

Haverstraw-Stony Point Central School District

Financial Management

2025M-20 | December 2025

Contents

Audit Results	1
Audit Summary	1
Financial Management: Findings and Recommendations	3
Finding 1 – The Board and District officials did not adopt and develop realistic budgets because they overestimated appropriations and underestimated revenues.	3
Recommendation.	6
Finding 2 – The Board did not effectively manage the District’s fund balance.	6
Recommendations	7
Finding 3 – Reserves were not always funded as part of the budget process or lacked proper management.	7
Recommendations	10
Finding 4 – The Board did not develop a written multiyear financial plan and did not develop a comprehensive capital plan that addressed capital needs.	11
Recommendation.	11
Appendix A: Profile, Criteria and Resources.	12
Appendix B: Summary of Recalculated, Surplus Fund Balance and Unused Reserves	14
Appendix C: Response From District Officials.	15
Appendix D: OSC Comments on the District’s Response.	21
Appendix E: Audit Methodology and Standards.	23

Audit Results

Haverstraw-Stony Point Central School District



Audit Objective

Did the Haverstraw-Stony Point Central School District (District) Board of Education (Board) and officials effectively manage the District's financial condition?

Audit Period

July 1, 2019 – April 8, 2024

We extended the audit scope period forward to June 30, 2024 to analyze financial trends.

Understanding the Audit Area

A key measure of a school district's financial condition is its level of fund balance, which represents the difference between revenues and expenditures accumulated over time. School districts may retain a portion of surplus fund balance,¹ up to 4 percent of the budget, for unexpected occurrences and fluctuations in cash flow.

A realistic budget begins with sound estimates and well-supported budgetary assumptions based on historical data or known trends. Districts may establish reserves to restrict a reasonable portion of fund balance for a specific purpose, in compliance with statutory directives. A multiyear financial plan helps guide officials to develop future budgets and provides more transparency regarding the District's long-term financial goals.

Between fiscal years 2019-20 and 2023-24, the District's appropriations increased \$45.1 million (19 percent), from \$227.2 million to \$272.3 million. The reserve fund balances averaged \$58.5 million over the audit period, and at the end of fiscal year 2023-2024, totaled \$52 million.

Audit Summary

The Board and District officials overestimated certain appropriations, underestimated certain revenues, as well as made unbudgeted year-end transfers totaling \$94.4 million, which collectively reduced the effectiveness of managing the District's financial condition. The Board and District officials also made it appear they needed more funding to meet operational needs than were needed by appropriating fund balance to balance the budget but generally did not need the appropriations. Because realistic budgets were not adopted, the Board and District officials accumulated significant fund balance. The variances between the budgets District officials presented to taxpayers and the District's actual operational results during the audit period were over \$118 million. As a result of these practices, the Board was not as transparent with taxpayers as they could have been during the budget process.

¹ For guidance on fund balance classification and reporting, see <https://www.osc.ny.gov/files/local-government/publications/pdf/gasb54.pdf>.

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- Of the \$94.4 million in year-end transfers, \$57.6 million went to the District's reserves. In some circumstances, the year-end transfers totaling \$19.1 million were also not approved by the Board before the transfer was made. However, to help promote transparency, anticipated funds to be placed in reserves should be included in the annual budget.
 - The Board also did not develop a written reserve fund policy which, if established, could provide guidance on the optimal funding levels of each reserve or conditions under which each reserve would be used or replenished. By transferring the surplus funds into the reserves, officials also reduced the surplus fund balance in four of the five years to make it appear the District was not retaining more funds than statutorily permitted.
 - The District consistently overestimated its general fund appropriations by an average of \$4.8 million in each of the five years we reviewed, for a cumulative total of approximately \$23.8 million.
 - The District underestimated revenues by an average of \$4.6 million each year, for a cumulative total of approximately \$22.9 million.
 - The Board did not effectively manage the District's fund balance over the last five fiscal years, resulting in operating surpluses that increased the surplus general fund balance to \$11.4 million as of the end of fiscal year 2023-24.
 - The Board appropriated fund balance that was not needed, because the District realized operating surpluses. Therefore, the District did not use the appropriated fund balance in four of the five years to fund operations.
 - The District's recalculated, surplus fund balance for fiscal years 2019-20 through 2023-24 for the general fund, as a percentage of the next year's budget, was between 2 and 12 percent when adding in the appropriated fund balance, which is up to triple the State's 4 percent statutory limit.
 - The Board did not develop a written multiyear financial plan or develop a comprehensive capital plan. Without such plans, the Board cannot assess expenditure commitments, revenue trends, financial risks and the affordability of new services and/or capital investments.

The report includes eight recommendations that, if implemented, will improve the District's financial management. District officials disagreed with certain aspects of our findings. Appendix D includes our comments on issues raised in the District's response.

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and Office of the New York State Comptroller's (OSC) authority as set forth in Article 3 of the New York State General Municipal Law (GML). Our methodology and standards are included in Appendix E.

The Board has the responsibility to initiate corrective action. 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, pursuant to Section 35 of GML, Section 2116-a (3)(c) of the New York State Education Law (Education Law) and Section 170.12 of the Regulations of 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 CAP should be posted on the District's website for public review.

Financial Management: Findings and Recommendations

A school district board (board) must comply with New York State Real Property Tax Law (RPTL) Section 1318, which limits the amount of surplus funds that a school district can retain to no more than 4 percent of the budget. Officials must apply any surplus fund balance exceeding the 4 percent limit to reduce the upcoming year's real property tax levy or appropriately fund needed reserves.

To properly manage fund balance, the board and school district officials should develop and adopt reasonably estimated and structurally balanced budgets based on historical data or known trends in which recurring revenues finance recurring expenditures. Accurate and reasonable budget estimates that include the amounts to be placed in reserve funds help ensure that the tax levy is not greater than necessary, the budget is presented transparently to the public, and surplus fund balance does not exceed the legal limit.

The board and officials should develop a comprehensive, written reserve fund policy and multiyear financial and capital plans to establish funding levels and estimate future costs of ongoing services.

More details on the criteria used in this report, as well as resources we make available to officials that can help officials improve operations (Figure 5), are included in Appendix A.

Finding 1 – The Board and District officials did not adopt and develop realistic budgets because they overestimated appropriations and underestimated revenues.

We compared general fund budgeted appropriations and estimated revenues with actual operating results for fiscal years 2019-20 through 2023-24 to determine whether budget estimates were reasonable. We determined that appropriations were overestimated by an average of \$4.8 million each year (2 percent), or a total of approximately \$23.8 million, while budgeted revenues were underestimated by an average of approximately \$4.6 million (2 percent), or a total of approximately \$22.9 million over the last five fiscal years.

