



Cheektowaga-Maryvale Union Free School District Financial Condition

Report of Examination

Period Covered:

July 1, 2011 — December 17, 2014

2015M-25



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 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 Cheektowaga-Maryvale Union Free 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 Cheektowaga-Maryvale Union Free School District (District) is located in the Town of Cheektowaga in Erie County. The District is governed by the Board of Education (Board), which is comprised 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 (Superintendent) 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 District employs an Assistant Superintendent for Business Administration, who is responsible for managing the District's finance-related operations.

There are four schools in operation within the District, with more than 2,200 students and 275 employees. The District's general fund appropriations for the 2014-15 fiscal year are \$38 million, which are funded primarily with State aid, sales tax, real property taxes and grants.

Objective

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

- Did the Board and District administrative staff adequately manage the District's financial condition?

Scope and Methodology

We examined the District's financial condition for the period July 1, 2011 through December 17, 2014.

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.

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. District officials agreed with our findings.

Financial Condition

Financial condition can be defined as a school district's ability to balance recurring expenditure needs with recurring revenue sources, while providing services on a continuing basis. Financial condition is affected by the estimates included in the annual budget. A good annual budget begins with sound estimates and well-supported budgetary assumptions. Future spending levels and financial resources must be estimated as accurately as possible at budget preparation time to ensure that planned services are properly funded. Because the budget is such a key instrument in a school district's day-to-day operations, it is essential that it is properly constructed.

An important financing source for the annual budget is available fund balance. The key to using this as a funding source is the proper estimation of its value. Any remaining unrestricted fund balance not used as a financing source in the annual budget provides a cushion throughout the fiscal year that can help with cash flow and be an available resource to fund revenue shortfalls or unanticipated expenditures.

The Board and the administrative staff have taken appropriate action to manage the District's financial condition. District officials recognized the need to be proactive in budget development and expenditure controls. District officials and the Board met regularly to monitor and evaluate the current year's budget and available fund balance and to plan for future years' budgets. This planning included an ongoing evaluation of the District's spending trends and projected future fund balance. We reviewed the District's budgets for fiscal years 2011-12, 2012-13 and 2013-14 and found that District officials developed reasonable budget estimates and monitored the budgets throughout the year to properly manage the District's financial condition. For 2013-14, variances between budgeted and actual results were minimal. For example, actual revenues exceeded budgeted estimates by approximately \$1.3 million (3.5 percent) and expenditures were approximately \$1.3 million (3.6 percent) less than appropriations.

District officials also managed fund balance responsibly in accordance with statute. The New York State Real Property Tax Law allows a school district to maintain up to 4 percent of the ensuing year's budget as unrestricted fund balance. The District maintained approximately this amount of unrestricted fund balance for the three fiscal years that we reviewed.

New York State established a tax cap 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. A district can override the tax cap if 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 cap because it includes a tax levy of \$15.3 million, which increases the 2014-15 tax levy within the limits established by law.

We commend the Board and administrative staff for taking positive action in managing the District's financial condition.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Maryvale School System

1050 Maryvale Drive • Cheektowaga NY 14225-2386

Dr. Stephen J. Lunden
Assistant Superintendent for Administrative Services

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To: Audit Committee Members
From: Dr. Stephen J. Lunden
Date: April 22, 2015
Re: Audit Response to State Comptroller Audit Report and Corrective Action Plan

The Office of the State Comptroller has completed their audit at Maryvale. The District was found to be in good financial standing. This was reiterated by the auditor when we reviewed the draft audit report. Specifically, the results can be summarized by the following statements taken directly from the report:

1. "The Board and the administrative staff have taken appropriate action to manage the District's financial condition."
2. "We reviewed the Districts budgets...and found that District officials developed reasonable estimates and monitored the budgets throughout the year to properly manage the District's financial condition."
3. "District Officials also managed fund balance responsibly in accordance with statute."
4. "We commend the Board and administrative staff for taking positive action in managing the District's financial condition."

Additionally, there were no corrective actions noted by the auditor either. This is very unusual and it is also very good news for the District. I firmly believe that we have good processes in place and a great team of people who have worked hard for this result. We will continue to pursue excellence and strive to keep our District in a good financial condition.

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We reviewed financial condition-related policies and procedures.
- We interviewed District officials regarding the District's financial condition.
- For the three fiscal years 2011-12, 2012-13 and 2013-14, we reviewed adopted budgets, financial statements, financial reports and other relevant supporting schedules.
- We compared budget-to-actual revenues and expenditures.
- 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.

APPENDIX C

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AND SCHOOL ACCOUNTABILITY

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