



# **Newburgh Enlarged City School District**

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## Financial Management

2025M-32 | February 2026

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# Audit Results



## Newburgh Enlarged City School District

### Audit Objective

### Audit Period

Did the Newburgh Enlarged City School District (District) Board of Education (Board) and officials effectively manage fund balance and reserve funds?

July 1, 2019 – June 30, 2024

### 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,<sup>1</sup> up to 4 percent of the budget, for unexpected occurrences and fluctuations in cash flow. School districts may also establish reserves to restrict a reasonable portion of fund balance for a specific purpose, in compliance with statutory directives.

The District's fiscal year 2023-24 surplus fund balance and reserve funds totaled approximately \$18.1 million and \$66.3 million, respectively, as of June 30, 2024.

## Audit Summary

The Board and District officials overestimated certain appropriations, underestimated certain revenues, as well as made unbudgeted year-end transfers totaling \$67 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 was 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 approximately \$87 million. As a result of these practices, the Board was not as transparent with taxpayers as they could have been during the budget process.

- Of the \$67 million in year-end transfers, \$50.6 million went to the District's reserves. In some circumstances, the year-end reserve transfers totaling \$8.8 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.

<sup>1</sup> 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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- District officials did not establish a rationale for funding District reserves. Also, by transferring surplus funds, officials reduced the surplus fund balance in all five years reviewed to make it appear officials were not retaining more funds than statutorily permitted.
  - The District consistently overestimated general fund appropriations by an average of \$4 million in each of the five fiscal years we reviewed, for a cumulative total of approximately \$20 million.
  - The District underestimated revenues in three of the five fiscal years reviewed by an average of approximately \$8.6 million for a cumulative total of approximately \$25.7 million.
  - The Board did not effectively manage the District's fund balance over the five fiscal years reviewed, resulting in \$41.5 million in operating surpluses, which increased surplus general fund balance to approximately \$18.1 million as of June 30, 2024.
  - The Board appropriated \$8.6 million of fund balance and reserves that was not needed because of the District realizing operating surpluses. Therefore, the District did not use fund balance and reserves appropriated in four of the five years reviewed to fund operations.
  - The Board did not properly manage five reserve funds totaling \$24.3 million. These funds were unused and/or likely exceeded the amount reasonably needed by the District based on our review of applicable statutes, eligible liabilities, a historical cost trend analysis and their use.
  - The Board did not develop a written multiyear financial plan or 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 improvements.

The report includes seven recommendations that, if implemented, will improve the District's financial management. District officials disagreed with certain aspects of our findings but indicated they have initiated or plan to initiate corrective action. Appendix D includes our comments on issues raised in the District's response letter.

We conducted this audit 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 (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 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

The board of education and school district officials 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 of 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 of education and 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 of education 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 develop and adopt realistic budgets or effectively manage fund balance.

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 million each year (1.3 percent), or a total of \$20 million, and revenues were underestimated in three of the five years by an average of \$8.6 million (1 percent), or a total of \$25.7 million.

With unbudgeted transfer of operating surpluses to reserve funds and other funds, the Board and District officials overestimated appropriations by a total of \$87 million (Figure 1).

**Figure 1: Overestimation of General Fund Appropriations by Year (in Millions)**

	2019-20	2020-21	2021-22	2022-23	2023-24	Totals
<b>Appropriations</b>	\$282.4	\$287.4	\$293.2	\$304.9	\$335.4	<b>\$1,503.3</b>
<b>Less: Actual Expenditures</b>	279.2	280.2	288.5	302.0	333.4	<b>1,483.3</b>
<b>Overestimated Appropriations</b>	\$3.2	\$7.2	\$4.7	\$2.9	\$2.0	<b>\$20.0</b>
<b>Add: Unbudgeted Year-End Transfers of Operating Surplus<sup>a</sup></b>	\$2.3	\$31.2	\$3.4	\$14.8	\$15.3	<b>\$67.0</b>
<b>Recalculated Overestimated Appropriations</b>	\$5.5	\$38.4	\$8.1	\$17.7	\$17.3	<b>\$87.0</b>
<b>Recalculated Percentage Overestimated</b>	1.9%	13.4%	2.8%	5.8%	5.2%	<b>5.8%</b>
<b>Average overestimated appropriations over the last five completed fiscal years</b>						<b>\$17.4</b>
<b>Average overestimated appropriations over the last five completed fiscal years in %</b>						<b>5.8%</b>

a) The District’s practice of making unbudgeted transfers at fiscal year-end to reduce operating surpluses gave 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 personal services (\$23.5 million) and employee benefits (\$28.8 million), which were overestimated by an average of \$4.7 million and \$5.8 million, respectively. Although the Board and officials were aware that certain appropriations were overestimated in previous budgets, they did not use historical trends to develop these budget estimates and continued to allocate excess funds to these items in the annual budgets.

