



Jasper-Troupsburg Central School District Financial Condition

Report of Examination

Period Covered:

July 1, 2011 — January 7, 2015

2015M-22



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 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 Jasper-Troupsburg Central 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 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 Jasper-Troupsburg Central School District (District) is located in the Towns of Cameron, Canisteo, Jasper, Rathbone, Troupsburg and Woodhull in Steuben County. The District is governed by the Board of Education (Board) which comprises seven 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 chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board. Effective July 1, 2012 the District entered into an agreement with Canisteo-Greenwood Central School District to share a Business Administrator. Responsibilities relating to the District's finances, accounting records and reports are largely those of the Business Administrator.

There are two schools in operation within the District, with approximately 540 students and 175 employees. The District's budgeted general fund appropriations for the 2014-15 fiscal year are \$11.5 million, which are funded primarily with State aid and real property taxes.

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 officials effectively manage the District's financial condition?

Scope and Methodology

We examined the financial condition of the District for the period July 1, 2011 through January 7, 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 is included in Appendix B of this report.

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 agreed with our recommendations and indicated that they are in the process of implementing corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3)(c)

of the 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 School Board should make the CAP available for public review in the District Clerk's office.

Financial Condition

A school district's financial condition is a primary factor in determining its ability to continue providing public educational services for students in the district. The Board, Superintendent and Business Administrator are accountable to taxpayers for the use of District resources and are responsible for effective financial planning and management of District operations. District officials are responsible for developing reasonable budgets and managing fund balance responsibly and in accordance with statute. Sound budgeting practices, coupled with prudent fund balance management, help ensure that sufficient funding will be available to sustain operations, address unexpected occurrences and satisfy long-term obligations or future expenditures.

District officials' overreliance on the general fund's fund balance to finance planned operating deficits in the general and school lunch funds during the audit period has depleted available funds to precariously low levels. Although the District, in an effort to decrease the reliance on fund balance, overrode the tax cap and shared services with another district, fund balance has continued to decline. In addition, the District lacks a multiyear financial plan for its operations and capital needs, which their external auditor has recommended for the last three years.

General Fund

It is essential that the Board adopt structurally balanced budgets in which recurring revenues finance recurring expenditures and reasonable levels of fund balance are maintained. An appropriation of fund balance is the use of unexpended resources from prior years to finance budget appropriations and is considered a one-time financing source. This is an acceptable and reasonable practice when a district has accumulated an adequate level of unrestricted fund balance. However, if a district has recurring annual operating deficits, fund balance will be depleted and ultimately the district will go into a deficit position. Maintaining a reasonable level of unrestricted fund balance is an essential component of financial management. If the amount retained is too low, the District may not have a sufficient financial cushion for unanticipated costs. It is important for the Board to adopt a fund balance policy that addresses the appropriate level of unrestricted fund balance it desires to be maintained from year-to-year to provide guidelines for the Board during the budget process.

The Board has not adopted structurally balanced budgets, nor has it adopted a fund balance policy. Recurring expenditures were financed with fund balance, instead of with recurring revenues. The District's overreliance on fund balance to finance operations has decreased

the amount of fund balance to precariously low levels as illustrated in Figure 1:

Figure 1: Fund Balance - General Fund			
	2011-12	2012-13	2012-13
Beginning Fund Balance	\$1,754,943	\$1,961,755	\$1,284,817
Operating Surplus /(Deficit) ^a	\$206,812	(\$676,938)	(\$166,411)
Ending Fund Balance	\$1,961,755	\$1,284,817	\$1,118,406
Less: Restricted Funds	\$633,862	\$407,985	\$389,986
Less: Appropriated Funds	\$623,500	\$623,500	\$573,500
Less: Assigned Fund Balance	\$4,519	\$42,912	\$0
Unrestricted Ending Fund Balance	\$699,874	\$210,420	\$154,920
^a Includes interfund transfers and prior period adjustments			

As of June 30, 2014, the District’s unrestricted fund balance was \$154,920, which was only 1.3 percent of the ensuing year’s appropriations and well below the 4 percent allowed by law.¹ If the planned operating deficit occurs during 2014-15, the amount of fund balance available to finance operations in future years will be gone and District officials will need to find other funding sources to pay for these recurring expenditures or cut costs. Further aggravating the problem is that the District has had to override the tax cap for the last three years to increase real property taxes more than that allowed by law.² In order to override the tax cap, the District must receive approval from a super majority vote of 60 percent of residents. For the 2014-15 budget vote, the District received 61 percent approval, just passing the tax increase. District officials have indicated that they will probably have to ask the voters to override the tax cap for the 2015-16 budget and are planning to look at staffing needs to possibly reduce staffing and the related costs.

