



North Shore Central School District
Report on Analysis of Fund Balance & Reserves
March 2022



North Shore Central School District

Analysis of Fund Balance & Reserves

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Scope of Engagement

Pursuant to the request of the North Shore Central School District and in accordance with the District’s March 2021 Risk Assessment update, we have reviewed the policies, procedures, and reports pertaining to the District’s history of current projections on revenues and expenditures, fund balances, and reserves.

The objective of our analysis was to determine whether the internal controls over fund balance and reserves are adequate and in compliance with laws, regulations, and the District’s Board policies.

Work Performed

1. Obtained and analyzed the following documents:

- Policies pertaining to budget development and planning, and fund balance.
- Reserve plans.
- Audited financial statements for fiscal years 2017/2018, 2018/2019, 2019/2020, and 2020/2021.

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- Fund balance analyses prepared by the Business Office as of November 6, 2020 and April 29, 2021.
 - Revenue status report generated by WinCap for the fiscal years 2017/2018, 2018/2019, 2019/2020, 2020/2021, and the period of July 2021 through September 2021.
 - Budget status report generated by WinCap for the fiscal years 2017/2018, 2018/2019, 2019/2020, 2020/2021, and the period of July 2021 through September 2021.
 - State aid output reports for the fiscal year 2020/2021.
 - Budget transfer reports for the fiscal year 2017/2018, 2018/2019, 2019/2020, 2020/2021, and the period of July 2021 through September 2021.
 - Budget presentations to the Board of Education for the fiscal years 2020/2021 and 2021/2022.
 - Trial balance reports for the fiscal years 2017/2018, 2018/2019, 2019/2020, 2020/2021, and the period of July 2021 through September 2021.
 - Journal entry reports for the fiscal years 2017/2018, 2018/2019, 2019/2020, 2020/2021, and the period of July 2021 through September 2021.
2. Initial planning and interviews with the Assistant Superintendent for Business involved in the fund balance and reserves analysis and processes. During our meetings, we had the opportunity to review documents and direct inquiries regarding transactional records, supporting documents, and timely reporting.
 3. Assessed the possible impact the COVID-19 pandemic may have had on the District's internal controls, including control effectiveness, performance, and costs. Assessed possible improvements pertaining to the internal controls of the fund balance development. Such recommendations are presented within each applicable report section, if any.
 4. Prepared analysis and report. An audit exit conference was held on February 28, 2022 with the Superintendent of Schools, Assistant Superintendent for Business, and School District Auditor. The results, findings, and recommendations in this report were discussed with those attending.

Assessment of Fund Balance Procedures

The District's current fund balance procedures are structured around two (2) distinct categories. We have analyzed each categorical procedure during the course of our audit. We have documented the fund balance process through narratives for each categorical procedure within Exhibits 1 through 4. For ease of reference, the categories are listed below:

- ***Analysis of General Fund Balance***
- ***Analysis of Restricted Reserves***

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Analysis of General Fund Balance

The District's fund balance decreased by \$8,095,205, or 26.37%, from the beginning fund balance of \$30,701,997 as of July 2017 to an ending fund balance of \$22,606,792 as of June 2021. The following table summarizes the District's revenues, expenditures, operating transfers, and ending fund balances for the fiscal years 2017/2018 through 2020/2021:

<u>General Fund</u>	<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Total Revenues	100,154,993	102,427,981	104,369,794	107,711,231
Total Operating Expenditures	94,781,039	97,448,840	97,657,345	105,937,537
Operating Transfers Out to Special Aid Fund	115,000	115,000	165,000	115,000
Operating Transfers Out to School Lunch Fund	-	-	200,000	-
Operating Transfers Debt Service Fund	3,859,910	4,089,613	3,278,266	3,284,660
Operating Transfers Out to Capital Project Fund	4,698,621	690,852	4,603,428	1,719,093
Subtotal Expenditures	103,454,570	102,344,305	105,904,039	111,056,290
Excess (Deficiency) Of Revenues Over Expenditures	(3,299,577)	83,676	(1,534,245)	(3,345,059)
Beginning Fund Balance	30,701,997	27,402,420	27,486,096	25,951,851
Ending Fund Balance	27,402,420	27,486,096	25,951,851	22,606,792

Source: Financial Statements: Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund for The Years Ended June 30, 2018 through 2021

An important tool in the long-range financial planning of a School District is the purposeful funding and use of Reserve Funds and Fund Balance. The reserved portion of the fund balance is comprised of money that may be used only for specific identified purposes. The unreserved portion of the fund balance is available to be used for tax reduction for the subsequent fiscal year and to meet unanticipated expenditures. Fund balance assists School Districts in maintaining necessary finances from year to year to reduce the risk that unforeseen events will impact current finances and disrupt the delivery of educational services to students. The Government Accounting Standards Board (“GASB”) and the New York State Office of the State Comptroller (“OSC”) govern the accounting and reporting practices for School Districts and provide specific requirements for categorization and reporting of the General Fund Balance.

