

# Fund Balance and Reserves

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# Agenda

- ▶ Accounting For COVID
- ▶ Payroll deferral
- ▶ State Aid Uncertainty
- ▶ New Legislation – Reserve use
- ▶ Long term financial planning
- ▶ GASB's
- ▶ Reserve information

# COVID UPDATE

- ▶ Often referred to as the “Pandemic Adjustment)
- ▶ Record in General fund A4286
- ▶ Track expenditure for submission
  - ▶ Track ESSER and GEER expense
  - ▶ Consider tracking all other COVID related or reopening related expenditures for other potential grants
  - ▶ Track material donated items
- ▶ Separately identified on SEFA with a COVID designation
- ▶ May need to submit a draw down and final cost report
- ▶ CARES act

# Payroll Deferral Tax

- ▶ IRS recently released its first notice regarding the president's executive order on the payroll tax deferral.
  - ▶ Employers may suspend the withholding of the 6.2% Social Security payroll tax normally deducted from employee's pay
  - ▶ Deferral only applies if biweekly compensation (or equivalent amount for other pay periods) is less than \$4,000. The determination of whether the deferral applies is made on a paycheck to paycheck basis.
  - ▶ The deferral only applies to wages paid during the period beginning on September 1, 2020 and ending on December 31, 2020.
  - ▶ Employers are responsible for withholding and paying any deferred taxes.
    - ▶ Employers must withhold and pay the total Applicable Taxes that the (employer) deferred under this notice ratably from wages and compensation paid between January 1, 2021 and April 20, 2021, or interest, penalties, and additions to tax will begin to accrue on May 1, 2021, with respect to any unpaid taxes.
- ▶ Optional to participate

# Division of Budget 20-21 Quarterly Budget Financial Plan

- ▶ 20% reduction to aids is not permanent yet and is being done for cash flow purposes
- ▶ Pg 17 indicates “Therefore, the earliest that DOB now expects to transmit a detailed aid-to-localities reduction plan to the Legislature is late in the second Quarter of the State’s FY 2021”

# Unemployment Insurance

- ▶ CARES Act helps NY reimbursable employers and their workers
- ▶ For all unemployment benefits paid from March 13, 2020 through December 31, 2020 the federal government will pay 50% of your cost.
- ▶ Application has not been completed, we are watching DOL's website for updates

# Reserve use for COVID

- ▶ Two components of this law
- ▶ Capital reserve
  - ▶ Board of Education can approve use of capital reserve with a resolution for capital related COVID expenditures
  - ▶ This does not need to be repaid
- ▶ All reserves – Temporary transfer
  - ▶ Board of Education may approve by resolution a temporary transfer from the reserve to cover operating costs or other costs attributable to the COVID-19 pandemic.
  - ▶ This will need to be repaid over a period of not more than five years plus interest (minimally 1/5<sup>th</sup> per year)



# Long Term Financial Planning



# Central School District

\* If the school district spent their entire budget and received the exact revenues they budgeted then they would have eroded fund balance equal to the appropriated fund balance and reserves

	<u>2017-18</u>	<u>2017-18</u>	
	<b>Original</b>		
	<b>Budget</b>		
	<u>(from news letter)</u>	<u>Actual</u>	<u>Variance</u>
<b>Voter Approved Expense Budget -</b>	<u>\$ 42,155,734</u>	<u>\$ 42,155,734</u>	<u>\$ -</u>
<b>Revenues to Support Budget -</b>			
Property taxes (includes pilot)	\$ 25,285,092	\$ 25,285,092	\$ -
State and federal aid	12,756,119	12,756,119	-
Other revenues	1,481,000	1,481,000	-
Transfers from debt service	<u>180,000</u>	<u>180,000</u>	<u>-</u>
<b>Subtotal</b>	<u>\$ 39,702,211</u>	<u>\$ 39,702,211</u>	<u>\$ -</u>
Appropriated fund balance	\$ 1,000,000		
Appropriated reserves	<u>1,453,523</u>		
<b>Subtotal</b>	<u>\$ 2,453,523</u>		
<b>Total Revenues to Support Budget</b>	<u>\$ 42,155,734</u>		
<b>DIFFERENCE</b>	<u>\$ -</u>	<u>\$ (2,453,523) (A)</u>	
<b>Fund Balance Analysis -</b>			
July 1, 2017	\$ 19,573,885		
Expenditures exceeded revenues	<u>(2,453,523) (A)</u>		
June 30, 2018	<u>\$ 17,120,362</u>		

# Central School District

	<u>2017-18</u>	<u>2017-18</u>	
	<b>Original</b>		
	<b>Budget</b>		
	<u>(from news letter)</u>	<u>Actual</u>	<u>Variance</u>
<b>Voter Approved Expense Budget -</b>	<u>\$ 42,155,734</u>	<u>\$ 40,614,187</u>	<u>\$ 1,541,547</u>
<b>Revenues to Support Budget -</b>			
Property taxes (including pilot)	\$ 25,285,092	\$ 25,328,358	\$ 43,266
State and federal aid	12,756,119	13,081,966	325,847
Other revenues	1,481,000	1,808,426	327,426
Transfers from debt service	180,000	180,619	619
<b>Subtotal</b>	<u>\$ 39,702,211</u>	<u>\$ 40,399,369</u>	<u>\$ 697,158</u>
Appropriated fund balance	\$ 1,000,000		
Appropriated reserves	1,453,523		
<b>Subtotal</b>	<u>\$ 2,453,523</u>		
<b>Total Revenues to Support Budget</b>	<u>\$ 42,155,734</u>		
<b>DIFFERENCE</b>	<u>\$ -</u>	<u>\$ (214,818) (A)</u>	
<b>Fund Balance Analysis -</b>			
July 1, 2017	\$ 19,573,885		
Expenditures exceeded revenues	(214,818) (A)		
June 30, 2018	<u>\$ 19,359,067</u>		

