

Q & A: Budget Facts – District Reserves

Dear North Shore Parents, Community Members, and Faculty,

Q. Dr. G., Is the District Holding \$34 Million in Reserves and Cash Balances, more than 30% of the Budget?

A. No. This is inaccurate. As confirmed with our Auditors and legal counsel, the District’s total fund balance as of 6/30/20 including restricted reserves and assigned fund balance was \$25,951,851; approximately 23.4% of the General Fund’s 2020-21 budget. In a mailer that was recently sent to the community by a group of residents, the chart below conflated these funds with other governmental funds to inflate the total amount to \$34 million, which does not accurately reflect the District’s reserves and cash balances.

North Shore Reserves as of 6/30/20	North Shore Balance	Comments	*Marhasset Balance	*Port Washington Balance
Workers Comp Reserve	\$2,018,494	Established in 1998 increased yearly. \$92k used for workers comp in 2019	\$0	\$937,631
Unemployment Insurance Reserve	\$1,652,744	Established in 1998 increased yearly, never used	\$0	\$619,966
Retirement Reserve	\$6,835,805	For shortfall in budgeted retiree benefits, not used since 2016	\$0	\$3,373,149
Liability Reserve	\$113,254	Established in 1998 increased yearly, never used	\$69,722	\$1,765,148
Employee Benefit Accrued Reserve	\$351,160	Established 2005 for unused sick/vacation time	\$0	\$0
Capital Reserve	\$264,012	Established 2016 to fund capital projects approved by voters	\$4,913,634	\$0
Repair Reserve	\$1,126,496	Established 2007. Used for emergency repairs	\$279,737	\$0
Tax Certiorari /LIPA/Grant Fund Balance	\$3,953,780	General Fund balance	\$0	\$0
Assigned Fund Balance	**\$7,503,429	General Fund surplus balance	\$5,140,692	\$3,512,139
Total Reserves:	\$23,819,174		\$10,403,785	\$10,208,033
Unassigned Fund Balance	\$4,247,484	4% budget surplus - District permitted to hold for emergencies	\$4,026,393	\$6,513,351
Encumbrances/Lunch Fund	\$2,799,291	Used to fund future committed obligations	\$1,358,924	\$2,881,942
Debt Service Fund	\$1,278,347	Used to pay down borrowings	\$183,147	\$253,310
Capital Projects Fund	\$2,437,738	Used for capital projects	\$2,362,107	\$888,535
Total Fund Balances:	\$10,762,860		\$7,930,571	\$10,537,138
Total Reserves + Fund Balances:	\$34,582,034		\$18,334,356	\$20,745,171

These other governmental funds include the School Food Service Fund, the Debt Service Fund, and the Capital Projects Fund which are not reserve funds and can only be used for the specific purposes - please see below:

- **Encumbrances/Lunch Fund** - the encumbrances are open purchase orders that have not been paid yet. The Lunch Fund (or The Food Service Fund) is breakfast and lunch funded from cafeteria sales and federal and state aid. The balance accumulated is the result of surplus from the cafeteria operations. It can only be used for cafeteria operations and purchases.
- **Debt Service Fund** - receives funds from bond issuance premiums, interest earned on bond proceeds in bank accounts, and unspent bond monies of completed projects. These funds must be used toward debt service payments of the District’s outstanding bond obligations.
- The District has been consistently using Debt Service Funds towards annual required debt service payments thereby reducing the use of the General Fund monies (for these payments), which reduces the need to raise the tax levy.

Fact: As part of the 2021-22 Proposed Budget, the Board is allocating \$400,000 from the Debt Service Fund towards debt service expenditures.

- **Capital Projects Fund** - accounts for the District's capital construction activities. Funding for capital projects comes from voter-authorized appropriations. These include the capital reserve funds, repair reserve funds, state grants as well as voter-approved borrowings for bonds and installment debt.

Fact: Funding amounts reflect the estimated total costs of the individual projects based on input and advice from professional engineers and architects.

Fact: Because capital construction projects often take several years before all the planned phases are completed, funding may not be spent down for several years. When the projects are completed, any remaining funds are disposed of in accordance with the law.

Please visit the Budget/Financial section of the school website at <http://www.northshoreschools.org/boe/Budget.html> for further facts regarding our reserves. Stay tuned for more Budget Facts!

All the best,

A handwritten signature in black ink, appearing to read 'Peter Giarrizzo', with a large, stylized initial 'P'.

Dr. Peter Giarrizzo

Superintendent of Schools