



Islip Union Free School District

Financial Condition

Report of Examination

Period Covered:

July 1, 2011 — April 30, 2013

2013M-213



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

September 2013

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 Islip 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 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 Islip Union Free School District (District) is located in the Town of Islip in Suffolk County. The District is governed by the 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 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. The Assistant Superintendent for Business is responsible for monitoring the school's financial operations to ensure adequate funds are on hand to support operations, overseeing Business Office operations, and advising the Board members and other District officials.

There are five schools in operation within the District, with approximately 3,300 students and 415 employees. The District's budgeted expenditures for the 2012-13 fiscal year were approximately \$70.6 million, which were funded primarily with State aid, real property taxes, and grants.

Objective

The objective of our audit was to examine 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 financial condition of the District for the period July 1, 2011, to April 30, 2013. We extended our scope period back to the 2010-11 fiscal year for budget analysis.

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.

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

A school district's financial condition is a primary factor in its ability to continue providing public educational services for its students. The Board and District officials are accountable to taxpayers for the use of District resources, and are responsible for effective financial planning and management activities, including the preparation, adoption, and monitoring of budgets based on reasonable and accurate assessments of anticipated resources to fund appropriations.

A key measure of the District's financial condition is its level of fund balance, which is the difference between revenues and expenditures accumulated over time. When maintained at reasonable levels, fund balance can help ensure sufficient cash flow and can be used to help finance the next fiscal year's operation. The restricted portion of fund balance represents the amount that the District may use only for specific purposes. The unrestricted portion of fund balance is the amount that may be appropriated to fund programs in the next year's budget. Real Property Tax Law allows a district to retain up to 4 percent of the ensuing year's budget as unexpended surplus funds.¹ Fund balance in excess of that amount must be used to fund a portion of the next year's appropriations, thereby reducing that tax levy, or used to fund legally established reserves. If the amount of fund balance retained is too low, the District may not have a sufficient financial cushion for emergencies.

We found that the District adopted budgets that allowed the unexpended surplus fund balance to remain relatively stable over the last few years and that the District had adequate unexpended surplus funds to support planned deficits for the 2010-11 and 2011-12 fiscal years. The Assistant Superintendent for Business actively monitors available unexpended surplus funds to ensure that the balance is maintained below the 4 percent cap required by law.

Overall, we found that school officials adequately monitored the District's financial operations to ensure fiscal stability.

¹ The Governmental Accounting Standards Board (GASB) issued Statement 54, which replaces the fund balances classifications of reserved and unreserved with new classifications: non-spendable, restricted, and unrestricted (comprising committed, assigned, and unassigned funds). The requirements of Statement 54 are effective for fiscal years ending June 30, 2011, and beyond. To ease comparability between fiscal years ending before and after the implementation of Statement 54, we will use the term "unexpended surplus funds" to refer to that portion of fund balance that was classified as unreserved, unappropriated (prior to Statement 54), and is now classified as unrestricted, less any amounts appropriated for the ensuing year's budget (after Statement 54).

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



ISLIP PUBLIC SCHOOLS

ADMINISTRATION BUILDING • 215 MAIN STREET • ISLIP, NEW YORK 11751 • (631) 650-8210 • FAX (631) 650-8218

SUSAN A. SCHNEBEL
SUPERINTENDENT OF SCHOOLS

September 17, 2013

Office of the State Comptroller
Division of Local Government and School Accountability
New York State Office Building – Room 3A10
250 Veterans Memorial Highway
Hauppauge, N.Y. 11788-5533

ATTENTION: Ira McCracken

Re: Audit Report of the Islip UFSD's Financial Condition (2013M-213)

Dear Mr. McCracken:

This letter is the official response to the draft of the Audit Report of the Islip UFSD's Financial Condition prepared by the Office of the State Comptroller (OSC). The draft of the Audit Report was received by the Islip UFSD (the District) and it was subsequently reviewed by the Board of Education and representatives of the District's Central Administration.

The District would like to express its appreciation to the OSC for its efforts in assisting the District in managing its fiscal oversight responsibilities and to discuss industry practices for safeguarding district assets. We would also like to acknowledge the OSC Field Examiners for their professionalism in the performance of their assignment and the courtesy displayed in their interactions with District personnel during the audit process.

It is a goal of the Islip UFSD Board of Education and its District Administration to maintain the highest standards of fiscal management. These standards include compliance with all applicable laws and regulations and the adoption of policies essential for the effective management of the District. The fiscal objectives of the District include the implementation of effective financial planning strategies and active monitoring of its financial operations. The District reviewed the information contained in the Audit Report upon receipt and view the contents as accurate and complete. We informed the OSC Hauppauge Office that we did not require an exit conference to discuss the facts contained in the Audit Report. The District appreciates the comments in the Financial Condition Summary, and we will maintain our current fiscal oversight approach in the absence of any findings and recommendations.

Sincerely,

Susan Schnebel

cc: Islip UFSD Board of Education
M. Zeterberg, Assistant Superintendent for Business

COMMITTED TO EXCELLENCE

The Islip School District hereby advises students, parents, employees and the general public that it offers employment and educational opportunities, without regard to sex, race, color, national origin or handicap. Inquiries regarding this non-discrimination policy may be directed to: Title IX Coordinator and/or Section 504 Coordinator. Location: Central Administration Building, 215 Main Street, Islip, New York 11751.

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The Office of the State Comptroller's Fiscal Stress Monitoring System evaluates local governments based on financial and environmental indicators. These indicators are calculated using the local government's annual update document² and information from the United States Census Bureau, New York State Department of Labor, and the New York State Education Department, among other sources. The District has demonstrated signs of fiscal stress in several areas. Due to these fiscal stress indicators, we selected the District for audit.

Our overall goal was to examine the District's financial condition. Our procedures included the following:

- We reviewed Board minutes for the audit period of July 1, 2011, through April 30, 2013.
- We reviewed our prior report of examination and District policies and procedures.
- We interviewed District officials regarding the District's fund balance and budgeting procedures.
- We compared budgeted-to-actual expenditures and revenues for the period July 1, 2010, through April 30, 2013, and investigated significant variances.
- We reviewed and evaluated financial reports provided to Board members.
- We obtained and reviewed the past three years' budgets to determine if they were structurally balanced.
- We evaluated the District's operating results and resulting fund balance for the audit period.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

² Required to be submitted annually by the District to the Office of the State Comptroller

APPENDIX C

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Andrew A. SanFilippo, Executive Deputy Comptroller
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