



Northport-East Northport Union Free School District Financial Condition

Report of Examination

Period Covered:

July 1, 2012 — September 30, 2013

2014M-164



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of District Officials and Corrective Action	2
FINANCIAL CONDITION	4
Budgeting and Use of Fund Balance	4
Retirement Contribution Reserve	8
Recommendations	9
APPENDIX A Response From District Officials	10
APPENDIX B OSC Comments on the District's Response	22
APPENDIX C Audit Methodology and Standards	25
APPENDIX D How to Obtain Additional Copies of the Report	27
APPENDIX E Local Regional Office Listing	28

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

October 2014

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Northport-East Northport Union Free School District, entitled Financial Condition. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Northport-East Northport Union Free School District (District) is located in the Town of Huntington, Suffolk County. The District is governed by the Board of Education (Board) which comprises nine elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Board President is the chief financial officer. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for day-to-day District management under the Board's direction.

The District operates nine schools and has approximately 6,200 students and 1,680 employees. For the 2013-14 fiscal year, the District's operating budget is approximately \$156.6 million, funded primarily with real property taxes.

Objective

The objective of our audit was to evaluate the District's financial activities. Our audit addressed the following related question:

- Did the Board and District officials effectively manage the District's financial condition by ensuring budget estimates and reserve funds are reasonable?

Scope and Methodology

We examined the District's financial records for the period July 1, 2012 through September 30, 2013. We expanded our scope back to June 30, 2008 to analyze the District's financial condition and to provide perspective and background information.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix C of this report.

Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendations and indicated they planned to initiate corrective action. Appendix B includes our comments on the issues raised in the District's response.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the New York State General Municipal Law, Section 2116-a (3)(c) of the New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a

written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

Financial Condition

The Board and Superintendent are responsible for adopting budgets that contain estimates of actual and necessary expenditures that are funded by realistic revenues. Sound budgeting provides sufficient funding for necessary operations. Prudent fiscal management includes establishing reserves needed to address long-term obligations or planned future expenditures. Once the Board has addressed those issues, any remaining fund balance, exclusive of the amount allowed by law to be retained to address cash flow and unexpected occurrences, should be used appropriately. Additionally, the Board should fund reserves at appropriate levels, monitor reserve amounts and use them as intended for planned expenditures.

The District reported year-end unrestricted fund balance at levels that essentially complied with the 4 percent fund balance limit for fiscal years 2008-09 through 2012-13. This was accomplished, in part, by appropriating fund balance and funding reserves at year end. District officials' appropriation of fund balance aggregated to more than \$21 million over the past five years, which should have resulted in planned operating deficits. However, because the District significantly overestimated expenditures in its adopted budgets, it experienced large operating surpluses in four of those five years and did not use the appropriated fund balance included in its budgets. The District used surplus funds to finance reserves without including those transfers in the budget process. For the five years reviewed, total actual revenues exceeded expenditures by almost \$13 million and only \$5 million of the nearly \$21.5 million of appropriated fund balance was used to finance operations.

Budgeting and Use of Fund Balance

In preparing a realistic budget, the Board must estimate revenues, expenditures, and the amount of unexpended surplus funds¹ that will be available at fiscal year-end, some or all of which may be used to fund the ensuing year's appropriations. After taking these factors into account, the Board establishes the expected tax levy necessary to

¹ The Governmental Accounting Standards Board (GASB) issued Statement 54, which replaces the fund balance classifications of reserved and unreserved with new classifications: non-spendable, restricted and unrestricted (comprising committed, assigned and unassigned funds). The requirements of Statement 54 are effective for fiscal years ending June 30, 2011, and beyond. To ease comparability between fiscal years ending before and after the implementation of Statement 54, we will use the term "unexpended surplus funds" to refer to that portion of fund balance that was classified as unreserved, unappropriated (prior to Statement 54) and is now classified as unrestricted, less any amounts appropriated for the ensuing year's budget, amounts reserved for insurance recovery and tax reduction, and encumbrances included in committed and assigned fund balance (after Statement 54).

fund operations. Accurate estimates help ensure that the levy of real property taxes is not greater than necessary. Revenue and expenditure estimates should be developed based on prior years' operating results, past expenditure trends, anticipated future needs, and available information related to projected changes in significant revenues or expenditures. Unrealistic budget estimates can mislead District voters and taxpayers and can significantly impact the District's year-end unexpended surplus funds and financial condition.

When fund balance is appropriated as a funding source, the expectation is that there will be a planned operating deficit in the ensuing fiscal year, financed by the amount of the appropriated fund balance. Conversely, an operating surplus (when budgeted appropriations are underexpended, expected revenues are greater than estimated or both) increases the total year-end fund balance and can indicate that budgets are not realistic. It is not a sound practice to routinely adopt annual budgets that appropriate fund balance that will not actually be used. This practice misleads taxpayers; instead of decreasing the unexpended surplus funds as advertised, it further increases the amount of surplus fund balance.

Overestimated Expenditures – We compared the District's budgeted revenues and expenditures with actual results of operations and found that District officials consistently presented, and the Board approved, budgets which significantly overestimated appropriations over the five-year period. As shown in Figure 1, District officials overestimated expenditures by as much as \$9.3 million each year, for a total of almost \$34 million from the 2008-09 through the 2012-13 fiscal year.

Figure 1: Overestimated Expenditures			
Fiscal Year	Budgeted Appropriations ^a	Actual Expenditures	Overestimated Appropriations
2008-09	\$143,908,883	\$137,477,148	\$6,431,735
2009-10	\$146,536,128	\$137,657,247	\$8,878,881
2010-11	\$148,053,883	\$138,765,188	\$9,288,695
2011-12	\$151,788,411	\$144,440,099	\$7,348,312
2012-13	\$155,315,156	\$153,268,936	\$2,046,220
Total Expenditure Variance			\$33,993,843
^a Includes year-end encumbrances from prior fiscal year			

The majority of the overestimated expenditures were for employee benefits, debt service and special education instruction. District officials overestimated employee benefit costs by a total of \$15.3 million, debt service cost by \$5.9 million and special education instruction costs by \$5.6 million over the five-year period. Because

the Board did not adopt budgets with more accurate estimates, unexpended surplus funds increased beyond 4 percent of the ensuing year's budget.