The District has a Board of Education approved policy related to the fund balance. Policy #6212 Fund Balance outlines the procedures to be followed regarding fund balance reporting and fund balance classifications, pursuant to GASB Statement 54. The approvals and limitations regarding assigned fund balance are also addressed and explained in Policy #6212.

We noted that Policy #6212 Fund Balance is in compliance with Education Law, and District procedures reflect policy protocol.

➤ ***No recommendation at this time.***

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The following table summarizes the components of the District's restricted, assigned, and unassigned fund balances during the fiscal years 2018/2019, 2019/2020, and 2020/2021:

	2018/2019		2019/2020		2020/2021	
Non-Spendable: Inventory Advance	-	0.00%	-	0.00%	179,923	0.80%
Restricted						
Workers' Compensation Reserve	2,072,065	7.54%	2,018,494	7.78%	1,748,720	7.74%
Unemployment Insurance Reserve	1,621,807	5.90%	1,652,744	6.37%	1,691,738	7.48%
Reserve for Capital	3,158,487	11.49%	264,012	1.02%	1,059,912	4.69%
Reserve for Repairs	1,130,508	4.11%	1,126,496	4.34%	1,152,061	5.10%
Liability Reserve	111,134	0.40%	113,254	0.44%	113,254	0.50%
Reserve Employee Benefits/Accrued Liability	344,632	1.25%	351,160	1.35%	330,122	1.46%
Reserve for ERS Contributions	7,297,296	26.55%	6,234,575	24.02%	5,052,896	22.35%
Reserve for TRS Contributions	592,394	2.16%	601,230	2.32%	1,548,257	6.85%
Total Restricted	16,328,323	59.41%	12,361,965	47.63%	12,696,960	56.16%
Assigned						
Encumbrances	1,660,895	6.04%	2,488,621	9.59%	1,919,113	8.49%
Special Designation- LIPA/Tax Certiorari	2,884,879	10.50%	2,311,363	8.91%	1,156,965	5.12%
Reopening of Schools	-	0.00%	2,700,000	10.40%	-	0.00%
Professional Development for Online Learning	-	0.00%	200,000	0.77%	-	0.00%
Subsequent Years' Expenditures (Appropriated Fund Balance)	2,300,000	8.37%	1,642,417	6.33%	1,980,162	8.76%
Total Assigned	6,845,774	24.91%	9,342,401	36.00%	5,056,240	22.37%
Unassigned	4,311,999	15.69%	4,247,485	16.37%	4,673,669	20.67%
Total Fund Balance	27,486,096	100.00%	25,951,851	100.00%	22,606,792	100.00%

(GF) – General Fund

Source: Financial Statements: Schedule of Balance Sheet – Governmental Funds for The Years Ended June 30, 2019 through 2021

We have made the following observations regarding the District's fund balance:

- **Restricted Fund Balance.** The District's restricted fund balance pertains to amounts limited by external parties or legislation (e.g., worker's compensation, capital, employees' retirement system, teachers' retirement systems, employee benefit accrued liabilities, and repair reserves). The District's restricted fund balance decreased by \$3,631,363, or 22.24%, from \$16,328,323 (2018/2019) to \$12,696,960 (2020/2021). This decrease was attributed to the use of reserves from the Capital Reserve and Employee Retirement System Reserve.
- **Assigned Fund Balance.** The District's assigned fund balance pertains to amounts intended to be used for a specific purpose (e.g., encumbrances). The District's assigned fund balances decreased by \$1,789,534, or 26.14%, from \$6,845,774 (2018/2019) to \$5,056,240 (2020/2021). This decrease was attributed to the decrease in encumbrances for the reopening of schools and professional development for online learning that comprised 11.77% of the District's 2019/2020 total assigned fund balance. This decrease is also attributed to the District's efforts to appropriate money from the Special Designations LIPA balance to reduce its annual tax levies.
- **Unassigned Fund Balance.** The District's unassigned fund balance pertains to amounts available for consumption or not restricted in any manner and is limited to four percent (4%) of the budgeted

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expenditures for the ensuing fiscal year. The District's unassigned fund balance increased by \$361,670, or 8.39%, from 4,311,999 (2018/2019) to \$4,673,669 (2020/2021).

