



Oneonta City School District Financial Condition

Report of Examination

Period Covered:

July 1, 2011 — March 29, 2013

2013M-165



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 2013

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments 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 local government assets.

Following is a report of our audit of the Oneonta City 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 local government 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 Oneonta City School District (District) is located in the City of Oneonta, the Towns of Oneonta, Davenport, Laurens, Maryland, and Milford in Otsego County, and the Town of Davenport in Delaware County. The District is a component district of the Otsego Northern Catskills Board of Cooperative Educational Services (ONC BOCES).

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 Board President serves as the District's chief fiscal officer. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with the Business Manager and other administrative staff, for the District's day-to-day management, and development and administration of the budget.

There are five schools in operation within the District, with approximately 1,800 students and 400 employees. The District's general fund budgeted appropriations for the 2012-13 fiscal year were approximately \$33.2 million, which were funded primarily with real property taxes and State aid.

Objective

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

- Did District officials take appropriate action to manage the District's financial condition?

Scope and Methodology

The District was selected for audit due to concerns about its financial condition. More specifically, the general fund's unassigned fund balance had decreased by \$789,176 as a result of an audit adjustment to the June 30, 2011, ending balance. This one-time audit adjustment was a result of a change in accounting policy and the amount was reclassified as deferred revenue.

We examined the District's financial condition for the period July 1, 2011, to March 29, 2013. In addition, we expanded our scope period to the 2007-08 fiscal year to analyze the District's fund balance, budgeting practices, costs savings measures, 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 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 determining its ability to continue providing public educational services for students within the district. The Board, Superintendent, and Business Manager are accountable to taxpayers for the use of District resources and are responsible for effective financial planning and management of District operations. District officials have a responsibility to ensure that their tax burden is not greater than necessary. 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 ensures that sufficient funding will be available to sustain operations, address unexpected occurrences, and satisfy long-term obligations or future expenditures. District officials should not use one-time Federal funding to add recurring program services.

District officials 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. The District's Finance Committee¹ meets regularly to monitor and evaluate the current year's budget and available fund balance and to plan for next years' budgets. This planning includes an ongoing evaluation of the District's enrollment trends and future facility use and needs.

District officials developed reasonable budgets and monitored the budgets throughout the year to properly manage the District's financial condition. For instance:

- During the audit period, the District received one-time Federal aid revenues which were used to maintain existing programs/operations instead of funding new programs that would require future recurring costs without future recurring revenues.
- For the fiscal year 2011-12, District officials properly amended the budget to allow for unanticipated expenditures while staying within the overall budget.

Since 2010, total State aid received by the District has declined more than \$1 million (8 percent). Moreover, revenues, other than real property taxes, have also declined approximately \$1.3 million (48

¹ The Finance Committee is comprised of three Board members, the Superintendent, and the Business Manager.

percent). To offset these declining revenues, the District increased its real property tax levy, cut expenditures by \$500,000, and used more than \$400,000 of its available surplus. To accomplish this, District officials realigned duties and created two positions, while eliminating six administrative positions, for a total annual savings of \$225,000. District officials also repurposed² an elementary school in fiscal year 2012-13, which resulted in cost savings totaling \$758,500 and potential revenue sources totaling \$34,290.

As of the fiscal year ended June 30, 2012, compared to other component districts in the ONC BOCES, the District has the lowest expenditures per pupil for general support³ and one of the lowest total expenditures per pupil. In addition, from fiscal years 2009-10 to 2011-12, the District's expenditures per pupil for general support and total expenditures per pupil has declined when compared to other ONC BOCES school districts, other city school districts, and other school districts across the State.

Table 1: Total Expenditures Per Pupil						
	2007-08	2008-09	2009-10	2010-11	2011-12	Average
Oneonta City SD	\$19,253	\$21,117	\$22,433	\$20,710	\$20,306	\$20,764
Average of Other Component Districts in ONC BOCES	\$24,886	\$25,653	\$29,143	\$28,701	\$27,217	\$27,120
Average of Other City School Districts ^a	\$19,701	\$19,509	\$20,354	\$20,644	\$20,721	\$20,186
Average of Other Districts Statewide ^b	\$20,258	\$22,161	\$23,642	\$23,566	\$23,496	\$22,625
^a We excluded the Big Five City School Districts (Syracuse, Rochester, Buffalo, Yonkers, and New York City).						
^b We excluded the Big Five City School Districts and all districts in Westchester, Suffolk, Nassau, and Rockland counties. In addition, we excluded any districts that reported zero enrollment figures in any of these years.						