The District had four reserves totaling \$389,986 as of June 30, 2014. The capital reserve is used to partially finance bus purchases and appears reasonable. In 2014, the Office of the State Comptroller (OSC) determined and certified that the EBALR balance was excessive and could be used to finance 2014-15 appropriations. District officials included \$87,000 as a financing source for the 2014-15 budget. The two remaining reserves,³ totaling \$60,712, are available to finance

¹ New York State Real Property Tax Law limits the amount of unexpended surplus funds that can be legally retained by District officials to no more than 4 percent of the next fiscal year’s budget.

² The New York 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, with certain exclusions permitted by law, unless 60 percent of district voters approve a budget that requires a tax levy that exceeds the statutory limit.

³ The Unemployment Insurance Reserve totaled \$45,492 and the Tax Certiorari Reserve totaled \$15,220 as of June 30, 2014.

appropriations in ensuing budgets. The District's lack of reserves, in general, further limits the District's flexibility to meet future budgeting needs.

As of June 30, 2013, the District was categorized as being susceptible to fiscal stress in a report issued as part of OSC's Fiscal Stress Monitoring System (FSMS), which evaluates local governments and school districts based on financial and environmental indicators to determine if these entities are in or nearing fiscal stress. Fiscal stress is a judgment about the financial condition of an individual entity that must take into consideration the entity's unique circumstances, but can be generally defined as a local government's or school district's inability to generate enough revenues within its current fiscal period to meet its expenditures (budget). Fiscal stress designations of the FSMS are based solely upon year-end financial statements (ST-3) filed by the District. The District's FSMS score worsened at the end of the 2013-14 fiscal year, and the District is now categorized as moderately stressed.

School Lunch Fund

According to New York State Education Department guidelines, the school lunch fund's budgeted appropriations must balance with its estimated revenues. Its budget is not submitted to the voters for approval. Only the budgeted subsidy, if any, from the general fund requires voter approval. If the school lunch fund does have to resort to additional temporary loans from the general fund, there must be a reasonable plan by which the interfund loans can be repaid.

Over the three-year period July 1, 2011 through June 30, 2014, the school lunch fund has incurred planned operating deficits of \$77,600. Although the Board's adopted budget for the school lunch fund included interfund transfers⁴ from the general fund for \$95,385 to cover the planned deficits, these interfund transfers were never included in the general fund budget. As a result, the general fund loaned \$146,738, as of June 30, 2014, to the school lunch fund through interfund advances.⁵ We reviewed the school lunch fund's current assets⁶ as of June 30, 2014 and found that the amount available to pay back these advances totaled \$63,124, which creates a shortage of \$83,614. In addition, the 2014-15 school lunch fund budget includes a transfer from the general fund in the amount of \$14,515, which was also not included in the adopted 2014-15 general fund budget.

On July 1, 2012, Greater Southern Tier BOCES began managing the District's lunch operations and the Board has approved increases to

⁴ Resources transferred from one fund to another fund to pay for expenditures.

⁵ Interfund advances, unlike interfund transfers, are intended as short-term borrowing to be repaid within one year.

⁶ Current assets include \$46,087 in cash and \$17,037 in receivables.

the cost of lunches to try to stabilize the fund. However, because of the recurring operating losses, the potential for the school lunch fund to return to solvency and to operate without these subsidies from the general fund appears unlikely in the foreseeable future. In addition, the changes made by the Board do not address repayment of the advances made by the general fund.