➤ ***No recommendation at this time.***

The Business Office is responsible for preparing, maintaining, and reporting the various fund balance categories maintained by the District, including their purpose, funding levels, and anticipated future use.

The Assistant Superintendent for Business calculates fund balance projections throughout the school year. Several factors are considered when updating fund balance projections, including anticipated revenue to the District, expected and unexpected expenditures, decreased spending in certain areas, and the specific economic circumstances of the District.

We reviewed fund balance calculations and projections for the fiscal year 2020/2021 to ensure that the methodology, assumptions, and procedures agreed to the standards established by the District and are in compliance with District Policy, any applicable laws, and guidelines. We also reviewed how often and timely the analysis was performed throughout the school year.

We noted that fund balance projections start in December and continue, at least monthly, until June. Final calculations may be updated before the tax levy of the following fiscal year is set. Throughout the projection and final calculation process, consideration is given to all elements that may financially impact the District. This includes any outstanding encumbrances, the following year's budget, changes in state aid funding, student enrollment, staff turnover, and government mandates. The Superintendent of Schools and Assistant Superintendent for Business present the prior year-end fund balance projection to the Board of Education. The projection includes a recommendation regarding both undesignated and assigned fund balance. Any questions or concerns from the Board of Education are addressed throughout the school year, as they arise.

➤ ***No recommendation at this time.***

The District's external auditors recommended within their management letters that the District continue monitoring its unassigned fund balance to ensure compliance with the Real Property Tax Law §1318. We have observed that the Business Office is following the District's corrective action plan and is actively monitoring the District's unassigned fund balance.

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The following table summarizes the District’s original and final general fund budgetary expenditures and the general fund balance subject to the 4% statutory limit during the fiscal years 2018/2019, 2019/2020, and 2020/2021:

	2018/2019	2019/2020	2020/2021
Adopted Budget	104,868,519	107,799,955	110,315,209
Add Prior Year Encumbrances	1,217,781	1,660,895	2,488,621
Revised Budget	106,086,300	109,460,850	112,803,830
<u>Budget Revisions</u>			
Budget Revisions	5,614	3,117,699	2,900,000
Total Budget Revisions	5,614	3,117,699	2,900,000
Final Budget	106,091,914	112,578,549	115,703,830
Following Year's Approved Expenditure Budget	107,799,955	110,315,209	111,641,018
4% State Limit	4,311,998	4,412,608	4,465,641
<u>Unrestricted Fund Balance:</u>			
Assigned Fund Balance	6,845,774	9,342,401	5,056,240
Unassigned Fund Balance	4,311,999	4,247,485	4,673,669
Less: Appropriated Fund Balance	2,300,000	1,642,417	1,980,162
Less: Encumbrances	1,660,895	2,488,621	1,919,113
General Fund Balance Subject to 4% Limit	7,196,878	9,458,848	5,830,634
Over/(Under) 4% State Limit	2,884,880	5,046,240	1,364,993
State Limit	4%	4%	4%
Percentage Over/(Under) 4% State Limit	2.7%	4.6%	1.2%

(GF) – General Fund

Source: Financial Statements: Schedule of Change from Adopted Budget to final Budget and the Real Property Tax Limit for The Years Ended June 30, 2019 through 2021

Per the external auditor’s financial statement audit report as of June 30, 2021, “During the 2013-2014 and 2014-2015 fiscal years, the District received special legislative grants from the state totaling \$5.4 million to help offset the property tax impact on the District and its homeowners due to the ramp-down of the Glenwood Landing power plant by LIPA. The Board of Education designated a portion of its additional fund balance (resulting primarily from the special legislative grants, as well as the tax certiorari reserve in the amount of \$2,504,398, which was liquidated after the County of Nassau lost its appeal to have school districts pay for the districts’ tax certiorari judgments) towards reducing future tax levies. This special designation is reported as Special Designation-LIPA under assigned fund balance on the general fund balance sheet. Each year since June 30, 2015, the District has released amounts from the Special Designation-LIPA to offset the tax levies. At June 30, 2021, the District released \$1,154,398 from amounts assigned for Special Designation-LIPA to appropriated fund balance to fund the 2021-2022 budget. Assigned, unappropriated fund balance represents the open encumbrances at June 30th..” The following table summarizes the total assigned fund balance for the fiscal years 2018/2019 through 2020/2021:

<u>Assigned Fund Balance</u>	2018/2019	2019/2020	2020/2021
Appropriated Fund Balance (Subsequent Year Expenditures)	2,300,000	1,642,417	1,980,162
Special Designation – LIPA/Tax Certiorari	2,884,879	2,311,363	1,156,965
Reopening of Schools	-	2,700,000	-
Professional Development for Online Learning	-	200,000	-
Unappropriated Fund Balance (Encumbrances)	1,660,895	2,488,621	1,919,113
Total Assigned Fund Balance	6,845,774	9,342,401	5,056,240

➤ **No recommendations at this time.**

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We analyzed the “Fiscal Profile Reports” generated by the New York State Education Department and compared the reserves, fund balances, and total expenditures between the District and comparable School Districts in Nassau County for the fiscal year 2020/2021.

District	District #1	District #2	North Shore CSD	District #3	District #4	District #5	District #6
Adopted Budget	93,096,675	100,659,820	110,315,209	120,913,141	125,365,991	122,491,728	160,556,916
Total Expenditures	86,960,016	96,354,125	105,937,537	109,712,891	114,026,908	117,334,049	154,482,466
Nonspendable	-	-	-	-	-	998,153	1,932,139
Restricted Reserves							
Employee Retirement Contribution (ERS) Reserve Fund	3,614,001	-	6,234,575	9,166,753	15,022,827	749,535	2,448,149
Teacher Retirement Contribution (TRS) Reserve Fund	2,146,423	-	601,230	2,734,270	2,702,212	2,620,017	925,000
Workers Compensation Reserve Fund	3,192,581	-	2,018,494	5,738,573	-	1,247,289	937,631
Unemployment Insurance Reserve	393,720	-	1,652,744	-	254,294	-	619,966
Insurance Reserve Fund	-	-	-	-	-	553,559	-
Employee Benefit Accrued Liability (EBAL) Reserve	5,434,622	-	351,160	3,264,800	18,106,915	1,022,975	1,765,148
Repair Reserve	-	279,743	1,126,496	-	-	2,797	-
Capital Reserve	7,543,907	3,395,802	264,012	11,143,157	9,062,392	1,828,894	-
Property Loss /Liability Reserve	-	-	113,254	-	-	-	-
Mandatory Reserve for Debt Service	-	-	-	-	-	-	-
Tax Certiorari	4,124,896	-	-	-	-	-	-
Reserve for Tax Reduction	-	-	-	-	-	-	-
Total Restricted Reserves	26,450,150	3,675,545	12,361,965	32,047,553	45,148,640	8,025,066	6,695,894
Assigned Fund Balance	751,962	1,889,890	9,342,401	4,367,474	6,408,044	2,781,401	3,374,004
Unassigned Fund Balance	3,829,870	4,092,808	4,247,485	4,895,261	5,119,884	4,914,705	6,513,351
Total Fund Balance	31,031,982	9,658,243	25,951,851	41,310,288	56,676,568	16,719,325	18,515,388
% of Adopted Budget	33.33%	9.59%	23.53%	34.17%	45.21%	13.65%	11.53%

Source: Financial Statements: Schedule of Balance Sheet – Governmental Funds for The Fiscal Year Ended June 2021

Source: Combined Wealth Ratio: NYSED Website: New York State Property Tax Report Card

➤ **No recommendations at this time.**

Analysis of Restricted Reserves

The Assistant Superintendent for Business is responsible for preparing a reserve plan each school year. The plan is discussed with the Superintendent of Schools before being presented to the Board of Education. The Superintendent of Schools will make a recommendation to the Board of Education regarding the funding and/or use of reserves, based upon the reserves plan. The Board of Education must approve any transfers into or use of reserve funds as evidenced in a Board of Education resolution.

We noted that the District's reserve plan included the information noted above, and the plan's detail was in compliance with any applicable laws and regulations. Provided below is a summary of each restricted reserve:

Worker's Compensation Reserve

- Established during the fiscal year of 1997/1998 in the amount of \$150,000.
- Balance as of June 30, 2021: \$1,748,720.
- The District is self-insured for worker's compensation claims and is subject to the 2020/2021 statutory Self-Insured Retention (SIR) deductible limit of \$650,000 per occurrence.
- The Workers' Compensation Reserve (GML§6-m) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law and for payment of expenses of administering this self-insurance program. The reserve is established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may be transferred to another reserve or applied to appropriations of the next fiscal year's budget. This reserve is accounted for in the general fund.