The Deputy Superintendent indicated that the District was unable to fully staff the programs initially planned for the American Rescue Plan Act (ARPA) funds, which caused the District to reallocate the funds. The Assistant Superintendent indicated that the District’s general fund budget for the 2023-24 fiscal year included salaries and benefits, but because the Coronavirus Aid, Relief and Economic Security Act (CARES) and ARPA federal fund grants were ending, the District shifted general fund expenditures to the special aid fund to prohibit the loss of those funds, reducing the actual expenditures in the general fund. However, CARES and ARPA grants were awarded and made available to the District before the 2023-24 fiscal year and deadlines for spending the funds were part of the initial legislation in 2020 and 2021. District officials also expected increases in expenditures related to special education out-of-District placements, health insurance, New York State and Local Retirement System, New York State Teachers’ Retirement System, and the settlement of the CSEA contract that were not fully realized.

Officials should consider historical trends and other known factors when developing budget estimates for appropriations. Historical trends consistently demonstrated that actual expenditures in these line items were less than the budgeted 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.

Furthermore, we determined that the Board routinely underestimated revenues totaling \$21.3 million from 2019-20 through 2023-24 (Figure 2). Although the Board and District officials knew that certain revenues were underestimated in previous budgets, they continued to use similar revenue estimates from prior years instead of reviewing the actual amount received the prior year.

Specifically, the following revenues were underestimated in at least two of the five years reviewed:

**Figure 2: Underestimated Revenues**

Fiscal Year	Budgeted Amount	Actual Amount	Excess/(Deficit) Amount
<b>2019-20</b>	\$282,444,842	\$281,309,794	(\$1,135,048)
<b>2020-21</b>	287,432,600	291,233,222	3,800,622
<b>2021-22</b>	293,207,684	289,975,004	(3,232,680)
<b>2022-23</b>	304,950,018	314,727,677	9,777,659
<b>2023-24</b>	335,443,816	347,530,501	12,086,685
<b>Total</b>	<b>\$1,503,478,960</b>	<b>\$1,524,776,198</b>	<b>\$21,297,238</b>

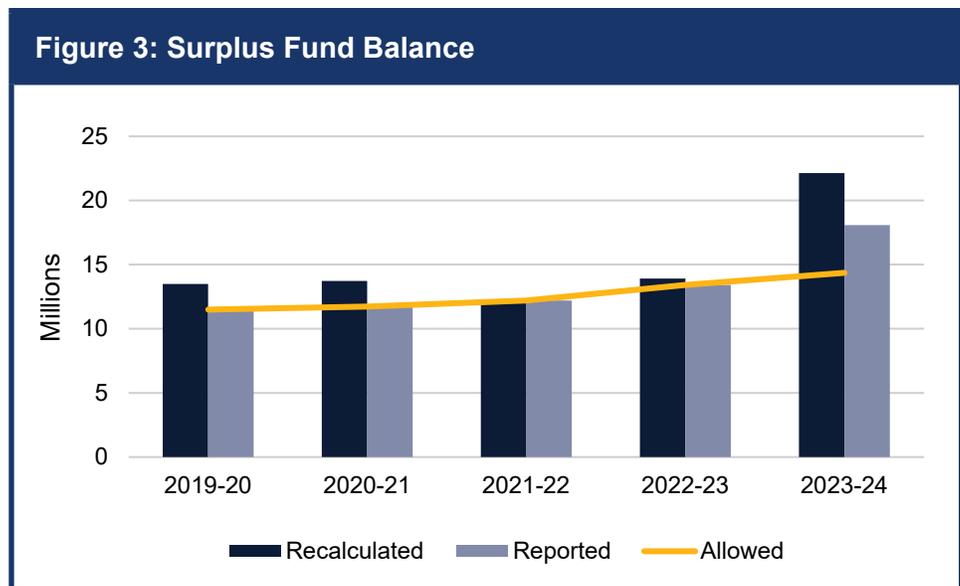
- Consumer utility tax in 2020-21, 2022-23 and 2023-24 by a total of \$3.4 million,
- Interest and earnings in 2022-23 and 2023-24 by a total of \$8.8 million, and
- State aid in 2020-21 and in 2022-23 by a total of \$3 million.

The Assistant Superintendent said the District has been conservative in budgeting certain revenues that are not derived by a specific formula, such as the consumer utility tax and interest and earnings from reserve funds, which are accounted for in the general fund. Furthermore, the Assistant Superintendent also said projected State aid amounts provided to the District were less than the amount received. However, we reviewed the 2024-25 budget and determined the District did not use historical trends for consumer utility tax and interest and earnings.

The District’s budgeting practices resulted in operating surpluses that caused the surplus general fund balance to increase \$6.6 million from fiscal years 2019-20 through 2023-24. At the end of 2023-24, the District’s surplus fund balance for the general fund totaled approximately \$18.1 million.

District officials appropriated fund balance in four of the five fiscal years, however, the District realized operating surpluses in all five years. As a result, the District did not use the appropriated fund balance to finance operations. 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 4 and 6.2 percent (Figure 3).

As of June 30, 2024, the District’s recalculated, surplus fund balance for the general fund totaled approximately \$22.1 million, or 6.2 percent of the budget, which exceeded the legal limit by 2 percentage points. Additionally, the District had \$24.3 million in unused reserves as of June 30, 2024 (see Finding 2). 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).

