



# Binghamton City School District

## Financial Condition

### Report of Examination

Period Covered:

July 1, 2011 — May 20, 2013

2013M-242



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**

January 2014

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 Binghamton City 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 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 Binghamton City School District (District) is located in the City of Binghamton and the Town of Fenton in Broome County. The District is a component district of the Broome Tioga Board of Cooperative Education Services, which provides various services to the District including Central Business Office (CBO) functions.

The District is governed by the Board of Education (Board) which comprises seven elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Board President serves as the District's chief fiscal officer. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with the Assistant Superintendents and other administrative staff, for the District's day-to-day management and development and administration of the budget. The District is also a member of the New York State Association of Small City School Districts (NYSCSD).<sup>1</sup>

During the 2011-12 school year, there were 10 schools in operation within the District,<sup>2</sup> with approximately 5,700 students. The District's budgeted appropriations for the 2012-13 fiscal year were approximately \$98 million, which were funded primarily with real property taxes and State aid.

## 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 adequately manage the District's financial condition?

## Scope and Methodology

Our overall goal was to assess the District's financial condition. We examined the District's financial condition for the period July 1, 2011 through May 20, 2013. In addition, we expanded our scope period to the 2007-08 fiscal year to analyze the District's fund balance, budgeting practices, cost savings measures and financial trends.

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.

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<sup>1</sup> For a listing of the 57 NYSCSD component districts, see <http://scsd.neric.org/>

<sup>2</sup> The MacArthur School is included in this figure. During the audit period, the District utilized rented space for this school's flood reconstruction project.

**Comments of  
District Officials**

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 the findings in our report.

## Financial Condition

A school district's financial condition is a primary factor in determining its ability to continue providing public educational services for students within the district. The Board, Superintendent and Assistant Superintendents are accountable to taxpayers for the use of District resources and are responsible for effective financial planning and management of District operations. District officials have a responsibility to ensure that their tax burden is not greater than necessary. Therefore, it is essential that officials develop reasonable budgets and manage fund balance responsibly and in accordance with statute. Sound budgeting practices, coupled with prudent fund balance management, ensure that sufficient funding will be available to sustain operations, address unexpected occurrences and satisfy long-term obligations or future expenditures.

District officials have taken appropriate action to manage the District's financial condition. District officials recognized the need to be proactive in budget development and expenditure controls. District officials and CBO representatives meet regularly to monitor and evaluate the current year's budget and available fund balance, and to plan for future years' budgets. This planning includes an ongoing evaluation of the District's spending trends and projected future fund balance.

District officials developed reasonable budgets and monitored the budgets throughout the year to properly manage the District's financial condition. Some specific examples of District officials' proactive actions are included below.

- District officials used one-time Federal aid revenues the District received to replace decreases in State aid and maintain existing programs and operations instead of funding new programs that would require future recurring costs without future recurring revenues.
- District officials utilized an accounting software program with decentralized budgetary control. This system prevented over-spending within budget lines and allowed principals and department heads to identify and recommend potential budget transfers within their respective portions of the overall budget. District and CBO officials consistently monitored the entire budget to ensure that the District's revenue and expenditures remained on track.

- District and CBO officials routinely monitored spending, identified over-spending trends in budget lines and subsequently amended District policies and procedures, as necessary. For example, during the 2012-13 school year, District officials identified an over-spending projection in substitute teacher costs. In an effort to limit over-spending in this area, District officials determined that substitute teachers were being used, at a higher daily rate, to cover aide positions. The administration amended District policy so that State-mandated aide positions were covered first with aides from un-mandated positions; therefore, in some cases, un-mandated positions were left uncovered. District officials also initiated the creation of a substitute aide pool to ensure that aide positions were covered at the appropriate lesser daily rate. District officials also officially reminded staff of sick leave policies to minimize absences. Because of these policy amendments, the District spent approximately \$200,000 less than the originally projected amount, and spent approximately \$200,000 less than the actual amount spent during the prior year.
- District officials decreased the use of contracted services, such as District-financed pre-employment health screenings. Instead, potential new employees were required to provide the District with medical work clearances from their own physicians.

