

## Board of Education

*President Ann Marie Horner, Vice President Blaik Baird, Board Members Jenifer Kelson, Debbie Jones, Wilma Cowley  
Superintendent of Schools Terry E. Shoemaker Business Administrator Keith Johansen*

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September 10, 2012

Wasatch Taxpayers Association

**Re: *Undistributed Reserve***

Dear Association Members:

We have received the Wasatch Taxpayers Association "white paper" regarding its belief that the District has more reserves than allowed by law and requesting the District to reduce taxes by \$5 million. The Taxpayers Association refers to the statute regarding "Undistributed Reserves", Utah Code § 53A-19-103 and to the Utah Supreme Court Decision in *Olson v. Salt Lake City School District*, 724 P.2d 960 (Utah 1986).

As you know, the District each year submits its budget and financial statement to the Utah State Office of Education. The District's financial information is also reviewed annually by its independent auditors. That audit is submitted to both the State Office of Education and the Utah State Auditor's Office. At no time has any of those entities informed the Board that the District has inappropriately held more reserves than are allowed by law.

As was discussed by Mr. Johansen in the Budget Hearing in July, the statute cited by the Taxpayers Association only addresses the budgeting of Undistributed Reserves which are limited to 5% of general fund balance expenditures. The District's "undistributed reserves" amount to \$881, 256, which is far less than the 5% cap. Undistributed Reserves are reserves to be used for "unexpected and unspecified contingencies." Utah Administrative Rule R277-425(d). Reserves for other specific purposes are not limited to 5%. As stated by the Utah Supreme Court in the *Olson* case:

We do not hold that the District may not maintain reserves for specific purposes. Our decision addresses only the issue of the District's authority to create multiple funded reserves for **unexpected and unspecified contingencies**. Specific reserves for identified line items would not violate the legislative policy of Section [53A-19-103] because the need for such reserves can be fully evaluated and reviewed in the normal budgetary process. Therefore, today's ruling in no way undermines the legality of reserves for [specific purposes]. *Olson v. Salt Lake City School District*, 724 P.2d 960, 966 (Utah 1986)(emphasis added).

In short, the statute and case relate to only one aspect of budgeting. We believe, and have confirmed, that the District's budgeting and accounting practices, as well as its fund balances, comply with Utah's statutes and regulations regarding school district finances.

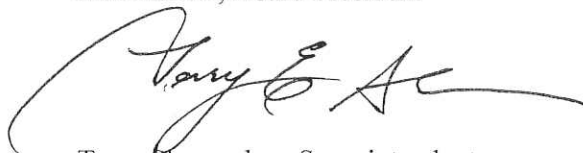
Furthermore, reducing the District's general funds by \$5 million dollars would be irresponsible in this difficult economic climate. One of the points in the Board's Strategic Plan is to "secure taxation levels to ensure adequate funding and a sufficient fund balance for our

schools". The general fund reserve allows the District to have sufficient funds available if the Legislature reduces state appropriations as they have done during this economic recession. Furthermore, the District enrollments continue to swell requiring the need for cash immediately to meet those needs. Therefore, we would not recommend a reduction in taxes at this time and see no need to meet.

Sincerely,



Ann Horner, Board President



Terry Shoemaker, Superintendent



Keith Johansen, Business Administrator