



# SPENCERPORT CENTRAL SCHOOL DISTRICT

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TO: Board of Education  
Audit Committee  
Ms. Kristin Swann, Superintendent

FROM: Rick Wood *R. Wood*

RE: Allocation to fund Capital Reserve

DATE: September 28, 2021

Each June, prior to the fiscal year-end, the Board of Education approves initial allocations of fund balance and reserves. These preliminary allocations serve to demonstrate to the external auditor the intentions of the District to reconcile any excess funds at fiscal year-end.

Many assumptions and estimates occur when projecting year-end balances and a lot can happen from June to September as the external auditors complete the fieldwork. In most cases, revisions to the “not to exceed” amounts are not necessary. Fortunately or unfortunately, this year’s estimates were too low and our external auditor recommended the Board of Education pass a resolution allocating the additional amount to a reserve. Below is a brief summary of the variances between the month-end financial reports for June 18, 2021 to current year-end, which resulted in a surplus of approximately \$650,279.

## **REVENUES:**

The total revenue variance reflects an increase of \$344,056 compared to the June 2021 projection. The major variance is within local sources, specifically an additional \$336,967 in projected Monroe County Sales Tax. Other than slight changes among a variety of revenue accounts, the other large variance was miscellaneous, which included year-end adjustments for prior year accounts receivable and flexible benefit adjustments, summer school handicap and school for the deaf adjustments. Federal Aid saw a downward adjustment made to the Federal CARES Act based on timing of expenses, and a slight increase due to Medicaid. Lastly, State Aid, specifically Excess Cost Aid, saw a small increase due to Medicaid.

Please note that \$528,902 of State Aid can be considered one-time revenue; \$463,662 was the repayment of the twenty percent (20%) withholdings from 2019-20; \$10,823 was for prior year Excess Cost Aid; and \$32,889 was for prior year homeless aid. Without this one-time revenue, total state aid would have been \$179,258 less than projected.

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**EXPENDITURES:**

In general, the additional savings for expenses were due to conservative estimates for salaries within each functional category, especially in Teaching-Regular and Transportation. The Transportation variance was caused by encumbering driver salaries at a 6.5 hours/day when in fact the average hours/day were much less due to the hybrid schedule. This affects 2021-22 Transportation Aid.

Another area of additional savings was in material and supplies and contractual accounts. For example, similar to above, purchase orders for both utilities and fuel were over-encumbered and when finally expensed there were greater savings than anticipated. In addition, conservative projections were made to building repairs in the event of any unanticipated building repairs or final year-end projects.

The variance for Students with Disabilities was due to reallocating funds to the Federal CRSSA grant.

Employee Benefits was actually less than projected. Below is a summary of the larger variances;

- The incorrect TRS contribution rate was used to calculate the employer cost thereby increasing the total expense,
- Social Security reflects a lower savings because funds were transferred to another areas of the budget,
- Unemployment Insurance saw increased savings due to a large credit received for overpayment.
- Health and Dental Insurance generated more savings than projected, but not enough to cover the additional expenses listed above.

Lastly, Interfund Transfers were lower than projected. This is attributable to the school lunch transfer approved by the Board to make the school lunch program whole.

**ENCUMBRANCES:**

Another contributing factor was the change in encumbrances from \$687,863 to \$447,195, a decrease of \$240,668.

**RECOMMENDATION:**

The Board of Education approve additional surplus of a not-to-exceed amount of \$651,000 to the 2014 Capital Reserve for Building Projects.

The audit committee approved the above recommendation at the September 29, 2021 meeting.

I look forward to discussing in more detail our year-end financial projections and rationale for assigning fund balance at our meeting on October 5, 2021. Please do not hesitate to contact me if you have additional questions relating to this matter.

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