



# Mount Pleasant Central School District Financial Condition

## Report of Examination

Period Covered:

July 1, 2013 – January 6, 2015

2015M-82



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

July 2015

Dear District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support school district operations. The Comptroller oversees the fiscal affairs of school districts statewide, as well as 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 operations and Board of Education governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard school district assets.

Following is a report of our audit of the Mount Pleasant Central 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 and recommendation are resources for school 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 Mount Pleasant Central School District (District) is located in the Town of Mount Pleasant, in Westchester 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) serves as the District's chief executive officer and is responsible, along with other administrative staff, for the District's daily operations.

The District operates four schools with 1,961 students and 413 employees. The District's operating budget for the 2015-16 year is approximately \$59 million, funded primarily with real property taxes, charges for service and, State and federal aid.

## Objective

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

- Did District officials adequately monitor the District's financial condition and take appropriate actions to maintain the District's financial stability?

## Scope and Methodology

We examined the District's financial condition for the period July 1, 2013 through January 6, 2015. We extended our scope period back to July 1, 2009 to analyze the District's fund balance, budgeting 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.

## Comments of District Officials and Corrective Action

The results of our audit and recommendation 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 our recommendation and indicated that they will continue to maintain fiscal stability.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the New York State General Municipal Law, Section 2116-a (3) (c) of the New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, 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, with a copy forwarded to the Commissioner

of Education. To the extent practicable, implementation of the CAP must begin by the end of the next 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. The Board should make the CAP available for public review in the District Clerk's office.

## Financial Condition

The Board and District officials are accountable to taxpayers for the use of District resources and for effectively planning and managing the District's financial operations. They are responsible for adopting budgets that include realistic estimates of expenditures and the resources available to fund them. Sound budgeting practices, coupled with prudent fund balance management, can help ensure that the District consistently generates sufficient, recurring revenues to finance anticipated expenditures.

A key measure of the District's financial condition is its fund balance level, which is the difference between revenues and expenditures accumulated over time. When maintained at reasonable levels, fund balance provides cash flow and can be used to help finance the next fiscal year's operations. The restricted portion of fund balance represents the amount that the District may use only for specific purposes. Unexpended surplus funds<sup>1</sup> are the portion of fund balance that may be appropriated to fund programs in the next year's budget. New York State Real Property Tax Law restricts unexpended surplus fund balance in school districts to 4 percent of the next year's appropriations.

District officials adequately monitored the District's financial condition to maintain fiscal stability. During the period 2009-10 through 2013-14, accumulated fund balance in the general fund increased from \$6.6 million for fiscal year 2009-10 to \$9.8 million for fiscal year 2013-14. The preliminary results of operations indicated that this trend will continue for the fiscal year ending June 30, 2015.

We analyzed the District's financial condition from 2009-10 through 2013-14. Our analysis showed that the general fund had operating surpluses in each of the five years, ranging from \$234,000 to \$1.6 million. During this period District officials maintained unrestricted surplus fund balances of approximately 4 percent of the next year's appropriation. In addition, District officials maintained restricted fund balance of \$3.4 million in 2009-10 to \$6.7 million in 2013-14. This

<sup>1</sup> The Governmental Accounting Standards Board (GASB) issued Statement 54, which replaces the fund balance classifications of reserved and unreserved with new classifications: nonspendable, restricted, committed, assigned and unassigned. The requirements of Statement 54 are effective for fiscal years ending June 30, 2011 and beyond. To ease comparability between fiscal years ending before and after the implementation of Statement 54, we will use the term 'unexpended surplus funds' to refer to that portion of fund balance that was classified as unreserved, unappropriated (prior to Statement 54), and is now classified as unrestricted, minus appropriated fund balance, amounts reserved for insurance recovery and tax reduction and encumbrances included in committed and assigned fund balance (post-Statement 54).

resulted in total fund balance of \$6.6 million in 2009-10 to \$9.8 million as of June 30, 2014.

