

Projecting Year-End Surplus and Establishing Various Reserves

Presented to New Jersey Association of School Business
Officials

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Projecting Year-End Surplus and Establishing Various Reserves

- Review Treasurer's and Board Secretary's Reports
- Estimate year-end surplus
- Budget Transfers
- Guidelines on Reserve Accounts
- 2020 COVID-19 Issues



Review Treasurer/Board Secretary Reports

- Treasurer's Report
 - Ensure Cash balances agree to Board Secretary's Report for each Fund
 - Review reconciling items to ensure that they are associated with recent transactions (should not reappear month after month)
- Board Secretary's Report
 - Ensure Cash balances agree to Treasurer's Report for each Fund
 - Review District Taxes Receivable – ensure that revenue and collections are properly recorded
 - Review State Aid Receivable – ensure that current year awards are properly recorded and collected, and any TPAF FICA reimbursement, Extraordinary and Nonpublic Transportation Aid receivable at year-end has been recorded
 - Review Federal and Other receivables to ensure that all fees have been billed and receivable balances are accurately reflected



Review Treasurer/Board Secretary Reports

- Board Secretary' Report
 - Review Interfunds Receivable – ensure that previous balances have been liquidated by cash transfer to the appropriate fund and that any current balances are identifiable and properly reflected in the other funds
 - Ensure that Estimated Revenues (a/c 301) and Revenues (a/c 302) agree with the revenue summary and detail and that the excesses and deficits in the revenue detail makes sense
 - Review balances Due to the State, Accounts Payable, Contracts Payable, Loans Payable, Deferred Revenues, and Other Current Liabilities and provide detailed listing of what comprises the balances
 - Ensure that Reserve for Encumbrances (a/c 753,754) matches the Encumbrances listed under Appropriations (a/c 602)
 - Ensure that the Capital Reserve Account (a/c 761) matches the Capital Reserve Cash (a/c 116)



Review Treasurer/Board Secretary Reports

- Board Secretary' Report
 - Ensure that Fund Balance, July 1 (a/c 770) agrees to total prior year fund balances per CAFR Exhibit C-1 minus capital and other reserves and encumbrances (unassigned and excess surplus)
 - Ensure that Budgeted Fund Balance (a/c 303) matches the Recapitulation of Budgeted Fund Balance, any increase or decrease in capital reserve and adjustment for prior year encumbrances match the amounts included in the budget and prior year CAFR, and the remaining balance agrees with the amount of Fund Balance included in the budget
 - Review Revenue summary and detail and be able to explain excesses and deficits from budgeted amounts
 - Review Expenditure summary and detail to ensure that no line items reflect expenditures in excess of budgeted amounts and available balances make sense



Review Treasurer/Board Secretary Reports

- Board Secretary' Report
 - In Fund 20, ensure that Estimated Revenues (a/c 301) and Appropriations (a/c 601) are equal for each grant pursuant to the budget. Actual Revenues (a/c 302) should reflect all grants pursuant to grant agreements, and Expenditures (a/c 602) should reflect actual expenditures of those awards. Any difference between actual revenues and expenditures should reflect unexpended balances that can be carried forward and should be recorded as deferred revenue
 - In Fund 30, Estimated Revenues (a/c 301) and Appropriations (a/c 601) should reflect the total of new projects authorized. In addition, Appropriations (a/c 601) and Fund Balance, July 1 should include unexpended balances of prior year projects which will reflect the entire prior year amount as Budgeted Fund Balance.
 - In Fund 40, generally straight forward but may have unexpended balances of capital projects being used to pay debt.