Since 2009, total State aid received by the District has declined more than \$1.2 million (a 2.3 percent decrease). Moreover, revenues other than real property taxes<sup>3</sup> and State aid have also declined approximately \$1.1 million (over a 10 percent decrease). To fund unavoidable increases in certain appropriation lines and offset these declining revenues, the District increased its real property tax levy by approximately 3.4 percent annually. District officials, however, were able to limit these increases in real property taxes to a rate of growth that was consistent with, and typically lower than, the average of other school district groups, as indicated in Table 1.

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<sup>3</sup> Revenues other than real property taxes amounts consist of local and federal revenue sources within the general fund.

**Table 1: Real Property Tax Levies**

	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Total Change	Average Annual Change	Average Annual % Change
<b>Binghamton City School District</b>	\$29,389,558	\$30,254,327	\$31,411,447	\$2,021,889	\$1,010,945	3.44%
<b>Average of Other Broome County School Districts<sup>a</sup></b>	\$13,186,512	\$14,050,622	\$14,570,964	\$1,384,452	\$692,226	5.25%
<b>Average of Other Small City School Districts<sup>b</sup></b>	\$29,240,044	\$30,385,909	\$31,432,333	\$2,192,289	\$1,096,145	3.75%
<b>Average of Other City School Districts<sup>c</sup></b>	\$33,882,146	\$34,983,719	\$36,083,075	\$2,200,929	\$1,100,465	3.25%
<b>Average of Other Upstate School Districts<sup>d</sup></b>	\$13,328,620	\$13,785,052	\$14,274,438	\$945,818	\$472,909	3.55%

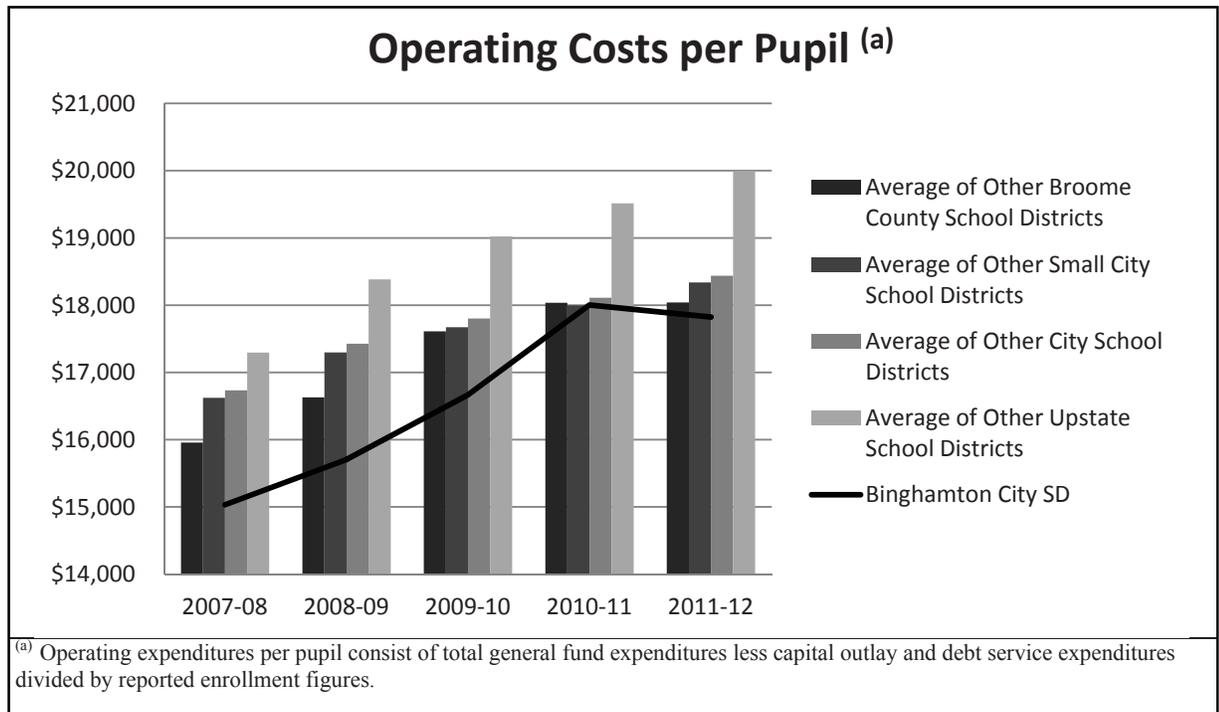
<sup>a</sup> Other Broome County school districts are comprised of Broome County school districts with reported enrollment greater than zero.

