Office of the New York State Comptroller

Division of Local Government & School Accountability

Massapequa Union Free School District

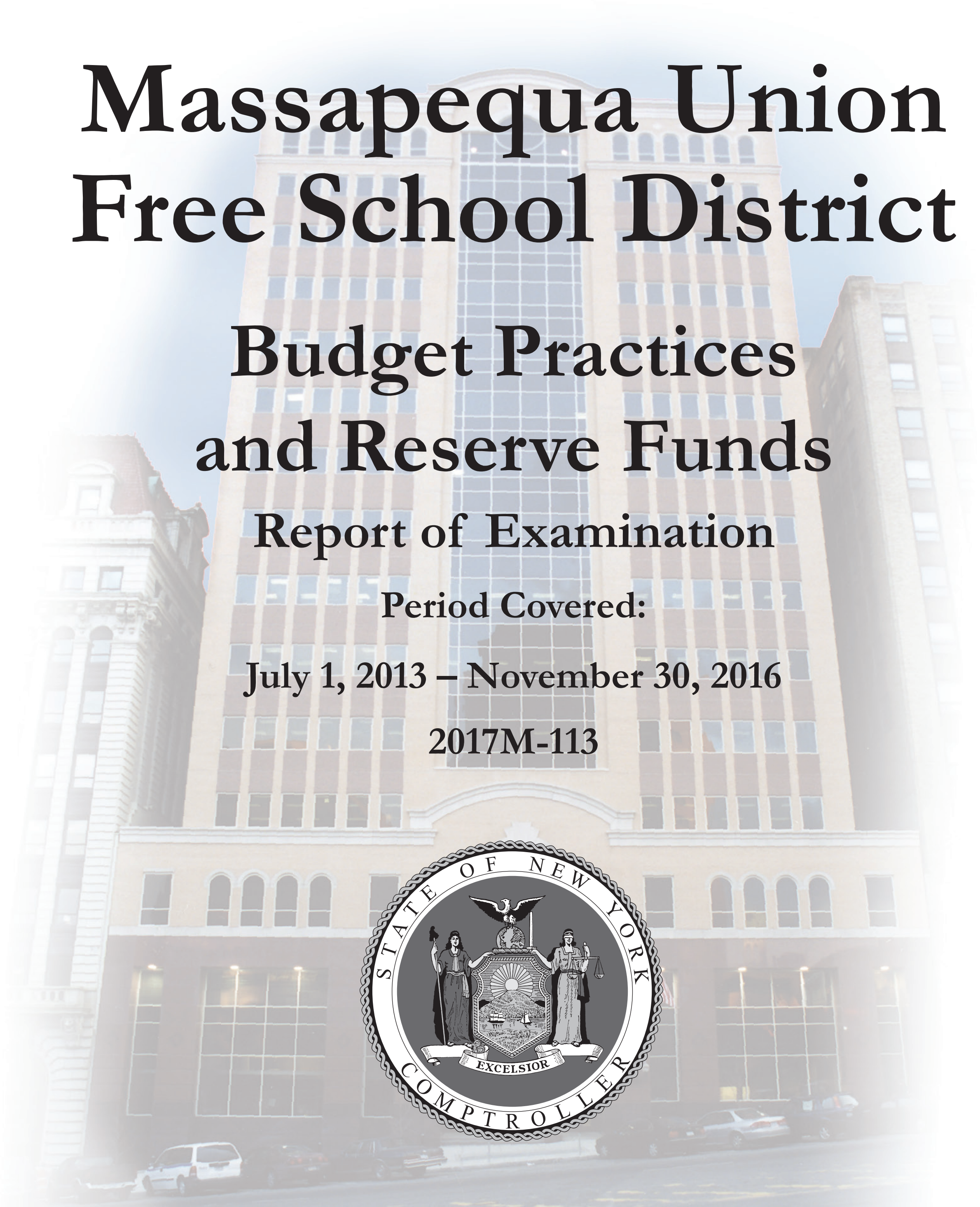
Budget Practices and Reserve Funds

Report of Examination

Period Covered:

July 1, 2013 – November 30, 2016

2017M-113



Thomas P. DiNapoli

Table of Contents

State of New York
Office of the State Comptroller

Division of Local Government
and School Accountability

October 2017

Dear School District Officials:

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

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

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

Respectfully submitted,

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

Introduction

Background

The Massapequa Union Free School District (District) is located in the Town of Oyster Bay in Nassau County. The District is governed by a Board of Education (Board) that is composed of five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Board President serves as the District's chief financial officer. The Assistant Superintendent for Business is responsible for overseeing the Business Office and supervising employees who maintain financial records. These responsibilities include developing and administering the budget.

The District operates nine schools with approximately 7,100 students and 1,600 employees. General fund budgeted appropriations for the 2016-17 fiscal year were approximately $190 million, funded primarily by real property taxes, State aid, payments in lieu of taxes and other revenue.

Objective

The objective of our audit was to examine the District's budget practices and reserve funds. Our audit addressed the following related question:

- Did the Board ensure that budget estimates were reasonable and reserve funds were appropriately managed?

Scope and Methodology

We examined the District's budget practices and reserve funds for the period July 1, 2013 through November 30, 2016 to analyze the District's financial trends.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix C of this report. 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. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials disagreed with certain aspects of our findings and recommendations in our report, but indicated that they planned to implement some of our recommendations. Appendix B includes our comments on the issues raised in the District's response letter.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3) (c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report,* which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

Budget Practices and Reserve Funds

The Board is responsible for making sound financial decisions that are in the best interests of the District, the students it serves and the residents who fund the District's programs and operations. This responsibility includes adopting budgets with realistic expenditure estimates, appropriating fund balance to the extent necessary to fund District operations and ensuring that reserve funds are reasonable. Accurate budget estimates and the appropriate use of reserve funds help ensure that the real property tax levy is not greater than necessary. Any remaining fund balance, exclusive of the amount allowed by law to be retained to address cash flow and unexpected occurrences, should be used in the District's best interests.

The Board and District officials did not ensure that budget estimates were reasonable. The Board adopted budgets for fiscal years 2013-14 through 2015-16 that resulted in overestimated appropriations totaling $24.9 million. The Board appropriated fund balance totaling $3.1 million from the 2012-13 to the 2014-15 fiscal years to finance the subsequent year's budget. However, because the District experienced operating surpluses totaling $20.5 million between 2013-14 and 2015-16, the appropriated fund balance was not used. Also, the Board routinely funded reserves with operating surpluses at year-end, instead of funding the reserve through the annual budget process, which would have been more transparent to District residents. Additionally, District officials inappropriately used legally restricted reserve funds for operating cash flow.