REPORT OF THE TREASURER

Updated 9/6/2019

June, 2019

FUNDS	Beginning Cash Balance	Receipts This Month	Cash Disbursements This Month	Auditor Journal Entries/ Redistributions	Ending Cash Balance
Governmental Funds					
General Fund - Fund 10-101	\$ 6,496,397.75	3,003,431.37	\$ 4,633,225.23	\$ (1,533,043.50) *	\$ 3,333,560.39
Capital Reserve-Fund 10-116	\$ 1,215,439.95			\$ 1,534,571.60 *	\$ 2,750,011.55
Maintenance Reserve-Fund 10-117	\$ 282,213.00				\$ 282,213.00
Emergency Reserve-Fund 10-118	\$ 149,431.00				\$ 149,431.00
General Fund Subtotal Including Reserves	\$ 8,143,481.70	\$ 3,003,431.37	\$ 4,633,225.23	\$ 1,528.10	\$ 6,515,215.94
Special Revenue Fund - Fund 20	\$ (46,104.77)	\$ 95,641.00	\$ 39,833.85	\$ (1,528.10) *	\$ 8,174.28
Capital Projects - Fund 30	\$ -				\$ -
Debt Service Fund - Fund 40	\$ 1.38				\$ 1.38
Sub-total Funds 20, 30 & 40	\$ (46,103.39)	\$ 95,641.00	\$ 39,833.85	\$ (1,528.10)	\$ 8,175.66
Total Governmental Funds	\$ 8,097,378.31	\$ 3,099,072.37	\$ 4,673,059.08	\$ 0.00	\$ 6,523,391.60
Enterprise Fund					
Food Service-Fund 60	\$ 248,356.21	\$ 52,405.92	\$ 72,870.06		\$ 227,892.07
Total Enterprise Fund	\$ 248,356.21	\$ 52,405.92	\$ 72,870.06	\$ -	\$ 227,892.07
Trust and Agency Funds					
Payroll	\$0.00	\$ 1,455,462.02	\$ 1,455,462.02		\$0.00
Payroll Agency	\$243,344.15	\$ 1,041,786.97	\$ 1,056,723.48		\$ 228,407.64
Unemployment Account (SUI)	\$32,089.94	\$ 52,380.75	\$ 46.58		\$ 84,424.11
Total Trust & Agency Funds	\$275,434.09	\$2,549,629.74	\$2,512,232.08		\$ 312,831.75
TOTAL ALL FUNDS	\$ 8,621,168.61	\$ 5,701,108.03	\$ 7,258,161.22	\$ 0.00	\$ 7,064,115.42

*\$1,534,571.60 returned to Capital Reserve
 \$1,528.10 redistributed on Ck#50881 from fund 10 to fund 20

Starting date 7/1/2018 Ending date 6/30/2019 Fund: 10 GENERAL FUND

Assets and Resources

Assets:

101	Cash in bank		\$3,333,560.39
102 - 106	Cash Equivalents		\$0.00
111	Investments		\$0.00
116	Capital Reserve Account		\$2,750,011.55
117	Maintenance Reserve Account		\$282,213.00
118	Emergency Reserve Account		\$149,431.00
121	Tax levy Receivable		\$839,597.14

Accounts Receivable:

132	Interfund	\$42,757.86	
141	Intergovernmental - State	\$1,545,483.68	
142	Intergovernmental - Federal	\$0.00	
143	Intergovernmental - Other	\$357,974.80	
153, 154	Other (net of estimated uncollectable of \$_____)	\$0.00	\$1,946,216.34

Loans Receivable:

131	Interfund	\$0.00	
151, 152	Other (Net of estimated uncollectable of \$_____)	\$13,487.85	\$13,487.85

Other Current Assets

\$0.00

Resources:

301	Estimated revenues	\$0.00	
302	Less revenues	\$0.00	\$0.00

Total assets and resources

\$9,314,517.27

Starting date 7/1/2018 Ending date 6/30/2019 Fund: 10 GENERAL FUND

Liabilities and Fund Equity

Liabilities:

411	Intergovernmental accounts payable - state	\$0.00
421	Accounts payable	\$204,095.88
431	Contracts payable	\$0.00
451	Loans payable	\$0.00
481	Deferred revenues	\$0.00
	Other current liabilities	\$0.00
	Total liabilities	\$204,095.88



Starting date 7/1/2018 Ending date 6/30/2019 Fund: 10 GENERAL FUND

Liabilities and Fund Equity

Fund Balance:

Appropriated:

753,754	Reserve for encumbrances		\$1,246,541.17
761	Capital reserve account - July	\$2,750,011.55	
604	Add: Increase in capital reserve	\$0.00	
307	Less: Bud. w/d cap. reserve eligible costs	\$0.00	
309	Less: Bud. w/d cap. reserve excess costs	\$0.00	\$2,750,011.55
764	Maintenance reserve account - July	\$282,213.00	
606	Add: Increase in maintenance reserve	\$0.00	
310	Less: Bud. w/d from maintenance reserve	\$0.00	\$282,213.00
766	Reserve for Cur. Exp. Emergencies - July	\$149,431.00	
607	Add: Increase in cur. exp. emer. reserve	\$0.00	
312	Less: Bud. w/d from cur. exp. emer. reserve	\$0.00	\$149,431.00
762	Adult education programs		\$0.00
750-752,76x	Other reserves		\$0.00
601	Appropriations	\$0.00	
602	Less: Expenditures	\$0.00	
	Less: Encumbrances	\$0.00	\$0.00
	Total appropriated		\$4,428,196.72

Unappropriated:

770	Fund balance, July 1		\$4,682,224.67
771	Designated fund balance		\$0.00
303	Budgeted fund balance		\$0.00

Total fund balance

\$9,110,421.39

Total liabilities and fund equity

\$9,314,517.27

Starting date 7/1/2018 Ending date 6/30/2019 Fund: 10 GENERAL FUND

Revenues:		Org Budget	Transfers	Budget Est	Actual	Over/Under	Unrealized
00370	SUBTOTAL – Revenues from Local Sources	26,223,167	(1,975,161)	24,248,006	24,435,786		(187,780)
00520	SUBTOTAL – Revenues from State Sources	11,206,089	0	11,206,089	11,292,261		(86,172)
00570	SUBTOTAL – Revenues from Federal Sources	33,304	0	33,304	31,661	Under	1,643
	Total	37,462,560	(1,975,161)	35,487,399	35,759,708		(272,309)
Expenditures:		Org Budget	Transfers	Adj Budget	Expended	Encumber	Available
03200	TOTAL REGULAR PROGRAMS - INSTRUCTION	10,163,939	166,079	10,330,018	9,819,124	388,058	122,836
10300	Total Special Education - Instruction	3,277,803	(210,703)	3,067,100	2,857,912	0	209,188
12160	Total Bilingual Education – Instruction	1,429	4,136	5,565	4,451	0	1,114
17100	Total School-Sponsored Co/Extra Curricul	253,542	4,907	258,449	230,267	985	27,196
17600	Total School-Sponsored Athletics – Instr	1,261,491	28,453	1,289,944	1,124,420	9,848	155,677
25100	Total Other Instructional Programs - Ins	21,500	0	21,500	4,679	0	16,821
29180	Total Undistributed Expenditures - Instr	2,124,031	(10,000)	2,114,031	1,870,048	3,290	240,693
30620	Total Undistributed Expenditures – Healt	334,298	13,704	348,002	340,599	0	7,403
40580	Total Undistributed Expend – Speech, OT,	323,503	254,632	578,135	487,405	0	90,730
41080	Total Undist. Expend. – Other Supp. Serv	528,993	213,491	742,484	721,390	0	21,094
41660	Total Undist. Expend. – Guidance	958,598	(4,484)	954,114	931,516	0	22,599
42200	Total Undist. Expend. – Child Study Team	748,290	3,792	752,082	732,943	807	18,332
43200	Total Undist. Expend. – Improvement of I	490,248	16,000	506,248	497,896	0	8,352
43620	Total Undist. Expend. – Edu. Media Serv.	428,468	39,662	468,130	441,447	702	25,981
44180	Total Undist. Expend. – Instructional St	58,800	0	58,800	26,050	0	32,750
45300	Support Serv. - General Admin	735,777	51,250	787,027	673,745	85,760	27,522
46160	Support Serv. - School Admin	1,202,383	(55,515)	1,146,868	1,086,741	662	59,466
47200	Total Undist. Expend. – Central Services	495,498	(3,124)	492,374	462,785	0	29,589
47620	Total Undist. Expend. – Admin. Info. Tec	573,953	(55,673)	518,280	505,436	8,918	3,926
51120	Total Undist. Expend. – Oper. & Maint. O	3,588,466	61,471	3,649,937	3,239,572	95,479	314,885
52480	Total Undist. Expend. – Student Transpor	2,461,434	(271,894)	2,189,540	1,980,150	0	209,390
71260	TOTAL PERSONNEL SERVICES –EMPLOYEE	6,165,740	1,991	6,167,731	5,809,263	37,188	321,280
75880	TOTAL EQUIPMENT	5,700	70,541	76,241	17,570	55,514	3,157
76260	Total Facilities Acquisition and Constru	2,161,016	(1,131,882)	1,029,134	469,804	559,330	0
84000	Transfer of Funds to Charter Schools	11,558	0	11,558	0	0	11,558
	Total	38,376,458	(813,165)	37,563,293	34,335,213	1,246,541	1,981,539

