



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

STEVEN J. HANCOX
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

April 12, 2011

Dr. Thomas J. Douglas
Superintendent of Schools
Members of the Board of Education
Chenango Valley Central School District
221 Chenango Bridge Rd.
Binghamton, NY 13901

Report Number: B4-11-9

Dear Superintendent Douglas and Members of the Board of Education:

Chapter 206 of the Laws of 2008 authorized the Chenango Valley Central School District (District) to issue debt totaling \$3.5 million to liquidate the accumulated deficit in the District's general fund and school lunch fund as of June 30, 2008. Local Finance Law Section 10.10 requires all local governments that have been authorized to issue obligations to fund operating deficits to submit to the State Comptroller each year, starting with the fiscal year during which the local government is authorized to issue obligations and for each subsequent fiscal year during which the deficit obligations are outstanding, their proposed budget for the succeeding fiscal year.

The proposed budget must be submitted no later than 30 days before the date scheduled for the governing board's vote on the adoption of the budget or the last date on which the budget may be finally adopted, whichever is sooner. The State Comptroller must examine the proposed budget and make recommendations for any changes that are needed to bring the proposed budget into balance. Such recommendations are made after the examination into the estimates of revenues and expenditures of the District.

The District's Board of Education (Board), no later than five days prior to the adoption of the budget, must review all recommendations made by the State Comptroller and may make adjustments to its proposed budget consistent with those recommendations contained in this report. All recommendations that the Board rejects must be explained in writing to our Office.

Our Office has recently completed a review of the District's budget for the 2011-12 fiscal year. The objective of the review was to provide an independent evaluation of the proposed budget. Our review addressed the following questions related to the District's budget for the 2011-12 fiscal year:

- Are the significant revenue and expenditure projections in the District's proposed budget reasonable?

- Did the District take appropriate action to implement or resolve the recommendation contained in the budget review report issued in April 2010?

To accomplish our objectives in this review, we requested your proposed budget, salary schedules, debt payment schedules and other pertinent information. We identified and examined significant estimated revenues and expenditures for reasonableness with emphasis on significant and/or unrealistic increases or decreases. We analyzed, verified and/or corroborated trend data and estimates, where appropriate. We identified any significant new or unusually high revenue or expenditure estimates, made appropriate inquiries and reviewed supporting documentation to determine the nature of the items and to assess whether the estimate was realistic and reasonable. We also evaluated the amount of fund balance appropriated in the proposed budget to be used as a financing source and determined if the amount of fund balance was available and sufficient for that purpose. In addition, we determined whether written recommendations from the prior year's budget review were implemented or resolved and, therefore, incorporated as part of the current year's budget.

The scope of our review does not constitute an audit under generally accepted government auditing standards (GAGAS). We do not offer comments or make specific recommendations on public policy decisions, such as the type and level of services under consideration to be provided.

The proposed budget package submitted for review for the fiscal year ended June 30, 2012 consisted of the following:

- 2011-12 Proposed Budget
- Supplementary Information

The proposed budget submitted to our office is summarized as follows:

Fund	Appropriations and Provisions for Other Uses	Estimated Revenues	Appropriated Fund Balance	Real Property Taxes
General	\$31,841,655	\$13,808,944	\$200,000	\$17,832,711
Food Service	\$760,564	\$760,564	\$0	\$0

Based on the results of our review, we found that the significant revenue and expenditure projections in the proposed budget are reasonable. The District was able to reduce its unreserved, unappropriated fund balance at June 30, 2010 to an amount that was within the legal limit, as our April 2010 budget review recommended, to make up for anticipated Federal funds that were not received, to pay down debt, and to add funds to a retirement reserve. This year, District officials are again planning to spend down excessive fund balance which resulted from a change in a union contract that generated health insurance savings.

Our review disclosed the following finding which should be reviewed by the Board for appropriate action. Good management practices require that District officials take prompt action concerning our recommendation. We believe that prompt action by District officials will help improve the District's financial condition.

General Fund Balance

The Board and District officials can reserve, retain or appropriate unreserved fund balance as necessary and allowable by law to help pay for operating cost in the following year's budget, for cash flow purposes, or for unanticipated expenditures. Real Property Tax Law limits the amount of unreserved, unappropriated (unassigned)¹ fund balance that school districts can retain as of June 30, 2010 to no more than 4 percent of the next year's budget. Given that the District's proposed 2011-12 total appropriations are \$31.8 million, the District's unappropriated fund balance as of June 30, 2011 must not exceed \$1.3 million.

As of March 30, 2011, District officials project that the unappropriated fund balance will be \$2.2 million as of June 30, 2011. District officials plan to reduce this amount by making one-time expenditures and by increasing reserves by \$900,000 before June 30, 2011 so that the unappropriated fund balance will be \$1.3 million as of June 30, 2011.

However, the District's approach circumvents the requirement that the District's voters approve District expenditures through an annual budget vote. District officials should include the surplus fund balance in the 2011-12 budget. Such an approach will also avoid the need to spend the money quickly before year end.