	Actual 19-20	Projected Actual 20-21	Budget 21-22	Budget 22-23	Budget 23-24	Budget 24-25
<b>REVENUES:</b>						
Taxes (2% increase)	\$ 8,273,394	\$ 8,429,177	\$ 8,453,102	\$ 8,622,164	\$ 8,794,607	\$ 8,970,499
State and Federal Aid (assumed 2% increase in 2023,24, and 25)	6,301,256	6,236,283	5,824,557	5,941,048	6,059,868	6,181,065
Other Revenues	841,950	962,500	964,970	975,000	975,000	975,000
Interfund Transfers (from debt service reserve)	238,000	100,000	100,000	100,000	100,000	71,465
Subtotal	\$ 15,654,600	\$ 15,727,960	\$ 15,342,629	\$ 15,638,212	\$ 15,929,475	\$ 16,198,029
Use of Reserves (see below)	225,000	423,300	300,000	621,208	759,745	275,053
Appropriated Fund Balance	172,000	448,350	590,580	590,580 <sup>3</sup>	590,580 <sup>3</sup>	599,328
<b>TOTAL REVENUES</b>	<b>\$ 16,051,600</b>	<b>\$ 16,599,610</b>	<b>\$ 16,233,209</b>	<b>\$ 16,850,000</b>	<b>\$ 17,279,800</b>	<b>\$ 17,072,410</b>
		3.4%	-2.2%	3.8%	2.6%	2.7%
<b>EXPENDITURES:</b>						
Salaries (2% increase)	\$ 8,200,000	\$ 8,405,000	\$ 8,615,000	\$ 8,830,000	\$ 9,006,600	\$ 9,186,732
Healthcare (6% increase)	1,365,000	1,445,000	1,530,000	1,620,000	1,717,200	1,820,232
Retirement	725,000	950,000	1,000,000	1,300,000 <sup>1</sup>	1,456,000 <sup>2</sup>	1,643,824 <sup>2</sup>
All Other Expenses	5,761,600	5,799,610	5,088,209	5,100,000	5,100,000	5,100,000
<b>TOTAL EXPENDITURES</b>	<b>\$ 16,051,600</b>	<b>\$ 16,599,610</b>	<b>\$ 16,233,209</b>	<b>\$ 16,850,000</b>	<b>\$ 17,279,800</b>	<b>\$ 17,750,788</b>
		3.4%	-2.2%	3.8%	2.6%	2.7%

1 - reflects an increase of TRS rates from 11.84 to 15.5% or a 30% increase in actual

2 - reflex an increase from 15.5% to 17.5% which represents a 12.9% increase in actual

3 - assumes district will generate and appropriate any surplus in order to break even.

\$ (678,378)

Shortfall

	*		*		*		*
	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23	
Undesignated unrestricted fund balance	642,064.00	458,840.00	599,328.00	599,328.00	599,328.00	-	
<b>RESERVE BALANCES:</b>							
Unemployment Insurance	\$ 92,121	\$ 92,556	\$ 62,315	\$ 42,315	\$ 22,315	\$ 2,315	
Employee Benefit Accrued Liability	80,149	80,528	27,671	27,671	27,671	27,671	
Tax Certiorari	1,347	1,353	1,358	1,358	1,358	1,358	
Retirement Contribution	1,245,273	2,130,970	1,584,662	983,454	243,709	243,709	

# GASB Statement No. 84

## Fiduciary Activities

- ▶ Delayed a year (effective 6/30/21)
- ▶ Set up an implementation meeting this fall or spring to review GASB 84 checklist
- ▶ Extraclass funds – gather policies and procedures to ensure district does not have administrative control
  - ▶ No administrative control – custodial fund
  - ▶ Administrative control – miscellaneous special revenue fund
    - ▶ Consider modifying policy

# GASB Statement No. 84

## Fiduciary Activities

- ▶ Scholarship fund – review checklist
  - ▶ No administrative control (true trust) - custodial fund
  - ▶ Administrative control - special revenue fund
- ▶ Other liabilities – review checklist
  - ▶ Payroll related accounts – general fund
  - ▶ Other accounts could be miscellaneous special revenue fund or custodial funds
  - ▶ Will be reported using full accrual – xc ???
  - ▶ Report a new custodial fund statement for additions and deletions during the year

# GASB Statement No. 87

## Leases

- ▶ Delayed until 6/30/2023
- ▶ Report leases in the corporate style financial statements
- ▶ Develop a lessee and lessor inventory
  - ▶ Examples
    - ▶ Building/classroom
    - ▶ Copier
    - ▶ Hardware software (GASB 96)
    - ▶ SAA contracts with BOCES (still working on guidance)



# Reserve Handout

# Questions

Please visit our website for copies of the presentation

<https://mengelmetzgerbarr.com/Who-We-Serve/Governmental-Entities>

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