<sup>b</sup> Other small city school districts are comprised of the other 56 Association of Small City School Districts member districts.

<sup>c</sup> Other city school districts are comprised of all city school districts except New York City.

<sup>d</sup> Other upstate school districts are comprised of all New York State school districts except those located in Nassau, Rockland, Suffolk and Westchester Counties, and New York City.

To control tax levy growth rates, the District has also effectively controlled operating expenses through its budgetary monitoring procedures and, when necessary, spending freezes on certain budget lines. The District had lower than average per pupil costs when compared to multiple school district groups within the State. During the 2007-08 through 2011-12 school years, the District had consistently lower operating expenditures per pupil than the average of other Broome County, other upstate, other New York State small city and other New York State city school districts.



If the District's expenditures were the same as the various school district groups' average rate per pupil, the District's total annual expenditures would have averaged approximately \$3.6 million to \$12.7 million more per year than what it actually spent. We commend District officials for their proactive involvement in managing the District's financial condition. As a result, the District's financial position has remained generally healthy during a period of decreased revenues and increasingly rising costs.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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



## **Binghamton City School District**

Christopher Columbus School  
164 Hawley Street  
PO Box 2126  
Binghamton, NY 13902-2126  
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Fax: (607) 762-8112

December 10, 2013

State of New York  
Office of the State Comptroller  
State Office Building  
44 Hawley Street, Room 1702  
Binghamton, NY 13901-4417

**RE: BINGHAMTON CITY SCHOOL DISTRICT  
REPORT OF EXAMINATION - FINANCIAL CONDITION  
JULY 1, 2011 - MAY 20, 2013**

Dear Sir/Madam:

We are in receipt of your draft findings and recommendations regarding our Financial Condition. The Binghamton City School District is in agreement with the audit results provided by your office. It is our intention, and always has been, to manage our resources in the most efficient and effective way possible. We appreciate this opportunity to have an outside review of our financial condition and practices.

Although the district anticipates sustained financial challenges, we continue to look for ways to provide a quality education with limited financial resources. This often forces us to make difficult and controversial decisions; however, the Board of Education, in conjunction with the administration, strives to make responsible decisions with the best interests of the students in mind.

Again, we appreciate the review and insight provided by the Comptroller's team. Please contact me should any questions arise, or if additional clarification is needed for any aspect of the district's financial condition.

Sincerely,

Marlon H. Martinez, Ed.D.  
*Superintendent of Schools*

*Providing A Rich Environment for Quality Learning*

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

To accomplish our objective, we interviewed appropriate District and CBO officials and employees, tested selected records and examined pertinent documents for the period July 1, 2011 through May 20, 2013. To analyze the District's budgeting practices, cost savings measures and financial trends, we expanded our scope period back to the fiscal year ending June 30, 2008. Our examination included the following:

- We compared the budgeted figures for the 2009-10 through 2011-12 fiscal years to actual results to determine the effectiveness of the budget process.
- We determined ST-3 average figures for Broome County, city and small city school districts for the 2007-08 through 2011-12 fiscal years. We then performed a comparison of general fund trends between those groups' averages and the District's, both in total and per pupil.
- For the 2007-08 through 2011-12 fiscal years, we performed a comparison of operating expenditures and enrollment trends between the District and all upstate New York school districts, all city school districts, all small city school districts and all Broome County school districts – both with and without capital outlay or debt service.
- We determined the average tax levies of all upstate New York school districts, all city school districts, all small city school districts and all Broome County school districts, and compared them with the District's levies for the 2009-10 through 2011-12 fiscal years.
- We interviewed District and CBO officials to gain an understanding of the District's budgeting policies and procedures, cost savings measures employed during the scope period and the District's use of one-time Federal aid.
- We analyzed 2007-08 through 2011-12 ST-3 data to evaluate the District's overall fiscal health.

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

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**DIVISION OF LOCAL GOVERNMENT**  
**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
Gabriel F. Deyo, Deputy Comptroller  
Nathalie N. Carey, Assistant Comptroller

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