Budget Practices

When preparing the budget, the Board must estimate revenues, expenditures and the amount of fund balance that will be available at year-end, some or all of which may be used to fund the subsequent year's appropriations. Revenue and expenditure estimates should be developed based on prior years' operating results, past expenditure trends, anticipated future needs and available information related to projected changes in significant revenues or expenditures. Unrealistic budget estimates can both mislead District residents and significantly impact the District's year-end unrestricted fund balance and financial condition.

We compared the District's budgeted revenues and appropriations with actual results of operations for the 2013-14 through 2015-16 fiscal years. Revenue estimates were reasonable and generally close to the actual revenues received. However, the Board overestimated appropriations each fiscal year. Overestimated expenditures totaled of $24.9 million over three years, averaging about $8.3 million each year, or about 4.6 percent of actual expenditures.

Figure 1: Overestimated Appropriations

Fiscal Year	Budgeted Appropriations[a]	Actual Expenditures	Overestimated Appropriations	Percentage Overestimated[b]
2013-14	$186,580,939	$177,241,276	$9,339,662	5.3%
2014-15	$191,473,317	$181,890,170	$9,583,147	5.3%
2015-16	$192,445,414	$186,498,639	$5,946,775	3.2%
Total	**$570,499,670**	**$545,630,085**	**$24,869,584**	**4.6%**

[a] Includes year-end encumbrances of $712,000, $1.7 million and $2.7 million from 2012-13, 2013-14, and 2014-15, respectively
[b] Overestimated appropriations divided by actual expenditures

A significant portion of overestimated appropriations were for utility and transportation contracts, teachers' salaries and employee health insurance. During 2013-14 through 2015-16, the Board overestimated appropriations for utility and transportation contracts by a total of $5.6 million (22.5 percent), teachers' salaries by $4.8 million (19.3 percent)[1] and employee health insurance by $2 million (8 percent).[2] District officials indicated unexpected staffing changes have resulted in these positive variances. Officials also said that they have strived to reduce overestimated appropriations and budget estimates improved in the third year of our audit period.

The Board appropriated fund balance totaling $3.1 million from the 2012-13 to the 2014-15 fiscal years to finance the subsequent year's budget, an average of about $1 million per year. The appropriation of fund balance should have resulted in operating deficits in the ensuing fiscal year, financed by the amount of appropriated fund balance. However, because the Board adopted budgets that overestimated appropriations, the District instead realized operating surpluses totaling $20.5 million from the 2013-14 to the 2015-16 fiscal years (about $6.8 million per year) and did not need any of the appropriated fund balance. The Board also appropriated $427,364 of fund balance at the 2015-16 fiscal year end to fund the 2016-17 budget. However, District officials are projecting an operating surplus of about $506,000 as of June 30, 2017. Therefore, the planned operating deficit will likely not occur. Appropriating fund balance while experiencing operating surpluses results in an increase in unrestricted fund balance.

To reduce operating surpluses, District officials budgeted $189.7 million for each of the last two fiscal years. As a result, operating surpluses were lower in the last two completed fiscal years. The practice of consistently planning operating deficits by appropriating unrestricted fund balance that was not needed to finance operations is, in effect, a reservation of fund balance that is not provided for by

1 Overestimated teachers' salaries includes regular instruction salaries totaling $3.8 million and occupational instruction salaries of $1 million.
2 As a percentage of total overestimated appropriations

statute and a reduction of the fund balance included in the 4 percent statutory limit calculation. As a result, the Board levied more taxes than necessary to fund the District's operations.

Reserve Funds

When the Board establishes reserve funds, it is important that it develop a plan for funding the reserves and establish how much should be accumulated and how and when funds will be used to finance related costs. Such a plan can serve to guide officials in accumulating and using reserve funds and to inform District residents about how their tax dollars will be used. Generally, school districts are not limited as to how much money they can maintain in reserves. However, reserve balances should be reasonable. Funding reserves at greater-than-reasonable levels essentially results in real property tax levies being higher than necessary.

The Board-established six reserve funds that had a cumulative balance totaling $38.8 million as of June 30, 2016. Reserves include retirement contribution ($11.3 million), employee benefit accrued liability (EBALR) ($8.5 million), capital ($6.8 million), unemployment insurance ($4.8 million), property loss ($4.4 million) and worker's compensation ($3 million). We determined that three of the six reserves may be overfunded. Additionally, the Board did not plan for increases to the reserves by including appropriations in the original budget. Instead the Board, by resolution, funded reserves with operating surplus at year-end. As a result, nearly $4.2 million in transfers were made without sufficiently informing residents of the Board's intent to increase reserve funds during the budget process. Furthermore, these reserve funds were not used to pay related expenditures, District officials paid for these costs from the general fund.

<u>Unemployment Insurance Reserve</u> – School districts that have elected to make payments in lieu of contributions to the State Unemployment Insurance Fund (SUIF) are authorized by General Municipal Law (GML) to establish an unemployment insurance reserve. Payments are made to reimburse the SUIF for the actual amount of unemployment insurance benefits paid to claimants and charged to the District's account. The Board should establish a reasonable basis for the reserve funding levels. If, at the end of any fiscal year, the fund exceeds the amounts required to be paid to the SUIF, plus any additional amount to pay all pending claims, the Board, within 60 days of the close of the fiscal year, may elect to transfer all or part of the excess amount to another authorized reserve fund or apply the excess to the ensuing year's budgeted appropriations.

As per Board resolution, the reserve is not to exceed a funding level of 7 percent of budgeted salaries, which was $7.1 million as of June 30, 2016. Between July 1, 2013 and June 30, 2016, the Board transferred $790,000 into the reserve. As of June 30, 2016, the reserve had a balance of $4.8 million. No funds were withdrawn from the reserve to pay unemployment costs between 2013-14 and 2015-16; instead District officials budgeted to pay unemployment costs from the general fund. Unemployment costs for the fiscal years 2013-14 through 2015-166 averaged $134,257[3] per year. While the unemployment reserve is within the limits established by the Board, the $4.8 million reserve is enough to pay for more than 36 years of unemployment costs, based on the average costs for the last three years.

Retirement Reserve – GML authorizes school districts to establish a retirement contribution reserve fund for the purpose of financing the portion of the retirement contribution amount payable to New York State and Local Retirement System (NYSLRS). Expenditures from the reserve must be authorized by the Board. The Board should establish a reasonable basis for funding levels of the reserve.