With unbudgeted transfers of operating surpluses to reserves and the capital projects fund, the Board and District officials overestimated appropriations by a total of \$118.2 million (Figure 1).

Figure 1: Overestimation of General Fund Appropriations by Year, in Millions^a

	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Appropriations	\$227.2	\$232.8	\$239.8	\$253.0	\$272.3	\$1,225.2
Less Actual Expenditures	214.4	222.1	242.4	248.0	274.5	1,201.4
Overestimated/(Underestimated) Appropriations	\$12.8	\$10.7	(\$2.5)	\$5.0	(\$2.2)	\$23.8
Add: Unbudgeted Year-End Transfers of Operating Surplus^b	1.6	14.6	24.6	21.5	32.0	94.4
Recalculated Overestimated Appropriations	\$14.5	\$25.3	\$22.1	\$26.5	\$29.8	\$118.2
Percentage Overestimated	6.8%	11.4%	9.1%	10.7%	10.9%	9.8%
Average overestimated appropriations over the last five completed fiscal years.						\$23.6
Average overestimated appropriations over the last five completed fiscal years in %.						9.8%

a) Some of the calculations do not foot due to rounding.

b) The District's practice of making unbudgeted transfers at fiscal year-end to reduce operating surplus gives the appearance that total operating expenditures were more in line with budgeted expenditures than they actually were. We excluded these unbudgeted transfers to accurately reflect budgeted versus actual operating expenditures.

The most significant overestimated appropriations were for:

- Employee benefits in fiscal years 2019-20 through 2023-24, a total of \$25.6 million.
- Contractual expenses in fiscal years 2020-21 through 2023-24, a total of \$25.1 million.
- Personnel services in fiscal years 2019-20 through 2023-24, a total of \$14.7 million.

These appropriations were overestimated by a total of \$65.4 million from fiscal years 2019-20 through 2023-24. Specifically budgeted appropriations for employees' benefits costs and contractual expenses were overestimated by \$5.1 million and \$4.8 million on average, respectively. In addition, budgeted appropriations for personnel services were consistently overestimated by an average of \$3 million per year during the audit period. Although the Board and officials were aware that certain appropriations were overestimated in previous budgets, they continued to allocate significant funds to these items in the annual budgets.

According to the Assistant Superintendent for Business (Assistant), District officials applied for and were awarded competitive grants that funded some of the District's operating expenditures (e.g., personnel services and employee benefits) in recent years. While these expenditures were originally included in the general fund budget, some of the expenditures were made from the special aid fund. For example, in fiscal year 2023-24, District officials expended \$9.9 million for personnel services from the special aid fund. As a result, general fund expenditures were significantly less than budgeted appropriations in some instances.

The Assistant also explained that due to the grant cycles not aligning with the District's budget calendar, the District could not afford to take the risk by assuming these grants would be awarded to them.

Therefore, they continued to include the funding in the general fund budget even though some of the expenditures were ultimately funded by grants and expended from the special aid fund. However, District officials were provided with a schedule of expected grant awards through fiscal year 2026-27 in some instances and, therefore, had the actual amounts to budget. Therefore, in those instances, District officials could have used the grant schedules to more accurately estimate appropriations.

In 2021-22, the District received a significant increase in federal aid totaling \$11.3 million. The District continued to receive the increased federal aid totaling \$15.3 million and \$8.7 million in fiscal years 2022-23 and 2023-24, respectively. District officials moved certain general fund expenditures to the special aid fund to use the additional federal aid, which resulted in unused appropriations in the general fund. In fiscal years 2019-20 and 2020-21, the District received significantly less federal aid. However, general fund appropriations were still significantly overestimated. Historical trends consistently demonstrated that actual expenditures in these line items have been less than the budgeted appropriations by the District. Officials should consider historical trends and other known factors, such as awarded and expected grants, when developing budget estimates for appropriations. The Board should adopt more accurate estimates of anticipated appropriations to help ensure that the real property tax levy is not greater than necessary.

We also reviewed the District's budget-to-actual reports for 2019-20 through 2023-24 and determined there were numerous examples of routinely underestimated revenues. Although the Board and District officials knew that certain revenues had been underestimated in previous budgets, they continued to underestimate revenues in the fiscal year 2023-24 budget (Figure 2). The District also budgeted similar amounts for these line items in its fiscal year 2024-25 budget.

Figure 2: Underestimated Revenues

Fiscal Year	Budgeted Amount	Actual Amount	Excess/ (Deficit) Amount
2019-20	\$223,303,225	\$225,764,413	\$2,461,188
2020-21	223,420,563	225,399,481	1,978,918
2021-22	231,931,153	231,530,338	(400,815)
2022-23	245,866,349	253,708,154	7,841,805
2023-24	263,522,141	274,505,038	10,982,897
Total	\$1,188,043,431	\$1,210,907,424	\$22,863,993

Specifically, the following revenue streams were under budgeted in at least two of the five years reviewed:

- Interest and earnings in fiscal years 2019-20, 2022-23 and 2023-24, a total of \$11.6 million.
- Board of Cooperative Educational Services (BOCES) aid in fiscal years 2019-20 through 2023-24, a total of \$5.3 million.
- Lottery aid in fiscal years 2021-22 and 2022-23, a total of \$4.1 million.
- Video terminal lottery grant in fiscal years 2020-21, 2022-23 and 2023-24, a total of \$2.5 million.

According to the Assistant, the reason revenues were greater was due to donations, expense-based aid and State bullet aid,² which would not have been foreseen during the budgeting process. However, based on our review, we determined District officials could have made more accurate calculations of projected revenues by using historical financial results from prior years.

² Bullet aid is targeted state funding that helps support public schools and libraries.

By not estimating certain appropriations and revenues accurately, the Board created annual operating surpluses, resulting in the accumulation of significant fund balance. However, despite the consistent surpluses, the Board indicated to taxpayers that it needed to appropriate fund balance. In addition, by consistently overestimating appropriations and underestimating revenues, the District was less transparent with taxpayers.

Recommendation

The Board should:

1. Develop and adopt budgets that include reasonable estimates for appropriations and revenues that will be used to fund operations.