Employees Retirement System Reserve Restricted Reserve

- Established during the fiscal year of 2004/2005 in the amount of \$740,876.
- Balance as of June 30, 2021: \$5,052,896.
- The Employees Retirement System Reserve (GML§6-r) is used for financing retirement contributions to the New York State and Local Employees Retirement System. The reserve is accounted for separately from all other funds, and a detailed report of the operation and condition of the fund is provided to the Board. The reserve is established by budgetary appropriations, and such other funds may be legally appropriated.

Teachers Retirement System Restricted Reserve

- Established during 2018/2019 in the amount of \$500,000.
- Balance as of June 30, 2021: \$1,548,258.
- The Teachers Retirement System Reserve (GML§6-r) is used for financing retirement contributions to the New York State and Local Teachers Retirement System. The reserve is accounted for separately from all other funds, and a detailed report of the operation and condition of the fund is provided to the Board. The reserve is established by budgetary appropriations, and such other funds may be legally appropriated. The Teachers' Retirement System reserve is subject to contribution limits. This reserve is accounted for in the general fund under the restricted fund balance.

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Employee Benefits Accrued Liability Restricted Reserve

- Established during the fiscal year of 2004/2005 in the amount of \$770,488.
- Balance as of June 30, 2021: \$330,122.
- The Employee Benefit Accrued Liability Reserve (EBALR) is used to provide funding to pay for the monetary value of accumulated but unused vacation time of employees when they separate from service or retire. It can also be used to pay for a reasonable cost to administer the reserve, professional services, as well as adjustments and settlement of claims related to accrued employee benefits. It is created through Board of Education action and may be funded through budgetary appropriation or Board action. A referendum is not required to expend funds from the reserve.
- The balance in the reserve is the total amount of accrued but unpaid vacation time of the District's custodial and clerical staff as of June 30, 2021. All custodial and clerical employees earn their vacation throughout the year, per their respective collective bargaining agreements, but are required to take them after the close of the fiscal year. Other bargaining units do not carry overused vacation time.

Repair Restricted Reserve

- Balance as of June 30, 2021: \$1,152,061.
- The Repair Reserve (GML§6-d) is used to pay for the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve are made after a public hearing has been held, except in emergencies. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund under the restricted fund balance.
- The Repair Reserve was established on March 1, 2007 with the retroactive PILOT (Payment in Lieu of Taxes) of \$4,840,200 from LIPA (Long Island Power Authority). On March 27, 2008, the Board of Education approved a resolution to establish the District's Capital Reserve. The referendum was approved by voters in May of 2008. A total of \$2,816,127 was transferred from the Repair Reserve to initially fund the Capital Reserve. This left a balance of \$2,024,073 in the repair reserve at the end of 2008.

Unemployment Insurance Reserve

- Balance as of June 30, 2021: \$1,691,738.
- The Unemployment Insurance Reserve (GML §6-m) is used to pay for the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve is established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty (60) days after the end of any fiscal year, excess amounts may either be transferred to another reserve or applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to a tax (contribution) basis, excess funds over the sum sufficient to pay for pending claims may be transferred to any other reserve fund.

Capital Restricted Reserve

- Balance as of June 30, 021: \$1,059,912.
- The Capital Reserve (GML §3651) is used to pay for the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters

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to establish the purpose of the reserve, the ultimate amount, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form of the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the general fund.

- On May 17, 2016, the Capital Reserve was funded in the amount of \$847,784 with the ultimate amount of \$8,500,000 within a probable term of 10 years. On May 15, 2018, voters approved a referendum to fund all projects listed in Phase (1). On June 9, 2020, voters approved another referendum to fund the Middle School Girls and Boys Locker Rooms (\$2,371,727) and the Glen Head Nurse's Suite (\$423,128). Phase (3) Projects will be funded when the funding level authorized by voters is reached.

Liability Restricted Reserve

- Established during the fiscal year of 1997/1998 in the amount of \$100,000.
- Balance as of June 30, 2021: \$113,254.
- The Liability Reserve is used to pay for property loss and liability claims incurred. The amount in the reserve cannot exceed 3% of the annual budget or \$15,000, whichever is higher. The reserve is established by the Board of Education action and is funded through budgetary appropriation. No referendum is required to establish the reserve, and expenditures can be made without voter approval.