Multiyear Plan

Multiyear financial planning is a tool school districts can use to improve the budget development process. Planning on a multiyear basis enables District officials to identify developing revenue and expenditure trends, establish long-term priorities and goals and consider the impact of near-term budgeting decisions on future fiscal years. It also allows District officials to assess the merits of alternative approaches (such as appropriating fund balance or establishing and using reserves) to finance its operations. Any long-term financial plan must be monitored and updated on a continuing basis to provide a reliable framework for preparing budgets and to ensure that information used to guide decisions is current and accurate.

The Board has not developed a multiyear financial plan. Without a well-designed plan, it is difficult for the Board to make timely and informed decisions about the District's programs and operations.

Corrective Action

An important part of effective financial management is the timely correction of audit findings by implementing audit recommendations. Audits can serve as effective management tools when District officials promptly focus on the findings and recommendations in audit reports, formally document their detailed responses and implement corrective action. New York State Education Law requires school districts that employ eight or more teachers to establish and maintain an audit committee. One of the responsibilities of the audit committee is to review every corrective action plan developed by the District and assist the Board in the implementation of such plans.

The District has not taken effective corrective action in response to audits completed by a Certified Public Accounting Firm (CPA) for the last three years. The findings in the CPA audits were similar to the findings included in this report, which remain uncorrected. Each year the District made the same responses to the findings of the CPA but did not implement corrective action. In addition, the audit committee tasked with assisting the Board to implement corrective action plans could provide no charter, meeting minutes or other information regarding the progress the District has made on the recommendations. An audit committee member stated that the committee relies on Board policy for guidance instead of a charter and thought that minutes were not needed since the committee does not have a quorum of Board members.

Because audit recommendations were not corrected in a timely manner, the problems they address continued and worsened.

Recommendations

The Board should:

1. Develop and adopt budgets for the general and school lunch funds that are structurally balanced with recurring expenditures funded by recurring revenues, thereby reducing the reliance on fund balance as a financing source. In the event that interfund transfers are necessary, ensure that these transfers are included in the budgets of both funds.
2. Develop a plan for the repayment of the temporary advances from the general fund and/or consider reducing the payable to a reasonable level.
3. Develop and adopt a fund balance policy that establishes an adequate amount of unrestricted fund balance to be maintained, within the legal limit, to meet the District's needs and provide sufficient cash flow.
4. Develop and regularly update a multiyear financial plan to provide a framework for future budgets and facilitate the District's management of financial operations.

The audit committee should:

5. Ensure that corrective action is taken by the Board to correct identified audit deficiencies.
6. Develop a charter and keep formal documentation of their meetings, recommendations and resolutions.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

JASPER-TROUPSBURG CENTRAL SCHOOL

HOME OF THE WILDCATS

Board of Education
Cameron Bullock, *President*
Andrew Cornell, *Vice President*
Robert Lemay
Lisa Tracy
Robert J. Cornish
Frederick Potter
David Weeks

Michael A. Mead
Superintendent of Schools

Christopher D. Parker
High School Principal

Jason R. Oliver
Elementary School Principal

Melinda Morgan, District Clerk

Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, NY 14614

March 18, 2015

Audit Report Title: Jasper-Troupsburg Central School District Financial Condition
Audit Report Number: 2015M-022

To Whom It May Concern:

Thank you for the opportunity to learn and reflect from this process. It has been very beneficial and it will prove valuable in the years to come as we make the appropriate changes and adjustments to our current practices.

We accept the auditor's findings and for each recommendation in the included audit report, we have proposed our corrective actions.

Sincerely,

Cameron Bullock
Jasper-Troupsburg CSD Board of Education President

Cc: Board of Education Members
Michael A. Mead, Superintendent of Schools
Theresa P. McKenna, Business Administrator
Melinda Morgan, District Clerk

High School Building
3769 State Rt 417
Jasper, NY 14855
607-792-3690

District Office
3769 State Rt 417
Jasper, NY 14855
607-792-3675

Elementary School Building
908 State Rt 36
Troupsburg, NY 14885
607-525-6301

Audit Recommendation #1:

The Board should develop and adopt budgets for the general and school lunch funds that are structurally balanced with recurring expenditures funded by recurring revenues, thereby reducing the reliance on fund balance as a financing source. In the event that the interfund transfers are necessary, ensure that these transfers are included in the budget of both funds.