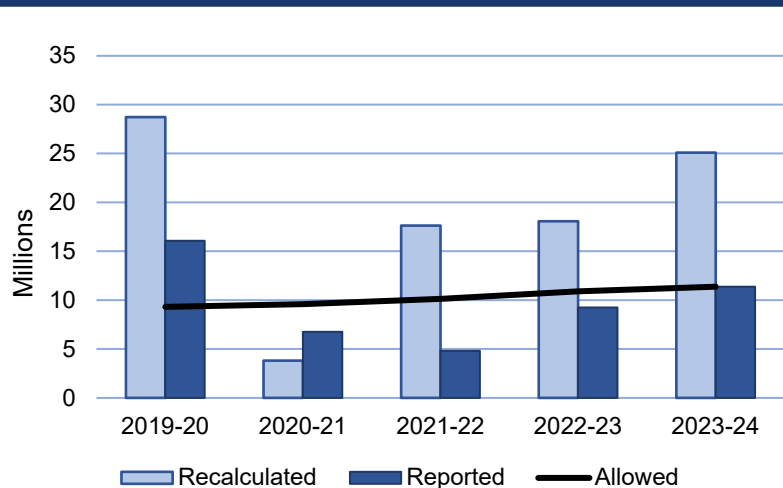
Finding 2 – The Board did not effectively manage the District’s fund balance.

The District’s budgeting practices resulted in operating surpluses that caused the surplus general fund balance to increase \$6.6 million from fiscal years 2021-22 through 2023-24. At the end of 2023-24, the District’s surplus fund balance for the general fund totaled approximately \$11.4 million.

District officials appropriated fund balance in fiscal years 2019-20 through 2023-24 for the general fund; however, the District realized operating surpluses in four of the five years. As a result, the District did not use most of the appropriated fund balance to finance operations. Although the District realized an operating deficit of approximately \$10.8 million in fiscal year 2021-2022, it was due to an unbudgeted interfund transfer of approximately \$14.6 million to the capital projects fund.

When adding the appropriated fund balance that was not used, the District’s recalculated, surplus fund balance for fiscal years 2019-20 through 2023-24 for the general fund, as a percentage of the next year’s budget, was between 2 and 12 percent, or as much as three times the amount permitted by RPTL (Figure 3).

Figure 3: Surplus Fund Balance



As of June 30, 2024, the District's recalculated, surplus fund balance for the general fund was approximately \$25.1 million or 9 percent of the fiscal year 2024-2025 budget, which exceeds the limit set forth in RPTL by 5 percentage points. Additionally, the District had \$36.9 million in unused reserves as of June 30, 2024 (see Finding 3). If District officials had not made unbudgeted transfers to reserves, the District would have further exceeded the statutory limit for surplus fund balance. Appendix B contains a summary of the District's recalculated, surplus fund balance (Figure 6) and list of unused reserves (Figure 7). In addition, because the Board did not adopt a fund balance policy, the District lacked guidance for maintaining an adequate level of surplus fund balance.

By maintaining this level of surplus fund balance, real property tax obligations for District residents may have been higher than necessary, placing an unnecessary burden on taxpayers. Nonetheless, the Board continued to overestimate appropriations and underestimate revenues, and appropriate fund balance that was not used.

Recommendations

The Board should:

2. Establish a written policy defining the amounts of fund balance that the District should reasonably maintain.
3. Develop and adopt a plan to reduce surplus fund balance to comply with the statutory limit set forth in RPTL. Surplus funds can be used for:
 - Reducing District property taxes,
 - Funding one-time expenditures,
 - Funding needed reserves, and
 - Paying off debt.

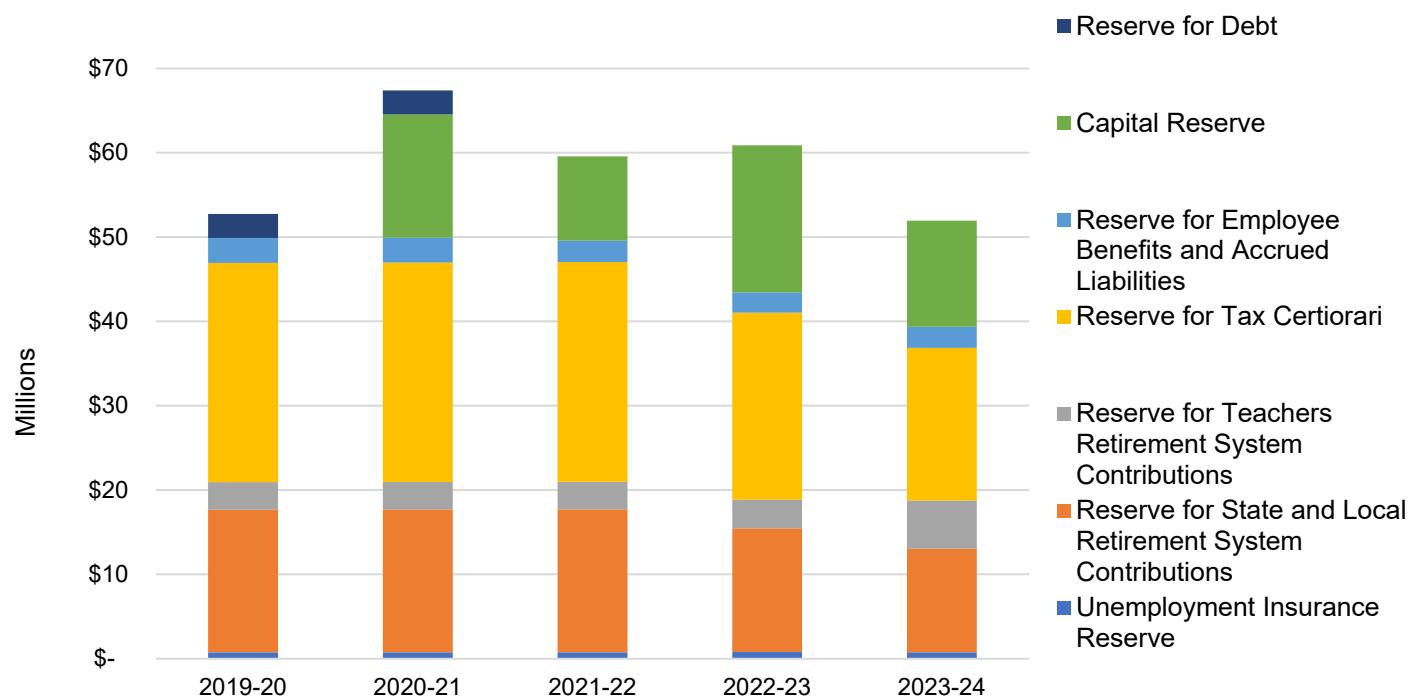
Finding 3 – Reserves were not always funded as part of the budget process or lacked proper management.

