status Reports for the Period of 7/1/2012 through 5/31/13*" and files same with KLSD district Clerk. Among the reports approved is a one-page '*TRIAL BALANCE-FUND: A GENERAL FUND 07/01/12 - 5/31/13*' (see exhibit 1). Included are several asset codes for designated reserves, among which are: 'unemployment insurance' (A815), 'encumbrances' (A821), 'retirement contributions' (A827), 'tax certiorari' (A864). And 'employee benefits' (A867).
9. **JUNE 30, 2013**: budgetary appropriations and revenues close for KLSD.
10. **JULY-AUGUST 2013**: Respondent BOE meetings occur on July 3, August 5, August 12 and August 26. In none of these meetings does respondent BOE see, much less approve, a resolution  
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relative to "General Fund Status Reports for 07/01/12 - 6/30/13" some sixty days after the June 30, 2013 fiscal close.

11. **AUGUST 5, 2013**: Respondent BOE passes 'Resolution Regarding Tax-Levy for the 2013-14 School Year" to designate \$2,704,012 to the 2012-14 tax levy as a return of "surplus funds" without a record or submitted KLS D Treasurer's report as to the true June 30, 2013 fund balance. (See exhibit 2)
12. **August 30, 2013**: At 3:09 PM, district prints one-page "TRIAL BALANCE-FUND: A GENERAL FUND 7/1/12-6/30/13". In this 6/30/13 fund balance report a new designated reserve appears: "Account A862 RESERVE FOR LIABILITY CLAIMS" in the amount of \$808,500. (see exhibit 4)
13. **September 12, 2013 BOE Meeting**: respondent BOE passes two resolutions: first, to accept treasurer's reports that includes the "TRIAL BALANCE-FUND: A GENERAL FUND 07/01/12-06/30/13"; and, secondly, on the advice of BOE counsel, Ingerman Smith, to establish a "Reserve for Liability Claims" in an amount "not to exceed \$900,000". (see exhibit 3 and exhibit 4)
14. **October 3, 2013 BOE Meeting**: BOE passes resolution to accept KLS D's Independent Audit for June 30, 2013 [herein AUDIT]. The AUDIT states the June 30, 2013 Excess of Revenues over Expenditures (or year-end surplus) of \$4,574,004. Included in the list of designated reserves is the aforementioned Liability Reserve for \$808,500. This Liability Reserve was improperly included in the Audit because the Liability Reserve was not created during the 2012-2013 audit period ending June 30, 2013. It was authorized and funded by the BOE on September

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12, 2013, seventy-four days after the close of the 2012-2013 school year! (see exhibit 5 and exhibit 6)

**WHY THE RESERVE FOR LIABILITY CLAIMS IS FUNDED ILLEGALLY WITH 2012-13 BUDGET SURPLUS AND CREATED WITHOUT PROPER LEGAL FOUNDATION.**

15. Upon information and belief, according to RPTL section 1318 and Commissioner's Decisions, if surplus funds are to be used to establish a reserve fund, the reserve fund should be created before the tax levy (*Appeal of Mills, 34 Ed Dept Rep 92, Decision No. 13,243*).
16. Upon information and belief, based on RPTL section 1318 and Commissioner's Decisions, a school district cannot hold surplus funds indefinitely in anticipation of establishing a reserve fund. (*ibid.*) BOE, in fact, did just this by assigning "up to \$900,000" of 2012-13 surplus on September 12, 2013 to the new insurance Liability Reserve.
17. Upon information and belief, based on Commissioner's Decisions and law, a BOE is charged with monitoring its budgets to avoid unnecessary surplus which creates an undue burden on the petitioner and other district taxpayers.
18. Respondent BOE created and funded its "Reserve for Liability Claims" with \$808,500 of 2012-2013 budget surplus surreptitiously on August 30, 2012 and officially on 9/12/13-- seventy-four days after the close of the 2012-13 fiscal year in violation of law.
19. The *Reserve for Liability Claims* resolution fails in three aspects: (a) the source of funds is unstated; (b) instead of

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specifying the exact amount to be appropriated to the Liability Reserve, the amount stated is 'up to \$900,000"; and (c) it fails to identify the specific liability claims the Reserve for Liability Claims might cover, when they occurred, and their respective estimated costs.