Implementation of Corrective Action Plan:

The Jasper-Troupsburg CSD Board of Education is currently reviewing policies and practices that will provide guidance to better create structurally balanced budgets that do not require the continuous reliance of fund balance funds as a revenue source. Moving forward, the district will review all staffing allocations to appropriately align said allocations with documented and supported needs. The district will continue to review revenue streams; such as non-resident tuition charges, extra-curricular admission charges, building usage rental fees, repair and/or replacement fees for lost and/or damaged school property associated with community and/or student usage, along with seeking additional shared endeavors with surrounding school districts and/or BOCES services that are revenue generating and/or a substantial decreases in expenditures. In addition to the aforementioned, the district will create guiding language to properly fund necessary reserves and maintain between 2% and 4% fund balance from one fiscal year to another. Only fund balance excesses that exceed the 4% limit, which are not destined for appropriate reserves per long-term planning forecasts, will be considered for tax levy relief. In the interim, until the district’s reserve funds obtain minimum thresholds that speak to and demonstrate fiscal health, very little fund balance excess, if any, will be included as a revenue source in the next few years’ proposed budgets. If, and/or when necessary, dedicated reserves which do not require voter authorization will be utilized to offset appropriate and purposefully planned expenses such as, including but not limited to, unemployment benefits and workmen’s compensation.

Within the last two fiscal years, the Jasper-Troupsburg Central School District has contracted with Greater Southern Tier BOCES to manage and oversee our food services programs. With this venture, the food services program has continued to increase revenues and decrease losses over time. It is our desire to see the food services program become self-sufficient within the very near future. However, commencing with the 2015-16 fiscal budget, a general fund line item will be planned and created to provide for interfund transfers in the event that the food services program requires such assistance. A purposefully created general fund line item will ensure that an interfund transfer is a designated revenue source when appropriate, eliminating the need for advances between programs as short term loans which require repayment.

Additionally, the district is reviewing data and information to appropriately raise the cost of school provided breakfasts and lunches. In doing so, the district is resending free and reduced meal applications to all families as we know that are community under reports our current demographic trends.

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Troupsburg, NY 14885
607-525-6301

Implementation Date:

This process will commence with the creation of the 2015-16 budget cycle with full implementation as of July 1, 2015

Person(s) responsible for Implementation:

The Superintendent of Schools, the Business Administrator, the Board of Education Audit Committee, and the Board of Education

Signed:

Michael A. Mead
Superintendent of Schools

Date

School District Clerk's Certification:

This is to certify that this agreement was approved and the execution thereof on behalf of the Board of Education was authorized by a vote of the Board of Education of the Jasper-Troupsburg Central School District at a public meeting duly held on March 18, 2015, and has been made a part of the minutes of that meeting.

Melinda S. Morgan, District Clerk

Audit Recommendation #2:

The board should develop a plan for the repayment of the temporary advances from the general fund and/or consider reducing the payable to a reasonable level.

Implementation of Corrective Action Plan:

After consulting with Buffamante, Whipple, and Buttafaro, Inc., certified public accountants, and with their guidance, Jasper-Troupsburg CSD will develop a plan which will allow the food services program to decrease what it owes to the general fund over the next five to six years via repayment installments to ensure the food services program’s fiscal solvency over the long-term while removing the overdue advanced monies from this ledger area.

Implementation Date:

This process will commence with the creation of the 2015-16 budget cycle with full implementation as of July 1, 2015

Person(s) responsible for Implementation:

The Superintendent of Schools, the Business Administrator, the Board of Education Audit Committee, and the Board of Education

Signed:

Michael A. Mead
Superintendent of Schools

Date

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Audit Recommendation #3:

The board should develop and adopt a fund balance policy that establishes an adequate amount of unrestricted fund balance to be maintained, with the legal limit, to meet the District’s needs and provide sufficient cash flow.