The Board did not ensure that reserves were funded as part of the budget process. From fiscal years 2019-20 through 2023-24, the District transferred approximately \$57.6 million to reserves. The funding of all \$57.6 million to the reserves was not budgeted for in the District's budget but, instead, was funded with unbudgeted year-end transfers from the operating surpluses. Of those, only \$38.4 million were Board-approved year-end transfers. However, to increase transparency for taxpayers, anticipated funds to be placed in reserves should be included in the annual budget, as opposed to year-end transfers.

The District Treasurer (Treasurer) stated she thought budget transfers into the reserves did not require a Board resolution, but just an accounting entry. We informed officials that Education Law Section 3653 requires the Board to expressly authorize by resolution money transferred into any reserve fund.

Furthermore, we determined that the District did not adopt or establish a written reserve fund policy. As such, District officials did not have adequate guidance on how to determine optimal funding levels of each reserve, conditions under which each reserve should be used, or when it was appropriate to replenish the reserve. Therefore, we reviewed all seven reserves totaling \$51.9 million as of June 30, 2024 (Figure 4).

Figure 4: Reserve Funds



We determined that three of the seven reserves were reasonably funded. However, we determined that four of the reserves are not being used and, in some instances, were overfunded based on a review of applicable statutes, eligible liabilities, and historical cost trend analysis. Additionally, the District budgeted for and made payments through the general fund rather than using reserve funds. Under these circumstances, we determined that the four reserve funds lacked proper management by District officials.

Unemployment Insurance Reserve – The Board established this reserve to reimburse the New York State Unemployment Insurance Fund for payments made to claimants on the District’s behalf. As of June 30, 2024, the reserve had a \$748,078 balance. The District’s average annual unemployment insurance expense over the five years reviewed was \$10,363. District officials did not use the reserve

to pay for related expenditures between July 1, 2019 and June 30, 2024. Instead, the District budgeted for and made the payments from the general fund. As such, we determined that this reserve was not used and likely exceeded the amount reasonably needed by the District. For example, the amount in this reserve, as of June 30, 2024, was sufficient to pay 72 years of the annual average of reimbursed unemployment claims.

Tax Certiorari Reserve – The Board established this reserve to pay for judgments and claims challenging real property tax assessments on the grounds of excessiveness, inequality, illegality or misclassification. If the taxpayer has a favorable ruling, the District would owe a tax refund to the taxpayer for the difference in the property tax assessment as specified in the ruling.

As of June 30, 2024, the reserve had a balance of approximately \$18.1 million. However, the District's outstanding claims totaled approximately \$12.6 million or \$5.5 million less than the amount reserved. We reviewed 30 percent of the claims settled and paid in the 2023-24 fiscal year and determined the average rate at which the claims had settled was 22 percent. If claims were to continue to settle at an average rate of 22 percent, the District's total liability may be \$2.8 million. As a result, the District's current balance in this reserve may be higher than necessary.

Further, District officials did not appropriate any of the reserve funds in the annual budgets to fund the \$3 million in tax certiorari expenditures between 2019-20 and 2023-24 fiscal years. Instead, District officials covered the tax certiorari expenditures with the general fund's operating appropriations. In light of the current balance, District officials should consider using the reserve when future judgements or settlements occur.

According to District officials, the outstanding tax certiorari liability is significantly more than \$12.6 million due to a large settlement related to a power plant closure in 2007 totaling \$224.5 million. In 2005, legislation was passed that allowed the District to issue debt to cover part of the settlement and use the reserve to subsidize the annual debt service payment related to the settlement. However, District officials did not use any of this reserve to pay related expenditures between July 1, 2019 and June 30, 2022. Instead, the District levied taxes to cover the principal and interest for this bond from the general fund's appropriations.

State and Local Retirement Contribution Reserve – The Board established this reserve to fund retirement contributions to the New York State and Local Retirement System (ERS). As of June 30, 2024, the reserve had a \$12.3 million balance. The District's average annual retirement expenditures over the five years reviewed was \$2.6 million. District officials did not use any of this reserve to pay related expenditures between July 1, 2019 and June 30, 2022. Instead, the District budgeted for and made the payments from the general fund's appropriations. As such, the District is not using the funds in the reserve and it may be higher than necessary. The amount in this reserve, as of June 30, 2024, was sufficient to pay almost five years of the annual average of retirement expenditures.

Teachers Retirement Contribution Reserve – The Board established this reserve to fund retirement contributions to the New York State Teacher's Retirement System (TRS). As of June 30, 2024, the reserve had a \$5.7 million balance. The District's average annual retirement expense over the five years reviewed was \$8.7 million. District officials did not use the reserve to pay related expenditures between July 1, 2019 and June 30, 2024. Instead, the District budgeted for and made the payments

from the general fund's appropriations. As such, the District may be maintaining money exceeding what is necessary in the reserve. The amount in this reserve, as of June 30, 2024, was sufficient to pay one year of the annual average of retirement expenditures.

The issues discussed above likely occurred, in part, because the Board did not adopt a reserve policy to help provide guidance with aspects of maintaining the District's reserves, such as the optimal funding levels of each reserve or conditions under which each reserve should be used or replenished. The Assistant stated the District has begun reducing the reserves in the 2024-25 school year. Additionally, District officials did not use the funds from these reserves because they were able to pay the related expenditures from the operating budget while still generating operating surpluses in four of the last five fiscal years.

Although it is prudent to plan and save for unforeseen circumstances, the risk of overfunding and/or not using reserves for their intended purpose could result in real property taxes being higher than necessary because the funds are not being used to pay for related expenditures.

Recommendations

The Board should:

4. Fund reserves transparently by including anticipated funding of reserves in the annual operating budget as part of the budget process rather than through year-end transfers of operating surplus.
5. Establish a written reserve fund policy that addresses all aspects of maintaining the District's reserves, such as the optimal funding levels of each reserve or conditions under which each reserve should be used or replenished.
6. Review all reserve balances to determine whether the amounts reserved are necessary and reasonable, reduce overfunded reserves to reasonable levels and liquidate and discontinue reserve funds that are no longer needed or whose purpose has been achieved, in accordance with applicable statutes.

The Board and District officials should:

7. Ensure budget transfers are approved by the Board for all transfers into the reserve funds.

Finding 4 – The Board did not develop a written multiyear financial plan and did not develop a comprehensive capital plan that addressed capital needs.

The Board did not develop a written multiyear financial and a comprehensive capital plan. A multiyear financial plan and comprehensive capital plan would be useful tools for the Board to use to determine future needs and how to finance them. Specifically, a multiyear financial plan would help guide officials as they develop future budgets and provide more transparency regarding the District's long-term financial goals and a comprehensive capital plan would help guide officials as they develop future budgets and provide more transparency regarding the District's long-term capital needs. The District has a large amount of surplus fund balance and reserve funds and designing a multiyear financial and comprehensive capital plan would outline to taxpayers how the District plans to use such funds. Additionally, having a plan would ensure the District properly allocates its resources to the desired projects.

