



# Peekskill City School District Financial Condition

## Report of Examination

Period Covered:

July 1, 2013 — June 30, 2015

2015M-191



Thomas P. DiNapoli

# Table of Contents

	Page
<b>AUTHORITY LETTER</b>	1
<b>INTRODUCTION</b>	2
Background	2
Objective	2
Scope and Methodology	2
Comments of District Officials	
<b>FINANCIAL CONDITION</b>	3
<b>APPENDIX A</b> Response From District Officials	4
<b>APPENDIX B</b> Audit Methodology and Standards	6
<b>APPENDIX C</b> How to Obtain Additional Copies of the Report	7
<b>APPENDIX D</b> Local Regional Office Listing	8

# State of New York Office of the State Comptroller

---

## **Division of Local Government and School Accountability**

September 2015

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 Peekskill City School District, entitled Financial Condition. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results 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 Peekskill City School District (District) is located in the City of Peekskill in Westchester County. The Board of Education (Board) is responsible for managing District operations, including establishing internal controls over financial operations and maintaining sound financial condition. The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for day-to-day District management under the Board's direction.

The District operates six schools, with approximately 3,600 students and 550 employees. The District's 2014-2015 general fund expenditures totaled approximately \$80 million. These expenditures were funded with revenues from local taxes, State aid and federal aid.

The Assistant Superintendent for Business is responsible for overseeing the District's Business Office and supervising employees who maintain the District's financial accounting records and monitor the financial activity of the District.

## Objective

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

- Do District officials adequately monitor the school's financial operations to ensure fiscal stability?

## Scope and Methodology

We examined the District's financial condition for the period July 1, 2013 through June 30, 2015.

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 B 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

The results of our audit have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report.

## Financial Condition

Financial condition may be defined as a school district's ability to balance recurring expenditure needs with recurring revenue sources, while providing desired services on a continuing basis. A school district in good financial condition generally maintains adequate service levels during fiscal downturns and develops resources to meet future needs. Conversely, a school in fiscal stress usually struggles to balance its budget, suffers through disruptive service level declines, has limited resources to finance future needs and often has minimal cash available to pay current liabilities as they become due.

District officials adequately monitored the District's financial operations. However, the settlement of a tax certiorari claim and subsequent issuance of debt to pay the claim caused a decrease in the District's unassigned fund balance for the fiscal year ending June 30, 2014. During the fiscal year ending June 30, 2014, a tax certiorari<sup>1</sup> dating back to 2006 was settled, resulting in an unexpected \$3 million payment by the District. The District had not included payments of tax certiorari judgments in the budget. The payment was financed mainly with a bond anticipation note (BAN) of almost \$2.9 million until the issuance of long-term bonds.

BANs are reported as a liability in the governmental funds until all principal payments have been made or the notes have been converted to long-term financing. When long-term financing is issued, the general fund will recognize the corresponding revenue. The District converted the BAN to long-term financing in the 2014-15 fiscal year. The result of issuing the BAN in one fiscal year and converting it to long-term financing in the subsequent year caused nearly a \$650,000 deficit in unassigned fund balance in the general fund as of June 30, 2014. Had the BAN been converted to long term financing in the 2013-14 fiscal year, the general fund unassigned fund balance as of June 30, 2014 would have been more than \$2.2 million.

The District's deficit unassigned fund balance as of June 30, 2014 resulted from the timing of issuing debt to cover an expenditure for which there was no budget appropriation. The impact of that transaction was reversed in the subsequent fiscal year and the District now shows a positive unassigned fund balance. The District estimates the general fund unassigned fund balance as of June 30, 2015 will be approximately \$2.3 million dollars.

---

<sup>1</sup> A tax certiorari is a legal proceeding whereby a taxpayer who has been denied a reduction in property tax assessment challenges the assessment on the grounds of excessiveness, inequality, illegality or misclassification.

**APPENDIX A**

**RESPONSE FROM DISTRICT OFFICIALS**

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



**Peekskill City School District**  
*A System Focused on Every Student; Every Day*

*The Mission of the Peekskill City School District is to educate students in a caring, inspiring environment characterized by a spirit of excellence and high expectations; prepare graduates to meet or exceed standards; graduate students who respect and appreciate cultural diversity; and prepare students to pursue adult lives as contributing citizens of our local and global community.*

*Dr. David Fine,  
Superintendent of Schools*

*Administration Center, 1031 Elm Street • Peekskill, NY 10566-3499  
(914) 737-3300, ext. 302 - FAX: (914) 737-3912  
E-mail: [dfine@peekskillcsd.org](mailto:dfine@peekskillcsd.org)*

September 2, 2015

Office of the State Comptroller  
Newburgh Regional Office  
33 Airport Center Drive, Suite 103  
New Windsor, New York 12553

To Whom It May Concern:

The Peekskill City School District acknowledges receipt of the draft audit report titled the "Financial Condition" covering the period from July 1, 2013 through June 30, 2015.

The District appreciates the oversight and feedback provided by the Office of the State Comptroller. We are very pleased that the State Comptroller's review found that "District Officials adequately monitored the school's financial operation". The District places great emphasis on protecting our taxpayer and community assets. The Board of Education is very diligent in monitoring the impact of tax certioraris and has taken necessary steps to allocate appropriations in the 2015-16 budget.

As noted in the Comptroller's report the district to ended the fiscal year 2014-15 with a positive unassigned fund balance of \$2.3 million.

Sincerely,

Dr. David Fine  
Superintendent

## **APPENDIX B**

### **AUDIT METHODOLOGY AND STANDARDS**

Our overall goal was to assess the District's financial condition. To accomplish this, our initial assessment included a comprehensive review of the District's financial condition.

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

- We reviewed the District's policies and procedures for developing and reporting information relevant to financial and budgeting activities. This included gaining information on the fiscal responsibilities of District officials.
- We interviewed District officials to determine what processes were in place and to gain an understanding of the District's financial situation and budget.
- We reviewed and analyzed the District's financial records and reports for all funds, including balance sheets, budget reports and statements of revenues and expenditures.
- We reviewed the District's multiyear financial plan to determine if it was up to date.
- We examined the 2013-2014 budget, prior years' operating results and actual results as recorded in the annual update document and in the District's financial management system.
- We examined source documents related to paid claims for tax certiorari actions.

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 C**

### **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 D**  
**OFFICE OF THE STATE COMPTROLLER**  
**DIVISION OF LOCAL GOVERNMENT**  
**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
Gabriel F. Deyo, Deputy 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](mailto: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-Bufferalo@osc.state.ny.us](mailto:Muni-Bufferalo@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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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