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 to help finance operations. In addition, by consistently overestimating appropriations and underestimating revenues, the District was not transparent with taxpayers.

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## Recommendations

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The Board should:

1. Develop and adopt budgets that include reasonable expenditure and revenue estimates based on current data and historical trends, and appropriate fund balance only when needed to fund operations.
2. 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 2 – Reserves were not always funded as part of the budget process or lacked proper management.**

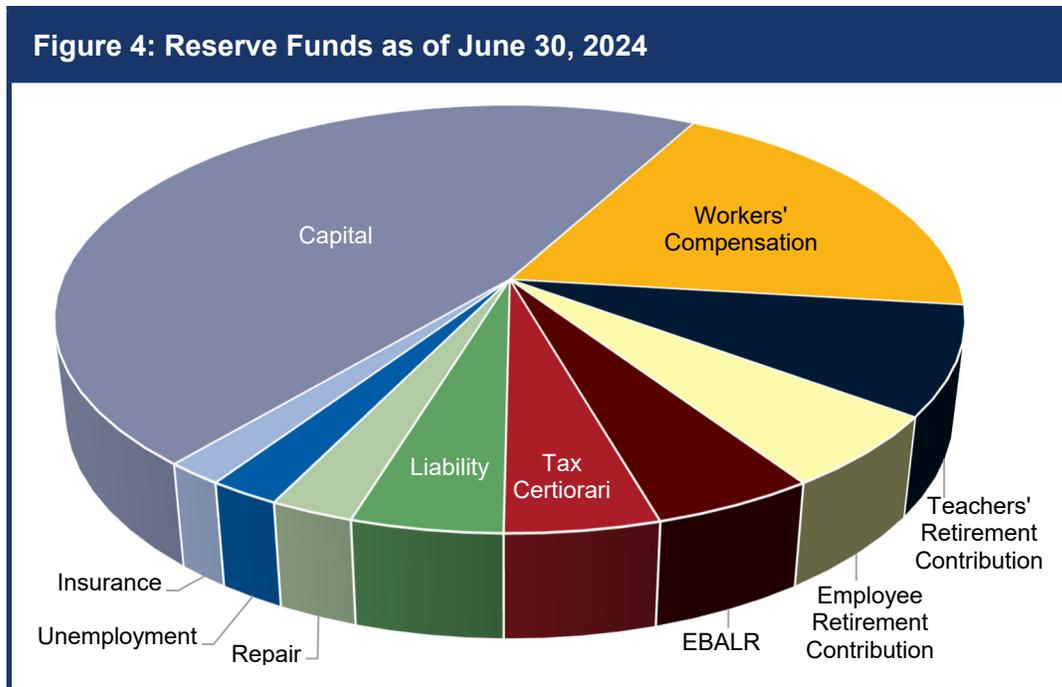
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The Board did not ensure that reserves were funded as part of the budget process. From fiscal years 2019-20 through 2023-24, District officials transferred approximately \$50.6 million to reserves from the general fund. However, only \$39.1 million was transferred to reserves through Board-approved year-end transfers, meaning \$8.8 million was not approved by the Board or voters. Instead, reserves were funded with unbudgeted year-end transfers from the operating surpluses that were not always approved by the Board. Specifically, in 2020-21, District officials transferred \$7.9 million and \$879,577 more into the capital and teachers' retirement contribution reserves, respectively, than the amounts approved by the Board. In 2023-24, District officials transferred \$1.8 million into the capital reserve, when the approved resolution was for a budgetary appropriation.

Furthermore, the District appropriated \$1.3 million from reserves to balance the 2023-24 budget. However, the District realized an operating surplus totaling \$14.1 million in 2023-24 and, as a result, the \$1.3 million of appropriated reserves was not used to fund operations.

The District has a Board-adopted fund balance and reserve fund policy (Policy) which indicates that if the unrestricted portion of fund balance exceeds 4 percent at the end of the fiscal year, the Board will evaluate current reserves and designations to determine the final distribution of fund balance. By not budgeting to raise resources for reserve funds, the Board was not as transparent with taxpayers as they could have been during the budget process.

We reviewed all 10 District reserves totaling \$66.3 million (Figure 4) to determine whether the reserves were properly established, reasonably funded and used to pay appropriate District expenditures. We determined that while eight of the 10 reserves were properly established by Board resolutions, the District Clerk was unable to locate the resolutions establishing the insurance and employee benefit accrued liability (EBALR) reserves. As a result, we could not determine whether these reserves were properly established.



Additionally, although the District’s Policy indicated that reserves will be evaluated annually by the Business Office and provided broad general criteria for reserves, it did not always include dollar amounts or thresholds for how much should be retained in eight of the District’s reserves. As a result, District officials did not have clear guidance on the optimal funding goals for all reserves.

We determined five of the 10 reserves were improperly managed, unused and/or overfunded based on our review of applicable statutes, eligible liabilities, a historical cost trend analysis and their use. Additionally, the District budgeted for and made payments through the general fund rather than using reserve funds. Under these circumstances, we determined that the five reserve funds lacked proper management by District officials.