Unexpended Surplus Funds – Fund balance represents resources remaining from prior fiscal years. School districts may retain a portion of fund balance at year end for purposes of cash flow or unexpected expenses. However, New York State Real Property Tax Law requires that unexpended surplus funds not exceed 4 percent of the ensuing year's budget appropriations. Unexpended surplus funds that exceed the statutory limit should be used to lower real property taxes, increase necessary reserve funds, pay for one-time expenses, or pay down debt. When fund balance is appropriated as a funding source, it reduces the fund balance included in the 4 percent calculation. District officials should not appropriate unexpended surplus funds or reserve funds simply to circumvent the statutory limit.

The District reported year-end unexpended surplus funds in the general fund at levels that essentially complied with the 4 percent limit for four of the five fiscal years reviewed. This was accomplished, in part, by appropriating fund balance and setting aside funds in reserves. District officials' appropriation of fund balance aggregated to more than \$21 million over the past five years, which should have resulted in planned operating deficits each year.

However, the District experienced operating surpluses in four of the five fiscal years. Therefore, it did not need the appropriated fund balance included in each of those four years' budgets. For that period, total actual revenues exceeded actual expenditures by almost \$13 million and only about \$5 million of the nearly \$21.5 million of appropriated fund balance was needed to finance operations.

Figure 2: Unrestricted Funds at Year End

	2008-09	2009-10	2010-11	2011-12	2012-13
Beginning Fund Balance	\$7,844,011	\$9,272,264	\$9,965,754	\$10,130,514	\$13,891,511
Plus: Operating Surplus	\$3,216,478	\$5,632,611	\$5,416,257	\$3,463,610	(\$4,982,485)
Unrestricted Funds – Subtotal	\$11,060,489	\$14,904,875	\$15,382,011	\$13,594,124	\$8,909,026
Less: Appropriated Fund Balance ^a	\$3,160,000	\$3,500,000	\$3,500,000	\$3,775,784	\$3,300,000
Less: Transfers to Reserves	\$1,788,225	\$4,939,121	\$5,072,479	(\$1,614,264)	(\$1,713,280)
Less: Transfers to Non-spendable ^b	\$0	\$0	\$179,018	\$1,316,877	\$188,620
Less: Encumbrances	\$267,277	\$566,544	\$609,653	\$1,373,444	\$898,556
Total Unrestricted Funds at Year End	\$5,844,987	\$5,899,210	\$6,020,861	\$8,742,283	\$6,235,130
Ensuing Year's Budget	\$146,268,851	\$147,487,339	\$151,178,758	\$153,941,712	\$156,596,051
Reported Unrestricted Funds as Percentage of Ensuing Year's Budget	4.00%	4.00%	3.98%	5.68%	3.98%
Actual Unrestricted Funds Resulting From Unused Appropriated Fund Balance	\$8,219,987	\$9,059,210	\$10,020,861	\$14,492,283	\$7,453,429
Actual Unrestricted Funds as Percentage of Ensuing Year's Budget	5.62%	6.14%	6.63%	9.41%	4.76%

^a The appropriated fund balance to fund ensuing year's budget does not include funds totaling \$7,600,000 appropriated from reserves to fund the 2010-11 through the 2013-14 budgets.

^b Assets that are inherently non-spendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

The District's practice of consistently planning operating deficits by appropriating unexpended surplus funds that were not needed to finance operations and transferring the resulting surplus to fund reserves² in effect circumvents the statutory limitation of retaining unexpended surplus funds to no more than 4 percent of the ensuing year's appropriations.

The unnecessary reservation of funds and overestimation of expenditures caused available fund balance to appear to be within the legal requirement. As a result, the Board and District officials have withheld significant funds from productive use and have not adequately reflected the District's financial condition to its residents. Had District officials used more realistic budget estimates and informed residents of their intent to increase reserve funds during the budget process, they could have avoided the accumulation of excess fund balances, funded reserves with voters' approval and possibly reduced the tax levy.

² The District has a total of six reserve funds. At fiscal year ended June 30, 2013, the balances were as follows: Insurance reserve \$49,316; Capital reserve \$1,273,922; Unemployment Insurance reserve \$965,144; Workers Compensation Insurance reserve \$2,143,288; Employee Benefits Accrued Liability reserve \$3,777,403; and Retirement Contribution reserve \$6,237,950.

Retirement Contribution Reserve

Reserve funds may be established by Board action, in accordance with applicable laws, and are used to provide financing only for specific purposes, such as New York State and Local Retirement System (NYSLRS) contributions. The statutes under which the reserves are established determine how the reserves may be funded, expended or discontinued. Generally, school districts are not limited as to how much money can be held in reserves. However, it is important that school districts maintain reserve balances that are reasonable. To do otherwise, that is funding reserves at greater than reasonable levels, essentially results in real property tax levies that are higher than necessary.

A governing board that establishes and funds reserves on a regular basis should adopt written policies that communicate its rationale for establishing reserve funds, objectives for each reserve established, optimal or targeted funding levels and conditions under which the funds' assets will be used or replenished. Reserve fund transactions should be transparent to the public. Reserve funds are typically funded from amounts raised through the annual budget process, transfers from unexpended surplus balances of existing appropriations and other surplus money. Ideally, District officials should include in the annual budget the amounts they anticipate placing in reserve funds instead of routinely using surplus funds to increase reserves at year-end.

In June 2010, the Board established, by resolution, a Retirement contribution reserve, set up in anticipation of increased employer contributions to the NYSLRS. Since its establishment, the District has contributed \$9.7 million to this fund. The Board increased the funding limit by resolution each year. However, the resolutions did not communicate the objectives and conditions under which the fund's assets were to be used or replenished.