Implementation Plan of Action:

The board of education has reviewed and will be adopting an appropriate policy to provide guidance for the establishment and maintenance of a fund balance that meets the needs of the District for future planning, yet also provides for sufficient annual cash flow. Please note the applicable attached policy.

Implementation Date:

This process will commence with the creation of the 2015-16 budget cycle with full implementation as of July 1, 2015

Person(s) responsible for Implementation:

The Superintendent of Schools, the Business Administrator, the Board of Education Audit Committee, and the Board of Education

Signed: ,

Michael A. Mead
Superintendent of Schools

Date

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SUBJECT: MAINTENANCE OF FUND BALANCE

Fund balance amounts will be reported by the District according to the following classifications:

Non-spendable – consists of assets that are inherently non-spendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted – consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Because the State regulates the establishment, funding and use of school district reserves, generally, reserves will be classified as restricted fund balance.

Committed – consists of amounts that are subject to a purpose constraint imposed by a formal action of the government’s highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The New York State Office of the State Comptroller at the present time believes that in New York State school districts will not have any committed fund balance.

Assigned – consists of amounts that are subject to a purpose constraint that represents an intended use established by the board or by their designated official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned Fund Balance generally includes encumbrances and appropriated fund balance.

Unassigned – represents the residual classification for the government’s general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

General Policy

Fund balance measures the net financial resources available to finance expenditures within current or future periods. The District’s Unassigned General Fund Balance will be maintained to provide the District with financial stability and a margin of safety to fund unanticipated contingent expenditures that may occur unexpectedly during the fiscal year. The Unassigned General Fund Balance used for these purposes may only be appropriated by resolution of the Board of Education unless voter approval is required.

(Continued)

POLICY

Jasper-Troupsburg CSD
March 18, 2015

5015
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Non-Instructional/Business
Operations

SUBJECT: MAINTENANCE OF FUND BALANCE (Cont'd.)

Any portion of Fund Balance may be applied or transferred for a specific purpose either by voter approval if required by law or by formal action of the Board of Education if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

The Board of Education shall delegate the authority to assign fund balance, for encumbrance purposes, to the Superintendent of Schools, the School Business Official, and/or the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

Ref: General Accounting Standards Board Statement 54
General Municipal Law Article 3
Real Property Tax Law §1318

General Provisions

The Board of Education recognizes that the maintenance of a fund balance is essential to the financial integrity of the District insofar as it helps mitigate current and future risks and assists in ensuring stable tax rates. Consistent with this understanding, the Board adopts the following standards and practices.

Classification of Funds

The District will ensure that funds are classified consistent with Governmental Accounting Standards Board (GASB) Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Consequently, fund balance amounts will be categorized as non-spendable, restricted, committed, assigned, or unassigned.

(Continued)

POLICY

Jasper-Troupsburg CSD
March 18, 2015

5015
3 of 3

Non-Instructional/Business
Operations

SUBJECT: MAINTENANCE OF FUND BALANCE (Cont'd.)

Unassigned Fund Balance

Minimum Unassigned Fund Balance

In order to maintain financial stability and protect against cash flow shortfalls, the Board of Education will strive to maintain an unassigned fund balance of at least 2% of the current year's budgeted expenses. In the event such balance falls below the 2% floor, the District will seek to replenish deficiencies through reducing expenses and/or increasing revenue.

Maximum Unassigned Fund Balance

In order to support normal operating costs and provide fiscal stability for the District, the Board of Education will also strive to ensure that the unassigned fund balance does not exceed 4% of the current year's budgeted expenditures. If it is anticipated that such balance will exceed the 4% ceiling, the Board of Education will evaluate current commitments and assignments in order to determine the final distribution of fund balance in any fiscal year. The District will ensure unexpended surplus funds are used to reduce taxpayer liability in conformance with Real Property Tax Law Section 1318.

Fund Balance and Budget Development

The District's ability to maintain its unassigned fund balance within the limits articulated above is contingent upon the development of a reasonable budget. Consequently, the District will develop and adopt budgets that, to the extent possible, reflect the anticipated revenues and expenditures.

Likewise, the District will ensure that appropriate reserve funds are established and utilized, consistent with applicable law and District policy, to ensure the fund balance is sufficient to meet District needs.