The Assistant informed us that the District does not have a financial plan. She also mentioned that the District has not had a formal written five-year financial plan since 2019, but the Board and District officials continue to plan through meetings. She indicated that the District did have a five-year capital plan. We requested to see the documentation regarding the five-year capital plan. However, upon review, we determined that the document was not sufficient. The documentation provided was a survey of possible capital projects done by an architect and not a formal plan for the District as to what projects they plan to complete and in what timeframe. In addition, this plan was from 2015 and has not been reviewed or updated since.

As the District moves forward, well-designed written financial and capital plans can assist the Board in making informed decisions about programs and operations and help them effectively manage and use fund balance and reserves in a manner transparent to taxpayers.

Recommendation

The Board and District officials should:

8. Develop, adopt and periodically update a written multiyear financial plan and comprehensive capital plan to be used in conjunction with the District's annual budget process.

Appendix A: Profile, Criteria and Resources

Profile

The District serves the Towns of Haverstraw and Stony Point in Rockland County. The District is governed by a Board of Education (Board), which has seven elected members. The Board is responsible for the general management and control of the District's financial and educational affairs.

The Board is responsible for the general management and control of the District's financial condition and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff for the day-to-day management of the District under the direction of the Board. The Board, Superintendent and Assistant are responsible for developing and monitoring the District's annual budget.

Criteria – Financial Condition

A board, with assistance from officials, should properly manage the district's financial condition following the guidance provided in the publications on our website (Figure 5). Specifically, the board and officials should:


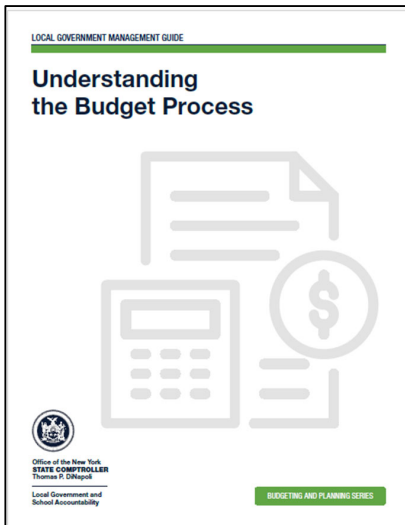
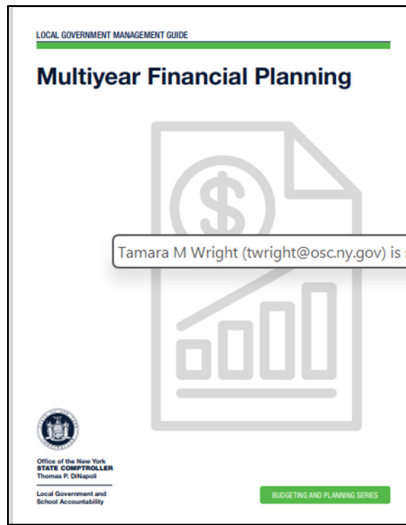
- Adopt reasonably estimated budgets based on historical data or known trends in which recurring revenues finance recurring expenditures.
- Ensure accurate estimates that help ensure that the tax levy is appropriate and not greater than necessary, and that surplus fund balance is not excessive and over the statutory limit.
- Adopt a written fund balance policy that defines the amount of fund balance the District should maintain.
- Ensure the appropriation of fund balance is reasonable and only the amount necessary to fund operations.
- Ensure surplus fund balance is at or below 4 percent of the ensuing year's appropriations, in accordance with RPTL Section 1318.
- Develop a plan for future funding and use of reserve funds. By making provisions to raise resources for reserve funds explicitly in the proposed budget, it gives transparency in budgeting.
- Ensure budget transfers authorizing the transfer into any reserve fund is properly approved prior to transfer.
- Adopt a written policy that establishes how each reserve may be funded, expended or discontinued. In addition, the policy should outline the targeted funding level and under what conditions the reserves will be used or replenished.

- Periodically determine whether amounts in the reserves are reasonable. When necessary, reduce reserve funds to reasonable levels, liquidate and discontinue reserve funds that are no longer needed, and/or discontinue reserve funds whose purposes have been achieved.
- Ensure reserve funds are properly supported.
- Create a written multiyear financial plan and a comprehensive capital plan that is periodically reviewed and updated on an ongoing basis with the most current and accurate information available.

Additional Financial Condition Resources

Figure 5: OSC Publications

OSC *Local Government Management Guides* and other informational resources available on our website to help officials understand and perform their responsibilities.

<i>Financial Condition Analysis</i>	<i>Understanding the Budget Process</i>	<i>Multiyear Financial Planning</i>
 <p>https://www.osc.ny.gov/files/local-government/publications/pdf/financial-condition-analysis.pdf</p>	 <p>https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf</p>	 <p>https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf</p>

For guidance on fund balance classification and reporting, see: <https://www.osc.ny.gov/files/local-government/publications/pdf/gasb54.pdf>.

In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

Appendix B: Summary of Recalculated, Surplus Fund Balance and Unused Reserves

Figure 6: Recalculated, Surplus Fund Balance

	2019-20	2020-21	2021-22	2022-23	2023-24
Surplus Fund Balance	\$16,074,221	\$6,755,871	\$4,801,834	\$9,248,769	\$11,370,208
Add: Unused Appropriated Fund Balance	12,639,606	(2,941,842)	12,826,144	8,809,930	13,720,353
Recalculated, Surplus Fund Balance	\$28,713,827	\$3,814,029	\$17,627,978	\$18,058,699	\$25,090,560
Upcoming Year's Budgeted Appropriations	\$232,789,532	\$239,826,945	\$253,025,692	\$272,319,972	\$284,311,248
Percentage	12.3%	1.6%	7.0%	6.6%	8.8%

Figure 7: Summary of Unused Reserve Amounts

Type of Reserves	2019-20	2020-21	2021-22	2022-23	2023-24
Unemployment Insurance Reserve	\$753,320	\$754,073	\$754,827	\$786,907	\$748,078
Reserve for State and Local Retirement System Contributions	16,918,364	16,935,282	16,952,218	14,672,686	12,296,275
Reserve for Teachers Retirement System Contributions	3,263,290	3,266,553	3,269,820	3,408,787	5,714,130
Reserve for Tax Certiorari	25,997,685	26,023,682	26,049,706	22,156,818	18,098,483
Total	\$46,932,659	\$46,979,590	\$47,026,571	\$41,025,198	\$36,856,966

Appendix C: Response From District Officials



KRIS. F. FELICELLO, Ed.D.
Superintendent of Schools

October 22, 2025

James L. Latainer, Chief of Municipal Audits
Office of the State Comptroller, Newburgh Regional Office
33 Airport Center Drive, Suite 102
New Windsor, NY 12553

Re: District Response to Comptroller's Audit Report

Dear Chief Examiner Latainer:

The Haverstraw-Stony Point Central School District (d/b/a the North Rockland Central School District), Board of Education and administrative team thanks the Office of the New York State Comptroller for its review of the District's financial practices for the period July 1, 2019 through June 30, 2024. We appreciate the work of the auditors and believe that this effort will benefit the taxpayers of the North Rockland Central School District. Moreover, we are pleased that the extensive review of our financial records resulted in NO findings of operational improprieties, fraud, waste or abuse.