Even though the District budgeted a total of \$8.7 million and contributed a total of \$8.3 million to the New York State Employees' Retirement System (ERS), District officials still appropriated a total of \$3.55 million from the Retirement Contribution reserve from the 2009-10 through the 2012-13 fiscal years. In three of the four fiscal years, the District ended with sufficient operating surpluses (See Table 2). Therefore, District officials restored a large portion of the funds appropriated from the reserve. We question whether maintaining a reserve balance at June 30, 2013 of \$6.2 million, or three times the annual average cost of about \$2.1 million, is in the best interest of District taxpayers. According to the Assistant Superintendent for Business, the District's basis for the current balance maintained in the reserve is from information presented at recent workshops and

seminars suggesting that it is reasonable for a reserve of this nature to be funded with two to five times the annual liability.

Moreover, appropriations were not included in the original budgets and the budgets were not revised during this period to provide for the year-end increases made to the retirement contribution reserve fund. Instead, the Board passed general resolutions to fund this and other reserves with operating surplus after each fiscal year ended. As a result, these transfers were made without sufficiently informing residents of the District's intent to increase reserve funds during the budget process. A more transparent method would be to include an appropriation to increase reserve in the budget presented to taxpayers for approval. The Board also has not adopted a policy or plan for accumulating and using reserve funds to ensure that the amounts are necessary, reasonable and in compliance with statutory requirements.

The District's practice of adopting budgets that included appropriations in excess of amounts needed have not only allowed the Board and District officials to increase the retirement contribution reserve fund without disclosing their intent to do so in the budget document presented to the voters, it also resulted in the withholding of significant funds from productive use and the levy of more property taxes than necessary. Without any effective use of reserve balances or without a clear Board directive on how the fund is to be used or replenished, we question the reasonableness of this reserve.

Recommendations

The Board should:

1. Develop procedures to ensure it adopts more realistic budgets to avoid raising more real property taxes than necessary.
2. Discontinue the practice of adopting budgets that result in the appropriation of unexpended surplus funds that are not needed to fund District operations.
3. Develop a formal plan indicating how reserves will be funded, how much will be reserved and when reserves will be used.
4. Ensure that budgets presented to the voters for approval are transparent and inform residents of their intent to increase reserves by including an appropriation that quantifies such increase.
5. Reconsider the funding limit established for the retirement contribution reserve fund to reflect a balance that is in line with the actual retirement contribution expenditure trends.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.



NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT

OFFICE OF THE SUPERINTENDENT

158 Laurel Avenue
Northport, New York
Telephone (631) 262-6604
Fax: (631) 262-6607

Dr. Marylou McDermott
Superintendent of Schools

- Via hand delivery and facsimile transmission -

September 12, 2014

Ira McCracken, Chief Examiner
Hauppauge Regional Office
Office of the State Comptroller
250 Veterans Memorial Highway
NYS Office Building, Room 3A10
Hauppauge, New York 11788-5533

**Re: Northport-East Northport Union Free School District
Response to Draft Audit Report - 2014M-164**

Dear Mr. McCracken:

On behalf of the Northport-East Northport Union Free School District (the "District"), I would like to thank you and your staff for providing us with an opportunity to respond to the Financial Condition Report of Examination (the "Draft Audit Report" or "Report"). We take note of the fact that your examination covers the period from July 1, 2012 through September 30, 2013, although the time period focused on by the Draft Audit Report and ensuing recommendations relate primarily to the 2008-2009 through 2011-2012 fiscal years, inclusive. Additionally, notification received by the District from the Office of the State Comptroller regarding the proposed audit stated that the audit would focus on the policies and procedures related to the internal controls of the District. Although District officials were told verbally during the exit conference that the District had corrected all previously noted deficiencies related to internal controls, the Draft Audit Report does not comment on the current policies and procedures related to internal controls. Rather, it reports on selected budgeting practices and the retirement contribution reserve fund.

See
Note 1
Page 22

While the District acknowledges and takes seriously the criticisms in the Draft Audit Report, we are concerned that the tone of the Report would lead a reader, unfamiliar with the entirety of the audit process, to conclude that the District is engaging in surreptitious or underhanded activity with regard to its budget practices and funding of reserves to the disadvantage of District taxpayers. This is a gross mischaracterization of District financial practices. It appears

***Re: Northport-East Northport Union Free School District
Response to Draft Audit Report -2014M-164***

the criticisms throughout the Report of the District's budgeting practices are primarily the result of a difference in philosophy on budgeting. The District aims to create stability and predictability for District taxpayers, and effectuates this goal through long range fiscal planning, by "conserving today, and protecting tomorrow." Notably, Moody's Investors Service has repeatedly commended the District for its use of funds and financial flexibility. For six consecutive years the tax levy has been under two percent (2%), there have been minimal program cuts, despite the economic climate, and the District has managed to maintain low class sizes, which directly relates to a better education for children. Further, the District tirelessly prepares comprehensive reports and power point presentations for public meetings of the Board of Education, which it also makes available immediately online for those not in attendance, in an effort to keep taxpayers apprised of the District's financial condition. In fact, the amount of financial information available on the website was noted by the auditors during our exit conference. Lastly, as discussed in greater detail below, when criticizing the District for its surplus, the audit fails to mention any of the special circumstances faced by the District during the years examined, namely, the Long Island Power Authority ("LIPA") and National Grid tax certiorari challenge, teacher negotiations, and unexpected grants received pursuant to the American Recovery and Reinvestment Act ("ARRA").

The District welcomes any recommendations by the Office of the State Comptroller to improve its financial management and is proud of the actions which it has taken to promote prudent fiscal management and transparency. To that end, we provide the following responses to the recommendations offered in the Draft Audit Report.

Comptroller Recommendation No. 1: "The Board should develop procedures to ensure it adopts more realistic budgets to avoid raising more real property taxes than necessary."