The Board has the responsibility to initiate corrective action. Pursuant to Section 10.10 of Local Finance Law, the Board shall review the recommendations in this report and may make adjustments to its proposed budget. The Board must explain in writing to our office any recommendations that it has rejected. In addition, pursuant to Section 35 of the General Municipal Law, Section 2116-a (3)(c) of the Education Law and Section 170.12 of the Regulations of the Commissioner of Education, the Board must approve a corrective action plan that addresses the findings in this report, forward the plan to our office within 90 days, forward a copy of the plan to the Commissioner of Education, and make the plan available for public review in the District Clerk's office. For guidance in preparing your plan of action and filing this report, please refer to the attached documents.

We request that you provide us with a copy of the adopted budget.

We hope that this information is useful as you adopt a budget for the District. If you have any questions on the scope of our work, please feel free to contact H. Todd Eames, Chief Examiner of the Binghamton Regional Office, at (607) 721-8306.

Very truly yours,

Steven J. Hancox
Deputy Comptroller
Division of Local Government and
School Accountability

Cc: Susan M. Cirba, District Clerk
Elizabeth Donahue, School Business Executive

¹ As of July 1, 2011, the unreserved unappropriated fund balance will be called unassigned fund balance.

Allen D. Buyck, District Superintendent, Broome-Tioga BOCES
Hon. John A. DeFrancisco, Chair, Senate Finance Committee
Hon. Herman D. Farrell, Jr, Chair, Assembly Ways and Means Committee
Hon. Donna Lupardo, Local State Assembly Representative
Hon. Thomas Libous, State Senator
Robert L. Megna, Director, Division of the Budget
David M. Steiner, Commissioner, State Education Department
James Conway, Director, Office of Audit Services, State Education Department
H. Todd Eames, Chief Examiner

Chenango Valley Central School District

Dr. Thomas J. Douglas
Superintendent of Schools



221 Chenango Bridge Road, Binghamton, NY 13901
Phone: (607) 762-6810 * FAX: (607) 762-6890
E-Mail: rdouglas@cvcgsd.stier.org
Website: www.cvcgsd.stier.org

June 16, 2011

State of New York
Office of the State Comptroller
110 State St.
Albany, NY 12236

Unit Name: Chenango Valley Central School District

Audit Report Number: B4-11-9

To Whom It May Concern:

This Corrective Action Plan has been written to address the audit findings in the NYS Office of the State Comptroller's audit of the proposed budget for the 2011-2012 fiscal year for the Chenango Valley Central School District (District) as required.

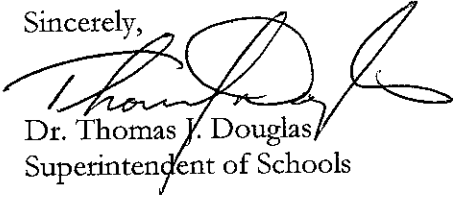
Finding: The audit states that the District's approach to reducing the unappropriated fund balance to within legal limits prior to year end by making one-time expenditures and increasing reserves circumvents the requirement that the District's voters approve District expenditures through an annual budget vote. Further, the report states that District officials should include the surplus fund balance in the 2011-12 budget.

- **Person Responsible for Implementation:** Chief Fiscal Officer and Superintendent
- **Plan of Action:** The Chenango Valley Board of Education (Board) recognizes the importance of adhering to the voter-approved budget in making all District purchases. As a result, most one-time purchases that are being considered will be made from the account where the funds were originally provided for in the approved budget. Most of the remaining items are considered health and safety related and budget transfers will be made from similar accounts in order to facilitate those purchases. The District will be receiving less state aid in the 2011-2012 school year. Accordingly, the Board is anticipating increasing the amount of appropriated fund balance for the 2011-2012 school year in order to reduce the levy. The Board also realizes that the current financial crisis may continue for several more years. Consequently, the Board feels that it would be prudent to increase reserves this year using some of the fund balance that has accumulated as a result of one-time savings. This will better prepare the District to be able to minimize future tax levy increases and not just the next levy. The Board is currently considering

increasing any of the following reserves under Real Property Tax Law section 1318(1); Employee Retirement Reserve, Unemployment Insurance Reserve, Employee Benefit Accrued Liability Reserve, and Capital Reserve. The final plan will result in the District staying within the statutory 4 percent limit with reserves capable of supporting the levy for several years into the future.

- **Implementation Date:** June 30, 2011

Sincerely,



Dr. Thomas J. Douglas
Superintendent of Schools

CC: David M. Steiner, Commissioner, State Education Department
H. Todd Eames, Chief Examiner, Office of the State Comptroller
Dr. Thomas J. Douglas, Superintendent of Schools
Susan M. Cirba, District Clerk
James Penwell, Board of Education President
John Harvey – CBO Controller
Elizabeth Donahue – School Business Executive