



# Greene Central School District Financial Condition

## Report of Examination

Period Covered:

July 1, 2014 – December 3, 2015

2016M-17



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**

June 2016

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 Greene 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 Greene Central School District (District) is located in nine<sup>1</sup> towns in Chenango, Broome and Cortland counties. The District is governed by the Board of Education (Board), which is composed of 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 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 Business Manager assists the Superintendent in preparing the annual budget.

The District operates four schools, with approximately 1,070 students and 100 teachers. The District's budgeted appropriations for the 2015-16 fiscal year were approximately \$24.7 million, which were funded primarily with State aid and real property taxes.

## Objective

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

- Did District officials effectively manage the District's financial condition?

## Scope and Methodology

We examined various records concerning District officials' management of the District's financial condition for the period July 1, 2014 through December 3, 2015. We extended our audit period back to July 1, 2012 to trend budgeted amounts and fund balance.

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 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 generally agreed with our recommendations and indicated they planned to take corrective action.

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<sup>1</sup> Towns of Coventry, German, Greene, McDonough, Oxford and Smithville in Chenango County; Towns of Barker and Triangle in Broome County; and Town of Willet in Cortland County

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of 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 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 factor in determining its ability to provide educational services to its students. The Board and Superintendent, along with the Business Manager, have the responsibility to effectively manage the District's financial condition and make sound financial decisions that are in the best interests of the District, the students it serves and the residents who fund its programs and operations. To fulfill this responsibility, it is essential that District officials use sound budgeting practices when developing budgets and properly monitor them to ensure their plans are implemented. The Board may also establish reserves to finance the future costs of various items or purposes. However, these reserve balances should be based on clear intents or plans. Finally, the Board may retain a portion of fund balance,<sup>2</sup> known as unrestricted fund balance, up to a statutory limit, to be available in the event of unforeseen circumstances and to provide cash flow to compensate for timing differences between receipts and disbursements.

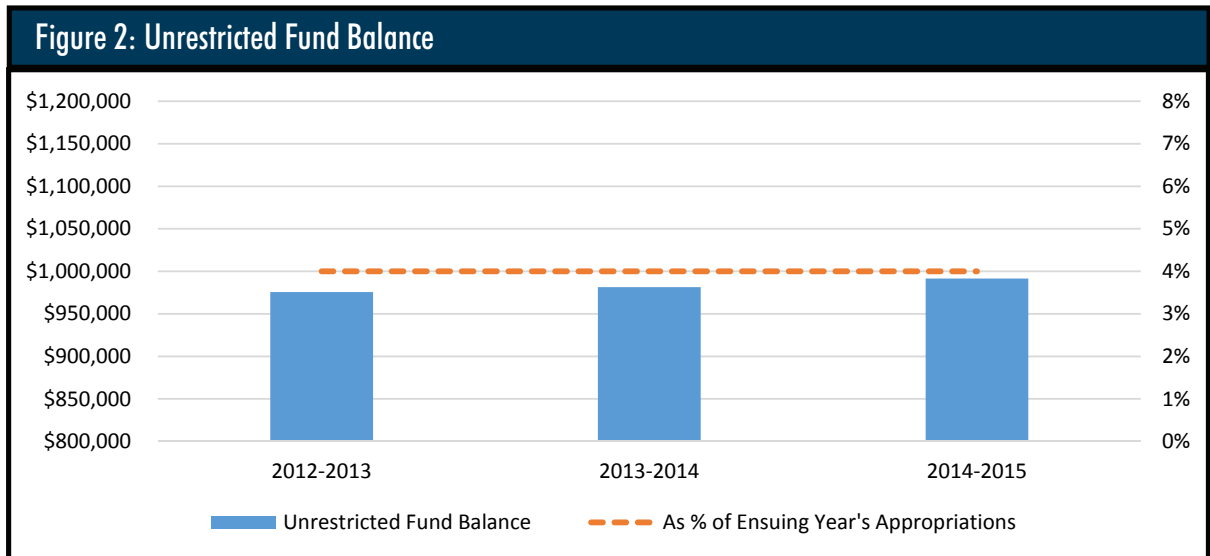
District officials managed fund balance responsibly in accordance with statute. New York State Real Property Tax Law allows a school district to maintain up to 4 percent of the ensuing year's budget as unrestricted fund balance. The District has maintained approximately this amount of unrestricted fund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

We compared the District's budgeted general fund revenues and appropriations with actual results of operations for fiscal years 2012-13 through 2014-15 and found that the average revenue variances were 1 percent and the average expenditure variances were 4.6 percent (Figure 1).

Figure 1: Revenue and Expenditure Budget Variances			
	2012-13	2013-14	2014-15
Budgeted Revenues	\$22,203,329	\$23,218,011	\$23,574,659
Actual Revenues	\$22,510,755	\$23,314,319	\$23,864,579
Dollar Variance	\$307,426	\$96,308	\$289,920
Percentage Variance	1.4%	0.4%	1.2%
Budgeted Appropriations	\$23,676,294	\$24,391,603	\$24,533,169
Actual Expenditures	\$22,576,605	\$23,217,157	\$23,479,216
Dollar Variance	\$1,099,689	\$1,174,446	\$1,053,953
Percentage Variance	4.6%	4.8%	4.3%

<sup>2</sup> Fund balance represents the cumulative residual resources from prior fiscal years that can be used to lower real property taxes for the ensuing fiscal year.

