



Lawrence Union Free School District Financial Condition

Report of Examination

Period Covered:

July 1, 2014 – November 6, 2015

2016M-52



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

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 Lawrence 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 New York State General Municipal Law.

This audit's results 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 Lawrence Union Free School District (District) is located in the Town of Hempstead in Nassau County. 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 day-to-day management of the District under the Board's direction. Responsibilities relating to the District's finances, accounting records and reports are largely those of the Assistant Superintendent for Business and Operations. An independent certified public accounting firm audits the District's financial statements.

The District operates four schools with approximately 2,800 students and 673 employees. The District's budgeted appropriations were \$95.6 million for the 2014-15 fiscal year and \$98.6 million for the 2015-16 fiscal year. The District's appropriations are funded primarily with State aid and real property taxes.

Objective

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

- Did the Board and District management effectively manage the District's financial condition?

Scope and Methodology

We examined the District's financial records for the period July 1, 2014 through November 6, 2015. We extended our scope period back to July 1, 2010 to examine and trend the District's fund balances.

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. District officials agreed with our findings.

Financial Condition

Financial condition can be defined as a school district's ability to balance recurring expenditure needs with recurring revenue sources, while providing services on a continuing basis. Financial condition is affected by the estimates included in the annual budget. A good annual budget begins with sound estimates and well-supported budgetary assumptions. Future spending levels and financial resources must be estimated as accurately as possible at budget preparation time to ensure that planned services are properly funded.

An important financing source for the annual budget is available fund balance. The key to using this as a funding source is the proper estimation of its value. Any remaining unrestricted fund balance not used as a financing source in the annual budget provides a cushion throughout the fiscal year that can help with cash flow and be an available resource to fund revenue shortfalls or unanticipated expenditures. Legislation passed in 2011 limits school districts' ability to raise taxes.¹ Additionally, New York State Real Property Tax Law limits the amount of unrestricted funds a school district can retain to no more than 4 percent of the next year's budgetary appropriations. Therefore, it is essential that officials develop reasonable budgets and seek opportunities to reduce costs and manage fund balance responsibly.

The Board and District management effectively managed the District's financial condition. The District's unrestricted fund balance for fiscal years 2010-11 through 2013-14 remained consistent at approximately 1 percent² of the subsequent year's appropriations. For the 2014-15 fiscal year, the unrestricted fund balance was \$4,237,425, or 4 percent of the subsequent year's appropriations, which is a significant increase from prior years.

The District's 2014-15 fiscal year financial position improved significantly from the previous years primarily because the District sold a school building. The District sold the building for \$8.5 million and put \$5 million of the proceeds toward the funding of a voter-approved capital project for improvements to the high school and middle school.

¹ With some exceptions, school districts are limited to an annual levy increase of 2 percent or the rate of inflation, whichever is lower, without a 60 percent majority approved voter override of the limit.

² This percentage was calculated by using a revised unrestricted fund balance for the 2013-14 fiscal year that does not include \$756,368 in prepaid medical insurance.

We also reviewed the District's 2015-16 adopted budget and determined that revenue and expenditure estimates appeared reasonable. We commend the Board and District management for taking positive action in managing the District's financial condition.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



LAWRENCE

PUBLIC SCHOOLS

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May 4, 2016

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Dear [REDACTED]

Lawrence Public Schools is pleased with the findings of the Office of the State Comptroller's audit. It is an honor for the District to receive a commendation for "positive action in managing the District's financial condition." The District applauds the auditors for the time and effort invested delving through many previous budgets and analyzing the general fund, the capital fund and the reserve accounts.

~~Gary Schall~~
~~Superintendent~~

~~Jeremy Feder~~
Assistant Superintendent
Business & Operations

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to examine the District's financial condition for the period July 1, 2014 through November 6, 2015. We extended our scope period back to July 1, 2010 to examine and trend the District's fund balances. To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We reviewed financial condition-related policies and procedures.
- We interviewed District officials regarding the District's financial condition.
- For fiscal years 2010-11 through 2014-15, we reviewed adopted budgets, financial statements, financial reports and other relevant supporting schedules.
- We compared budget-to-actual revenues and expenditures.
- We evaluated the District's operating results and resulting fund balance for the audit period.

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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