➤ ***No recommendations at this time.***

Risk Rating and Opinion

Inherent Risk Rating: High

Control Risk Rating: Low (North Shore Central School District)

Audit Opinion: Satisfactory

The District's control environment pertaining to the fund balance and reserves is satisfactory.

Exhibits

Exhibit 1 Analysis of District Policies

Exhibit 2 Narratives Pertaining to Budget Development and Approval Procedures

Exhibit 3 Narratives Pertaining to Budget Monitoring and Reporting Procedures

Exhibit 4 Narratives Pertaining to Fund Balance Monitoring Procedures

Please contact our Hauppauge, New York office @ 631-756-9500 if you should have any questions in this regard.

*North Shore Central School District
Report on Internal Controls Pertaining to the Analysis of Fund Balance & Reserves
Analysis of District Policies
Exhibit 1*

The District's Board of Education ("the Board") has approved the following policies regarding the budget process:

The District has a formal policy (Policy 6100) regarding the annual budget. According to the policy, the Board of Education established the financial parameters. The Superintendent is responsible for presenting a plan which in his or her judgment will best achieve the District's mission and goals. The Board considers broad educational needs, the funding necessary to meet them, sources, and overall levels of revenue including all legal restrictions placed on the increase in the tax levy. After the budget has been approved by the District voters, the Superintendent is responsible for seeing that personnel use it responsibly.

Applicable procedures are presented in Narratives Pertaining to Budget Development and Approval procedures. (Exhibit 2)

The District has a formal policy (Policy 6110) regarding budget planning. According to the policy, the Superintendent of Schools, with the assistance of the Assistant Superintendent for Business shall be responsible for the preparation of the budget. The budget calendar shall be approved by the Board of Education in advance of the preparation of the District's annual budget. It shall be organized and planned to provide adequate accounting for each program expenditure, understanding of the financial needs of anticipated program developments, and be within the financial limitations of the District, taking into consideration the statutory limits on the tax levy. The budget for the ensuing school year shall be thoroughly reviewed and approved by the Board before being presented to voters for final adoption.

Applicable procedures are presented in Narratives Pertaining to Budget Development and Approval procedures. (Exhibit 2)

The District has a formal policy (Policy 6150) regarding budget transfers. According to the policy, the Superintendent of Schools, in accordance with the Regulations of the Commissioner of Education, is authorized to make budget transfers within the same function code, so long as the transfer for any one item does not exceed \$10,000, and between line item accounts, so long as the transfer for any one item does not exceed \$5,000. All transfers in excess of \$10,000 require prior Board of Education approval. The Superintendent will report any transfers to the Board as an information item on a quarterly basis.

Applicable procedures are presented in Narratives Pertaining to Budget Monitoring and Reporting procedures. (Exhibit 3)

The District has a formal policy (Policy 6212) regarding fund balance. According to the policy, the Board of Education recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the school district and is fiscally advantageous for the District and the taxpayers that it helps mitigate current and future risks and assists in providing stable rates. The use of the fund balance is in circumstances where expenditure is incurred for a purpose for which amounts are available in multiple fund balance classification and the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or Board approved budget revision and then from the unrestricted fund balance. The responsibility and enforcement of this policy is delegated to the Superintendent or the Business Official.

Applicable procedures are presented in Narratives Pertaining to Fund Balance Monitoring Procedures. (Exhibit 4)

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Narratives Pertaining to Budget Development and Approval Procedures
Exhibit 2