Workers’ Compensation Reserve – The Board established this reserve for the payment of compensation and benefits, medical, hospital or other expenses authorized by Workers’ Compensation Law. As of June 30, 2024, the reserve had a balance of \$12.6 million. The District’s average annual workers’ compensation expense over the five years reviewed was \$1.7 million. However, the District did not use the reserve fund for any workers’ compensation payments between July 1, 2019 and June 30, 2024. Instead, the District made the payments from the operating budgets of the general, cafeteria and

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library funds. From the District's actuarial report dated June 30, 2024, the total amount incurred for work loss was \$11.7 million, of which the District has paid \$7.9 million to date with \$3.8 million outstanding. As such, the reserve was not used and likely exceeded the amount reasonably needed by the District.

Teachers' Retirement Contribution Reserve – The Board established this reserve for the payment of teachers' retirement contributions payable to the New York State Teachers' Retirement System (TRS). As of June 30, 2024, the reserve had a balance of \$5.4 million. The District's average annual TRS expense was \$10.8 million over the five fiscal years reviewed. However, the District did not use the reserve fund to make TRS payments between July 1, 2019 and June 30, 2024. Instead, the District budgeted for and made the payments from the general fund's operating budget.

Employee Retirement Contribution Reserve – The Board established this reserve for the payment of retirement contributions, which is defined as all or any portion of the amount payable to the New York State and Local Employees' Retirement System (ERS). As of June 30, 2024, the reserve had a balance of \$3.7 million. The District's average annual ERS expense was \$3.3 million over the five fiscal years reviewed. However, the District did not use the reserve fund to make ERS payments between July 1, 2019 and June 30, 2024. Instead, the District budgeted for and made ERS payments from the operating budgets of the general, cafeteria and library funds.

Unemployment Insurance Reserve – The Board established this reserve for the payment of claims to the New York State Unemployment Insurance Fund. The District's average annual unemployment insurance expense over the five years reviewed was \$87,387. However, the District did not use the reserve fund for unemployment insurance payments between July 1, 2019 and June 30, 2024. Instead, the District budgeted for and made the payments from the general fund's operating budget. The unemployment insurance reserve balance was \$1.4 million as of June 30, 2024, which could pay the average annual unemployment insurance appropriation for 16 years. As such, the reserve was not used and likely exceeded the amount reasonably needed by the District.

Insurance Reserve – The Board established this reserve to fund certain uninsured losses, claims, actions or judgments for which the District is authorized or required to purchase or maintain insurance. As of June 30, 2024, the reserve had a balance of \$1.2 million. The District's average annual insurance expense was \$899,306 over the five fiscal years reviewed. However, the District did not use the reserve fund for insurance payments between July 1, 2019 and June 30, 2024. Instead, the District budgeted for and the payments from the general fund's operating budget.

The Assistant Superintendent said that the information provided by their third-party administrator for the liability of workers' compensation claims was an estimate. This provider was hired to replace the previous provider that was unwilling to provide the annual stop-loss report for 2023-24. Based on the information the District had, and that the District is responsible for the first \$750,000 of each claim, District officials calculated the verified claims and maximum amount of the liability to make the determination as to the funding needs of the reserve.

Furthermore, the District's Policy says the Board will evaluate current reserves and designation in order to determine the final distribution of fund balance in consideration of the District's estimated liabilities. However, the Board did not evaluate the current reserves or funding needs for the 2023-24 fiscal year

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because it did not receive financial reports specific to reserves. Additionally, the Board approved, by resolution, the transfer of \$13.8 million on June 27, 2024 from the surplus general fund balance.

In most cases, the Board did not budget to fund the reserves, but instead approved resolutions to fund various reserves with surplus fund balance resulting from operating surpluses at the end of each fiscal year. As a result, the funding of reserves was not transparent to the public and certain reserves likely exceeded the amount reasonably needed by the District. 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

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The Board and District officials should:

3. 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.
4. Review and update the fund balance and reserve fund policy to include all reserves held by the District and clarify the optimal funding levels for each reserve or conditions under which each reserve should be used or replenished.
5. Review all reserve fund balances to determine whether the amounts reserved are necessary and reasonable and reduce overfunded reserves to reasonable levels in accordance with applicable statutes.
6. Ensure budget transfers are approved by the Board for all transfers into the reserve funds.

## Finding 3 – The Board did not develop a written multiyear financial plan or a comprehensive capital plan that addressed capital needs.

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The Board did not develop a written multiyear financial plan or a comprehensive capital plan that addresses capital needs. 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 provide more transparency regarding the District's long-term capital needs. Without a multiyear financial plan, it is difficult for the Board to assess alternative approaches to financial needs, such as accumulating fund balance or using surplus funds to finance annual operations. The District has a

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large amount of unrestricted fund balance and reserve funds, and designing a multiyear financial plan and comprehensive capital plan would outline how the District plans to use such funds to taxpayers. Additionally, having plans would ensure the District properly allocates its resources to the desired projects.

