



Briarcliff Manor Union Free School District Budgeting Practices

Report of Examination

Period Covered:

July 1, 2013 — August 31, 2014

2014M-313



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 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 Briarcliff Manor Union Free School District, entitled Budgeting Practices. 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 Briarcliff Manor Union Free School District (District) is located in the Village of Briarcliff Manor in Westchester County. The District is governed by a Board of Education (Board) which comprises 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 (Superintendent) 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 Assistant Superintendent for Finance and Operations (Assistant Superintendent) is in charge of preparing the budget.

The District operates three schools and has approximately 1,500 students and 260 employees. The District's budgeted expenditures for the 2014-15 fiscal year were \$49,335,000, which were funded primarily with real property taxes, State aid and tuition from students who resided outside of the District.

Objective

The objective of our audit was to review the District's budgeting practices. Our audit addressed the following related questions:

- Does the Board adopt realistic budgets?

Scope and Methodology

We examined the District's budgeting practices for the period July 1, 2013 through August 31, 2014. We extended our audit period back to July 1, 2011 to analyze the District's budgeting 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 is included in Appendix B of this report. District officials agreed with our findings.

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.

Budgeting Practices

The Board is responsible for preparing and presenting the District's budget to the public for vote. In preparing the budget, the Board must estimate revenues and how much surplus fund balance will be available to help fund the ensuing year's operations to determine the tax levy. Accurate estimates are essential to ensure that the real property tax levy is not greater than necessary. After the budget is adopted, and until the tax levy is determined, certain information becomes available, such as updated estimates of State aid and the actual amount of available fund balance. The Board should use this information to more accurately budget for expected revenues and the amount of appropriated fund balance used to reduce the tax levy.

District officials developed reasonable budgets and managed fund balance responsibly in accordance with statute. Education Law allows a school district to maintain up to 4 percent of the ensuing year's budget as unrestricted fund balance. The District has maintained approximately this amount of unrestricted fund balance for the three fiscal years that we reviewed.

We compared the District's budgeted general fund revenues and expenditures with actual results of operations for fiscal years 2011-12 through 2013-14 and found that District officials generally developed and adopted reasonable budgets over the three-year period. Variances from operating results were reasonable. However, in the 2013-14 fiscal year, the Assistant Superintendent did not use the most current available data when estimating nonresident student tuition, which resulted in a significantly higher revenue.¹ In the 2014-15 fiscal year, the Assistant Superintendent used the most current rate recommended by the New York State Education Department. The Assistant Superintendent acknowledged that the 2013-14 budget should have been adjusted as more current data became available and is doing so with the 2014-15 budget. We also reviewed the 2014-15 budget and found that budgeted revenues and appropriations appear to be reasonable.

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

¹ Tuition is billed based on the most current rate. The billing rates were current, but the budgeted rate was not, which resulted in the District receiving more tuition revenue than it had budgeted for. As of the end of our fieldwork (October 17, 2014), final tuition rates for the 2013-14 fiscal year were not yet available.

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 adopted 2014-15 budget complies with the tax levy limit because it includes a tax levy of \$38,990,177, which increases the 2014-15 tax levy within the limits established by law.

We commend District officials for taking positive action in managing the District's financial condition. As a result, the District's financial position has remained strong.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

BRIARCLIFF MANOR UNION FREE SCHOOL DISTRICT
45 Ingham Road Briarcliff Manor, NY 10510

James Kaishian
Superintendent of Schools

914-9411-8880
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December 22, 2014

Ms. Tenneh Blamah, Chief Examiner
Office of the State Comptroller
Division of Local Government and School Accountability
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725

Dear Ms. Blamah:

The Briarcliff Manor School District wishes to thank the State Comptroller's Office for the opportunity to have its Budgeting Practices reviewed.

We are pleased that your office has commended District officials for "taking positive action in managing the District's financial condition". We also recognize your comment that "the District's financial position has remained strong" as a firm testament that the District has in place effective financial controls and that budgeting practices are consistent with Comptroller guidelines.

In closing, the District thanks the Comptroller's office for conducting this examination and confirming that our Budget Practices are efficient and appropriate.

Sincerely,

James Kaishian
Superintendent of Schools

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the District's budgeting practices. To accomplish our audit objective and obtain relevant audit evidence, our procedures included the following:

- We interviewed District officials to determine the processes that were in place for, and to gain an understanding of, the District's budgeting practices.
- We reviewed the District's policies and procedures for developing and reporting information related to financial and budgeting activities.
- We analyzed audited financial reports and three years of data filed with the Office of the State Comptroller to evaluate fund balance trends.
- We compared budget-to-actual revenues and expenditures and investigated significant variances.
- We evaluated the District's operating results and resulting fund balance for the audit period.

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.

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