- With the assistance of the Assistant Superintendent for Business, the Superintendent is responsible for preparing a proposed budget to be reviewed and approved by the Board and, ultimately, the community members.
- Factors that affect the budget development process include, but are not limited to, plans for instructional program expenditures, long-range planning, financial limitations of the District, tax levy limit, the status of reserves, economic conditions, Covid-19 pandemic state and federal regulations, employee contracts and agreements, expected revenues as per NYSED reports, and changes in NYSED requirements regarding instruction, student testing, employee evaluations, etc.
- When generating estimates for the annual budget, the Assistant Superintendent for Business considers budgeted and actual expenditures and revenues from prior years, quotes, bids, and contracts currently in place or proposed, and letters from providers or vendors that note changes in rates for the following school year.
- The Assistant Superintendent for Business begins the budget developmental process in October of each school year by distributing the budget calendar, prior year budget and actual expenditure information, and budget developmental procedures to the Building level and District level Administrators. The budget calendar includes a timeline for preparing the budget, submitting the budget plan and proposed budget to the Board of Education, and completing certain New York State Education Department (NYSED) requirements regarding budget development and reporting. The Assistant Superintendent for Business monitors the budget calendar to ensure that the budget is prepared and presented in accordance with deadlines established in the calendar.
- The Assistant Superintendent for Business prepares the payroll portion of the annual budget. Current staffing levels and employee contracts are utilized to calculate increases and determine the proposed estimate for the following school year. Any known reductions in staff are reflected in the proposed budget.
- The Assistant Superintendent for Business conducts various meetings with the Building level and District level Administrators and/or support staff to assist in the development process of a detailed budget that covers the needs of the department/school. During the meetings, the prior year's budget is reviewed to ensure that the current year's budget is consistent and used appropriately. These meetings also ensure timely reporting.
- The Building level and District level Administrators submit their proposed budget to the Assistant Superintendent for Business by December. Their budgets include budget lines assigned to them except for their payroll codes, projected by the Assistant Superintendent for Business. Each expenditure included in the budget is supported by an explanation by the Building level and District level Administrator.
- Recommendations for new programs are submitted to the Superintendent of Schools and Assistant Superintendent for Instruction. Upon approval, the Building level and District level Administrator includes the approved program in their departmental proposed budget.
- Requests for equipment and capital projects are project-specific, accompanied by detailed information and supporting documentation, and submitted to the Assistant Superintendent for Business for approval.

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Narratives Pertaining to Budget Development and Approval Procedures
Exhibit 2*

- Requests for additional budget codes are discussed and approved by the Assistant Superintendent for Business, as deemed necessary.
- The Assistant Superintendent for Business holds meetings in January with the Building level and District level Administrators to review the departmental proposed budgets. During the meetings, the Assistant Superintendent for Business reviews the budget requests for reasonableness, compares the actual expenditure history for the past fiscal years to the current requests, and considers any other anticipated adjustments to the budget for the coming fiscal year.
- Throughout the school year, the Assistant Superintendent for Business monitors possible increases or decreases to District revenue and/or expenditures that will affect the budget development for the following school year.
- Beginning in December, the Assistant Superintendent for Business calculates the tax levy limit as per Chapter 97 of the Laws of 2011. This indicates the amount the District can levy if the budget is approved by the majority of District voters. The calculation of the tax levy limit is as follows:
 - Prior year tax levy
 - Multiplied by the tax base growth factor
 - Plus prior year's PILOTs receivable
 - Less prior year capital tax levy and other exclusions
 - Multiplied by the allowable levy growth factor
 - Less coming year PILOTs receivable
 - Plus coming year exclusions for pension, tort, and capital tax levy
- The Assistant Superintendent for Business maintains a budget binder that includes supporting documentation and details regarding the following:
 - Annual budget calendar
 - Narrative description of the budget
 - Definitions of budget code and methodology of budget practices
 - Enrollment projections
 - Number of employees by budget code
 - Benefit projections of employees by budget codes
 - Number of buses and estimates of ridership for in-District, private, parochial, and special education transportation
 - Debt schedules
 - Line by line budget in various formats (by function, object, location, and program).
 - Detailed budget report including budget notes and descriptions
 - School report card data from NYSED for each school and District-wide
 - Estimated revenues, Tax Levy, and tax rate
 - Property Tax Report Card
 - Three-part component budget (Administrative, Capital, and Program)
 - Administrative Salary Disclosure.
 - Fiscal accountability summary from NYSED. This includes information about students with disabilities.
 - Tax Cap Compliance Form.
 - NYS Board of Real Property Services Local Government Exemption Impact Report (RP-495).