Estimate Year-End Surplus

- Review 10-770 Account
 - Verify beginning balance plus any prior year audit adjustments (does not include capital or other reserves or encumbrances)
 - Deduct any additional appropriations authorized during the year (such as prior year Extraordinary and Nonpublic Transportation Aid)
 - Deduct amount budgeted during current fiscal year
 - Add/subtract current year excess/shortfall in revenue
 - Add unexpended (amount available) from current year appropriations



Fund Balance Projection at 06/30/20 (Sample)

<u>Estimated Revenue</u>		
Tax Levy	15,926,859	Levy for FY20
State Aid	6,061,752	Per State Aid Payment Notice
Estimated Extraordinary Aid/Nonpublic Transportation	86,954	Estimate considering probable reduction in % from State for X/O Aid
Tuition from Individuals	45,000	Either estimated revenue or actual receipts plus estimated receivables
Tuition from Other LEA's	265,000	Either estimated revenue or actual receipts plus estimated receivables
Miscellaneous Revenue:		
Actual to date	165,897	Plus any other expected reimbursements, etc.
Interest	32,596	Actual thru April plus Estimate for May and June
Total Estimated Revenue	22,584,058	
<u>Estimated Expenditures</u>		
Expenditure per Budget Report to date	15,369,471	Cash Disbursements less refunds plus current accounts payable
Add: Encumbrances per Budget Report to date	7,268,945	Expected to be disbursed by 6/30 or be accounts payable (likely includes remaining payroll/health benefit encumbrances)
Add: Debt service assessment	14,603	Per state aid payment notice
Add: Deductions on State Aid Payment Notice	64,205	Such as cty special services tuition; Comm for Blind, etc.
Add: Payouts to Retirees	25,000	estimate
Add: Estimated Tuition reimbursements	23,500	estimate
Add: Estimated 2nd half of Aid In Lieu Payments	17,500	estimate
Add: Requests from Staff for Year end Purchases	125,000	estimate
Less: Estimated Employee Health Benefit Contributions	(145,752)	Amount due from Payroll Agency account & estimate for June
Total Estimated Expenditures	22,762,472	

Fund Balance Projection at 06/30/20 (Sample)

<u>Estimated Capital Reserve at 6/30/20</u>		
Capital Reserve at 7/1/19	1,018,974.00	
Additional amt per bd resolution at year end	200,000.00	What amount do you want to add ideally?
Withdrawal in FY20 budget	(450,000.00)	
Additional withdrawal in FY20 by Bd resolution	(65,000.00)	Should be for SDA eligible projects
Cancelled back to reserve (unexpended funds)	62,965.00	
	<u>766,939.00</u>	
<u>Estimated Maintenance Reserve at 6/30/20</u>		
Capital Reserve at 7/1/19	225,123.00	
Additional amount per Board resolution at year end	25,000.00	What amount do you want to add ideally?
Withdrawal in FY20 budget	(52,550.00)	
Additional withdrawal in FY20 by Bd resolution	(23,450.00)	
Cancelled back to reserve (unexpended funds)	16,952.00	
	<u>191,075.00</u>	



Fund Balance Projection at 06/30/20 (Sample)

<u>FY 2020 Fund Balance Projection</u>		
Total Fund Balance at 7/1/19 (Per C-1)	\$ 2,102,112	This includes all components of fund balance.
Expenditures (Estimated)	(22,762,472)	See detailed analysis
Revenue (Estimated)	22,584,058	See detailed analysis
Projected Fund Balance @ 6/30/20	<u>1,923,698</u>	
<u>Maximum Unassigned Fund Balance</u>		
Total Expenditures	22,762,472	
Allowable Fund Balance (2% of Total Expenditures)	<u>455,249</u>	Vocational Districts have 6% excess surplus calculation
Total Projected Fund Balance	1,923,698	From above
Less: Year End Encumbrances (Estimated)	(125,000)	
Less: Fund Balance Utilized in FY 21 Budget	(368,412)	excess surplus at 6/30/19 to be utilized in FY 21 plus additional amount
Less: Tuition Reserve	-0-	
Less: Emergency Reserve	-0-	
Less: Maintenance Reserve (at 6/30/20)	(191,075)	See detailed analysis
Less: Capital Reserve (at 6/30/20)	(766,939)	See detailed analysis
Unassigned Fund Balance	<u>\$ 472,272</u>	
Excess Surplus	<u>\$ 17,023</u>	Must be used as budgeted fund balance in FY22

