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April 18, 2013

Mr. David Gill  
Superintendent of Schools  
Members of the Board of Education  
Chenango Valley Central School District  
221 Chenango Bridge Road  
Binghamton, NY 13901

Report Number: B4-13-11

Dear Superintendent Gill and Members of the Board of Education (Board):

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 budget must be submitted no later than 30 days before the date scheduled for the 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 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 governing board rejects must be explained in writing to our Office.

Our Office has recently completed a review of the District's budget for the 2013-14 fiscal year. The objective of the review was to provide an independent evaluation of the proposed budget. Our review addressed the following question related to the District's budget for the 2013-14 fiscal year:

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

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 estimates were 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.

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 ending June 30, 2014, consisted of the following:

- 2013-14 Proposed budget
- Supplementary information

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

<b>Fund</b>	<b>Appropriations and Provisions for Other Uses</b>	<b>Estimated Revenues</b>	<b>Appropriated Fund Balance</b>	<b>Real Property Taxes</b>
General	\$33,432,162	\$14,284,417	\$450,000	\$18,697,745
Food Service	\$748,082	\$748,082	\$0	\$0

Based on the results of our review, except for the matters described below, we found that the significant revenue and expenditure projections in the proposed budget are reasonable.

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.

**Food Service Fund**

We compared the District’s food service fund 2013-14 budgeted revenues and appropriations to the average of the actual results for the past two years and projected results for this year. The budgeted revenues and appropriations are higher than average actual results by \$65,000 and

\$120,000, respectively. We recommend District officials adopt a food service fund budget that more closely aligns with previous years' actual results of operations, unless there are some known reasons for such increases.

### **Tax Cap Compliance**

The State Legislature enacted Chapter 97 of the Laws of 2011 that established a tax levy limit on all local governments and school districts, which was effective beginning in the 2012 fiscal year. The law precludes a school district from adopting a budget that requires a tax levy that exceeds the prior year's tax levy by more than 2 percent or the rate of inflation, whichever is less,<sup>1</sup> and certain exclusions permitted by law, unless 60 percent of district voters approve a budget that requires a tax levy that exceeds the statutory limit.

The District's proposed budget complies with the tax levy limit because it includes a tax levy of \$18,697,745, which increases the 2013-14 tax levy within the limits established by law. In adopting the 2013-14 budget, the Board should be mindful of the legal requirement to maintain the tax levy increase to no more than the tax levy limit as permitted by law, unless it obtains the proper voter approval to override the tax levy limit.

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

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<sup>1</sup> Our office has previously determined that the rate of inflation applicable to school districts with a fiscal year beginning July 1, 2013, is greater than 2 percent. Therefore, the property tax levy is capped at 2 percent.

cc: Elizabeth Donahue, School Business Executive  
Allen D. Buyck, District Superintendent of Broome-Tioga BOCES  
Susan Cirba, Clerk of the Board  
John A. DeFrancisco, Chair, NYS Senate Finance Committee  
Herman D. Farrell, Jr., Chair, NYS Assembly Ways and Means Committee  
Clifford Crouch, NYS Assembly  
Tom Libous, NYS Senate  
Robert L. Megna, Director, Division of the Budget  
John B. King, Jr., Commissioner, State Education Department  
James Conway, Director, Office of Audit Services, State Education Department  
H. Todd Eames, Chief Examiner