As per Board resolution, the reserve was not to exceed seven years of estimated retirement system billings, which was $12.8 million as of June 30, 2016. Between July 1, 2014 and June 30, 2016, the Board transferred $2.6 million into the retirement reserve. As of June 30, 2016 the reserve had a balance of $11.2 million. These transfers were made without sufficiently informing District residents of the Board's intent to increase reserve funds during the budget process. A more transparent method would be to include an appropriation to increase the reserve in the budget presented to residents for approval.

No funds were withdrawn from this reserve to cover related retirement expenditures for the three fiscal years we reviewed. Instead, the District budgeted a total of about $7.5 million (annual average of $2.5 million) to pay for all of its retirement costs from the general fund, averaging $2 million[4] per year between 2013-14 and 2015-16. Therefore, the reserve can currently fund more than five years of retirement costs. While the retirement reserve is within the funding basis established by the Board, District officials do not have a plan indicating why this funding level is justified.

---

3 Actual expenditures for unemployment costs were $270,039 in 2013-14, $86,365 in 2014-15 and $46,366 in 2015-16.

4 Actual expenditures for retirement costs were $2.2 million for 2013-14, $1.9 million for 2014-15 and $2.0 million for 2015-16, for a period total of $6.2 million.

Workers' Compensation Reserve – GML authorized school districts to establish a workers' compensation fund for the purpose of financing compensation and benefits, medical, hospital or other expenses authorized by New York State Workers' Compensation Law. If at the end of any fiscal year, money in the fund exceeds the amounts required to be paid for compensation benefits and expenses, plus an additional amount required to pay all pending claims, the Board may elect to transfer all or part of the excess amount to another authorized reserve or apply the excess to the next year's budget.

Per Board resolution, the Board set the funding levels to not exceed 7 percent of budgeted salaries, which was $7.1 million as of June 30, 2016. The District is self-insured for this program. As of June 30, 2016, the District's liability was $2.4 million,[5] and the reserve had a balance of $3 million.

Between July 1, 2013 and June 30, 2016, the Board transferred $773,339[6] of surplus funds into the workers' compensation reserve instead of including an appropriation to increase the reserve in the budget presented to the voters. Rather than using the funds reserved, between 2013-14 and 2015-16 the Board budgeted an annual average of $650,000 and paid for all workers' compensation costs averaging $639,923[7] per year from the general fund. The District's workers' compensation reserve exceeded the combined balance of the District's long-term liability and current expenditures for the 2013-14 and 2014-15 years by $393,700 and $676,448. The District has not transferred any of the excess in the reserve to another authorized reserve or used the excess to fund the workers' compensation appropriation in the succeeding fiscal year's budgets; therefore, we question whether maintaining a reserve balance of $3 million is in the best interests of the District.

The Board's practice of adopting budgets that included appropriations in excess of amounts needed have allowed District officials to increase reserve funds without disclosing their intent to do so in the budget document presented to the voters, resulting in real property taxes that are higher than necessary.

Restricted Cash

Reserve funds are mechanisms for accumulating and earmarking cash for a future specific purpose. The legal statutes under which the reserves are established determine how the reserves may be funded

---

5 The year-end long-term liability for worker's compensation was $1,407,063 for 2013-14, $1,531,868 for 2014-15, and $2,449,405 for 2015-16.

6 Includes interest earned totaling $15,794

7 Actual expenditures for worker's compensation were $460,682 for 2013-14, $809,913 for 2014-15 and $649,175 for 2015-16, for a period total of $1.91 million.

and expended. Therefore, the cash accumulated for these specific purposes must be reported on financial statements as restricted and made unavailable for immediate and general use. The District is not required to establish separate bank accounts for each reserve it establishes. However, money in each reserve is restricted for reserve fund purposes and must be accounted for separately from other District money.

Adequate cash flow should allow the District to liquidate obligations in a timely manner, without needing to rely on short-term cash flow borrowing. Unrestricted fund balance retained by the District serves as a financial cushion for unexpected events and maintaining cash flow. If the District is periodically short of cash, it can issue revenue or tax anticipation notes (RANs or TANs) to provide short-term funding of operations until revenue is collected. There is no authority for the District to borrow cash from reserve funds for cash flow purposes.

Additionally, with voter approval, school districts may raise an amount, in addition to the amount of the budget, in the tax levy in one fiscal year for cash flow purposes in order to pay for expenses of the succeeding fiscal year. Raising such an amount establishes a planned balance. The primary purpose of a planned balance is to avoid the cost of borrowing to meet expenses during the first part of the fiscal year before State aid and tax money is received. New York State Education Law (Education Law) limits the planned balance of a district budget to the amount necessary to meet expenses during the first 120 days of the fiscal year following the fiscal year in which such tax is collected.

The Board did not properly plan for adequate cash flow in the general fund during the three fiscal years we reviewed. Every October for the past three fiscal years, District officials used cash restricted for the reserve funds for ineligible purposes. Officials indicated that instead of seeking short-term borrowing to maintain cash flow in the general fund, they used cash restricted for the reserve funds.

The District's six reserve funds had a combined balance of $38.8 million as of June 30, 2016 as reported on its audited financial statements. We reviewed bank balances for the reserve funds during our audit period in order to determine whether the District's reserve bank balances were sufficiently funded. The District earmarked and restricted cash for the six reserve funds. However, we found that the District withdrew funds from its bank balances around the same time every year, during the audit period, reducing available cash below the total amount of reserves the District had legally retained.

Figure 2: Bank Balance

	October 2013	October 2014	October 2015	October 2016
Reserve Balance per Books	$22,849,512	$28,915,910	$35,502,658	$38,888,195
Total Balance per Bank[a]	$19,246,859	$19,928,925	$26,046,388	$32,378,330
Insufficient Cash Balance	($3,602,653)	($8,986,985)	($9,456,270)	($6,509,865)
Percentage Insufficient Cash Balance	(15.8%)	(31.1%)	(26.6%)	(16.7%)

[a] Bank balance includes cash balance from the District's operating and restricted accounts.

In November of each year we reviewed, the District's property tax revenue provided for a refunding of the reserve bank balances. The reserve bank balances were maintained at a sufficient amount throughout the remainder of the year until the October of the following fiscal year. District officials stated that by using reserve cash balances for cash flow purposes and refunding the reserve bank balances with the District's property tax revenue, the District has been able to reduce interest and administrative costs associated with short-term borrowing. If District officials' intent was to not issue debt to cover certain expenses, they could have used some of the District's unassigned fund balance and adopted budgets that included a planned balance as is permitted by Law.

Although District officials did not issue debt for cash flow purposes, they used legally restricted funds for ineligible purposes. As a result, money reserved for purposes legally established were at risk of being unavailable to the District for their intended purpose for immediate and general use.