Response to Recommendation No. 1:

The District believes that our budgets are realistic and in line with our budgeting philosophy and have allowed the District to keep the tax levy low. While at the time the budget is formulated there is a substantial amount of information available, estimates must be made with regard to future expenditures. The District develops its budget by balancing the financial responsibilities of the current year, and known costs, such as salaries and benefits, retirement and social security, and long term debt service, while also anticipating unknown financial responsibilities of future years, such as health insurance, transportation, utilities, and special education costs. In addition, the District aggressively manages its budget throughout each fiscal year in an effort to generate any possible savings, which are used to lower the tax levy and fund reserves. Further, the Board of Education has supported budgets with tax levy increases under two percent (2%) for six consecutive years, including fiscal years 2012-2013 through 2014-2015, in which the Tax Cap legislation was in effect. The District has always been mindful of the tax impact to local residents and thus, chose not to present a budget at the higher legal allowable tax levy limit for these three consecutive years.

***Re: Northport-East Northport Union Free School District
Response to Draft Audit Report -2014M-164***

Further, the chart detailing the District's underspending within the Draft Audit Report on page 7 grossly mischaracterizes the financial condition of the District and fails to take into consideration several key special circumstances that resulted in surplus during the years examined. The District would like to take this opportunity to clarify its actual overestimated appropriations. Please see the below chart for a detailed analysis regarding how these special circumstances effect the overall amount of surplus. The "Overestimated Appropriations" are those reported in the Draft Audit Report, while the "Adjusted Overestimated Appropriations" take into consideration the special circumstances to yield a more accurate portrayal of budget "overestimations," and compare these "overestimations" to the overall budget:

Fiscal Year	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	See Note 2 Page 22
Actual Expenditures	143,908,883.00	146,536,128.00	148,053,883.00	151,788,411.00	155,315,156.00	
Budgeted Appropriations	(137,477,148.00)	(137,657,247.00)	(138,765,188.00)	(144,440,099.00)	(153,268,936.00)	
Overestimated Appropriations	6,431,735.00	8,878,881.00	9,288,695.00	7,348,312.00	2,046,220.00	
Assigned Fund Balance	(3,160,000.00)	(3,500,000.00)	(3,500,000.00)	(3,775,784.00)	(3,300,000.00)	See Note 3 Page 22
ARRA - Section 611 and Section 619	n/a	(759,243.00)	n/a	n/a	n/a	
Negotiations (budgeted but not used)	n/a	n/a	(1,105,476.00)	(1,286,655.00)	n/a	See Note 4 Page 22
Adjusted Overestimated Appropriations	3,271,735.00	4,619,638.00	4,683,219.00	2,285,873.00	(1,253,780.00)	
% of Overestimated to Budgeted Appropriations	2.27%	3.15%	3.16%	1.51%	-0.81%	See Note 5 Page 22

Comptroller Recommendation No. 2: "The Board should discontinue the practice of adopting budgets that result in the appropriation of unexpended surplus funds that are not needed to fund District operations."

Response to Recommendation No. 2:

As stated above, the District aggressively manages its budget in an effort to generate any possible savings for District taxpayers while simultaneously attempting to cautiously anticipate unknown financial responsibilities in the upcoming school year, and believes that the budgeted funds will be needed to fund District operations. The District is aware that the Comptroller consistently recommends that school districts adopt leaner budgets to avoid raising real property taxes unnecessarily. As such, the District has been actively working towards more conservative budget estimations. To that end, during fiscal year 2012-2013, the District experienced an operating deficit of \$4,982,485, and the District's projected operating deficit for 2013-2014 is \$2.8 million. These consecutive years of operating deficits have resulted in a decline in the fund balance of approximately \$7.8 million. Similarly, the District is working towards lowering its use of assigned fund balance in its budgeting process. In total, the District

***Re: Northport-East Northport Union Free School District
Response to Draft Audit Report -2014M-164***

has lowered the assigned fund balance by \$950,000 over the past two years. Like the vast majority of school districts on Long Island, the District has historically included an assigned fund balance in its budgeting process. The reduction of such assigned fund balance is most appropriately accomplished over time to avoid a sudden and significant increase in the tax levy.

Further, the Report continually states that the District's appropriation of fund balance "aggregated to more than \$21 million over the past five years." This is yet another misrepresentation within the Report that will undoubtedly mislead readers. As such, the District would like to clarify exactly what this \$21 million actually represents. First, \$16.3 million of this amount is an attempt to reflect the assigned fund balance used by the District in the budgeting process throughout the years examined. This is not an accurate portrayal of the assigned fund balance, as the amount specified in the Report is cumulative, and assigned fund cannot be accumulated. Rather, as outlined in the chart provided in response to Recommendation No. 1, the greatest amount of assigned fund balance used by the District in its budgeting process in any given year was roughly \$3.8 million, which was legally used to help lower the tax levy. The remaining \$5 million referenced throughout the Report is described below in our response to Recommendation No. 3.

See
Note 7
Page 23

Comptroller Recommendation No. 3: "The Board should develop a formal plan indicating how reserves will be funded, how much will be reserved and when reserves will be used."

Response to Recommendation No. 3:

While the District does not currently have a formal plan indicating how reserves will be funded and used, the District engages in a consistent practice when funding and using reserves. Specifically, the District looks to past patterns of expenditure and anticipated needs for long term liability, and funds reserves accordingly. The amount held in reserve compared to anticipated need is also taken into consideration and the total amount held is in accordance with industry standards and recommendations. Based on these anticipated amounts, the Board of Education passes resolutions delineating a "not to exceed" amount to be transferred to each reserve. Subsequently, the actual amount to be transferred into reserves is decided based on the District's audited accounts, and discussed in a public meeting before being transferred. Most importantly, the amount of restricted reserves to be used as a revenue source is reflected in the budget documents, which are presented to the public and available online for public inspection, as well as in presentations made to the Board of Education at public meetings. During the period examined, the District's appropriated reserves as a source of revenue in the amount of roughly \$5 million. Moving forward, the District will implement written policies and procedures to formalize this existing practice as recommended by the Draft Audit Report.