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Exhibit 2*

- The Superintendent of Schools and Assistant Superintendent for Business perform a final review of the proposed annual budget before presenting it to the Board of Education.
- The proposed budget is submitted to the Board of Education for review in February.
- Presentations are made to the Board of Education (at public meetings) in accordance with the schedule prepared by the Assistant Superintendent for Business.
- The Business Office updates the proposed budget based on input from the Board of Education and the community before presenting a final draft of the annual budget to the Board in March.
- The Board of Education adopts the annual budget by resolution.
- The Assistant Superintendent for Business prepares the Administrative Salary Disclosure and the Property Tax Report Card. The Administrator Salary Disclosure reports the salary and fringe benefits budgeted for the next fiscal year for the Superintendent, Assistant Superintendents, and other administrative personnel who are budgeted to be paid over a threshold established by NY State (\$143,000 for 2021-22). This disclosure must be submitted to NYSED and made available to the public five (5) days before the budget hearing. The Property Tax Report Card reports the tax levy limit, permissible exclusions from the limit, and proposed tax levy. This report is due to NYSED twenty-four (24) days before the budget vote.
- After April 1st, the District posts four legal notices indicating the date, time, and place of the School Budget Hearing and Annual Budget Vote. In addition, details are posted on the District's website.
- The Budget Hearing is held 7-14 days prior to the Annual Budget Vote in May as required by NYSED.
- The annual budget is presented to the community for review and approval in May.
- If the District does not receive the required percentage of "yes" votes needed to pass the budget, the District will hold a revote of the budget or present a contingent Budget for the vote held in June.
- If the District exceeds the tax levy limit, a 60% supermajority vote is needed for the budget to pass instead of the usual simple majority vote of over 50%.
- In addition, the District must include specific language, as per Chapter 97 of Educational Law, to notify voters that the proposed budget exceeds the tax levy increase limit for the District.
- Once the voters approve the budget, the Accountant activates the budget in WinCap for the following fiscal year.

*North Shore Central School District
Report on Internal Controls Pertaining to the Analysis of Fund Balance & Reserves
Narratives Pertaining to Budget Monitoring and Reporting Procedures
Exhibit 3*

- It is the responsibility of Building level and District level Administrators to monitor their departmental budget once approved and implemented.
- The Assistant Superintendent monitors payroll and benefits budget codes for all employees for Business with the assistance of the Accountant and Assistant Business Manager.
- The Accountant updates the budget in WinCap at the beginning of the school year to ensure that all budget codes are appropriately funded in accordance with the approved budget.
- All encumbrances must receive the approval of the appropriate Administrator and the District's Purchasing Agent to ensure that the proper budget code has been encumbered and charged.
- Each Administrator monitors their departmental budgets to ensure that they are spent appropriately. If there are insufficient funds in a budget code to cover expenditures, a budget transfer is requested before the expenditure(s) can be processed and applied to the budget code.
- The District requires all budget transfers to be documented by the Building level and District level Administrator through a "Request for Budget Transfer Form" explaining the reason for the budget transfer.
- All applicable supporting documentation is attached to the request for budget transfer.
- Each budget transfer and supporting documentation is reviewed and approved by the Superintendent of Schools and Assistant Superintendent for Business. The Assistant Superintendent for Business and Superintendent also approve budget transfers over \$10,000 before being presented to the Board of Education for approval.
- Budget transfers are entered into the District's accounting software, WinCap, by the Accountant following the appropriate level of approval.
- The Accountant maintains the budget transfer request and the appropriate supporting documentation on file within the Business Office.

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Report on Internal Controls Pertaining to the Analysis of Fund Balance & Reserves
Narratives Pertaining to Fund Balance Monitoring Procedures
Exhibit 4*

- The Assistant Superintendent for Business monitors the monthly Treasurer's Reports and conducts budget to actual variance analyses of the District's revenues and expenditures throughout the year.
- The Assistant Superintendent for Business prepares fund balance projections in December. The Assistant Superintendent for Business utilizes the information reported in WinCap and maintains an Excel spreadsheet to monitor the District's fund balance projections. The Assistant Superintendent for Business analyzes each budget code and, based upon expenditures and encumbrances to date, known costs or contractual obligations, and estimates the projected expenditures for the remainder of the year. The Assistant Superintendent for Business updates the fund balance projections periodically through the end of the fiscal year.
- The Assistant Superintendent for Business periodically updates the "Schedule of Reserves" table, indicating how the District plans to use or fund its reserves over the next five years. The document also estimates the balances in the reserves at the end of each year included in the plan.
- In June, the Assistant Superintendent for Business prepares a recommendation for the Board of Education to establish and/or fund the reserve accounts. The Assistant Superintendent for Business also recommends a maximum amount to be transferred into each reserve account, as needed.
- The Board of Education approves a resolution to establish and/or fund reserve accounts and authorizes the Assistant Superintendent for Business to transfer a maximum amount into each reserve account, as needed.
- If the District has excess unappropriated fund balance over the 4% maximum established by Real Estate Law, the Board may approve a transfer into the District's reserve to reduce the amount needed for bond financing.