20. The accounting and administrative procedures by the respondent BOE used in the formation and in the funding of the *Reserve for Liability Claims* are unacceptable to petitioner from this Board of Education who has in its employ highly compensated administrators and experienced legal counsel, Ingerman Smith.
21. Apart from the illegal funding of the *Reserve for Liability Claims*, its very authorization fails to conform to the very statute respondent cites in the September 12, 2013 resolution, "*Education Law Section 1709 paragraph 8-c.*"
22. Section 1709 paragraph 8c states, in relevant part, that the an Insurance Reserve is to fund "**amounts necessary to cover incurred but unsettled claims or suits...[or for] expenses in connections therewith to pay insurance premiums for insurance policies purchased to insure subsequent losses in areas previously self-insured, in the event of dissolution of the self-insurance plan.**" This section authorizes an insurance reserve for a district that has been self-insuring which is not true of KLS D.
23. The AUDIT states that the BOE is part of an insurance reciprocal in operation since 1989 "*to provide general liability, school board legal liability, auto liability and auto physical damage coverage, excess insurance, equipment floaters, boilers and machinery insurance and all risk*

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*building and contents. In addition, as part of the reciprocal program, crime and bond coverage will be purchased from commercial carriers and be available to the subscriber districts." (see exhibit 7, p. 48 AUDIT)*

24. The BOE resolution to form this *Reserve for Liability Claims* dispenses with a legal rationale for its creation opting instead to cite its Ingeman Smith's advice that "it is appropriate." (see exhibit 4)
25. Petitioner re-asserts it is: (a) not 'appropriate' nor proper to create a designated reserve in a fiscal year that closed seventy-four days earlier, (b) not appropriate to establish a designated reserve for imagined liability claims that would already be defended and indemnified with the district's existing insurance plans.
26. Given that the BOE contractually transfers all its 'insurance risk' to the reciprocal, there is no logical or legal justification for its creation, much less funding with \$800,500 of taxpayer surplus that otherwise would have been returned justly in the subsequent 2013-2014 tax levy.
27. The creation and funding of the Insurance Reserve with \$808,500 of 2012-13 budget surplus necessarily implies that the stated June 30, 2013 budget surplus in the AUDIT is understated by this same amount or \$808,500.
28. Were not the Insurance Reserve funded on August 30, 2013 (per the general fund statement) and subsequent September 12, 2013 resolution, the year-end surplus would be \$4,574,004 plus \$808,500 or \$5,374,504.

**WHEREFORE**, the BOE willfully ignored its legal obligation to monitor fund balance and calculate in a reasonable time its true June 30, 2013 fund balance, the BOE withheld at least \$808,500 in additional 2012-13 surplus from the 2013-14 levy and parked this enormous amount in an ill-advised and unnecessary Insurance Reserve effective June 30, 2013 that was itself funded illegally by the September 12, 2013 resolution, Petitioner respectfully requests the following relief, that the Commissioner order respondent BOE:

- a) to dissolve immediately the *Reserve for Liability Claims* and return all funds to the proximate tax levy; or do so as soon as is otherwise possible;
- b) to have its independent auditor restate the June 30, 2013 general fund balance to reflect the true fund balance to include the illegally appropriated \$808,500; or at a minimum, note this controversy with corrections/notes to in the June 30, 2014 Independent Audit.
- c) To faithfully follow the law in all respects in its accounting and in preparation of the tax levies such that it accurately reflects the District's true financial status.
- d)** And, finally, to correctly issue tax levy resolutions in accordance with the law and Commissioner's direction.
- e) Such other and further relief as may be just in this situation.

Dated        /        /

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Johannes C. Wille, Petitioner pro-se  
109 Lockwood Rd.  
South Salem, NY 10590

(914)-533-2096

**SCHEDULE OF EXHIBITS FOR:**

*Johannes C. Wille v. KLSD In the Matter of Illegal Resolution to Create  
and Fund Unnecessary Reserve for Liability Claims*

- Exhibit 1: Trial Balance 7/1/12-5/31/13 from 6/12/2013
- Exhibit 2: BOE Resolution Regarding Tax Levy dated 8/5/13
- Exhibit 3: Trial Balance 7/1/12– 6/30/13 dated 8/30/13
- Exhibit 4: BOE Resolution Regarding Establishment of Reserve for Liability Claims dated 9/12/13
- Exhibit 5: P. 21 of Independent Audit for 6/30/13 “Statement of Revenue, Expenditures and Changes in Fund Balance”
- Exhibit 6: P. 16 of Independent Audit for 6/30/13 “Statement of Net Position”
- Exhibit 7: P. 48 of Independent Audit for 6/30/13 “C. Risk Management”