Compliance

The District will adhere to the reporting requirements of Article 3 of the General Municipal Law of the State of New York, and the practices set forth in GASB Statement Number 54.

Audit Recommendation #4:

The board should develop and regularly update a multiyear financial plan to provide a framework for future budgets and facilitate the District’s management of financial operations.

Implementation Plan of Action:

The Jasper-Troupsburg CSD Board of Education, Superintendent of Schools, and Business Administrator will engage the certified public accountants of Buffamante, Whipple, and Buttafaro, Inc. and the Greater Southern Tier (GST) BOCES personnel including the District Superintendent, the Human Resources department, and the Central Business Office to provide initial and ongoing trainings for all stakeholders involved to address this concern. Workshops will include, but may not be limited to, fiscal roles and responsibilities, both short and long-term fiscal planning for the creation, monitoring, and maintenance of reserve accounts, tax cap implications, fiscal stress monitoring, general fund health, appropriated and unappropriated funding methods and strategies, audit committee roles and responsibilities, and general stakeholder roles and responsibilities in policy and governance duties. These workshops and updates will provide the basis for the creation and implementation of a framework for developing future budgets.

The district will create a mechanism to extrapolate costs into the future as a long-term financial five year plan to guide the budgetary processes for each fiscal year in the short-term with a lens of how each year fits into the larger scope of a broader plan; such as employee salaries and projected salary increases, TRS and ERS contributions, health care premiums, retirement encumbrances and incentives, capital purchases, ie., school buses, high cost purchases such as; computers and technology, general buildings and grounds maintenance items based on anticipated life expectancies and anticipated purchase rotations.

Implementation Date:

This process will commence with the creation of the 2015-16 budget cycle with full implementation as of July 1, 2015

Person(s) responsible for Implementation:

The Superintendent of Schools, the Business Administrator, the Board of Education Audit Committee, and the Board of Education

Signed:

Michael A. Mead
Superintendent of School

Date

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Melinda S. Morgan, District Clerk

Audit Recommendation #5:

The audit committee should ensure that corrective action is taken by the Board to correct audit deficiencies identified.

Implementation Plan of Action:

Appropriate and necessary workshops and trainings will be sought and attended to better learn and understand the roles and responsibilities of the board of education. The board of education and central office personnel are currently requesting trainings from the Greater Southern Tier (GST) BOCES Central Business Office (CBO) personnel along with any potential Questar BOCES and other applicable trainings.

With better understanding of scope, roles, responsibilities, and duties, working in conjunction with the Superintendent of Schools, Business Administrator, audit committee, and additional stakeholders as appropriate, the board of education will be more informed to monitor compliance and implementation of said corrective actions with the desire to reduce and/or eliminate reoccurring concerns in the future.

Implementation Date:

This process will commence with the creation of the 2015-16 budget cycle with full implementation as of July 1, 2015

Person(s) responsible for Implementation:

Jasper-Troupsburg CSD Board of Education and the Board of Education Audit Committee

Person(s) responsible for Implementation:

Jasper-Troupsburg CSD Board of Education and the Board of Education Audit Committee

Signed:

Michael A. Mead
Superintendent of Schools

Date

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Melinda S. Morgan, District Clerk

Audit Recommendation #6:

The audit committee should develop a charter and keep formal documentation of their meetings, recommendations, and resolutions.

Implementation Plan of Action:

The audit committee has clarified its roles, responsibilities, and operating functions with the creation of a charter per this audit's finding and in compliance with NYS Education Law. Please note the applicable attached charter.

Implementation Date:

This process will commence with the creation of the 2015-16 budget cycle with full implementation as of July 1, 2015

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High School Building
3769 State Rt 417
Jasper, NY 14855
607-792-3690

District Office
3769 State Rt 417
Jasper, NY 14855
607-792-3675

Elementary School Building
908 State Rt 36
Troupsburg, NY 14885
607-525-6301

Person(s) responsible for Implementation:

Jasper-Troupsburg CSD Board of Education and the Board of Education Audit Committee

Signed:

Michael A. Mead
Superintendent of Schools

Date

School District Clerk's Certification:

This is to certify that this agreement was approved and the execution thereof on behalf of the Board of Education was authorized by a vote of the Board of Education of the Jasper-Troupsburg Central School District at a public meeting duly held on March 18, 2015, and has been made a part of the minutes of that meeting.