See
Note 1
Page 21

The District is driven by a dual mission: to deliver a world-class educational experience for every student while upholding our tradition of responsible fiscal management.

We are dedicated to giving our students the outstanding opportunities needed to reach their full potential. Our programs are designed to equip learners as college and career ready - global citizens prepared to thrive in the complex 21st Century world. Our financial health and annual budget planning are strictly aligned with the District's strategic plan and core principles. These principles ensure every dollar is focused on elevating student success, continuously improving student achievement and increasing academic rigor, maximizing available resources through efficiencies and economies, program excellence, sustaining a strong, high-quality educational program, community partnership, ensuring affordability for our community members, and maintaining a consistent focus on the district's long-term financial stability.

Despite our best efforts and sound financial principles, the District continues to face unprecedented and demanding financial times. Our fiscal planning is profoundly impacted by external challenges, including the volatile national economy and state economic uncertainties, New York State's ongoing budget deficit, constraints from the tax levy cap and the burden of unfunded/underfunded state mandates. These factors make strategic, disciplined financial planning essential to protect the quality of education we provide.

We have carefully assessed the report furnished by your office. It is critical to note that a substantial portion of the audit period coincided with the challenging circumstances of the global COVID-19 pandemic. During the 2019-2020 academic year, all District buildings were closed

from March 13, 2020 until the end of the school year and the district was mandated to pivot to remote learning. During the 2020-2021 school year, the District increased cleaning and sanitization, decreased class sizes, and established a cohort model, which included students participating in both in-person and remote learning. This cohort model required additional staffing with the understanding that any employee diagnosed with COVID-19 would be required to be quarantined for several days. During the 2021-2022 school year, quarantine rules remained, so increased staffing levels were still needed as students returned to school for full-time, in-person instruction with learning loss and mental health needs stemming from the pandemic. For three of the five audited years, our district was formulating budgets during unprecedented times.

Like other school districts across New York State, the North Rockland Central School District encountered years of uncertainty regarding expenditures and potential reductions in state aid. During this period, the district planned and established budgets that sought to address the diverse needs of our learning community while responsibly managing the District's fiscal condition.

In addition, our district is navigating circumstances unlike any other in New York State. We are still repaying the largest tax certiorari settlement in state history - over \$224 million - requiring annual bond payments of approximately \$11 million. Despite this burden, during this audit period, North Rockland has:

- Maintained a strong and stable financial position;
- Not increased the tax levy for five consecutive years, after decreasing the levy by \$1 million;
- Received approximately \$37 million in **competitive** grants for mental health needs, playgrounds, HVAC projects, a family opportunity center, safety and security, to expand our UPK program, in partnership with our transportation contractor for electric buses and infrastructure, architect fees for energy efficiency projects, cafeteria furniture and cafeteria equipment;
- Received approximately \$1.6 million in reimbursements pursued by the district for COVID expenses, field trips for students, and our youth employment program;
- Made significant facility improvements inclusive of having HVAC in all 10 of our schools; and
- Expanded staffing and student programs - all without additional taxpayer dollars.

We would also like to highlight our visible and transparent approach to budgeting. Each year, the District holds its initial budget presentation during the first Board meeting in January and continues to present the “building blocks” of the fiscal plan at each Board meeting leading up to the May vote as information becomes available. Over the course of approximately 10 budget presentations, detailed financial information is shared with the public regarding the underlying assumptions driving budget projections. Our budget development occurs well in advance of the actual academic year, which inherently allows for the potential for staffing changes due to

See Note 2 Page 21

retirements, resignations and other developments, such as receiving grant awards, which may occur after the budget is developed and presented to voters for approval.

Despite the challenges posed by the pandemic, the District has consistently mitigated the burden on its taxpayers. Since the 2019-2020 fiscal year, the Board has reduced the tax levy by \$1 million and has not increased the levy to date. The district calculated the tax levy each year of the audit period and did NOT take the allowable increase. As a result, the district left approximately \$51.5 million dollars in the pockets of taxpayers.

The District's administrative team works diligently to meet our student needs while ensuring effective fiscal management throughout the year, even when fund balance has been appropriated for the budget. Over the course of many years, the District has demonstrated its commitment to responsible financial oversight while funding our most important educational priorities.

The administration and Board have maintained a high level of transparency in our budget process by openly disclosing the need for, and utilization of reserves.

See
Note 2
Page 21

The audit report asserts that the District overestimated its general fund appropriations from July 1, 2019 to June 30, 2024 by a cumulative total of approximately \$23.8 million which is **1.9% of cumulative budget appropriations** of \$1,225.2 million. It also asserts that the District underestimated revenues by a cumulative total of approximately \$22.9 million, which is **1.9% of budgeted revenues** of \$1,188.0 million, an acceptable budget variance in most industry sectors.

See
Note 3
Page 21

The audit report included four key findings for the District.

OSC Key Finding #1 • The Board and District officials did not adopt and develop realistic budgets because they overestimated appropriations and underestimated revenues.

District Response: The District respectfully disagrees that the Board and District officials did not adopt and develop realistic budgets, and further disagrees that budgets can be fairly assessed solely by means of a post hoc review of operating results. The District is obligated to budget not simply for known or expected expenditures, but also for foreseeable contingencies. (not all of which materialize in a given year) The audit period included three years of budgeting during the COVID-19 pandemic, whereby drastic changes in the delivery of education were levied upon all school districts, along with the opportunity of federal funding, which provided reimbursement for expenditures after the fact.