Budget Transfers

- Need county approval for the following:
 - From any line over 10% (N.J.S.A.18A:22-8.1)
 - To administration account over 10% (N.J.S.A.6A2:3-A-13.3):
 - General Administration
 - School Administration
 - Central Services
 - Administrative Info Tech
 - Other Support Services
 - All transfers to Capital Outlay (except equipment)



Capital, Emergency, Maintenance and Tuition Reserves – June Transfer Resolution

- If you plan to transfer anticipated excess surplus to capital, emergency, maintenance and/or tuition reserves, but are unsure of what amount you will be able to transfer, you can pass a resolution allowing for a transfer of an “Amount not to Exceed”. This resolution **MUST** be approved by the Board of Education between June 1 – June 30.
- During the audit, when actual Excess Surplus is determined, you can then decide the amount you want to transfer to the reserves, up to the amount designated in the resolution.



Capital Reserve

- Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the NJDOE, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both.



Capital Reserve

- A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2.
- Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in the approved LRFP.



Capital Reserve

- Withdrawals for Local Amounts of School Facilities Projects:
 - May be made, by board resolution, up to 110% of the local share less excess costs.
 - Must be transferred to the capital projects fund and accounted for separately with the corresponding SDA / ROD grant (*N.J.A.C.6A:26A-14.1(j)(2)*)



Capital Reserve

- Withdrawals for Excess Costs or Other Capital Projects:
 - An “Other Capital Projects” is one that would otherwise be eligible for state support and has been approved by the Office of School Facilities as an “Other Capital Project”.
 - Withdrawals may be made:
 - By board resolution, a district may transfer funds to the line items in the capital outlay fund (12) to fund the total costs, less any excess costs, of an “Other Capital Project”
 - Through the budget process as budgeted withdrawal from capital reserve.



Maintenance Reserve

- These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance.
- The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.



Maintenance Reserve

- Pursuant to N.J.A.C. 6A:26A-4.2, funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes.
- Funds may be withdrawn and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan.



Maintenance Reserve

- Funds withdrawn are restricted to required maintenance appropriations (261) and may not be transferred to any other line-item account.
- In any year that funds are withdrawn, unexpended funds shall be restored to the maintenance reserve account at year-end.
- At no time shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities (M-1). If the account exceeds this maximum amount at June 30, the excess shall be restricted in the subsequent year's budget.
- The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.



Tuition Reserve

- A tuition reserve account may be established in accordance with N.J.A.C. 6A:23-3.1(f) for tuition between two Boards of Education that are in a formal sending/receiving relationship.
- The maximum amount that may be restricted at year end is 10% of the estimated contract year for an anticipated tuition adjustment in the second year following the contract year.
- Upon certification of tuition rates in the second year following the contract year, full appropriation of the applicable year's reserve must be liquidated and any remaining balance related to that year must be reserved and budgeted for tax relief.



Emergency Reserve

- N.J.S.A.18A:7F-41c(1) provides that districts may establish a current expense emergency reserve account and appropriate funds in the district's annual budget or through a transfer by board resolution at year end of any unanticipated revenue and unexpended line-item appropriation amounts.
- The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the general fund budget not to exceed \$1m.



Emergency Reserve

- Deposits may be made by board resolution at year end of any unanticipated revenue or unexpended line item appropriation or both.
- Withdrawals require approval by the Commissioner unless:
 - The withdrawal is necessary to meet an increase in total health care costs in excess of 4 percent or
 - The withdrawal is included in the original budget certified for taxes to finance school security improvements to school facilities pursuant to 18A:7G-6(c)1.



Thank You for your Attention Questions?

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