**TRIAL BALANCE - FUND: A GENERAL FUND 07/01/12 - 05/31/13**

ACCOUNT	ACCOUNT NAME	DEBITS	CREDITS	BALANCE
A200.0	CASH IN CHECKING - CHASE	43,020,896.20	42,750,658.15	270,238.05
A201	CASH IN PAYROLL - JPMORGAN	1,519,033.27	1,519,000.50	32.77
A204.2	CASH IN IMMA - SIGNATURE B	63,874,581.10	31,211,629.98	32,662,951.12
A210	PETTY CASH	797.98	297.49	500.49
A230.1	CASH RESTRD EMP BNFTS RES-	1,057,514.24	264,684.64	792,829.60
A230.3	CASH RESTRD TAX CERT RES-S	1,986,730.72	0.00	1,986,730.72
A230.4	CASH RESTRD DEBT SVC RES-S	119,023.29	0.00	119,023.29
A230.5	CASH RESTRD UNEMPLOY RES-S	344,876.48	34,888.73	309,987.75
A230.6	CASH RESTRD RETIREMNT CONT	2,294,992.69	199,254.14	2,095,738.55
A380	ACCOUNTS RECEIVABLE	186,483.26	169,561.20	16,922.06
A391	DUE FROM OTHER FUNDS	4,614,159.49	2,935,848.03	1,678,311.46
A410	DUE FROM STATE AND FEDERAL	787,071.92	541,954.92	245,117.00
A440	DUE FROM OTHER GOVERNMENTS	1,072,589.56	981,571.17	91,018.39
A510	ESTIMATED REVENUE	110,005,347.12	0.00	110,005,347.12
A521	ENCUMBRANCES	93,670,448.38	74,824,415.70	18,846,032.68
A522	EXPENDITURES	93,191,977.98	4,219,169.70	88,972,808.28
A599	APPROPRIATED FUND BALANCE	114,429,324.27	110,005,347.12	4,423,977.15
A600	ACCOUNTS PAYABLE	5,196,815.32	5,353,457.76	156,642.44 Cr
A601	ACCRUED LIABILITIES	172,257.16	178,592.68	6,335.52 Cr
A631	DUE TO OTHER GOVERNMENTS	33,595.76	99,499.76	65,904.00 Cr
A632	DUE TO TEACHERS' RETIREMEN	5,215,690.99	9,738,429.68	4,522,738.69 Cr
A637	DUE EMPLOYEES' RETIREMENT	825,772.43	1,431,030.18	605,257.75 Cr
A691	DEFERRED REVENUES	72,537.12	379,475.01	306,937.89 Cr
A815	RESERVE FOR UNEMPLOYMENT I	35,000.00	344,987.75	309,987.75 Cr
A821	RESERVE FOR ENCUMBRANCES	74,824,415.70	93,670,448.38	18,846,032.68 Cr
A827	RESERVE FOR RETIREMENT CON	200,000.00	2,295,738.55	2,095,738.55 Cr
A864	RESERVE FOR TAX CERTIORARI	0.00	1,986,730.72	1,986,730.72 Cr
A867	RESERVE EMPLOYEE BENEFITS/	265,000.00	1,057,829.60	792,829.60 Cr
A884	RESERVE FOR DEBT	0.00	119,023.29	119,023.29 Cr
A909	FUND BALANCE	17,872.13	5,960,406.35	5,942,534.22 Cr
A910	APPROPRIATED FUND BALANCE	0.00	3,057,605.00	3,057,605.00 Cr
A960	APPROPRIATIONS	3,901,757.68	118,331,081.95	114,429,324.27 Cr
A980	REVENUES	37,911.02	109,311,855.13	109,273,944.11 Cr
<b>GRAND TOTALS</b>		<b>622,974,473.26</b>	<b>622,974,473.26</b>	<b>0.00</b>

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→ JUNE 20 2013 BOE MEETING  
NO RESERVE FOR "INSURANCE LIAB"