Melinda S. Morgan, District Clerk

JASPER-TROUPSBURG CENTRAL SCHOOL AUDIT COMMITTEE CHARTER

Audit Committee Authority

Pursuant to resolution dated January 18, 2006, the Board of Education of the Jasper-Troupsburg Central School District has established an audit committee to assist the Board of Education in the oversight of both the internal and external audit functions. The requirement to create an audit committee was established by Education Law §2116-c. In accordance with Education Law §2116-c (4), the role of an audit committee shall be advisory and any recommendations it provides to the Board shall not be substituted for any required review and acceptance by the Board of Education.

Mission

The Board of Education of the Jasper-Troupsburg Central School District has established an audit committee to provide independent assistance to the Board in the oversight of the following matters:

- Assist the Board in providing the oversight of the internal and external audit functions, including the appointment of the internal and external auditors
- Oversee the competitive Request for Proposal (RFP) process used to solicit quotations for the District's annual external audit
- Review the scope, plan and coordination of the external audit
- Review the corrective action plans and necessary improvement based on audit findings and recommendations received from the external and internal auditors
- Provide a communications link between the external and internal auditors and the Board of Education

Composition and Requisite Skills

The Jasper-Troupsburg Central School District's Audit Committee is comprised of three members who shall serve without compensation, but shall be reimbursed for any actual and necessary expenditures incurred in relation to attendance at meetings. Employees of the District are prohibited from serving on the Audit Committee. Members of the Audit Committee shall be deemed School District Officers, but shall not be required to be residents of the School District.

The Committee members collectively should possess the knowledge in accounting, auditing, financial reporting and school district finances needed to understand and evaluate the school district's financial statements, the external audit and the district's internal audit activities. Accordingly, the Audit Committee's members, collectively, should:

- Possess the requisite knowledge necessary to understand technical and complex financial reporting issues
- Have the ability to communicate with auditors, public finance officers and the school board
- Be knowledgeable about internal controls, financial statement audits and management/operational audits

Duties and Responsibilities

The duties and responsibilities of the Jasper-Troupsburg School District Audit Committee include the following:

- **External Audit Focus**
 - Provide recommendations regarding the selection of the external auditor to the Board of Education
 - Meet with the external auditor prior to commencement of the audit to, among other things, review the engagement letter
 - Review and discuss with the external auditor any risk assessment of the district's fiscal operations developed as part of the auditor's responsibilities under governmental auditing standards for a financial statement audit and federal single audit standards, if applicable
 - Receive and review the draft annual audit report and accompanying draft management letter, including the external auditor's assessment of the district's system of internal controls, and working directly with the external auditor, assist the Board of Education in interpreting such documents
 - Make a recommendation to the Board of Education on accepting the annual audit report
 - Review every corrective action plan developed by the school district and assist the Board of Education in the implementation of such plans

- **Internal Audit Focus**
 - Make recommendations to the Board of Education regarding the appointment of the internal auditor
 - Assist in the oversight of the internal audit function, including reviewing the annual internal audit plan to ensure that high risk areas and key control activities are periodically evaluated and tested, and reviewing the results of internal audit activities
 - Review significant recommendations and findings of the internal auditor
 - Monitor implementation of the internal auditor's recommendations by management
 - Participate in the evaluation of the performance of the internal audit function

- **Administrative Matters**
 - Hold regularly scheduled meetings
 - Review and revise the Audit Committee Charter, as necessary

Membership

The membership duties of the Jasper-Troupsburg Central School District Audit Committee include the following:

- **Good Faith** – Members of the committee shall perform their duties in good faith, in a manner they reasonably believe to be in the best interest of the Committee and the District with such care as a generally prudent person in a similar position would use under similar circumstances.