See
Note 4
Page 21

In addition to COVID grant funding, the District applied for and was awarded additional competitive grants that were shared after the general fund budget was already approved by the taxpayers. (The District also closely monitors and manages discretionary spending throughout the year, which is consistent with our commitment to serve as responsible stewards of the District's tax dollars in the interests of district taxpayers)

See
Note 5
Page 21

During the exit meeting, when District officials noted the 1.9 percent variance for estimated and actual appropriations and expenditures, and sought clarification as to what percentage variance would be “realistic” and acceptable to OSC for such estimates, the OSC team was unable to share a specific figure. OSC seemed to imply that expenditures and appropriations not precisely aligning with the District’s estimates indicated that such estimates were not “realistic,” which appears to be an entirely subjective interpretation, and one that, itself, appears unrealistic when considering how budgets operate in practice.

See
Note 4
Page 21

The District further asked that OSC delete the last two bullets on page 6, regarding lottery aid as funding streams, as those are not line items when the District receives Foundation Aid. The District is given a Foundation Aid figure; the District has no indication what funds New York State will use to pay the Foundation Aid, so to single out two aids is misleading.

See
Note 6
Page 21

The District further clarified for OSC that BOCES Aid is expense-based aid, therefore it increased because we increased our spending with BOCES, not due to budgeting and requested that the bullet too should be deleted.

See
Note 7
Page 22

OSC Key Finding #2: The Board did not effectively manage the District’s fund balance.

District Response: The District develops its budgets not merely for known expenditures, but also for foreseeable contingencies including, but not limited to, kindergarten enrollments, employee benefits, private school busing requirements and the registration of new special education students. In addition, the district budgets for all current employees whose status may change after the budget is approved. Also, the audit period coincided with a period in which the District consistently adopted a tax levy below the cap. During the audit period, the District reduced the levy by \$1 million dollars in the 2020-2021 school year and then adopted five straight years of a 0% increase. The appropriated fund balance allowed us to budget for foreseeable contingencies (which did not always materialize) while reducing the burden on taxpayers.

See
Note 8
Page 22

During the exit meeting, the District further pointed out that, with regard to transferring excess fund balance monies to reserves, this approach is both: (1) expressly permitted by RPTL § 1318 (which excludes from the definition of surplus funds those funds that are properly retained under other statutes); and (2) aligns with the express, voter-approved mandate of the District’s Facilities Capital Reserve Funds, which state that the source of the funds “shall be transferred from unappropriated and unassigned fund balance in excess of the amount prescribed by law.” Therefore, the District submits that transfers to such reserve funds were, in fact, planned and in line with what voters had approved.

See
Note 9
Page 22

OSC Key Finding #3: Reserves were not always funded as part of the budget process or lacked proper management.

District Response: The District has followed, and will continue to follow, its policies with respect to reserve funds and fund balance in connection with its annual budget process. The District believes it has properly funded and managed reserves through a significant disruption to the budgeting process due to COVID-19 during the audit period which allowed for surplus. The District has not raised the tax levy in six years, has made significant health and safety improvements to its facilities, increased staffing and programs for students all while paying down historic debt.

During the exit interview, OSC officials confirmed that a reserve fund policy is not required by law, and declined to provide examples of reserve fund policies deemed sufficient by OSC, noting the content of such policies would be “management discretion.” District officials did confirm that they rely upon OSC guidance in managing reserve funds, and OSC did not identify any statutory cap that was exceeded by any current reserve fund. While District officials sought guidance as to what OSC would deem an “over-funded” reserve, OSC did not provide any specific or objective guidance, but indicated that how recently the District had withdrawn from a particular reserve fund was a factor in whether OSC deemed it “over-funded.” The District objects to the lack of clarity on what constitutes an “over-funded” reserve, as well as the implication that reserves must be used regularly, as the fundamental purpose of a reserve is akin to a savings account from which the District may draw when faced with changes in circumstances or unforeseen events. The District believes that the current reserves represent appropriate fiscal management that will help protect the taxpayer from future uncertainties.

See Note 10 Page 22

OSC Key Finding #4: The Board did not develop a written multiyear financial plan and did not develop a comprehensive capital plan that addressed capital needs.

District Response: The New York State Education Department (NYSED) requires school districts to perform a Building Condition Survey every five years, but a new, staggered schedule was implemented from 2020 to 2024. The district was assigned 2024 for its Building Condition Survey and, as a result of NYSED making this change, the district had to wait until 2024 even though the most recent Building Condition Survey was performed in 2015. In short, the district did not complete a comprehensive capital plan because of the change by NYSED. The district just completed their 5 Year Capital Plan as per the NYSED schedule. While the district has not had a formal written 5 Year Financial Plan since 2019, which is not a legal requirement, the Board of Education and district administration continue to plan through Board of Education meetings, budget workshops, and board retreats.

Conclusion:

The District is steadfastly committed to a dual promise: delivering outstanding, world-class educational opportunities for every student while honoring our long-standing tradition of sound fiscal responsibility to the community. Our financial approach is always centered on protecting our exemplary educational programs and services. We meticulously plan our budget to account for the unique challenges facing our district, ensuring that every student benefits from our high standards. This disciplined stewardship has not only resulted in successful outcomes for our

students, but has also allowed careful management of the local tax burden - avoiding any tax levy increase during the past five years following a \$1 million reduction in the levy. We understand the value of fiscal prudence, especially as we operate within the constraints of the state tax levy cap, manage volatile State Aid and adapt to ever-fluctuating enrollment.

The financial context for education is complex. Like all districts, our planning has been significantly influenced by factors beyond our control, including the unpredictability of operating during a global pandemic and navigating broader national educational and economic turmoil. The positive results we've achieved are a direct measure of our strategic, proactive financial planning philosophy, which prioritizes long-term stability and student success above all else.

We appreciate the opportunity to respond to your audit.

Sincerely,

Dr. Kris Felicello
Superintendent of Schools

Appendix D: OSC Comments on the District's Response

Note 1

The audit objective focused on whether the Board and District officials effectively managed the District's financial condition. The audit team assessed the risk of fraud occurring that is significant within the context of this audit objective, as required by generally accepted government auditing standards. Therefore, these audit results cannot be used to conclude there is no fraud, theft or professional misconduct in the District's operations.

Note 2

The Board did not fund reserves as part of the budget process or include information about funding reserves in the District's budget presentations. Instead, the District presented the availability to use the reserves to offset the budget. However, by making unplanned year-end transfers from operating surpluses, the Board was not as transparent as they could have been.

Note 3

The District is a governmental entity funded by taxpayers. Officials should not compare the District's budgeting practices to other industries whose primary goal may be to generate profits. Because the District made \$94.4 million in unbudgeted year-end transfers, the appropriations were overestimated by 9.8 percent. Had officials not made the unbudgeted year-end transfers, the District's 2023-24 surplus fund balance would have exceeded the 4 percent statutory limit by five percentage points.