Comptroller Recommendation No. 4: "The Board should ensure that budgets presented to the voters for approval are transparent and inform residents of their intent to increase reserves by including an appropriation that quantifies such increase."

*Re: Northport-East Northport Union Free School District
Response to Draft Audit Report -2014M-164*

Response to Recommendation No. 4:

Contrary to assertions made throughout the Report, the budget, which is available for public inspection through the District's website, fully informs District taxpayers regarding the use of reserves. In addition, the Assistant Superintendent for Business and I prepare power point presentations each year for voters regarding the use of reserves, as referenced above. Specifically, we aim to inform voters of the balance in each reserve fund, how much will be transferred into reserves, as well as how much will be used to fund District operations with accompanying information that explains the District's decisions. Again, it appears that this recommendation is a result of a difference in budgeting philosophy. Specifically, the District does not believe it is fiscally sound to bind itself by including appropriations for the use of reserves in its budget. Irrespective of a difference in philosophy, voters are made aware and informed about the District's funding and use of reserves.

See
Note 8
Page 23

Comptroller Recommendation No. 5: "The Board should reconsider the funding limit established for the retirement contribution reserve fund to reflect a balance that is in line with the actual retirement contribution expenditure trends."

Response to Recommendation No. 5

Pursuant to General Municipal Law section 6-r, there is no special limit on the maximum allowable amount in the Retirement Contribution Reserve Fund, nor does the Comptroller provide any guidance with regard to a recommended maximum amount. Further, the "average annual cost" referenced in the Report of \$2.1 million is not reflective of the most current annual average cost for the District. Our annual average, for the past three years, is \$3 million, and we have funded the reserve accordingly. In addition, the balance in the retirement contribution reserve fund has decreased significantly since the reserve was established in June 2010, as it has been continually used and replenished. Specifically, the reserve balance has declined from a high balance of \$8 million dollars as of June 2011 to a projected balance of \$4.8 million dollars as of June 2014, as detailed in the chart below. Notably, the reserve is funded at lower levels than it is used. The amount currently held in the reserve is less than twice the current annual employer contribution of \$3 million dollars and is a reasonable balance according to industry standards.

See
Note 9
Page 23

**Retirement Contribution Reserve
Established June 2010 by Board of Education resolution**

June 2010 - reserve funded	4,405,000
2010-2011 - interest earned	23,597
June 2011 - reserve funded	3,600,000
2011-2012 appropriation of reserve to lower 2011-2012 tax levy	(1,750,000)
2011-2012 - interest earned	24,254
June 2012 - reserve funded	671,000

*Re: Northport-East Northport Union Free School District
Response to Draft Audit Report -2014M-164*

2012-2013 appropriation of reserve to lower 2012-2013 tax levy	(1,800,000)
2012-2013 – interest earned	14,099
June 2013 – reserve funded	1,050,000
2013-2014 appropriation of reserve to lower 2013-2014 tax levy	(1,800,000)
2013-2014 – interest earned	10,181
June 2014 – reserve funded (projection)	372,400
June 2014 – projected balance	4,820,531
2014-2015 appropriation of reserve to lower 2014-2015 tax levy	(1,800,000)
June 2015 – projected balance	3,020,531

**The District did not Unnecessarily Reserve Funds
or Intentionally Overestimate Expenditures**

While the District agrees with the recommendations and has or will implement them as noted above, we feel compelled to respond to certain criticisms and/or statements made in the Draft Audit Report. Specifically, we reject the contention that the District has unnecessarily reserved funds and intentionally overestimated its expenditures. The District takes particular issue with the assertion that it is attempting to circumvent the statutory limitation of retaining unexpended surplus funds to no more than four percent (4%) of the ensuing year's appropriations. As stated in both the Draft Audit Report and the law, unexpended surplus funds that exceed the statutory limit can be handled in any of four ways: lower real property taxes, increase necessary reserve funds, pay for one-time expenses, or pay down debt. Accordingly, the District has used the surplus funds generated from its prudent and aggressive management of the budget in a legal and appropriate manner, namely, to lower real property taxes, and, with Board of Education approval, fund reserves. As such, the District's unexpended surplus stays within the statutory limitation. Moreover, the District prides itself on its transparency in budgeting and spending, and is particularly surprised by the Draft Audit Report's repeated comments and criticisms regarding information provided to taxpayers, which contradict statements made by the auditors noting the abundance of financial information available on the District's website. For example, the District has posted on its website each year its proposed budget with actual expenditures for the previous two years to make it easier for taxpayers to compare the proposed budget with prior expenses. In addition, as stated above, public presentations during the budget process, as well as the budget documents delineate the funding and use of District reserves, and are immediately posted to the District's website for public inspection.

See
Note 10
Page 23

See
Note 8
Page 23

The District agrees with the Report as it relates to the responsibility of the District in managing its financial obligations, in that the District is responsible for adopting budgets that contain estimates of actual and necessary expenditures that are funded by realistic revenues, and that the District should fund reserves at appropriate levels, monitor reserve amounts and use them

*Re: Northport-East Northport Union Free School District
Response to Draft Audit Report -2014M-164*

as intended for planned expenditures. However, the Report ignores the unique and specific circumstances and challenges faced by the District when asserting that the District's budget estimates are "unrealistic," and that the District continually overestimated its expenditures. As known by all governmental agencies developing a budget, various uncertainties make it virtually impossible to precisely estimate the exact amount of money that will be needed to maintain current operations. As a result, the District plans for the year ahead, as other school districts do, by prudently budgeting known predictable costs and cautiously forecasting future estimated costs based on a thorough assessment of prior history of expenditures and current economic conditions. Contrary to the assertions made throughout the Report, during the years examined, the District did not purposefully operate at a surplus. Instead, the surplus reported is the result of unique circumstances and challenges faced by the District over the past several years.