Recommendations

The Board should:

1. Adopt general fund budgets that include realistic appropriation estimates.

2. Discontinue the practice of adopting budgets that result in the appropriation of unrestricted fund balance that is not needed and not used to fund District operations.

3. Use surplus funds as a financing source for:

    - Funding one-time expenditures
    - Reducing District property taxes
    - Funding needed reserves.

4. Review all reserves currently established and determine if the balances are necessary and reasonable. To the extent that they

are not, the Board should reduce the balances in the reserves in the manner provided for by Law to benefit the taxpayers.

District officials should:

5. Ensure that reserve fund money is expended only for the purposes that the reserve funds were established, or as otherwise provided by Law.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

MASSAPEQUA PUBLIC SCHOOLS

4925 MERRICK ROAD
MASSAPEQUA, NEW YORK 11758
(516) 308-5000 FAX (516) 308-5009
www.msd.k12.ny.us

September 20, 2017

Mr. Ira McCracken, Chief Examiner
Office of the State Comptroller
New York State Office Building
250 Veterans Memorial Highway
Hauppauge, NY 11788-5533

Dear Mr. McCracken:

The Massapequa UFSD (the District) acknowledges the efforts of the NYS Comptroller's Audit Team for its thoroughness and professionalism during the review of internal controls and district operations. The District is pleased that this extensive examination has resulted in no findings of material weakness, operational impropriety, fraud, waste, or abuse. Accordingly, the focus of the review was expanded which resulted in recommendations pertaining to budget, reserves, and cash flow.

Budget

The District prides itself on its proven track record of enhancing educational programs for children while keeping tax increases low for our community. We have consistently presented the community with budget proposals that comply with the tax levy cap legislation while maintaining and enhancing programs for children. The District does a commendable job preparing efficient and cost effective budgets and keeping the tax levy below the tax cap limits. In fact in school years 2015/16 and 2016/17, there was **no increase** in the budget. In school year 2016/17 the District **lowered** the tax levy by over $1.8 million dollars.

Table Figure 1 as contained in the Comptrollers Audit Report is incomplete and misleading as it does not accurately reflect the total expenditures and obligations charged or incurred for each budget year. Specifically, it does not reflect the encumbrances charged to each budget year reviewed. The District has prepared a complete and accurate analysis illustrating and comparing the voter approved budget with all expenditures and obligations charged to each respective budget year. As illustrated in District Table 1, the District spent 96.0% of the budget in 2013/14; 96.4% of the budget in 2014/15; 98.3% of the budget in 2015/16 and 100.0% of the budget in 2016/17. Overall during the period of audit, the District spent 97.7% of the budget.

See Note 1 Page 29

The District has also done a commendable job in keeping the tax levy at or below the tax cap level. As illustrated in District Table 2, during the six years that the tax cap legislation has been enacted, the Districts' tax levy is $4.8 million dollars **less** than was permitted by NYS under the tax cap legislation for Massapequa Schools.

The District also reviewed and compared its budget and tax levy increases on a statewide level. As illustrated in District Table 3, the District compared its budget and tax levy increases during the period of audit with that of the rest of State. District Table 3 illustrates that the average 4-year budget increase for Massapequa Schools was 0.90% versus 2.4% for the rest of the State. It also illustrates that the average 4-year tax levy increase for Massapequa Schools was 1.23% versus 1.81% for the rest of the state. Therefore, during the period of audit Massapequa Schools average 4-year budget increase was 63% lower than the rest of the NYS school districts and its tax levy increase was 32% lower than the rest of the NYS school districts.

See Note 2 Page 29

In addition, the District has enabled its residents to benefit from the NYS Property Tax Freeze Credit and the NYS Property Tax Relief Credit. In May, 2015 the District filed a Government Efficiency Plan with NYS. The District was required to demonstrate that it saved $1,557,035 in costs. The Massapequa Schools Government Efficiency Plan, which was approved by NYS, saved nearly twice the amount in costs than was required.

In summary, the District will continue to develop effective and cost efficient budgets that preserve the programs of our children at or below the tax cap limits.

Reserve Funds:

The funding of reserves is a sound, financial practice sanctioned by New York State. Reserve funds provide a mechanism for saving money to finance all or part of future infrastructure and specific costs. Reserve funds can also provide a degree of financial stability by reducing reliance on indebtedness to finance capital projects. In uncertain economic times, reserve funds can provide a budgetary option that can help mitigate the need to cut student programs or to raise taxes. In good times, money not needed for current purposes can be set aside for future use.

As a result of establishing reserves, the District is proud to have earned an outstanding AA1 credit rating from Moody's Investor Services. District Attachment 1 is the Moody's Investor Services report, which awards the District the AA1 credit rating. This outstanding credit rating saves the taxpayers interest costs whenever the District borrows or refinances a bond issue.

Each year the NYS Comptroller's Office produces a fiscal stress monitoring report for all school districts. It indicates on a statewide basis individual school districts that are in varied states of fiscal stress. The Comptroller's fiscal stress monitoring report that was issued in 2015 identified 90 school districts in New York State that were in some form of fiscal stress. Massapequa UFSD is proud to be a school district that **is not** in fiscal stress, having attained the best score on the Comptroller's fiscal stress monitoring report. This is primarily due to the outstanding financial condition and stability of the school district.

During the period of audit, the District maintained six reserve funds. During the 2014/15 fiscal year, the District developed a Reserves Plan. The plan was approved and adopted by the Board of Education in April 2015. Since April 2015, the plan has been updated and readopted in November 2015 and in November 2016. The Reserves Plan is scheduled to be readopted by the Board of Education during the

2017/18 fiscal year. The District will work with legal counsel, internal and external accountants and fiscal advisors to review the current plan and propose revisions as suggested.

Restricted Cash/Cash Flow

A new fiscal school year begins on July 1st. School districts are required to have the necessary cash balance on hand to pay for District operations before taxes are received. Historically, initial tax payments are received by the District during the month of November. Therefore, cash balances on hand are typically at their lowest levels during the month of October, just prior to the receipt of taxes.

For many years the District, with direction from fiscal advisors, borrowed short term Tax Anticipation Note (TANS) because projected total cash balances fell below the amount needed to support operations, during certain months. Beginning in school year 2013/14 the Districts fiscal advisors restricted the amount of the TANS indicating that the District had sufficient total cash on hand to support operations. Subsequently, the District was advised not to borrow TANS as it had sufficient cash on hand to meet obligations. A benefit of not borrowing TANS is that the District and community do not incur the interest cost and issuance costs associated with the TANS.