EXHIBIT 2



### **Agenda Item Details**

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Meeting Aug 05, 2013 - Board of Education Business Meeting @ Meadow Pond Elementary School

Category 14. Consent Agenda - Business Matters

Subject 14.01 Resolution Regarding Tax Levy for the 2013 - 2014 School Year

Type Action

**WHEREAS:** Chapter 73 of the Laws of 1977, amended Section 1318, subdivision 1 of the Real Property Tax Law: and

**WHEREAS:** the unencumbered, unreserved fund balance at the close of the 2012-2013 fiscal year must be applied in determining the amount of the school tax levy except for an amount not to exceed four (4) percent of the current school year budget; and

**WHEREAS:** an amount up to four (4) percent of the 2013-2014 school year expenditure budget amount may be held as surplus funds during the 2013-2014 year; now therefore

**BE IT RESOLVED** that (in addition to the allocation of reserves as per Board of Education resolutions approved on June 20, 2013 - a total of \$ 753,593) the Board of Education return as surplus funds, \$2,704,012 from the fund balance thereby applying \$2,704,012 to the reduction of the tax levy for the fiscal year 2013-2014.

**BE IT ADDITIONALLY RESOLVED AS FOLLOWS:**

To the collectors of Katonah-Lewisboro Union Free School District No. 1 Towns of Bedford, Lewisboro, North Salem and Pound Ridge, County of Westchester, New York State. You are hereby commanded to collect taxes in the total sum of \$102,781,072.

### **Motion & Voting**

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(not specified)

Motion by Charles Day, second by Stephanie Tobin.

Final Resolution: Motion Carries

Yea: Charles Day, Janet Harckham, Jeffrey S Holbrook, Marjorie Schiff, Richard F Stone, Stephanie Tobin, Peter S Treyz

**TRIAL BALANCE - FUND: A GENERAL FUND 07/01/12 - 06/30/13**

ACCOUNT	ACCOUNT NAME	DEBITS	CREDITS	BALANCE
A200.0	CASH IN CHECKING - CHASE	46,831,492.86	46,170,636.44	660,856.42
A201	CASH IN PAYROLL - JPMORGAN	1,519,042.00	1,519,000.50	41.50
A204.2	CASH IN IMMA - SIGNATURE B	63,874,581.10	44,959,536.86	18,915,044.24
A230.1	CASH RESTRD EMP BNFTS RES-	1,057,742.35	264,684.64	793,057.71
A230.3	CASH RESTRD TAX CERT RES-S	1,987,302.32	0.00	1,987,302.32
A230.4	CASH RESTRD DEBT SVC RES-S	119,057.53	0.00	119,057.53
A230.5	CASH RESTRD UNEMPLOY RES-S	344,965.67	34,888.73	310,076.94
A230.6	CASH RESTRD RETIREMNT CONT	2,295,595.66	199,254.14	2,096,341.52
A380	ACCOUNTS RECEIVABLE	271,997.33	177,083.47	94,913.86
A391	DUE FROM OTHER FUNDS	5,206,919.48	3,779,165.90	1,427,753.58
A410	DUE FROM STATE AND FEDERAL	1,223,799.81	585,540.92	638,258.89
A440	DUE FROM OTHER GOVERNMENTS	2,161,823.12	1,007,430.17	1,154,392.95
A600	ACCOUNTS PAYABLE	6,173,480.99	10,615,899.52	4,442,418.53 Cr
A601	ACCRUED LIABILITIES	172,257.16	389,058.36	216,801.20 Cr
A630	DUE TO OTHER FUNDS	251,067.00	262,655.22	11,588.22 Cr
A631	DUE TO OTHER GOVERNMENTS	99,608.14	192,268.26	92,660.12 Cr
A632	DUE TO TEACHERS' RETIREMEN	5,216,774.74	10,780,601.03	5,563,826.29 Cr
A637	DUE EMPLOYEES' RETIREMENT	825,772.43	1,441,308.04	615,535.61 Cr
A687	COMPENSATED ABSENCES	269,364.86	545,691.61	276,326.75 Cr
A691	DEFERRED REVENUES	136,054.60	404,101.71	268,047.11 Cr
A815	RESERVE FOR UNEMPLOYMENT I	35,000.00	380,000.00	345,000.00 Cr
A821	RESERVE FOR ENCUMBRANCES	92,869,397.30	94,554,008.33	1,684,611.03 Cr
A827	RESERVE FOR RETIREMENT CON	200,000.00	2,500,000.00	2,300,000.00 Cr
A862	RESERVE FOR LIABILITY CLAI	0.00	808,500.00	808,500.00 Cr
A864	RESERVE FOR TAX CERTIORARI	0.00	2,000,000.00	2,000,000.00 Cr
A867	RESERVE EMPLOYEE BENEFITS/	265,000.00	1,665,000.00	1,400,000.00 Cr
A884	RESERVE FOR DEBT	0.00	119,057.53	119,057.53 Cr
A909	FUND BALANCE	6,828,342.78	11,423,462.85	4,595,120.07 Cr
A910	APPROPRIATED FUND BALANCE	3,057,605.00	6,515,210.00	3,457,605.00 Cr
<b>GRAND TOTALS</b>		<b>243,294,044.23</b>	<b>243,294,044.23</b>	<b>0.00</b>