The Deputy Superintendent acknowledged that while the District does not have a written multiyear financial or comprehensive capital plan, there is a current approved capital project for the construction of a new career and technical education building for \$87 million and other renovations to District buildings that have multiyear financial and capital plans for the projected length of the projects. District officials also prepared a three-year projection as part of its 2024-25 budget presentation, which included a summary of revenue and expenditure projections and their plans to use fund balance for fiscal years 2025-26 through 2027-28. Furthermore, the District is currently receiving a building condition survey to help officials forecast future infrastructure needs. The Board also formed a committee to gather taxpayers' concerns and help prioritize those needs.

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

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7. The Board and District officials should 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

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## Profile

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The District serves the City of Newburgh and portions of the Towns of Newburgh, New Windsor, Cornwall and Shawangunk. The District is governed by the nine-member Board which is responsible for the general management and control of the District's financial and educational affairs.

The Superintendent is the chief executive officer responsible, along with other administrative staff, for the day-to-day management of the District under the Board's direction. The Assistant Superintendent oversees the District's business operations and maintains its financial records. The Board, Superintendent and Assistant Superintendent are responsible for developing and monitoring the annual budget.

## Criteria – Financial Management

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Fund balance is the difference between revenues and expenditures accumulated over time. A school district may retain a portion of surplus fund balance for unexpected occurrences and fluctuations in cash flow. However, a board of education and officials must comply with 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 in excess of 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 of education 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. In preparing the budget, the board of education must estimate the amounts the school district will spend and receive, the amount of fund balance that will be available at fiscal year-end to use toward the upcoming year's budget, and the expected real property tax levy. Accurate and reasonable budget estimates 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. During the fiscal year, as school district officials have a better understanding of the results of financial operations, they should consider using anticipated surplus fund balance to finance one-time expenditures, fund needed reserves or pay off debt.

A board of education, with assistance from officials, should properly manage the school district's financial condition by:

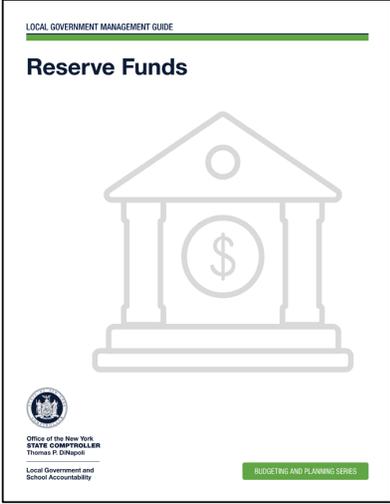
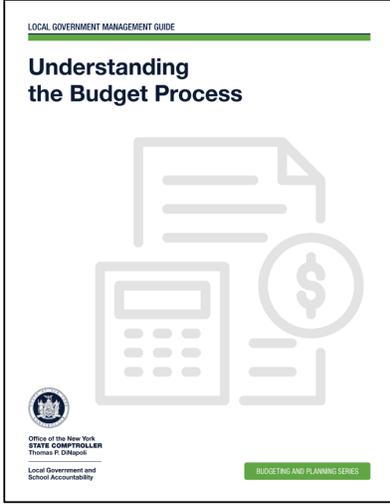
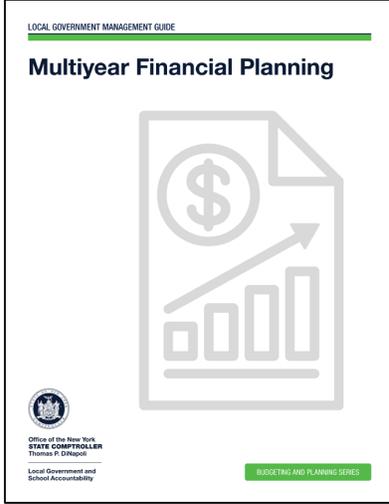
- Adopting reasonably estimated budgets based on historical data or known trends in which recurring revenues finance recurring expenditures.
- Ensuring accurate estimates that help ensure that the tax levy is appropriate and not greater than necessary, and that surplus fund balance is not excessive and over the statutory limit.

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- Ensuring the appropriation of fund balance is reasonable and only the amount necessary to fund operations.
  - Ensuring surplus fund balance is at or below 4 percent of the ensuring year's appropriations in accordance with RPTL Section 1318.
  - Developing a plan for the 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.
  - Ensuring budget transfers authorizing the transfer into any reserve fund is properly approved prior to transfer.
  - Revising the Board-adopted policy to establish 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 determining whether amounts in the reserves are reasonable. When necessary, officials should 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.
  - Creating a written multiyear financial plan and comprehensive capital plan that is periodically reviewed and updated on an ongoing basis with the most current and accurate information available.

The District's Board-adopted fund balance and reserve fund policy indicates that if the unrestricted portion of fund balance exceeds 4 percent at the end of the fiscal year, the Board will evaluate current reserves and designations to determine the final distribution of fund balance in consideration of the District's estimated liabilities. The policy also references eight different reserves and indicates that they will be evaluated annually by the Business Office.