Note 4

Although we acknowledge the budgeting challenges faced by school districts during the global COVID-19 pandemic, the District can only retain up to 4 percent of the budget as surplus fund balance, for unexpected occurrences. As such, we determined that the Board and District officials did not adopt and develop realistic budgets because they overestimated appropriations and underestimated revenues. With unbudgeted transfers of operating surpluses to reserves and the capital projects fund, the Board and District officials overestimated appropriations by a total of \$118.2 million (9.8 percent).

Note 5

District officials were provided a schedule of expected grant awards through fiscal year 2026-27 in some instances. Therefore, District officials could have used these schedules to more accurately estimate appropriations.

Note 6

Foundation aid projections are provided to the District annually. While the individual aid encompassed within that aid projection may not be itemized, District officials were aware of the itemized amounts historically received for each type of aid (e.g., lottery aid). Therefore, District officials should use the known historical amounts when budgeting revenues. For example, District officials decreased the fiscal year 2022-23 lottery aid revenue estimate by \$1 million despite having received more than the amount budgeted in fiscal year 2021-22. As a result, District officials underestimated lottery aid by \$3.8 million in fiscal year 2022-23. Furthermore, the overall amount the District budgeted for state aid was, on average, \$1 million less than received each year.

Note 7

BOCES aid is intended to reimburse the District for costs related to administrative, facilities and services provided by BOCES. The administrative and facilities portions are based on standard costs that all BOCES component districts contribute towards, while the services portion is based on the instructional and non-instructional services purchased by the District from BOCES. Although it is an expense-based aid, District officials should use historical costs when developing this revenue estimate for their annual budgets. For example, as noted in the report, the District underestimated BOCES aid an average of \$1.1 million per year.

Note 8

Appropriated fund balance is the portion of fund balance that is designated to help finance operations. While school districts are not permitted to budget appropriations for contingencies, they can retain surplus fund balance up to 4 percent of the ensuing year's budget as a cushion for unforeseen expenditures or revenue shortfalls. Combining a reasonable level of surplus fund balance with reserve funds provides resources for both unanticipated events and other identified or planned needs. Therefore, the Board and District officials should not appropriate fund balance for contingencies or when it is not needed, which occurred in four of the five fiscal years reviewed.

Note 9

We acknowledge that the District is permitted to transfer excess fund balance to reserves in accordance with RPTL Section 1318. However, as stated in the report, \$19.1 million of the \$57.6 million transferred to reserves were not approved by the Board before the transfer was made. To help promote transparency, anticipated funds to be placed in reserves should be included in the annual budget and at a minimum, transfers to reserves should be properly approved prior to transfer.

Note 10

We recommend establishing a written reserve fund policy and periodically reviewing reserve fund balances to determine whether the amounts in the reserves are reasonable. Furthermore, the District should budget for the use of reserve funds instead of consistently budgeting for and making payments from the general fund's appropriations. Guidance regarding the funding and use of reserve funds is outlined in OSC's *Local Government Management Guide: Reserve Funds* (<http://osc.ny.gov/files/local-government/publications/pdf/reserve-funds.pdf>), which was provided to officials on July 10, 2024.

Appendix E: Audit Methodology and Standards

We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials and employees to obtain an understanding of the policies and procedures relating to the District's financial condition, budget process and the multi-year financial and comprehensive capital plan.
- We reviewed the budget-to-actual reports for fiscal years 2019-20 through 2023-24 for the general fund to determine whether revenue and expenditure accounts were over- or underestimated.
- We reviewed the budgets and budget-to-actual reports for fiscal years 2019-20 through 2023-24 to determine whether the District appropriated fund balance, whether appropriated fund balance was being used, and whether there was an operating surplus or deficit.
- We calculated surplus fund balance as a percentage of the upcoming year's budgeted appropriations for 2019-20 through 2023-24 to assess the District's compliance with statutory requirements. We reviewed the surplus fund balance for fiscal years 2019-20 through 2023-24 to determine whether the surplus fund balance is reasonable and re-calculated surplus fund balance to include fund balance not appropriated.
- We determined the change in fund balance and reserves from fiscal years 2019-20 through 2023-24.
- We examined Board resolutions, bank statements and reserve accounting records to determine whether reserves were legally established, funded and properly used and if balances were maintained in accordance with statutory requirements. We compared reserve balances with appropriations from fiscal years 2019-20 through 2023-24 to determine the reasonableness of reserve balances.
- Based on professional judgment, we reviewed a sample of 13 out of 43 checks (30 percent) made to property owners including both residential and commercial properties for tax certiorari claims for fiscal year 2023-24 to estimate the rate of settlement. We then determined the estimated amount of settlements by multiplying the settlement rate by the rate of outstanding claims and compared the amount to the amount in the tax certiorari reserve.
- We reviewed Board meeting minutes and monthly and annual reports provided to Board members to determine the extent of financial information received.
- We calculated the cash liquidity ratio and asset-to-liability ratio to further analyze the District's financial condition.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population.

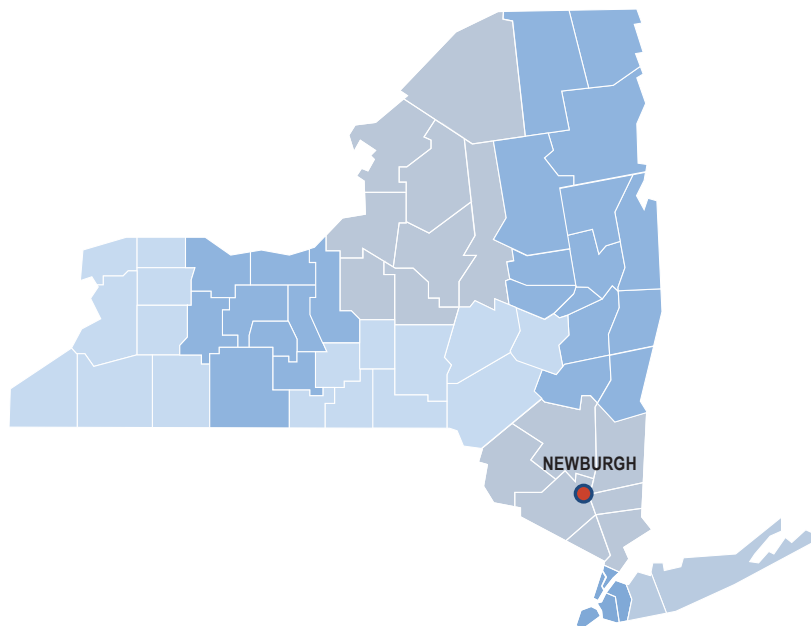
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