

Cherry Valley-Springfield Central School District

Financial Condition

MARCH 2021



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Cherry Valley-Springfield Central School District

Audit Objective

Determine whether the Cherry Valley-Springfield Central School District (District) officials effectively managed the District's financial condition.

Key Findings

Officials effectively managed most aspects of financial condition. However, officials have not:

- Utilized their multiyear financial plans to help make financial decisions.
- Adopted fund balance and reserve policies.

Key Recommendations

- Officials should utilize their comprehensive multiyear financial plans to help make financial decisions.
- The Board should adopt written policies concerning fund balance and outlining the financial objectives, optimal funding levels and conditions for using each reserve.

Subsequent Event

Our audit fieldwork was completed prior to the COVID-19 pandemic (pandemic). The District's 2020 projections and our audit work do not factor in the pandemic's financial effects.

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

Background

The District serves the Towns of Cherry Valley, Middlefield, Roseboom and Springfield in Otsego County, and the Town of Minden in Montgomery County.

The District is governed by a seven member elected Board of Education (Board) that is responsible for the general management and control of the District's financial and educational affairs.

The Superintendent of Schools is the 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 Official manages the Business Office, runs the District's day-to-day financial operations and provides financial reports to the Board.

Quick Facts

2019-20 General Fund Appropriations	\$13.3 million
2019-20 Real Property Tax Revenue	\$5.3 million
2019-20 Student Enrollment	462

Audit Period

July 1, 2018 – June 30, 2020

We extended our examination period back to July 1, 2015 to analyze trends.

Financial Condition

How Do Officials Effectively Manage Financial Condition?

Officials are accountable to taxpayers for the use of district resources and for effectively planning and managing district operations. Officials should develop comprehensive multiyear financial plans, including three- to five-year projections of revenues, expenditures and fund balances. Multiyear financial plans allow decision-makers to set long-term priorities and work toward goals, rather than making choices based only on the needs and politics of the moment. A plan can help residents and elected local government officials see the impact of their fiscal decisions over time. They can then decide what program funding choices to make in advance, avoiding sudden tax increases or dramatic budget cuts. The State promotes maintaining and updating multiyear financial plans to increase transparency and help to ensure a positive financial outlook. They should be viewed as a best practice with or without a requirement.

Adopting an explicit fund balance policy (and budgeting to maintain these reserves) buffers district finances against unforeseen risk and provides a cushion throughout the fiscal year to ensure sufficient cash flow. A fund balance policy that provides guidance on how fund balance will be used is an important component of any multiyear plan. A district may retain a portion of fund balance, referred to as unrestricted fund balance, to provide a cushion against unforeseen events and fluctuations in cash flow. Officials should ensure that the surplus fund balance is no more than 4 percent of the ensuing year's budgeted appropriations.

If the board establishes reserve funds, it should adopt a written reserve policy that communicates to taxpayers why the money is being set aside, the board's objectives for the reserves, optimal funding levels and conditions under which the assets will be utilized. The board should also periodically assess the reasonableness of the amounts accumulated in reserves. When conditions warrant (subject to legal requirements), the board should reduce reserve funds to reasonable levels or liquidate and discontinue a reserve fund that is no longer needed or whose purpose has been achieved.

Officials Effectively Managed Most Aspects of Financial Condition

Although the business official created financial plans that included projections of revenues, expenditures and fund balances for the next five years, officials were not reviewing or utilizing the plans to make financial decisions. The Board also did not adopt written fund balance or reserve policies.

We assessed trends in the District's budgets for the last five years and found that adopted budgets were consistently reasonable. We also analyzed unrestricted fund balance for the last three years and found that, as a percentage of the ensuing years' budgeted appropriations, it was within the 4 percent limit in 2017-18 (3.8 percent) and 2018-19 (3.5 percent), but slightly above in 2019-20 (6.7

percent). Officials stated that due to uncertainties in revenue sources caused by the pandemic, such as State aid, they felt it was prudent to retain a slightly higher level of fund balance to meet possible budget shortfalls.

We further analyzed reserve balances for the District's five reserves (unemployment insurance, retirement contributions, capital, employee benefits and repair) and concluded that these reserves were either reasonably funded or the balances were immaterial.