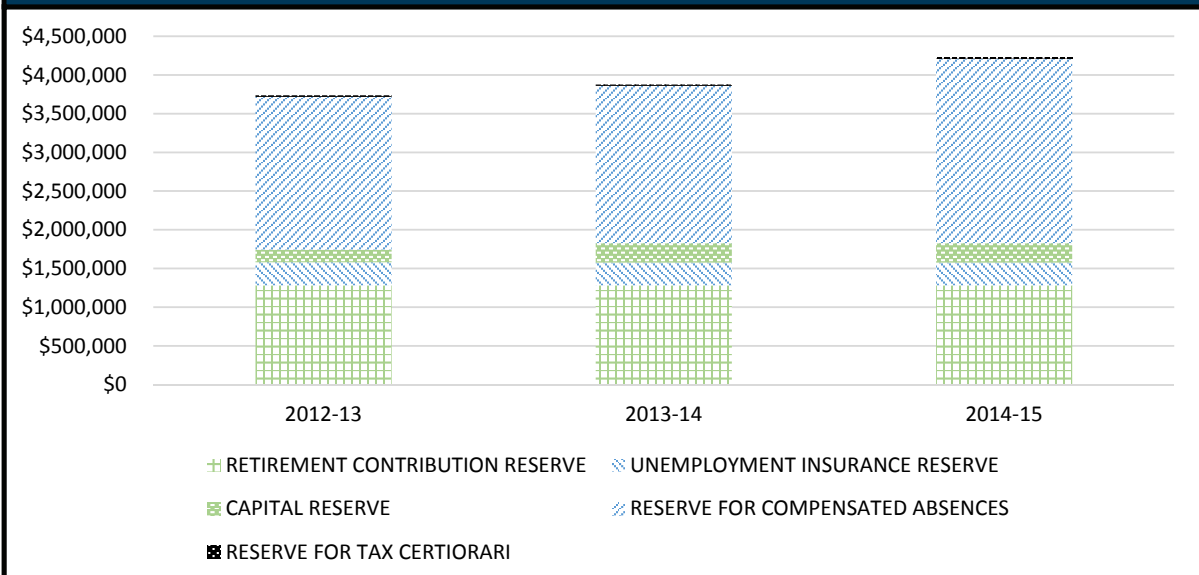
District officials' adopted budgets were reasonable because revenues and appropriations were based on known sources and historical trends. Furthermore, District officials adequately monitored the budgets throughout the year. For example, District officials and department heads receive budget-to-actual reports on a monthly basis and budget transfers were made at least three times per year. As a result, the District's unrestricted fund balance has been at the 4 percent legal limit for the last three fiscal years (Figure 2).



Although total reserves remained relatively flat (Figure 3), we analyzed the individual reserves<sup>3</sup> and determined that the reserve for compensated absences is overfunded. This reserve must be used only for cash payments for accrued and unused sick, vacation and certain other leave time owed to employees when they leave District employment. As of June 30, 2015, we determined the District's liability for compensated absences was approximately \$1.3 million. However, the reserve balance was over \$2.4 million. Therefore, the reserve was overfunded by approximately \$1.1 million.

<sup>3</sup> The retirement contribution reserve is reasonable when compared to the District's most recent bill, and the remaining reserve balances are minimal.

**Figure 3: Reserves**



While District officials effectively managed financial operations, the Board should have adopted a reserve policy that established the reserves to be used, how they would be funded and when they would be used. Because overfunding reserves can lead to real property tax levies that are greater than necessary, it is important to plan for their funding and to use and monitor balances routinely.

## Recommendations

The Board should:

1. Adopt a reserve policy to establish the reserves that will be used, how they will be funded and when they will be used.
2. Review all reserve balances and transfer excess funds to unrestricted fund balance, where allowed by law, or use the reserve funds for their designated purposes.



**APPENDIX A**

**RESPONSE FROM DISTRICT OFFICIALS**

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

# Greene Central School

Jonathan R. Retz, Superintendent of Schools



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April 26, 2016

Office of the State Comptroller  
Binghamton Regional Office  
44 Hawley Street - Rm 1702  
Binghamton, NY 13901-4417

***Re: Greene Central School District Financial Condition Audit Draft Report:  
For the Period from July 1, 2014 – December 3, 2015 – 2016M-17***

To Whom it May Concern:

The Greene Central School District has received on March 23, the draft audit noted above. This draft Audit Report was reviewed by the Superintendent of Schools and the District's Business Manager. Additionally, a closing conference was conducted on April 1 to further discuss the draft audit and the response process. This conference was attended by the Auditors, and representing the District; the Superintendent of Schools, Business Manager and the President of the Board of Education.

In the closing conference, the auditors noted District action relative to some of their recommendations that the District had already taken. After reviewing the draft, the District generally agrees with the findings and has already taken steps to address the Recommendations noted.

The District will further use this Audit as a resource to guide ongoing efforts to improve all processes, protocols and improve the District's management of public funds. Specifically, the District will look at documenting current processes and procedures that we currently employ in the regular review of Reserve funds and to inform the Board of Education. The District will continue to consult legal counsel to ensure that regulatory requirements are met and proper procedures and protocols are in place. We wish to thank the Comptroller's Office and in particular, the staff who conducted the audit.

Respectfully,

Jonathan R. Retz  
Superintendent of Schools

## **APPENDIX B**

### **AUDIT METHODOLOGY AND STANDARDS**

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We compared the budgeted revenues and appropriations to the actual revenues and expenditures for the general fund for the fiscal years 2012-13 through 2014-15 to determine the average budget variances.
- We conducted interviews with District officials and reviewed Board minutes to gain an understanding of the budget development and monitoring processes.
- We compared reserve balances to supporting documentation to determine if they were reasonable.
- We calculated the unrestricted fund balance as a percentage of the ensuing years' appropriations to determine if the District was within the statutory limit for the fiscal years 2012-13 through 2014-15.

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**  
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