The comptrollers audit report cited that a portion of total cash, which is presented for financial statement purposes as restricted, was temporarily used for cash flow purposes during the month of October. The amount was restored the next month, during the first three weeks of November, as soon as the District received tax payments. The District did not diminish or utilize reserve accounts, which are stated and recorded on the Districts' balance sheet.

See Note 3 Page 29

This finding contradicts a previous report issued by the NYS Comptrollers' Office in November 2009. The report entitled "New York State's Cash Flow Crunch" indicates that it is common practice for the State of New York to utilize restricted cash throughout the year for cash flow purposes as long as its restored by year end. The Comptrollers' Report, included as District Attachment 2, states at the bottom of page 5 under the heading labeled "Other Cash Management Practices":

See Note 4 Page 29

"Reserve fund cash, including funds in the Rainy Day, Tax Stabilization and other reserves, has already been used by DOB within the fiscal year. The State utilizes those fund balances throughout the year and then repays them on the last day of the fiscal year."

The District feels that it is unnecessary and wasteful to burden local taxpayers with interest costs and issuance costs associated with borrowing a Tax Anticipation Note when the District has sufficient total cash to meet its obligations.

In addition, based on conversations with the districts external auditors, internal auditors and fiscal advisors, the District has come to learn that it is a common practice among school districts to temporarily utilize restricted cash for cash flow purposes. NYS does not require that the restricted cash portion of total cash be deposited in a separate bank account. Therefore, it is common practice and permissible to have all cash together in one bank account. Furthermore, the State Comptrollers' Office has not issued a guidance document or accounting bulletin on the use of restricted cash for temporary cash flow purposes. The District has found that there are many interpretations among accounting and financial professionals regarding the temporary use of restricted cash for cash flow purposes. The District urges the State Comptrollers' Office to issue a guidance document or accounting bulletin regarding the temporary use of restricted cash for cash flow purposes. Issuing a guidance document or accounting bulletin would convey a uniform set of rules which would be consistent and understood by all stakeholders, including the State of New York.

See Note 5 Page 29

In closing, we appreciate the work of the examiners and the opportunity to respond to this report. Massapequa Public School is committed to maintaining strong fiscal controls and efficient operations to insure the continuity and sustainability of both student programs and the communities' investment in its school system.

Sincerely,

Timothy P. Taylor
Board of Education President

Lucille F. Iconis
Superintendent of Schools

DISTRICT TABLE 1 - VOTER APPROVED BUDGET vs ACTUAL SPENDING

FISCAL YEAR	VOTER APPROVED BUDGET	AMOUNT ACTUAL SPENDING (1)	PERCENT BUDGET SPENT (2)	AMOUNT BUDGET UNEXPENDED (3)	PERCENT BUDGET UNEXPENDED (4)
2013-14	$185,809,139	$178,347,276	96.0%	$7,461,863	4.0%
2014-15	$189,746,159	$182,861,625	96.4%	$6,884,534	3.6%
2015-16	$189,746,159	$186,593,354	98.3%	$3,152,805	1.7%
2016-17	$189,746,159	$189,676,336	100.0%	$69,823	0.0%
TOTAL	$755,047,616	$737,478,591	97.7%	$17,569,025	2.3%

1 - Amount Actual spending reflects expenditures and encumbrances charged to the voter approved budget for the respective fiscal year.

2 - Calculated as amount actual spending divided by voter approved budget.

3 - Calculated as voter approved budget minus amount actual spending.

4 - Calculated as amount budget unexpended divided by voter approved budget.

DURING THE PERIOD OF AUDIT, THE DISTRICT WAS IMPLEMENTING AND COMPLETING AN ENERGY PERFORMANCE CONTRACT WHICH RESULTED A MEANINGFUL REDUCTION OF UTILITIES COSTS THAT WAS REALIZED OVER SEVERAL FISCAL YEARS. THIS INCLUDED THE DISTRICT CONVERTING MOST OF ITS BOILERS FROM FUEL OIL TO NATURAL GAS. AS A RESULT OF REALIZING THE COST SAVINGS IN UTILITIES, THE DISTRICT REDUCED SUBSEQUENT BUDGETS FOR UTILITIES. IN ADDITION, DURING THE PERIOD OF AUDIT, THE DISTRICT REDUCED CONTRACTED TRANSPORTATION COSTS WHICH WAS REALIZED OVER SEVERAL FISCAL YEARS. THEREFORE THE DISTRICT DID NOT INCREASE THE TRANSPORTATION BUDGET FOR NORMAL YEAR TO YEAR OPERATIONAL COSTS BUT ACTUALLY REDUCED SUBSEQUENT TRANSPORTATION BUDGETS.

DISTRICT TABLE 2 - MASSAPEQUA SCHOOLS - SIMPLE MAJORITY TAX LEVY CAP ANALYSIS

FISCAL YEAR	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
TAX CAP LEVY LIMIT	$ 148,445,048	$ 152,741,986	$ 156,169,364	$ 158,519,621	$ 155,350,861	$ 156,136,142
ACTUAL TAX LEVY	$ 148,445,048	$ 152,675,732	$ 155,703,530	$ 157,178,136	$ 152,455,005	$ 156,090,323
AMOUNT LESS THAN TAX CAP	$ -	$ 66,254	$ 465,834	$ 1,341,485	$ 2,895,856	$ 45,819
TOTAL AMOUNT BELOW TAX LEVY LIMIT - FIRST 6 YEARS OF THE CAP LEGISLATION						$ 4,815,248

DISTRICT TABLE 3 - ANALYSIS OF BUDGET AND TAX LEVY INCREASES
MASSAPEQUA PUBLIC SCHOOLS vs REST OF NEW YORK STATE (approx 670 school districts)

BUDGET INCREASE

FISCAL YEAR	2013 / 14 (1)	2014 / 15 (1)	2015 / 16 (1)	2016 / 17 (1)	4 YEAR AVERAGE (2)
MASSAPEQUA	1.49%	2.12%	0.00%	0.00%	**0.90%**
NYS	3.05%	2.50%	1.91%	2.18%	**2.41%**

DURING THE PERIOD OF AUDIT MASSAPEQUA PUBLIC SCHOOLS AVERAGE 4 YEAR BUDGET INCREASE WAS 63% LOWER THAT OF THE REST OF NEW YORK STATE

TAX LEVY INCREASE

FISCAL YEAR	2013 / 14 (1)	2014 / 15 (1)	2015 / 16 (1)	2016 / 17 (1)	4 YEAR AVERAGE (2)
MASSAPEQUA	3.19%	1.98%	0.95%	-1.19%	**1.23%**
NYS	3.07%	1.95%	1.57%	0.66%	**1.81%**