Table 2: Total General Support Expenditures Per Pupil^a						
	2007-08	2008-09	2009-10	2010-11	2011-12	Average
Oneonta City SD	\$2,573	\$2,357	\$4,665	\$2,506	\$2,118	\$2,844
Average of Other Component Districts in ONC BOCES	\$5,343	\$5,274	\$8,072	\$6,083	\$4,503	\$5,855
Average of Other City School Districts ^b	\$4,349	\$3,287	\$3,643	\$3,539	\$3,218	\$3,607
Average of Other Districts Statewide ^c	\$3,249	\$4,023	\$4,575	\$3,974	\$3,548	\$3,874
^a General support includes expenditures for building additions, which can cause significant variances from one year to another.						
^b We excluded the Big Five City School Districts (Syracuse, Rochester, Buffalo, Yonkers, and New York City).						
^c We excluded the Big Five City School Districts and all districts in Westchester, Suffolk, Nassau, and Rockland counties. In addition, we excluded any districts that reported zero enrollment figures in any of these years.						

² The repurposed elementary school building is now being used for District Business Office operations and adult education programs, and space is rented to other community organizations.

³ For a detailed listing of general support expenditures, see the Accounting and Reporting Manual for School Districts: http://www.osc.state.ny.us/localgov/pubs/arm_schools.pdf

We commend District officials for their proactive 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.



Oneonta City School District

31 Center Street, Oneonta, New York 13820 * (607)433-8226, ext. 302 * Fax: (607)433-8290

August 15, 2013

Mr. H. Todd Eames, Chief Examiner
State of New York
Office of the State Comptroller
State Office Building
44 Hawley Street, Room 1702
Binghamton, New York 13901-4417

Dear Mr. Eames;

We are in receipt of your draft findings and recommendations regarding Financial Condition. The district is in agreement with the audit results provided by your office. It is our intention and always has been to manage our resources in the most efficient and effective way possible. We appreciate this opportunity to have an outside review of our financial condition and practices.

The district anticipates continued financial challenges and will continue to look for ways to provide a quality education with limited financial resources. This often forces us to make difficult and controversial decisions. The Board of Education, in conjunction with the administration, will strive to make responsible decisions with the best interest of the students in mind. We appreciate the review and insight provided by the Comptrollers team.

Please feel free to contact me should any questions arise or if additional clarification is needed for any aspect of the district's financial condition.

Respectfully submitted,

Lisa J. Weeks
Business Manager

Cc: J. Yclich, Superintendent
Board of Education

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To accomplish our objective, we interviewed District officials and employees, tested selected records, and examined pertinent documents for the period July 1, 2011, through March 29, 2013. To analyze the District's budgeting practices, cost savings measures, and financial trends, we expanded our scope period back to the fiscal year ending June 30, 2008. Our examination included the following:

- We interviewed District officials and employees to gain an understanding of the District's budgeting policies and procedures and cost savings measures employed during the scope period and the District's use of one-time Federal aid.
- We analyzed budget-to-actual performance for the operating, cafeteria, and special aid funds for the fiscal year ending June 30, 2012, and for the current fiscal year for the period ending March 29, 2013.
- We calculated the amount the District saved by eliminating or consolidating positions by confirming what positions were affected and then compiling the salary and benefits costs relative to those positions using personnel and payroll records.
- We confirmed the District's rental income by examining rental agreements.
- We compared data from the District's annual financial reports from 2010 to 2012 to illustrate the changes in the District's State aid, revenues (excluding real property taxes), real property taxes, expenditures, and use of fund balance.
- We compared the District's operations to the operations of other districts in the ONC BOCES, other city school districts, and other districts through the State by calculating the amount of revenue realized per pupil from real estate taxes, State aid and Federal aid, and total revenue received and expenditures incurred per pupil for general support, employee benefits, debt service, and expenditures in total. Our calculations excluded data from the larger city school districts (Buffalo, Syracuse, Rochester, Yonkers, and New York City), and all districts in Nassau, Suffolk, Westchester, and Rockland Counties.
- Using data obtained from the New York State Education Department, we compared the ratio of District staff to other districts in Otsego County, to other districts in the Southern Tier region, and to districts across the State (excluding New York City). Staffing categories compared were total staff, classroom teachers, administrative, and pupil services staff.
- We calculated the District's financial indicator score as of June 30, 2012, per the Fiscal Stress Monitor System indicators developed by the Office of the State Comptroller to evaluate the District's fiscal health.

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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Andrew A. SanFilippo, Executive Deputy Comptroller
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