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April 11, 2014

David Gill, Superintendent  
Members of the Board of Education  
Chenango Valley Central School District  
221 Chenango Bridge Road  
Binghamton, NY 13901

Report Number: B4-14-8

Dear Superintendent Gill and Members of the Board of Education:

Chapter 206 of the Laws of 2008 authorized the Chenango Valley Central School District (District) to issue debt totaling \$3.5 million to liquidate the accumulated deficit in the District's general fund and food service fund as of June 30, 2008. Local Finance Law Section 10.10 requires all local governments that have been authorized to issue obligations to fund operating deficits to submit to the State Comptroller each year, starting with the fiscal year during which the local government is authorized to issue obligations and for each subsequent fiscal year during which the deficit obligations are outstanding, their proposed budget for the next succeeding fiscal year.

The budget must be submitted no later than 30 days before the date scheduled for the Board's vote on its adoption or the last date on which the budget may be finally adopted, whichever is earlier. The State Comptroller must examine the proposed budget and make recommendations for any changes that are needed to bring the proposed budget into balance. Such recommendations are made after the examination into the estimates of revenues and expenditures of the District.

Our office has recently completed a review of the District's budget for the 2014-15 fiscal year. The objective of the review was to provide an independent evaluation of the proposed budget. Our review addressed the following questions related to the District's budget for the 2014-15 fiscal year:

- Are the significant revenue and expenditure projections in the District's proposed budget reasonable?

- Did the District take appropriate action to implement or resolve recommendations contained in the budget review report issued in April 2013?

To accomplish our objectives in this review, we requested your proposed budget, salary schedules, debt payment schedules and other pertinent information. We identified and examined significant estimated revenues and expenditures for reasonableness with emphasis on significant and/or unrealistic increases or decreases. We analyzed, verified and/or corroborated trend data and estimates, where appropriate. We identified any significant new or unusually high revenue or expenditure estimates, made appropriate inquiries and reviewed supporting documentation to determine the nature of the items and to assess whether the estimate was realistic and reasonable. We also evaluated the amount of fund balance appropriated in the proposed budget to be used as a financing source and determined if the amount of fund balance was available and sufficient for that purpose. In addition, we inquired and checked whether written recommendations from the prior year’s budget review were implemented or resolved and therefore, incorporated as part of the current year’s budget.

The scope of our review does not constitute an audit under generally accepted government auditing standards (GAGAS). We do not offer comments or make specific recommendations on public policy decisions, such as the type and level of services under consideration to be provided.

The proposed budget package submitted for review for the fiscal year ending June 30, 2015 consisted of the following:

- 2014-15 Proposed general and food service fund budget
- Supplementary information

The proposed budget submitted to our office is summarized as follows:

<b>Fund</b>	<b>Appropriations and Provisions for Other Uses</b>	<b>Estimated Revenues</b>	<b>Appropriated Fund Balance</b>	<b>Real Property Taxes</b>
General	\$34,060,502	\$15,317,941	\$250,000	\$18,492,561
Food Service	\$759,310	\$759,310	\$0	\$0

Based on the results of our review, we found that the significant revenue and expenditure projections in the proposed budget are reasonable.

**Prior Year’s Recommendation**

Our 2013-14 budget review report included a recommendation that District officials adopt a food service fund budget that more closely aligned with previous years’ actual results of operations, plus any known needs or additional expenditures, as the 2013-14 proposed budgeted revenues and appropriations were higher than average actual results by \$65,000 (9.5 percent) and \$120,000 (19.1 percent), respectively. While District officials did not amend their proposed 2013-14 food service fund budget prior to adoption, the projected 2013-14 actual revenues and expenditures are fairly close to the budgeted amounts – the budget-to-actual variances are

expected to be within \$30,000 (4 percent) and \$43,000 (5.8 percent), respectively. District officials took some corrective action in the 2014-15 food service budget as the estimates are more in line with the recent trend of prior years' actual results. However, both revenues and expenditures have been increasing recently, with expenditures outpacing revenues. District officials told us the 2014-15 budgeted revenues were based on a projected small increase in breakfast and lunch sales which, if enacted, could help revenues keep pace with rising expenditures.

### **Tax Cap Compliance**

The State Legislature and the Governor enacted Chapter 97 of the Laws of 2011 that established a tax levy limit on all local governments and school districts, which was effective beginning in the 2012 fiscal year. The law precludes a school district from adopting a budget that requires a tax levy that exceeds the prior year's tax levy by more than 2 percent or the rate of inflation, whichever is less, and certain exclusions permitted by law, unless 60 percent of district voters approve a budget that requires a tax levy that exceeds the statutory limit.

The District's proposed budget complies with the tax levy limit because it includes a tax levy of \$18,492,561, which is within the limits established by law. In adopting the 2014-15 budget, the Board should be mindful of the legal requirement to obtain the proper voter approval to override the tax levy limit.

We request that you provide us with a copy of the adopted budget.

We hope that this information is useful as you adopt the upcoming budget for the District. If you have any questions on the scope of our work, please feel free to contact H. Todd Eames, Chief Examiner of the Binghamton Regional Office, at (607) 721-8306.

Sincerely,

Gabriel F. Deyo

cc: Elizabeth Donahue, School Business Executive  
Allen D. Buyck, District Superintendent of Broome-Tioga BOCES  
Susan Cirba, Clerk of the Board  
Hon. John A. DeFrancisco, Chair, NYS Senate Finance Committee  
Hon. Herman D. Farrell, Jr., Chair, NYS Assembly Ways and Means Committee  
Hon. Clifford Crouch, NYS Assembly  
Hon. Tom Libous, NYS Senate  
Robert L. Megna, Director, Division of the Budget  
Dr. John B. King Jr., Commissioner, State Education Department  
Maria Guzman, Director, Office of Audit Services, State Education Department  
H. Todd Eames, Chief Examiner