DURING THE PERIOD OF AUDIT MASSAPEQUA PUBLIC SCHOOLS AVERAGE 4 YEAR TAX LEVY INCREASE WAS 32% LOWER THAT OF THE REST OF NEW YORK STATE

(1) - Data from the Property Tax Report Card at the New York State Education Department website - www.nysed.gov/mgmtserv/propertytax/

(2) - Calculated

U.S. PUBLIC FINANCE

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
8 July 2016

New Issue

Rate this Research

Contacts

Pisei Chea 212-553-0344
Associate Analyst
pisei.chea@moodys.com

Cristin Jacoby 212-553-0215
VP-Senior Analyst
cristin.jacoby@moodys.com

Massapequa Union Free School District, NY

New Issue - Moody's Assigns Aa1 to Massapequa UFSD, NY's 2016 Series A and B GO Bonds

Summary Rating Rationale

Moody's Investors Service has assigned a Aa1 rating to Massapequa Union Free School District, NY's $2.9 million School District Refunding Serial Bonds - 2016 Series A and $13.5 million School District Serial Bonds - 2016 Series B. Moody's maintains the Aa1 rating on the district's $12.3 million of general obligation (GO) debt outstanding. The Aa1 rating incorporates the district's sizeable tax base, strong resident wealth indicators, healthy reserves and liquidity, low debt burden, and average pension liability. The Aa1 rating also takes into account the district's strong management, which has a track record of conservative budgeting and financial practices.

Credit Strengths

» Sizeable tax base with above-average wealth levels

» Healthy reserves and liquidity

» Modest debt burden

Credit Challenges

» Recent tax base declines

Rating Outlook

Outlooks are usually not assigned to local government credits with this amount of debt outstanding.

Factors that Could Lead to an Upgrade

» Continued growth of financial reserves

» Substantial tax base growth and enhancement of socioeconomic profile

Factors that Could Lead to a Downgrade

» Inability to substantially replenish fund balance appropriations leading to reserve declines

» Protracted tax base deterioration

OFFICE OF THE STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

New York State's Cash Flow Crunch

November 2009

Summary

New York State has already been forced to take extraordinary measures to meet its existing obligations in State Fiscal Year (SFY) 2009-10. The decline in revenue associated with the most severe recession since the Great Depression and the State's continuing failure to address its worsening structural budget imbalance have combined to create a severe cash flow crunch.

To date, these measures include extending the legal duration of temporary loans to the General Fund from the State's Short Term Investment Pool (STIP) and delaying or rescheduling payments. Even with these measures, however, current revenue trends indicate that without timely legislative action, the State's General Fund may incur a cash flow deficit of up to $1.4 billion in December 2009 if all payments are made as currently planned. In other words, bills due and owed by the State may exceed available revenues in the General Fund.

The State has a limited number of options to deal with this shortfall, absent legislative action on a deficit reduction plan (DRP). All these options would have negative fiscal ramifications for the State. Such actions may include further payment delays, which may be disruptive to local governments, school districts, and service providers, or additional sweeps from dedicated funds and reserves, which provide one-time revenue and do nothing to address the State's structural imbalance.

A particularly harmful option would be short-term borrowing, because it would only postpone the time when the underlying problems must be addressed (and may require legislative action). This option also sends the negative message that the State is unwilling to address its financial issues. Any evidence that the State does not take these matters seriously risks a negative impact on the State's credit rating, which could translate into a loss of confidence by investors and increased borrowing costs for the State.

The current cash flow crisis is a symptom of the failure on the part of the State to address its fundamental budget problem. While payment delays and temporary loans may allow the State to manage its cash through the year, these are only temporary solutions which do nothing to resolve the State's underlying structural imbalance between revenue and spending. Furthermore, any borrowing, whether short-term or long-term, to address the State's deficit would further increase the State's debt burden, already among the highest in the nation. New York State can no longer afford delays or inadequate solutions. The

Executive and the Legislature must act now to address the current budget deficit, and must develop a long-term, realistic plan to correct its chronic structural budget imbalance.

Projected December Cash Shortfalls

The month of December has several significant payments that are either currently scheduled or have historically been made within the month. Payments include a School Property Tax Relief Program (STAR) payment of $2.5 billion, a $1.6 billion school aid payment and $461 million for the Aid and Incentives to Municipalities program (AIM). In addition, this year December has five Wednesdays, which is the day on which weekly Medicaid cycle payments, which average between $400 million and $500 million, are typically made.

While a number of large disbursements are planned throughout the month of December, the month also marks the end of a quarter and is usually a significant tax revenue month. However, the State typically does not see any significant quarterly tax revenue until approximately the 18th. This means that the fund balances through the first two weeks in December may be particularly tight.

The Division of the Budget (DOB) projects that the All Governmental Fund balances will total only $36 million (prior to any DRP actions) at the end of December. Based on current revenue trends through October 31, 2009 and planned spending, the Office of the State Comptroller estimates a *negative* balance which may approach $3.0 million. The General Fund is projected to be more than $1.0 billion in the negative by DOB, but the Office of the State Comptroller estimates this deficit could approach $1.4 billion if revenue trends continue and all payments currently planned for December are made.

Projected Closing Balances
December 2009
(In millions of dollars)

	General Fund	All Governmental Funds
Division of the Budget	(1,088)	36
Office of the State Comptroller	(1,354)	(3)

In short, the State's cash flow crunch will become increasingly critical in December.

Cash Flow Through the Remainder of the Fiscal Year

The Office of the State Comptroller projects that All Governmental Funds tax collections through the end of the current fiscal year will be $1.0 billion lower than the current projections by DOB. Actual results through October 31 indicate that All Governmental

Funds tax collections were already $85.3 million below the projections in DOB's Mid-Year Financial Plan, which was updated on October 30.

Furthermore, the Office of the State Comptroller projects that All Governmental Funds spending will be $390 million higher than the forecast contained in the Executive's Mid-Year Update to the Financial Plan, thus putting additional pressure on cash flow. Any payment delays made in December will only create additional cash flow pressure throughout the remainder of the fiscal year.

The State is reserving money to make the debt service payments scheduled for November and December. DOB plans to reserve money in January 2010 for payments due in the final quarter of the current fiscal year. Money to pay debt service on bonds secured by dedicated receipts, including Personal Income Tax bonds, continues to be set aside as required by law and bond covenants.

