



SPENCERPORT CENTRAL SCHOOL DISTRICT

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

FROM: Rick Wood *R. Wood*

RE: Preliminary Allocation of Fund Balance

DATE: June 15, 2022

Each June, the Board of Education approves initial allocations of fund balance and reserves. These preliminary allocations have not been binding; however, they serve to demonstrate to the external auditor the intentions of the District to reconcile any excess funds at fiscal year-end. The five-step process used in recent years displays how we go from preliminary allocations to final determinations. This process coupled with our annual review of reserve funds are integral parts of our long-term financial plan.

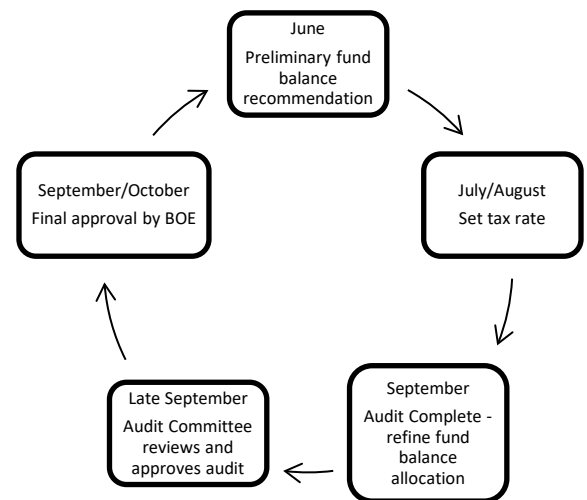
In addition, New York State public school districts are now required under GASB 54 to report this information into one of four categories; non-spendable, restricted, assigned and unassigned. Below is an explanation of each category:

Non-spendable fund balances will include amounts that cannot be spent because they are either in non-spendable form or they are legally required to be maintained intact. Examples of non-spendable fund balances will be inventory and prepaid items.

Restricted fund balances will exist when constraints are placed on the use of those resources that are either externally imposed or imposed by law. In general, most of our reserve funds will fall into the category.

Assigned fund balances are amounts that can only be used for specific purposes. Appropriated fund balance and the majority of encumbrances will be reclassified into the assigned category.

Unassigned fund balances are all other funds that are not assigned, restricted or considered non-spendable. Typically, the general fund will be the only fund that will report unassigned fund balances. Our unappropriated fund balance (not to exceed 4% of our budget) will be reclassified into the unassigned category.



Our Mission is to educate and inspire each student to love learning, pursue excellence and use knowledge, skills and attitudes to contribute respectfully and confidently to an ever-changing global community.

Based on preliminary forecasts of year-end balances, my recommendation for initial allocation of 2021-2022 fund balance is:

1. An amount up to \$150,000 for Assigned Fund Balance for reducing the 2022-2023 tax levy, if necessary. Please note the district did not project using any assigned fund balance for this purpose; the recommendation is to have flexibility if final assessments vary greatly from original estimates.
2. All necessary funds as determined by the purchasing agent to the Assigned Fund Balance for encumbrances.
3. \$3,521,720 to the Unassigned Fund Balance (4% of 2022-2023 approved budget), an increase of about \$24,324.
4. All remaining 2021-2022 surplus to the Restricted Fund Balance and placed into the following reserves:
 - a. An amount not to exceed the 2021-2022 reserve amount (\$1,307,791) into the Retirement Contribution Reserve,
 - b. An amount not to exceed the 2022-2023 budget amount (\$405,054) into the Workers' Compensation Reserve,
 - c. An amount not to exceed two percent (2%) of the salaries of TRS members based on the TRS final bill for the period 07/01/20 to 06/30/21 into the TRS Sub-fund Reserve which equals \$580,416,
 - d. An amount not to exceed \$5,000,000 into the 2014 Capital Reserve for building projects approved by the community on May 20, 2014,
 - e. An amount not to exceed \$1,000,000 in the 2019 Capital Reserve for Technology and Classroom Equipment approved by the community on May 21, 2019, and
 - f. An amount not to exceed \$1,000,000 into the 2017 Capital Reserve for buses and motor vehicles approved by the community on May 16, 2017,

The recommendation to fund the Retirement Contribution Reserve and Workers' Compensation reserve is consistent with what we have done over the last several years and are reserves we heavily rely on to help balance the budget. The TRS sub-fund, in its fourth year of existence, will help support the budget by funding a portion of the employer contributions. The projected balances after replenishment will be within the rationale(s) discussed during the June 2021 board meeting.

The audit committee approved the above recommendation at the June 13, 2022 meeting.

I look forward to discussing in more detail our year-end financial projections and rationale for assigning fund balance at our meeting on June 21, 2022. Please do not hesitate to contact me if you have additional questions relating to this matter.