See
Note 4
Page 22

See
Note 11
Page 23

Negotiations and Salary Increases

First, during the period examined, the District was engaged in teacher negotiations that spanned fiscal years 2010-2011 through 2011-2012, and it accrued anticipated salary increases accordingly. Pursuant to Interpretation No. 6 of the Governmental Accounting Standards Board ("GASB"), the accrual of anticipated salary increases in the year earned "would be appropriate as it represents an estimate of a claim against current financial resources." The GASB standard upon which the interpretation rests, GASBI (6)(12), states, in relevant part that "in the absence of an explicit requirement to do otherwise, a government should accrue a governmental fund liability and expenditure *in the period in which the government incurs the liability*. Governmental fund liabilities and expenditures that should be accrued include liabilities that, once incurred, normally are paid in a timely manner and in full from current resources - for example, salaries, professional services, supplies, utilities, and travel. To the extent not paid, such liabilities generally represent claims against current financial resources and should be reported as governmental fund liabilities." (emphasis added). Therefore, to account for the estimated wage settlement in the year during which the monies were earned is in accord with GASB's regulation. Accordingly, it is proper for the District to make a good faith estimate of anticipated retroactive salary increases during collective bargaining when a settlement is not achieved prior to contract expiration and transcends budget years. In total, as detailed in the chart provided in response to Recommendation No. 1, over the 2010-2011 and 2011-2012 fiscal years the District budgeted for, but did not use, approximately \$2.39 million for negotiations. Accounting for these potential liabilities was both prudent and in compliance with standard practice and regulations, including the duty to bargain in good faith established by the Public Employment Relations Board ("PERB"). The subsequent surplus that resulted from a settlement favorable to the District should therefore not be categorized as "unrealistic" nor brought on to "circumvent" the statutory limit on fund balance.

See
Note 12
Page 23

*Re: Northport-East Northport Union Free School District
Response to Draft Audit Report -2014M-164*

The Impact of the American Recovery and Reinvestment Act

In addition, in 2009-2010 the District received unanticipated grant monies under the American Recovery and Reinvestment Act ("ARRA") totaling nearly \$800,000 for salaries paid to both instructional and support staff. These funds were recorded in the Special Aid Fund. While other districts receiving ARRA grants used the money to retain staff, the District had been conservative with its fiscal management, and planning for retention of staff, and accordingly had already budgeted for these salaries in the general fund. Therefore, when the District used the grant monies and paid the salaries through the Special Aid Fund, this amount resulted in a surplus in the general fund, which was subsequently used to lower the tax levy and fund reserves.

See
Note 4
Page 22

The LIPA/National Grid Factor

Further, the District is currently confronted with the loss of a significant portion of its tax base as it relates to the Northport Power Plant which is located within the geographical boundaries of the District. By way of background, in 1997, LIPA and LILCO entered into a Power Supply Agreement ("PSA"), wherein among other things, LILCO agreed to sell and deliver to LIPA all the capacity from the Northport Facilities and all energy produced from the Northport Facilities. The PSA, which was reviewed and approved by the Office of the State Comptroller, prohibits tax certiorari challenges absent certain limited conditions, which are not currently present. LIPA and National Grid are bound by the terms of the PSA and any renewals thereof. Despite the explicit contractual prohibition contained in the PSA, LIPA and National Grid commenced tax certiorari proceedings seeking a reduction of the assessed valuation of the Northport Facility by approximately ninety percent (90%) of its current value. Such a dramatic reduction of the assessed valuation would significantly lower the school taxes paid by LIPA and National Grid resulting in draconian tax increases for property owners located within the District. More specifically, and by way of example, a current home tax bill, applying an assessed valuation of \$7,400, equates to annual school/library taxes of \$13,292.10. If LIPA and National Grid are completely successful in their tax challenges, school/library taxes will increase to approximately \$21,259.38 (a 60% increase), and will continue to increase exponentially; i.e. in ten years school/library taxes will be \$24,420.35 (an 84% increase), and in thirty years school/library taxes will be an astounding \$36,287.35 annually (a 173% increase).

In support of the foregoing, and as stated in the District's June 30, 2013 Management Discussion & Analysis,

[t]he District established and funded reserves in anticipation of the 2% property tax cap and the pending LIPA tax certiorari on the Northport Power Plant. Reserve funds provide the District with a legal channel to save money for future needs. As part of the district's long range financial plan, these incremental savings have helped to alleviate the financial impact of the 2% property tax cap. There has not been a settlement with LIPA

***Re: Northport-East Northport Union Free School District
Response to Draft Audit Report -2014M-164***

regarding the pending tax certiorari. The Northport Power Plant currently pays approximately \$49.5 million in taxes to the Northport-East Northport School District. The plant's assessed valuation represents approximately 37.4% of the total assessed valuation of the District. A reduction in the school taxes paid by LIPA would cause a shift in the tax burden to the District's residential tax base and could impact future budgets.

Cognizant of the impact that the sought after reassessments will have on the District's budget, its programs and operations, students, taxpayers and community, the District has diligently and aggressively developed and managed its budget to protect the survival of the District. The District continues its efforts to reduce spending, which include elimination and reduction of positions through attrition, as well as reduction in overtime, optimization of staff schedules, participation in cooperative bidding, and optimization of rate of return on District investments. All of these efforts to deal with the tenuous position the District is faced with are implemented with one goal in mind: ***to maintain the educational integrity of the Northport-East Northport Union Free School District.*** Should LIPA and National Grid be successful, the District will need to eliminate and reduce existing positions, athletic and extracurricular programs and electives, reduce the length of the school day in the High School and increase class sizes district wide. Devastation to the District's revenue stream is real and it is on the horizon; the District cannot idly stand by and await a resolution. To that end, it has vigorously and diligently pursued all necessary legal methods to realize this goal.

Accordingly, the District requests that the Draft Audit Report be modified to reflect that a portion of the monies in surplus were a result of legally accrued liabilities for teacher negotiations, unanticipated grants, as well as, a note regarding the potential devastating reduction in real property taxes faced by the District. The District further requests the removal of repetitive language used in the Report that misrepresents and disparages District practices.