Cash Management Options

To date, DOB has actively managed the flow of spending to accommodate lower-than-anticipated revenue collections. However, many of these options will cease to exist as the fiscal year progresses. According to the Executive, the proposed DRP is intended not only to address the year-end projected deficit of $3.2 billion, but also to alleviate some of the potential cash flow shortfall projected for December.

While DOB has some ability to manage some spending, many payment dates are statutorily established and require an act of the Legislature to be changed. Other disbursements may be affected by economic conditions, programmatic variances or unanticipated events. For instance, although the average payment is $400 million to $500 million a week, Medicaid cycle payments from All Governmental Funds can vary by hundreds of millions of dollars above or below that figure.

Revenue collections are much more difficult to control. While certain revenue collections are or can be scheduled, tax collections can be volatile. The months of June, September, December and March are significant collection months as they close the quarters with due dates for certain business taxes and estimated Personal Income Taxes. January is generally a significant month for Personal Income Tax collections, as taxes associated with end-of-year bonuses from the financial sector are usually received at that time. Other tax collections in the remaining months are generally less robust.

To date, in each month of the current fiscal year, the Office of the State Comptroller has reported that year-to-date revenue collections have been below Financial Plan projections. Through October 31, 2009, General Fund revenue collections were $110.5 million below DOB's Mid-Year Financial Plan projections from October and $2.1 billion below DOB's Enacted Budget projections from April.

A number of cash management options exist for the Executive if disbursements exceed revenue, but all of these would have negative consequences for the State's long-term financial outlook. The decision to delay payments or use fund balances largely rests with the Executive. However, the issuance of intra-year notes requires the agreement of the Executive and legislative leaders, and the issuance of any notes for non-capital purposes may require legislative action. Each of these actions would worsen the State's financial outlook and add to next year's budget deficit. None of these actions are fiscally responsible, but would only continue the State's ongoing pattern of avoiding its fiscal problems.

Delayed Payments

DOB has already postponed payments in response to lower-than-anticipated revenues. For instance, the State was scheduled to pay $704 million in October 2009 and $861 million in November 2009 to school districts for STAR. A third payment of $1.04 billion was scheduled for December.[1] In the Mid-Year Update to the SFY 2009-10 Financial Plan, the October and November payments were drastically reduced to $12 million and $53 million, respectively, and the December payment was increased to nearly $2.5 billion, thus freeing up General Fund resources in October and November, but worsening the cash flow problem in December.[2]

Similarly, the State has traditionally prepaid its pension contribution, which has the benefit of lowering the cost, as the interest is discounted from the March 1 required payment date. In May, the Executive had planned to prepay what was estimated at the time to be the $959.1 million SFY 2009-10 pension payment on September 1.[3] The Executive now plans to make this payment in March 2010 in order to preserve cash temporarily in the General Fund. This measure, however, will cost the State an additional $30 million in interest, in an effort to free up resources as tax collections continue to fail to meet expectations.[4]

Significant payments in December include $2.5 billion for STAR, $1.6 billion for school aid, and $461 million for AIM, as well as five Wednesdays that typically are associated with Medicaid cycle payments (at about $400 million to $500 million each week on average for All Governmental Funds). Some payment dates may require legislative approval to be changed. However, local governments and service providers depend on timely payments from the State. In addition, any postponements would merely delay the State's deficit problem without addressing the underlying structural issues.

Temporary Loans From the Short Term Investment Pool

In response to the expectation that the State would face larger than normal cash flow problems in SFY 2009-10, the Enacted Budget for SFY 2009-10 included language that allows the General Fund to borrow from other funds in the State's Short Term Investment Pool (STIP) for a period not to exceed four months or until the end of the fiscal year, whichever is shorter, to meet its obligations in the event of a cash shortfall (inter-month).

---

[1] SFY 2009-10 Enacted Budget Financial Plan; First Quarter Update to the SFY 2009-10 Financial Plan.
[2] Mid-Year Update to the SFY 2009-10 Financial Plan, released on October 30, 2009.
[3] Annual Information Statement, State of New York, May 15, 2009.
[4] This payment plan is included in the Division of the Budget's Mid-Year Financial Plan Update, 2009-10 through 2012-13.

Previously, temporary loans from other funds in STIP were allowed, but had to be paid back within the same month (intra-month).

The temporary loan authorization has been in existence for some time and has been used by DOB to meet the State's General Fund obligations. Within certain months, required or scheduled payments may temporarily exceed available revenue. Intra-month temporary loans allow DOB to smooth these variances. However, the new language allowing General Fund temporary loans to cross over several months indicates a more severe cash flow problem.

While it is commonplace for temporary loans to cross months for many special revenue and capital project funds, this is not the case for the General Fund. In prior years, the State was able to balance the General Fund by month's end. In SFY 2009-10, this is no longer projected to be the case.

The Short Term Investment Pool is made up of All Governmental Funds (including the General Fund, State and federal special revenue funds, State and federal capital projects funds and debt service funds), enterprise and internal service funds used for financing goods and services between agencies and certain operations as well as fiduciary funds for which the State acts as a fiscal agent for individuals, private organizations or non-State governmental units.

These funds are invested temporarily until needed. However, a significant portion of the daily balance is restricted and is not available to be temporarily loaned to the General Fund. These restricted funds are held by the State in a fiduciary capacity—such as payroll taxes held pending payment to the taxing authorities or payroll deductions held pending payment of health insurance premiums. The STIP cash balance as of the end of October totaled $6.8 billion, of which $3.5 billion is restricted. Restricted, enterprise and internal service funds are *not* included in DOB's projected All Governmental Funds opening and closing balances.

STIP loans cannot solve the State's underlying budgeting problems and offer only limited relief from the cash flow crunch.

Other Cash Management Practices

In the absence of a deficit reduction plan that solves the State's cash crunch, the Executive could pursue the drawdown of available funds from various sources including public authorities, agencies and other entities. In addition, payments due to the State may be accelerated, such as recoupment of Medicaid overpayments to providers. However, the drawdown of such funds and the acceleration of payments provide only one-time benefits to the State, and ultimately make the long-term problem worse.

Reserve fund cash, including funds in the Rainy Day, Tax Stabilization and other reserves, has already been used by DOB within the fiscal year. The State utilizes those fund balances throughout the year and then repays them on the last day of the fiscal year. These reserve funds are included in DOB's $1.4 billion General Fund balance projected for

March 31, 2010, which assumes full implementation of the Executive's proposed DRP. In the event a Tax Stabilization loan is not repaid by year-end, by law the State would be required to repay the loan in three equal installments over the next six years.