Officials stated that they had not used their multiyear financial plans or adopted fund balance or reserve policies because they were not aware of their benefits. To assist officials in creating these plans and policies, we provided them with copies of our publications *Financial Condition Analysis*,¹ *Multiyear Financial Planning*² and *Reserve Funds*.³ With the uncertainty surrounding the pandemic, these plans and policies could help the District weather challenges during such times.

What Do We Recommend?

District officials should:

1. Utilize their comprehensive multiyear financial plans to help make financial decisions.

The Board should:

2. Adopt written policies concerning fund balance and outlining the financial objectives, optimal funding levels and conditions for using each reserve.

1 <https://www.osc.state.ny.us/files/local-government/publications/pdf/financialconditionanalysis.pdf>

2 <https://www.osc.state.ny.us/files/local-government/publications/pdf/multiyear.pdf>

3 <https://www.osc.state.ny.us/files/local-government/publications/pdf/reservefunds.pdf>

Appendix A: Response From District Officials

CHERRY VALLEY-SPRINGFIELD CENTRAL SCHOOL

P.O. Box 485 Cherry Valley, NY 13320 Telephone (607) 264-3265 Fax (607) 264-3299 or (607) 264-9023

TheriJo Climenhaga, Superintendent of Schools
Kevin Keane, Secondary Principal/ Technology Director
James Brophy, Elementary Principal
Bonnie Georgi, Director of Special Education

BOARD OF EDUCATION

Robert Tabor, President
Kevin Lennebacker, V. P.
April Aramini
April Erkson
Amy Garretson
Ellen Johnson
Gregory Lowry

AUDIT RESPONSE

The district is in agreement with the findings of the audit. A comprehensive multi-year plan will be maintained to establish projections for revenues, expenditures and reserve and fund balances. The multi-year plan will be shared with the BOE annually. We are also in agreement that policy shall be put in place to oversee fund balance and outlining the financial objectives, optimal funding levels and conditions for using each reserve.

CORRECTIVE ACTION PLAN

Unit Name: Cherry Valley-Springfield Central School District

Audit Report Title: Financial Condition Report of Examination

Audit Report Number: 2020M-156

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

Audit Recommendation:

District officials should utilize their comprehensive multi year financial plans to help make financial decisions.

Implementation Plan of Action(s):

Continue to use [REDACTED] to track projections and be transparent of these projections with the BOE. Share projections with the BOE on an annual basis.

Implementation Date: July 2021

Person Responsible for Implementation:

Denise Wist, Business Official and TheriJo Climenhaga, Superintendent

Audit Recommendation:

The BOE should adopt policies concerning fund balance and outlining the financial objectives, optimal funding levels and conditions for using each reserve.

Implementation Plan of Action(s):

The BOE will adopt a policy regarding Fund Balance. We already have a policy that pertains to Fiscal Accounting and Reporting.

Implementation Date: July 2021

Person Responsible for Implementation:

TheriJo Climenhaga, Superintendent

Signed:

Date:

1/28/2021

TheriJo Climenhaga
Superintendent

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed the Board meeting minutes, resolutions and policies to gain an understanding of the District's financial planning, budgeting, and fund balance and reserve procedures.
- We verified fund balance amounts reported in the 2018-19 audited financial statements were accurate by verifying 94 percent of reported assets and 82 percent of reported liabilities. We traced cash balance amounts reported in the audited financial statements to the general ledger and the June 2019 bank reconciliation and bank statements. We also verified the Teacher's Retirement System (TRS) liability reported on the financial statements was not materially different than the amount appearing on the TRS certification.
- We compared estimated revenues to actual revenues and appropriations to actual expenditures for 2015-16 through 2019-20 to analyze budget reasonableness.
- We calculated results of operations for 2017-18 through 2019-20.
- We analyzed the District's fund balance for 2017-18 through 2019-20 to identify trends. We calculated unassigned fund balance as a percentage of the ensuing years' budgeted appropriations to determine whether it was below 4 percent.
- We analyzed reserve balances for 2017-18 through 2019-20 to determine whether they were material and reasonably funded according to historical expenditures and anticipated uses.
- We performed an analysis of revenues and expenditures for 2015-16 through 2019-20 to identify trends overall, for the top five revenue and expenditure line items, plus salaries and BOCES expenditures.
- We examined the District's tax levies for 2015-16 through 2019-20 to verify that they did not exceed the maximum levy limit.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

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, pursuant to Section 35 of General Municipal Law, Section 2116-1(3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the 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. We encourage the Board to make the CAP available for public review in the District Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

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