



# Mahopac Central School District

## Financial Condition

### Report of Examination

Period Covered:

July 1, 2012 — June 30, 2013

2013M-302



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

October 2013

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage government resources 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 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 operations and Board of Education governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Mahopac 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 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 Mahopac Central School District (District) is located in the Town of Carmel in Putnam County. The District is governed by the Board of Education (Board) which comprises nine 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 the Assistant Superintendent for Business and other administrative staff, for the District's day-to-day management and for the development and administration of the budget.

The District operates five schools, with approximately 5,000 students and 750 employees. During the 2011-12 fiscal year, the District had operating expenditures of \$105.3 million, funded primarily with real property taxes and State aid. The District's budgeted expenditures for the 2012-13 fiscal year were \$112.4 million.

## Objective

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

- Does the Board adopt realistic budgets that are structurally balanced and do District officials adequately monitor the District's financial operations to ensure fiscal stability?

## Scope and Methodology

We examined the District's financial condition for the period July 1, 2012, to June 30, 2013. We extended our scope to back to 2009 to analyze the District's fund balance, operating results, and financial 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.

## 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 generally agreed with our report.

## Financial Condition

A school district's financial condition is a primary factor in determining its ability to continue providing public educational services for students within the district. The Board, Superintendent, and Assistant Superintendent for Business are accountable to taxpayers for the use of District resources and are responsible for effective financial planning and management of District operations. Therefore, it is essential that officials develop reasonable budgets and manage 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.

A key measure of a 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 provide cash flow, help finance the next fiscal year's operations, or help manage unexpected costs. Real Property Tax Law limits the amount of unexpended surplus fund balance<sup>1</sup> a school district can retain to no more than 4 percent of the next year's budget appropriations.

The Office of the State Comptroller's Fiscal Stress Monitoring System monitors local governments for indications of fiscal stress such as operating deficits and declining fund balances. The District was identified as being susceptible to fiscal stress due to a general fund operating deficit during the 2010-11 fiscal year. Our audit determined the District is not currently in fiscal stress. District officials developed reasonable budgets and managed fund balance responsibly in accordance with statute. With the exception of the 2010-11 fiscal year, when the District incurred a planned operating deficit,<sup>2</sup> fund balance has steadily grown during the period reviewed (see Table 1). During

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<sup>1</sup> The Governmental Accounting Standards Board (GASB) issued Statement 54, which replaced the fund balance 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).

<sup>2</sup> A planned deficit is when appropriations exceed revenues and fund balance is used as a financing source to close the gap between the appropriations and revenues.

the 2011-12 fiscal year, the District produced an operating surplus of approximately \$2.8 million. The operating surplus was achieved through a decrease in salary and employee benefit costs due to staff reductions and lower energy costs. Additional cost savings were realized in pupil transportation costs due to declining enrollment and the combination of bus routes during the 2011-12 fiscal year.

<b>Table 1: Results of Operations</b>				
	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
Operating Surplus/(Deficit)	\$185,130	(\$1,396,054)	\$2,760,486	\$578,290
Total Fund Balance	\$9,845,462	\$9,396,373	\$12,156,853	\$12,735,145
Total Unexpended Surplus Fund Balance	\$2,051,311	\$1,664,256	\$4,320,212	\$4,501,322
Unexpended Surplus Fund Balance as a Percentage of Next Year's Budget Appropriations	1.89%	1.50%	3.84%	3.90%

District officials have taken appropriate actions to manage the District's financial condition. They recognized the need to be proactive in budget development and expenditure controls. We commend District officials for their progressive involvement 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.

# MAHOPAC CENTRAL SCHOOL DISTRICT

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*Thomas J. Manko*  
*Superintendent of Schools*

October 4, 2013

Ms. Tenneh Blamah  
Regional Chief Examiner  
33 Airport Center Drive  
New Windsor, New York 12553

Dear Ms. Blamah:

Please be advised that Mahopac Central School District has received and reviewed the audit report. The district agrees with the finding and appreciates the work conducted by the NYS Comptroller's Office on behalf of the school district residents. Thank you.

Respectfully,

Thomas J. Manko  
Superintendent

Cc: Board of Education  
Ms. Starr Dinio, Assistant Superintendent for Business  
File



## 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 document<sup>3</sup> 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 was selected for audit due to concerns about an operating deficit of \$1,396.054 in the 2010-2011 fiscal year.

Our overall goal was to examine the District's financial condition. To achieve our financial condition objective and obtain valid audit evidence, we performed the following audit procedures:

- We reviewed the District's policies and procedures for developing and reporting information relevant to financial and budgeting activities.
- We reviewed the District's budget process.
- We interviewed District officials to determine what processes were in place and to gain an understanding of the District's financial situation and budget.
- We evaluated the District's operating results and resulting fund balance for the audit period.
- We calculated the unexpended surplus fund balance as a percentage of the ensuing year's budgeted appropriations 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.

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<sup>3</sup> Required to be submitted annually by the District to the Office of the State Comptroller

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**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
Nathalie N. Carey, Assistant Comptroller

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