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From 9/12/13 BOE MEETING KL APPROVED BY BOE 9/12/13

EXHIBIT 4

**Agenda Item Details**

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Meeting Sep 12, 2013 - Board of Education Business Meeting @ John Jay High School, Library  
Category 15. Consent Agenda - Business Matters  
Subject 15.08 Resolution Regarding Establishment of a Reserve for Liability Claims  
Type Action (Consent)

**WHEREAS** Education Law Section 1709 paragraph 8-c provides Boards of Education with the authority to establish a reserve for liability claims which could result in judgments against the district, and;

**WHEREAS** our attorneys at Ingerman Smith have opined that it is appropriate for the Board of Education to establish this reserve,

**NOW THEREFORE BE IT RESOLVED** that the Board of Education of the Katonah Lewisboro School District hereby establishes a Reserve for Liability Claims as authorized under Education Law 1709, and;

**BE IT FURTHER RESOLVED** that the Board of Education of the Katonah Lewisboro School District authorizes funding of this reserve, effective June 30, 2013, at an amount not to exceed \$900,000.

**Motion & Voting**

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(not specified)

Motion by Charles Day, second by Marjorie Schiff.

Final Resolution: Motion Carries

Yea: Charles Day, Janet Harckham, Jeffrey S Holbrook, Marjorie Schiff, Richard F Stone, Stephanie Tobin, Peter S Treyz

# EXHIBIT 5

## Katonah-Lewisboro Union Free School District, New York

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2013

	General	Capital Projects	Special Aid
<b>REVENUES</b>			
Real property taxes	\$ 92,569,076	\$ -	\$ -
Other tax items	8,749,444	-	-
Non-property taxes	896,137	-	-
Charges for services	216,747	-	-
Use of money and property	142,540	-	-
Sale of property and compensation for loss	3,633	-	-
State aid	6,631,197	53,328	447,837
Federal aid	78,439	-	1,093,204
Food sales	-	-	-
Miscellaneous	1,627,643	-	232,823
<b>Total Revenues</b>	<b>110,914,856</b>	<b>53,328</b>	<b>1,773,864</b>
<b>EXPENDITURES</b>			
Current			
General support	12,249,479	-	137,336
Instruction	54,685,495	-	1,573,368
Pupil transportation	5,516,624	-	95,210
Community services	16,788	-	-
Employee benefits	27,845,387	-	79,909
Cost of food sales	-	-	-
Other	-	-	-
Debt service			
Principal	4,788,055	-	-
Interest	1,239,024	-	-
Capital outlay	-	3,164,207	-
<b>Total Expenditures</b>	<b>106,340,852</b>	<b>3,164,207</b>	<b>1,885,823</b>
Excess (Deficiency) of Rev- enues Over Expenditures	4,574,004	(3,110,879)	(111,959)
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance recoveries	119,159	-	-
Transfers in	-	2,175,761	111,959
Transfers out	(2,287,720)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(2,168,561)</b>	<b>2,175,761</b>	<b>111,959</b>
<b>Net Change in Fund Balances</b>	<b>2,405,443</b>	<b>(935,118)</b>	<b>-</b>
Fund Balances - Beginning of Year	14,304,443	4,738,217	-
Fund Balances - End of Year	\$ 16,709,886	\$ 3,803,099	\$ -

YEAR-END SURPLUS

THIS IS 2.4MM INCREASE

The notes to the financial statements are an integral part of this statement.