See
Note 12
Page 23

See
Note 4
Page 22

***The District's Funding of its Reserves is Appropriate and in
Accordance with Applicable Laws and Guidelines***

Similarly, the Draft Audit Report mischaracterizes District practices in its assertion that the District increased the retirement contribution reserve fund without disclosing its intent to do so in the budget documents presented to voters. This is simply not true. The use of reserves is detailed during budget presentations. Further, although there has not been a formal policy imposed by the District regarding transparency in funding and use of reserves, as described above, the information regarding reserves has been provided annually to the Board of Education at open and public meetings. As stated above, the information provided at such public meetings was subsequently posted to the District's website for inspection by all District taxpayers. This information has consistently stated the purpose and use of reserves. In addition, there have been several public presentations addressing all of the District's reserve funds, which include how each is funded and used.

See
Note 8
Page 23

**Re: Northport-East Northport Union Free School District
Response to Draft Audit Report -2014M-164**

The Report also criticizes the amount of funds kept in reserve by the District, and states that the District is withholding significant funds from productive use. However, the District only makes use of six possible reserve funds out of the many available to it by law. It is extraordinarily surprising that the Draft Audit Report repeatedly highlights District funding and financing of reserves, stating such funding is inappropriate and unreasonable. The Report specifically states that "[d]istrict officials should not appropriate unexpended surplus funds or fund reserves *simply to circumvent the statutory limit.*" (emphasis added). Again, this is extremely misleading and a mischaracterization of District practice. As detailed in the chart below, when analyzing the Property Tax Report Card ("PTRC") for districts within Suffolk and Nassau counties and throughout New York State, in terms of the percentage of funds held in restricted reserves compared to the District's overall budget, the amount held in reserve by the District is in line with or below county averages, and well below state averages:

See
Note 13
Page 23

Restricted Reserves June 30 as Percent of Subsequent Year's Budget

PTRC Year	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Maximum	42.9%	49.3%	68.0%	65.5%	61.1%	65.7%	113.4%
NYS Avg.	8.7%	9.6%	11.3%	12.7%	12.9%	13.2%	13.5%
Nassau Avg.	9.1%	10.8%	11.1%	11.5%	12.0%	12.8%	13.6%
Suffolk Avg.	7.8%	8.8%	9.0%	9.9%	10.4%	10.8%	11.2%
Northport	3.5%	4.5%	5.4%	8.0%	11.6%	10.3%	7.3%

Further, it has been necessary to utilize such reserve funds in order to stay in compliance with the two percent (2%) tax cap while preserving the instructional, athletic and co-curricular program and maintaining low class size throughout the District. The District does not believe it is prudent financial management to continually plan to operate in a deficit and spend down its reserves, which are currently reasonably and appropriately funded, to dangerously low levels. Contrary to the statements and recommendations within the Draft Audit Report of the District, it appears the Office of the State Comptroller ("OSC") shares this financial management philosophy. Specifically, OSC has recently implemented a "School District Fiscal Stress Monitoring System" in which both a declining fund balance, and operating in a deficit will count against school districts when being classified with regard to fiscal stress. Further, in a recent Financial Conditions Audit of the Schenectady City School District, it was reported that the Schenectady Board of Education appropriated significant amounts of fund balance as a financing source to support district operations. The Schenectady Audit published by OSC stated that "the depletion of unrestricted fund balance resulted in constraints on the district's financial flexibility," and ultimately recommended that the Schenectady Board of Education "ensure that future budgets are structurally balanced without relying on fund balance as a

See
Note 14
Page 24

See
Note 15
Page 24

*Re: Northport-East Northport Union Free School District
Response to Draft Audit Report -2014M-164*

financing source.” The District currently works hard to ensure that its future budgets are balanced in order to avoid relying on fund balance as a financing source. In fact, speaking directly to its fiscal management approach, in February 2013, during the period examined during this audit, Moody’s Investors Service commended the District on its conservative budget management that resulted in operating surpluses and its healthy reserve levels that provided the District with ample financial flexibility.

The Draft Audit Report focuses on the amount held in the Retirement Contribution Reserve, which was established in June 2010 to help alleviate the anticipated high increases in the employer contribution rate. Contrary to the depiction in the Report, the balance in the reserve fund has decreased significantly since the reserve was established as it is consistently used to fund this expenditure, which has increased substantially since the reserve was established. As shown in the chart provided in response to Recommendation No. 5, the reserve balance has declined from a high balance of \$8 million dollars as of June 2011 to a projected balance of \$4.8 million dollars as of June 2014. This is less than twice the current employer annual contribution of \$3 million dollars and is a reasonable balance according to industry standards. To our knowledge, the Comptroller’s Office offers no guidance on what would be considered a reasonable balance for such a reserve.

See
Note 9
Page 23

In conclusion, the District recognizes the Office of the State Comptroller’s role in guiding school districts towards prudent fiscal management, and appreciates the Draft Audit Report’s comments and recommendations. The District again notes that many of these comments are the result of a difference in budgeting philosophy, as well as, special circumstances faced by the District during the period examined, particularly LIPA and National Grid’s tax certiorari. Further, as we have moved forward, the various issues discussed in the Report no longer exist to the extent set forth, and our current fiscal practices are in greater alignment with Comptroller recommendations. The District is proud of its long term fiscal planning that has helped it achieve consistency and predictability in its budget, and has kept the tax levy under two percent for six consecutive years. I thank you for your efforts and look forward to your continued help and guidance.

Sincerely,

Marylou McDermott, Ed. D.
Superintendent of Schools

APPENDIX B

OSC COMMENTS ON THE DISTRICT'S RESPONSE

Note 1

Appendix C describes the initial assessment of the District's internal controls and that the audit team designed the audit to focus on only those areas most at risk. Budgeting practices and the Retirement Contribution reserve were most at risk. This process was explained to District officials at the entrance and exit conferences and at the end of our initial assessment.

Note 2

The first two lines of the chart in the District's response are inaccurate. The first line shows the District's budgeted appropriations, not actual expenditures. The second line shows the District's actual expenditures, not budgeted appropriations.