## Additional Financial Management Resources

Figure 5: OSC Publications

OSC Local Government Management Guides available on our website to help officials understand and perform their responsibilities.		
Reserve Funds	Understanding the Budget Process	Multiyear Financial Planning
 <p>LOCAL GOVERNMENT MANAGEMENT GUIDE</p> <p><b>Reserve Funds</b></p> <p>Office of the New York STATE COMPTROLLER Thomas P. DiNapoli</p> <p>Local Government and School Accountability</p> <p>BUDGETING AND PLANNING SERIES</p>	 <p>LOCAL GOVERNMENT MANAGEMENT GUIDE</p> <p><b>Understanding the Budget Process</b></p> <p>Office of the New York STATE COMPTROLLER Thomas P. DiNapoli</p> <p>Local Government and School Accountability</p> <p>BUDGETING AND PLANNING SERIES</p>	 <p>LOCAL GOVERNMENT MANAGEMENT GUIDE</p> <p><b>Multiyear Financial Planning</b></p> <p>Office of the New York STATE COMPTROLLER Thomas P. DiNapoli</p> <p>Local Government and School Accountability</p> <p>BUDGETING AND PLANNING SERIES</p>
<p><a href="https://www.osc.ny.gov/files/local-government/publications/pdf/reserve-funds.pdf">https://www.osc.ny.gov/files/local-government/publications/pdf/reserve-funds.pdf</a></p>	<p><a href="https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf">https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf</a></p>	<p><a href="https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf">https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf</a></p>

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
<b>Surplus Fund Balance</b>	\$11,497,304	\$11,724,823	\$12,198,001	\$13,417,753	\$18,073,209
<b>Add: Unused Appropriated Fund Balance</b>	1,998,177	1,998,177	-	500,000	4,059,572
<b>Recalculated, Surplus Fund Balance</b>	\$13,495,481	\$13,723,000	\$12,198,001	\$13,917,753	\$22,132,781
<b>Upcoming Year's Budgeted Appropriations</b>	\$287,432,600	\$293,207,684	\$304,950,018	\$335,443,816	\$358,983,349
<b>Percentage</b>	4.7%	4.7%	4.0%	4.1%	6.2%

**Figure 7: Summary of Unused Reserve Amounts**

Type of Reserves	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Workers' Compensation Reserve</b>	\$8,340,784	\$8,352,244	\$8,368,169	\$9,601,638	\$12,601,637
<b>Teachers' Retirement Contribution Reserve</b>	2,027,945	3,405,308	4,636,617	4,427,851	5,427,851
<b>Employee Retirement Contribution Reserve</b>	2,478,377	2,481,782	2,986,514	2,686,514	3,686,514
<b>Unemployment Insurance Reserve</b>	1,018,742	1,020,142	1,022,087	922,087	1,422,087
<b>Insurance Reserve</b>	655,004	1,150,904	1,153,098	1,153,098	1,153,098
<b>Total</b>	<b>\$14,520,852</b>	<b>\$16,410,380</b>	<b>\$18,166,485</b>	<b>\$18,791,188</b>	<b>\$24,291,187</b>

# Appendix C: Response From District Officials



<b>Dr. Jackielyn Manning Campbell</b>	<b>Superintendent of Schools</b>
<b>Ms. Onyx Peterson</b>	Deputy Superintendent
<b>Dr. Elisa Correa-Soto</b>	Asst. Superintendent, Secondary Curriculum & Instruction
<b>Dr. Natasha Freeman-Mack</b>	Asst. Superintendent, Student Support Services
<b>Ms. Marcie Heywood</b>	Asst. Superintendent, PRE K - 2
<b>Ms. Genieve Holder</b>	Asst. Superintendent, Human Resources
<b>Mr. Joseph McGrath</b>	Asst. Superintendent, Chief Information & Data Officer
<b>Dr. Shannon O'Grady</b>	Asst. Superintendent, Elementary Curriculum & Instruction
<b>Ms. Kimberly Rohring</b>	Asst. Superintendent, Finance/Chief Financial Officer
<b>TBD</b>	Asst. Superintendent, Exceptional Learners

January 9, 2026

Mr. James Latainer, Chief of Municipal Audits  
NYS Office of the State Comptroller, Newburgh Regional Office  
33 Airport Center Drive, Suite 102  
New Windsor, NY 12553-4725

Dear Mr. Latainer:

This acknowledges receipt of an audit regarding Financial Management for the period July 2019 through June 2024 and serves as the Newburgh Enlarged City School District response to the Office of the State Comptroller report 2025M-32.

During this period of time there was significant turnover in the Board of Education and district leadership. The inconsistency in these leadership roles results in changes in practice and priorities. It is important to note that 2023-24 is the only fiscal year of this audit period under the current district leadership. In fact, there were four other business officials associated with 2019-20 through 2022-23. Additionally, between Spring 2020 and September 2024 the district received more than \$51M in one-time federal funds as part of its response to COVID and the additional needs of students and school district operations that resulted from the pandemic.