ALL OF YEAR-END SURPLUS SHOULD BE RETURNED.

# EXHIBIT 6

## Katonah-Lewisboro Union Free School District, New York

Statement of Net Position  
June 30, 2013

	Governmental Activities
<b>ASSETS</b>	
Cash and equivalents	\$ 31,853,778
Receivables	
Accounts	98,375
State and Federal aid	1,923,485
Due from other governments	1,411,303
Inventories	9,051
Deferred charges	186,267
Capital assets	
Not being depreciated	7,715,635
Being depreciated, net	72,500,892
Total Assets	115,698,786
<b>LIABILITIES</b>	
Accounts payable	5,585,222
Accrued liabilities	493,128
Bond anticipation notes payable	1,182,000
Retainages payable	63,285
Due to other governments	92,761
Due to retirement systems	6,179,362
Unearned revenues	491,175
Accrued interest payable	188,902
Non-current liabilities	
Due within one year	5,275,222
Due in more than one year	85,588,681
Total Liabilities	105,139,738
<b>NET POSITION</b>	
Net investment in capital assets	50,048,131
Restricted	
Capital projects	4,985,099
Tax certiorari	2,000,000
Unemployment benefits	345,000
Debt service	119,058
Retirement contributions	2,300,000
Liability claims	808,500
School lunch	569,244
Special purposes	126,830
Unrestricted	(50,742,814)
Total Net Position	\$ 10,559,048



The notes to the financial statements are an integral part of this statement.

## Katonah-Lewisboro Union Free School District, New York

Notes to Financial Statements (Concluded)  
June 30, 2013

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**Note 4 - Summary Disclosure of Significant Contingencies (Continued)**

The School District is subject to audits of State aid by the New York State Education Department. The amount of aid previously paid to the School District which may be disallowed cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

## C. Risk Management

DISTRICT FULLY INSURED PER BELOW.  
ABSOLUTELY NO NEED FOR \$800K INS RESERVE.

The School District and other school districts have formed a reciprocal insurance company to be owned by these districts. This Company operates under an agreement effective July 1, 1989. The purpose of the Company is to provide general liability, school board legal liability, auto liability and auto physical damage coverage, excess insurance, equipment floaters, boilers and machinery insurance and all risk building and contents. In addition, as part of the reciprocal program, crime and bond coverages will be purchased from commercial carriers and be available to the subscriber districts. The Company retains a management company, which is responsible for the overall supervision and management of the reciprocal. The reciprocal is managed by a Board of Governors and an Attorney-in-fact, which is comprised of employees of the subscriber districts. The subscribers have elected those who sit on the board and each subscriber has a single vote. The Company is an "assessable" insurance company, in that, the subscribers are severally liable for any financial shortfall of the Company and can be assessed their proportionate share by the State Insurance Department if the funds of the Company are less than what is required to satisfy its liabilities. The subscriber districts are required to pay premiums as well as a minimal capital contribution. The School District purchases various insurance coverages from the Company to reduce its exposure to loss. The School District maintains general liability insurance coverage with policy limits of \$1 million and an umbrella policy which provides coverage up to \$25 million. The School District also maintains liability for school board members with policy limits of \$1 million and public employee dishonesty with policy limits for \$3 million. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District and neighboring school districts in Northern Westchester and Putnam Counties participate in the Westchester-Putnam Schools Cooperative Self-Insurance Plan for Workers' Compensation. The Plan operates under an agreement, as amended, dated February 6, 1987. The purposes of the Plan are to provide for the efficient and economical evaluation, processing, administration, defense and payment of claims against Plan members for workers' compensation payments. The Board of Trustees of the Plan consists of five Trustees selected by the Plan members. Each Trustee shall have one vote and no action may be taken except by a majority of the total membership of Trustees. Billings to each participant are based upon the cost incurred for workers' compensation. The School District has transferred all related risk to the Plan.

The School District is self-insured for health benefits. A plan administrator has been retained to review and approve all claims. The School District has specific stop-loss insurance, which establishes a maximum exposure limit of \$125,000 for each individual covered in the plan up to a maximum of \$1 million.

**Note 5 - Subsequent Events**

The School District, on July 11, 2013, issued an \$2,332,000 bond anticipation note. The note matures on July 11, 2014 and bears interest at a rate of 1.0%.

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