Using restricted reserves to meet unaffordable spending commitments simply exacerbates the State's structural imbalance and delays the difficult choices that need to be made to bring recurring spending in line with recurring revenue.

In the past, the State has used intra-year cash flow Tax and Revenue Anticipation Notes (TRANs) to meet its obligations. However, the Debt Reform Act of 2000 requires State debt to only be issued for capital purposes. Furthermore, the TRANs would have to mature and be repaid within the current fiscal year, which, given the magnitude of the deficit facing the State, may not be possible.

Aside from existing legal hurdles, the issuance of intra-year TRANs would be a significant and troubling action on the part of the State. The State has not issued intra-year TRANs since SFY 1993-94. In 1990, the State created the New York Local Government Assistance Corporation (LGAC) to "bond out" its Spring Borrowing—which was the practice of issuing TRANs at the beginning of each fiscal year and paying them back at the end of the fiscal year, only to borrow an essentially equivalent amount early in the subsequent fiscal year.

In order to eliminate the State's reliance on the issuance of intra-year TRANs, LGAC was authorized to issue up to $4.7 billion of debt, not including costs of issuance and other expenses. LGAC issued the last of the bonds authorized by statute in SFY 1995-96. On March 31, 2009, approximately $3.8 billion of LGAC debt remained outstanding. These bonds are not scheduled to be fully repaid until April 1, 2025. Now, less than 20 years after LGAC's creation to end the State's dependence on Spring Borrowing, New York should not be looking to the issuance of intra-year TRANs to address its cash flow problems.

In the past, the State has issued deficit TRANs to meet its obligations. Deficit notes are short-term obligations issued by the State in the current fiscal year to be repaid in the next fiscal year. By law, the proposed Executive Budget has to include funds to repay the debt in the succeeding fiscal year. However, the issuance of deficit TRANs would not resolve the fiscal problem but simply push it into the next fiscal year when the State is already facing a significant budget deficit, and would cause the State to incur additional costs associated with the short-term borrowing. In addition the Debt Reform Act requires State debt to only be issued for capital purposes.

In either case, short-term borrowing to address the cash flow crunch only postpones the time when the State's underlying fiscal problems are addressed. These actions also send the negative message that the State is unwilling to address its financial issues. Any evidence that the State does not take these matters seriously risks a negative impact on the State's credit rating, which could translate into a loss of confidence by investors and increased borrowing costs for the State. Furthermore, other requirements associated with these issuances may eliminate such issuances as an option.

Cash management options fall far short of the prudent, realistic, long-term response the State's current fiscal crisis demands.

Conclusion

The Comptroller strongly recommends against using cash management options that merely push the State's current deficit into the next fiscal year. Such options will add to the State's ongoing structural imbalance and postpone the difficult decisions needed to align recurring spending with recurring revenue. Similarly, borrowing to address the State's deficit would be irresponsible, incurring additional costs and adding to the State's already high debt burden. As more time goes by without meaningful effort to address the State's budget problem, the cost of inaction will grow and the consequences will be significantly more severe.

Please notify the Office of Budget and Policy Analysis at (518) 473-4333 if you would like your name to be deleted from the mailing list or if your address has changed.

APPENDIX B

OSC COMMENTS ON THE DISTRICT'S RESPONSE

Note 1

Figure 1 in our audit report shows total expenditures and budgeted appropriations, including prior year's encumbrances, reported in the District's audited financial statements. Encumbrances are commitments related to unperformed executed contracts for goods and services. At the end of a fiscal year, funds encumbered are appropriated to the ensuing year and a corresponding increase occurs to budgeted appropriations of the ensuing year. The year-end encumbrances that are carried to the ensuing year become a budgetary responsibility of the ensuing year and should be measured with that year. These encumbrances represent potential expenditures that have not yet been incurred and might not occur in the ensuing year. To include them in a measure of expenditures in the current calendar year as illustrated in the District's response is incorrect. Therefore, the resultant percentages in the District's response are inaccurate.

Note 2

A comparison of the District's budgetary performance against other Districts statewide was not part of the scope of this audit.

Note 3

The District did not use its reserve funds during the fiscal years reviewed. However, as indicated in our audit report, the District did use restricted reserve cash in October of each year during our audit period as evidenced by the fact that total District cash per bank was less than total reserve balance per the District's records and audited financial statements.

Note 4

The OSC report dated November 2009 mentioned in the District's response details an approach by the New York State Division of the Budget (DOB) to use cash from reserve funds that are different from the reserve funds established by the District. Moreover, the referenced report criticizes the DOB for its use of restricted reserves indicating that it will add to the State's structural imbalance and the need to align recurring spending with recurring revenue.

Note 5

Guidance for the use of funds restricted in reserves is detailed in General Municipal and Education Laws and OSC's Local Government Management Guide on Reserve Funds.[8] The requirements of each of these reserves details the permissible use of the funds. In all six reserves maintained by the District, the use of funds is restricted to the purposes with which the reserves were established. The District's use of the restricted money for cash flow purposes is not an appropriate cash management option as it does not align recurring spending with recurring revenue.

[8] http://www.osc.state.ny.us/localgov/pubs/lgmg/reservefunds.pdf

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials to determine the processes in place for developing budgets and to gain an understanding of the District's budgeting practices and use of fund balance.
- We obtained and reviewed District policies related to budgeting, unrestricted fund balance and reserves.
- We compared the general fund's budgeted appropriations to actual results of operations and historical trends for the fiscal years ending June 30, 2013 through June 30, 2016 to identify any significant budget variances and to determine if the budgets were realistic.
- We interviewed District officials to determine the causes of any significant budget-to-actual variances.
- We obtained and reviewed Board resolutions establishing reserves to determine compliance with Education Law and GML.
- We reviewed Board resolutions to determine the basis for the reserves.
- We reviewed financial statements for the fiscal years 2013-14 through 2015-16 to determine fund balances for unrestricted and reserve funds and identify year-to-year changes.
- We reviewed general ledger reports for the years 2013-14 through 2015-16 to identify changes to reserve levels during each fiscal year.
- We interviewed officials and reviewed applicable laws, Board resolutions, accounting records, annual reserve reports to the Board and audited financial statements to determine if reserves were legally established, had reasonable balances and were funded/expended in accordance with statutory provisions and Board authorizations.
- We reviewed District bank balances and certificate of deposit for reserve funds from July 2013 through November 2016, in order to identify if bank balances were depleted in excess of District reserve totals.

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

APPENDIX D

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

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

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

APPENDIX E

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

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller
Tracey Hitchen Boyd, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

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

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

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

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

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

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

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

Serving: Nassau and Suffolk Counties

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

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

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

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

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

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

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