Of the \$67M in “unbudgeted transfers”, more than \$50.6M were year-end transfers to restricted reserves approved by the Board of Education. We disagree with the characterization of these funds as “unbudgeted transfers” as it is not possible to predict and budget for reserve funding more than fifteen months in advance as this is based upon unused funds at the end of a fiscal year. Additionally, district leadership allocated more than \$16M of surplus funds for liability settlements approved by the Board of Education to avoid additional cost to the taxpayers of issuing debt to pay such legal settlements. More than \$24M was allocated to the Capital Reserve which has supported the NFA Main locker room renovations, NFA North Auditorium renovation, and local share of the HVAC upgrades planned for Fostertown and Gardnertown. It should also be noted that of the \$16M not attributed to reserve funding, the amount for fiscal year 2023-24 was less than \$230K.

See  
Note 1  
Page 18

Current District leadership has consistently followed Board of Education policy regarding budget transfer thresholds requiring Board approval before they are executed.

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At the end of each fiscal year, a recommendation is made by the Superintendent to the Board of Education regarding funding of district reserve funds. The Board must approve reserve funding and has done so at the following meetings: June 14, 2022 agenda item 8.15, June 20, 2023 agenda item 9.8 and June 27, 2024 agenda item 6.1. The maximum reserve funding amounts established by the Board’s approval of these resolutions were never exceeded. This information is brought to the Board in a public meeting, approved in public, and remains on the district’s “BoardDocs” for the public to review.

See  
Note 2  
Page 18

The state comptroller’s office incorrectly states on Page 7 that \$1M and \$1.8M was transferred into the liability and capital reserves respectively without Board authorization. On October 24, 2023 Agenda Item 9.2 was approved by the Board of Education to fund \$1M to the Liability Reserve; and on June 11, 2025 Agenda Item 9.18 the Board of Education approved the use of \$1.75M from budget appropriation to do an emergency roof replacement at NFA Main, West Wing. These funds flow through the capital reserve to adhere to accounting standards.

See  
Note 3  
Page 18

When considering recommended funding of reserves, there is an established rationale for such. During these three year-end processes, the Board approved funding of the liability reserve, capital reserve, workers compensation reserve, and retirement contributions. Board approved liability settlements of more than \$16M have been covered by the liability reserve and surplus funds minimizing financial impact on district taxpayers. Similarly, funds have been placed in the capital reserve recognizing that district facilities require ongoing work which is informed by the Building Condition Survey submitted every five years to NYSED. The district has proposed, and voters have approved, three capital projects funded with this reserve since May 2023, again minimizing impact on taxpayers to complete this needed work. Not only was there a rationale for funding, but it was executed. Additionally, we do not agree with the statement “The Board did not properly manage five reserve funds totaling \$24.3M.” The Board prudently funded reserves in years where surplus funds were available recognizing the continued contraction of state aid to come once the three year full funding of Foundation Aid phase in was complete (2023-24), happening in tandem with the expiration of the one time federal funds (September 2024). This allows the district to maintain programs for students and operations without significant increases to the taxpayers as these one-time funds supplement other sources of revenues.

See  
Note 4  
Page 18

Current district leadership estimated the 2023-24 budget. Such budget included funding for mandated and instructionally necessary positions that were not filled during the year. During 2021-22, 2022-23, and 2023-24 the district had on average 100 vacant positions throughout the fiscal year, the majority of which are teaching positions. Funding was planned for these positions, but human resources was not able to recruit and retain staff in them resulting in unspent funds. Mandated positions must be funded in budget estimates, and district leadership planned funding for other positions deemed instructionally and operationally necessary.

As noted above, during most of the audit period, the district received one-time federal funds totaling more than \$55.7 million. District leadership planned how these funds would be used to best support students, staff and facilities. Some of those plans required revision due to lack of staff available to provide afterschool and summer programming for students and planned positions that could not be filled. Also, during the 2023-24 fiscal year, to fully maximize these one-time dollars for district taxpayers, expenses were ultimately shifted from the annual operating budget, as well as identifying additional one-time expenditures. This is prudent fiscal management and should not be misconstrued as poor estimating or planning.

Multi-year projections have been prepared and shared with the Board and community. This is an important part of the annual budget development process as it indicates the anticipated sustainability of funding decisions including staffing levels, student supports, technology, transportation and more. These projections consider both expenses and projected revenue to cover those expenses. The Board also received

See  
Note 5  
Page 18

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current year balances of restricted reserves and unappropriated fund balance, along with multi-year use associated with the multi-year revenue projections as part of the budget development process. This practice will continue. Separately, the district provided the 2022 Building Condition Survey which reflects the district's priorities for its Facilities. A new review will be completed in 2026 and used to inform future capital projects.

The district does not agree with some of the statements in the report nor all the findings and will prepare a corrective action plan to both clarify and address recommendations that are no longer relevant due to action taken, current processes and procedures that were in place prior to the issuance of this report and outline any future actions that will be taken in response.

Of the recommendations in the report, the district has already addressed and/or has procedures in place for five of seven. District leadership has stabilized, as well as the current Board of Education, and we look forward to sustaining this consistency in the Board of Education going forward to support collective efforts to do what is best for our students, staff and community.