Note 3

The District's chart includes a line for assigned fund balance, which the District subtracts from the overestimated appropriations. This mischaracterizes the District's actual financial condition. Because the assigned fund balance amounts are never a part of budgeted appropriations, subtracting them results in an amount with no meaning, which is misleading to the reader. By appropriating fund balance, the District plans to have an operating deficit. However, such deficits did not occur. The District significantly overestimated appropriations and therefore did not need the assigned fund balance included in four of the five budget years.

Note 4

Even with these special circumstances, for which the District provided no support, the District still overestimated appropriations by \$8,119,638 in the 2009-10 fiscal year; \$8,183,219 in the 2010-11 fiscal year; and \$6,061,657 through the 2011-12 fiscal year. These significantly large budgeting variances and resulting operating surpluses do not demonstrate a pattern of realistic budgeting practices.

Note 5

By including the assigned fund balance amounts in this chart and calculating an "Adjusted Overestimated Appropriations" amount, the resultant percentage is misleading.

Note 6

For the 2012-13 fiscal year, the District appropriated \$3,775,784 of surplus fund balance and \$2,425,000 of restricted fund balance, planning for an operating deficit of \$6,200,784. The District had an actual operating deficit of \$4,982,485. For the 2013-14 fiscal year, the District appropriated \$3,300,000 of surplus fund balance and \$2,550,000 of restricted fund balance, planning for an operating deficit of \$5,850,000. The District is now projecting 2013-14 operating deficit of \$2.8 million. As a result, they will use about \$3 million less of fund balance than appropriated.

Note 7

Fund balance is, by definition, the total accumulation of all operating surpluses and deficits since the beginning of the District's existence. Since the District never actually used the assigned fund balance, it was "accumulated" and therefore is portrayed accurately in the report. Because the District significantly overestimated appropriations in consecutive budget years, it did not need the assigned fund balance included in four of the five budget years, which resulted in tax levies higher than necessary.

Note 8

Although there is an abundance of financial information available on the District's website, none communicate the Board's objectives and conditions under which the reserve funds are to be used or replenished. While the District's budget documents do indeed delineate intent to use reserves in the ensuing budget year, the funding of reserves was not included in the original budgets. During this period, budgets were not revised to provide for the year-end increases made to the retirement contribution reserve fund. Instead, the Board passed general resolutions to fund this and other reserves with operating surplus after each fiscal year ended. As a result, transfers to the reserves were made without sufficiently informing residents of the Board's intent to increase reserve funds.

Note 9

Fiscal years completed after September 30, 2013 were not part of the scope of this audit.

Note 10

The District generally did not use the assigned fund balance, and did not budget properly. As a result, it levied more taxes than necessary.

Note 11

Although the District has stated they did not purposefully operate at a surplus, the District's budgeting practices support otherwise. For example, the majority of school districts are able to estimate their debt service needs exact to the dollar. However, the District has, in all five years reviewed, overestimated their debt service needs by as much as \$1.65 million.

Note 12

The cited GASB pronouncement relates to accruing matured liabilities, which are due and payable in full when incurred and represent claims against current financial resources. This pronouncement is not relevant to contract negotiations. Adding additional moneys to an appropriation in the budget is not an accrual. The District's audited financial statements did not report any accrued liability for teacher salary negotiations.

Note 13

The audit report addresses only the funding of the Retirement Contribution reserve.

Note 14

Our report does not direct the District to operate in a deficit or spend down its reserves. Although the District states that it does not believe it is prudent financial management to continually plan to operate in a deficit and spend down its reserves, it has done so in all five fiscal years reviewed during this audit. Assigning surplus fund balance and appropriating restricted fund balance to the ensuing year is planning for an operating deficit. Further, had the District budgeted more accurately, rather than consistently overestimating appropriations, it would have been spent down the surplus in excess of the statutory limits.

Note 15

The audit report for Schenectady City School District indicated that appropriated surplus funds were actually used to a level of less than 1 percent of the ensuing year's budget; whereas Northport-East Northport has consistently appropriated surplus funds in excess of 4 percent of the ensuing year's budget. However, due to significantly overestimated appropriations, the District never actually used the appropriated surplus funds. At no point has the District's unexpended surplus fund balance dipped below the statutory maximum.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: cash management, cash receipts and disbursements, billed receivables, purchasing, claims processing, asset management, payroll and personal services, information technology, financial overview and capital projects.

During the initial assessment, we interviewed appropriate District officials, performed limited tests of transactions and reviewed pertinent documents, such as District policies and procedures manuals, Board minutes, and financial records and reports. In addition, we obtained information directly from the computerized financial databases and then analyzed it electronically using computer-assisted techniques. This approach provided us with additional information about the District's financial transactions as recorded in its databases. Further, we reviewed the District's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and professional misconduct. We then decided on the reported objectives and scope by selecting for audit those areas most at risk. We selected budgeting practices and the Retirement Contribution reserve fund for further audit testing. To accomplish the objective of this audit, we performed the following steps:

- We interviewed District officials and employees to gain an understanding of District operations.
- We reviewed District policies and procedures.
- We reviewed the Board meeting minutes and resolutions to gain an understanding of the District's budget development, monitoring procedures and control process.
- We compared the budgeted revenues and appropriations to the actual revenues and expenditures for the fiscal years 2008-09 through 2012-13.
- We reviewed and analyzed reported fund balance levels in comparison to amounts appropriated in adopted budgets for the fiscal years 2008-09 through 2012-13.
- We reviewed reserve funds to ensure that they were adequately funded and in compliance with applicable laws.
- We reviewed annual financial statements for the fiscal years 2008-09 through 2012-13, the accompanying management letters prepared by the District's external auditor, and relevant budget reports.

- We reviewed the District's multiyear financial plan.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX D

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX E
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller
Nathaalie N. Carey, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building - Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Buffalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street – Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AUDITS

Ann C. Singer, Chief Examiner
State Office Building - Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313