- **Independence** – The following individuals would be precluded from being an Audit Committee member:
 - Someone currently or previously employed by the District during the past twelve months
 - Someone currently or previously providing services contractually to the District during the past twelve months
 - Someone of the immediate family (spouse, spouse equivalent and any dependent [whether or not related] and their spouses) of an individual who is, or has been in any of the past twelve months, employed by the District in an administrative position, or provided services contractually to the District
 - Someone who is the owner of or has a direct and material interest in a company providing goods or services to the district

- **Confidentiality** – During the exercise of duties and responsibilities, the Committee members may have access to confidential information. The Committee shall have an obligation to the district to maintain the confidentiality of such information.

- **Oath of Office** – All non-board members, who are members of the Audit Committee, should be administered the District’s oath of office by the District Clerk.

Meetings and Notification

The Jasper-Troupsburg Central School Audit Committee shall meet a minimum of two times each year. An agenda of each meeting should be clearly determined in advance and the Audit Committee should receive supporting documents in advance, for reasonable review and consideration. Any member of the Board of Education, who is not a member of the Audit Committee, may attend audit committee meetings if authorized by the resolution of the Board.

The Audit Committee shall give notice and prepare minutes of each meeting. At a minimum, the minutes will include the following:

- The meeting agenda
- Date, attendance and location of the meeting
- Except as otherwise provided by law in connection with executive sessions, other matters formally voted upon and the vote thereon, including recommendations agreed to by the committee
- As appropriate, copies of materials discussed or presented at the meeting

Decision-Making Process

All decisions shall be reached by vote of a simple majority of the total membership of the committee. A quorum constitutes a simple majority of the total membership and meetings will not be conducted unless a quorum is present.

Reporting Requirements

The Jasper-Troupsburg Central School District Audit Committee has the duty and responsibility to report its activities to the Board of Education as needed, but not less than annually. Periodic written reports of Audit Committee activities are an important communication link between the Audit Committee and the Board on key decisions and responsibilities. The Audit Committee’s reporting requirements are to:

- Report on the scope and breadth of committee activities so that the Board of Education is kept informed of its work
- Provide minutes or a summary of minutes of meetings which clearly record the actions and recommendations of the Committee
- Report on their review of the District's draft annual audit report and accompanying management letter and their review of significant findings
- Report on suspected fraud, waste or abuse, or significant internal control findings and activities of the internal control function
- Report on indications of material or significant non-compliances with laws or District policies and regulations
- Report on any other matters that the committee believes should be disclosed to the Board of Education

Review of the Charter

The Jasper-Troupsburg Central School District Audit Committee shall assess and report to the Board of Education on the adequacy of this Charter no less than an annual basis or as necessary. Charter modifications, as recommended by the Audit Committee, should be presented to the Board of Education in writing for their review and action.

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the District's financial condition for the period July 1, 2011 through January 7, 2015. To accomplish the objective of our audit, we performed the following procedures:

- We interviewed officials to gain an understanding of the District's budgeting process and fund balance changes.
- We reviewed the results of operations and analyzed changes in fund balance and analyzed interfund transfers and advances for the general and school lunch funds for the period July 1, 2011 through June 30, 2014.
- We compared the adopted budgets and actual operating results for the period July 1, 2011 through June 30, 2014 to determine if the budget assumptions were reasonable. We also reviewed the 2014-15 adopted budget.
- We reviewed the appropriation of the District's reserves and fund balance for the period July 1, 2011 through June 30, 2014. We also reviewed reserve activity through June 30, 2014.
- We interviewed officials regarding the District's efforts to implement cost savings opportunities.
- We reviewed documentation related to the calculation of the District's property tax cap limit to determine if the District overrode the limits of the property tax cap.
- We tested the reliability of the accounting records by reviewing bank statement reconciliations and revenue and expenditure amounts, and we compared them to the annual update document data and certified financial statements. We tested coding of revenues and expenditures by selecting a non-biased sample from 2013-14.
- We reviewed the general and school lunch funds "other" assets and liabilities at June 30, 2014 to determine if they were properly recorded and their availability to offset future deficits.
- We interviewed an audit committee member to determine the committee's participation in the corrective action plan.

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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DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

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