Regards,

Mr./John Doerre  
Board President

# Appendix D: OSC Comments on the District's Response

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## Note 1

During the budget development process, District officials can prepare reasonable estimates of fund balance to determine the surplus funds that may be available to fund reserves in the subsequent year's budget. School district officials should balance the desirability of accumulating reserves for future needs with the obligation to make sure taxpayers are not overburdened by these practices. Reserve funds should be established with a clear intent or plan in mind regarding the future purpose, use and, when appropriate, replenishment of funds from the reserve. Details on how District officials could prepare estimates of available fund balance can be found on page 10 of our *Local Government Management Guide: Understanding the Budget Process*,<sup>2</sup> and details on the intended use of reserves can be found on page 2 of our *Local Government Management Guide: Reserve Funds*.<sup>3</sup>

## Note 2

In fiscal year 2020-21, the Board approved a transfer of \$8 million to the capital reserve but District officials transferred \$15.9 million, or \$7.9 million more than the amount approved. Likewise, the Board approved a transfer of \$495,000 to the teachers' retirement contribution reserve but District officials transferred almost \$1.4 million, or \$879,577 more than the amount approved. These transfers increased the capital reserve balance to \$25.3 million and the teachers' retirement contribution reserve balance to \$3.4 million as of June 30, 2021.

## Note 3

Subsequent to the audit's exit conference, District officials provided documentation to support that the 2023-24 transfers to reserves were approved by the Board. We revised the report accordingly.

## Note 4

District officials did not use the reserve funds to maintain programs for students and operations because they budgeted for and made payments through general fund appropriations. As a result, five reserve funds totaling \$24.3 million were unused and/or likely exceeded the amount reasonably needed by the District based on our review of applicable statutes, eligible liabilities, a historical cost trend analysis and their use.

## Note 5

While District officials prepared a three-year projection as part of its 2024-25 budget presentation, the Board did not develop or adopt a comprehensive multiyear financial or capital plan that included fund balance projections, a fiscal improvement plan, capital investment needs and financing methods. Without formal plans, it is difficult for the Board to assess alternative approaches to financial needs, such as accumulating fund balance or using surplus funds to finance annual operations.

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<sup>2</sup> <https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf>

<sup>3</sup> <https://www.osc.ny.gov/files/local-government/publications/pdf/reserve-funds.pdf>

# Appendix E: Audit Methodology and Standards

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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 gain an understanding of the policies and procedures relating to the District's financial management and budget process.
- We reviewed budget-to-actual reports for 2019-20 through 2023-24 for the general, cafeteria and library funds to determine whether revenue and expenditure accounts were over- or underestimated.
- We reviewed Board-adopted budgets and budget-to-actual reports for 2019-20 through 2023-24 to determine whether the District appropriated fund balance, appropriated fund balance was being used, and there was an operating surplus or deficit.
- We analyzed the District's operating results and resulting fund balance for fiscal years 2019-20 through 2023-24 to identify trends. We calculated surplus fund balance as a percentage of the upcoming year's budgeted appropriations to determine whether it was within the statutory limit.
- We reviewed the surplus fund balance for 2019-20 through 2023-24 to determine whether surplus fund balance was reasonable and recalculated surplus fund balance to include fund balance not appropriated or used and unbudgeted transfers to reserve funds.
- We examined Board resolutions, bank statements and reserve accounting records to determine whether reserves were legally established, funded and properly used, and balances were maintained in accordance with statutory requirements. We compared reserve balances with appropriations from 2019-20 through 2023-24 to determine the reasonableness of reserve balances.
- We reviewed Board meeting minutes and monthly and annual reports provided to the Board members to determine the extent of financial information received.

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.

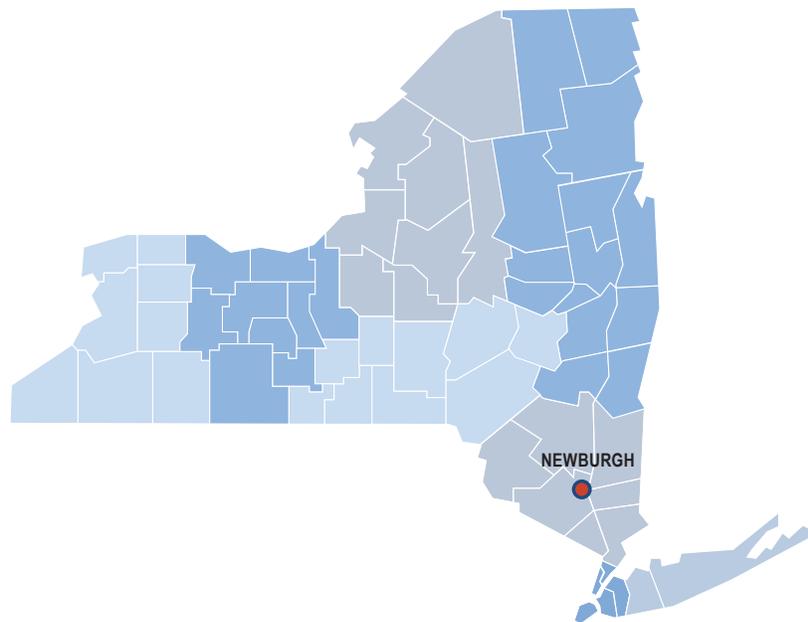
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