<b>Figure 1: General Fund-Operating Results and Fund Balance</b>					
	2009-10	2010-11	2011-12	2012-13	2013-14
Beginning Fund Balance	\$4,994,324	\$6,664,234	\$6,898,778	\$8,105,398	\$8,711,113
Revenues	\$51,999,288	\$49,218,423	\$50,227,581	\$51,240,653	\$53,353,125
Expenditures	\$50,329,378	\$48,983,879	\$49,020,961	\$50,634,936	\$52,237,864
Operating Surplus	\$1,669,910	\$234,544	\$1,206,620	\$605,717	\$1,115,261
Year-End Accumulated Fund Balance	\$6,664,234	\$6,898,778	\$8,105,398	\$8,711,115	\$9,826,374
Less Assigned	\$1,200,000	\$1,280,118	\$198,418	\$393,422	\$921,216
Less Restricted	\$3,449,044	\$3,565,662	\$5,869,590	\$6,217,091	\$6,675,159
Unexpended Surplus Fund Balance	\$2,015,190	\$2,052,998	\$2,037,390	\$2,100,602	\$2,229,999

Figure 2 shows the restricted fund balance composition, which comprised funds allocated for tax certiorari, unemployment, encumbrances, retirement benefit contributions, employee benefits accrued liability and debt service.

<b>Figure 2: Restricted Fund Balance Composition</b>					
	2009-10	2010-11	2011-12	2012-13	2013-14
Tax Certiorari	\$2,116,403	\$2,387,629	\$4,679,777	\$5,024,303	\$6,024,959
Unemployment	\$163,351	\$164,985	\$166,635	\$167,052	\$167,470
Encumbrances	\$89,134	\$0	\$0	\$0	\$0
Retirement Contribution	\$174,000	\$175,740	\$177,497	\$177,941	\$178,386
Compensated Absences	\$374,000	\$299,830	\$302,828	\$303,585	\$304,344
Debt Service Payment	\$532,156	\$537,478	\$542,853	\$544,210	\$0
<b>Total Restricted Fund Balance</b>	<b>\$3,449,044</b>	<b>\$3,565,662</b>	<b>\$5,869,590</b>	<b>\$6,217,091</b>	<b>\$6,675,159</b>

The restricted fund balance grew from \$3,449,044 in 2009-10 to \$6,675,159 in 2013-14. The increase was due primarily to the amount restricted for tax certiorari which grew from \$2.1 million in 2009-10 to \$6 million in 2013-14. Our examination and analysis of pending certiorari cases showed that the District had 57 outstanding cases, which amounted to an estimated liability of about \$15.4 million.

Preliminary results of operations for the 2014-15 fiscal year and District officials' projections showed that the District could have \$9 million in unexpended surplus fund balance as of June 30, 2015. District officials plan to restrict \$5 million of this amount and plan to assign \$2 million towards the 2015-16 budget. This would leave an unassigned surplus of approximately \$2 million, which represents about 4 percent of the 2015-16 budget.

**Recommendation**

1. District officials should continue to closely monitor the budget and take necessary actions to maintain fiscal stability.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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

# *Mount Pleasant Schools*

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Susan Guiney, Ed.D.  
Superintendent of Schools

June 1, 2015

Ms. Tenneh Blamah, Chief Examiner  
Office of the State Comptroller  
Division of Local Government and School Accountability  
33 Airport Center Drive, Suite 103  
New Windsor, New York 12553

Dear Ms. Blamah:

The Mount Pleasant Central School District would like to thank the State Comptroller's Office for the opportunity to have its Financial Condition audited for the period of July 1, 2009 through January 6, 2015.

We are pleased your auditors noted that "District officials adequately monitored the District's financial condition to maintain fiscal stability" for the period audited. As per your office's recommendation, District officials will continue to closely monitor the budget and take necessary actions to maintain fiscal stability. We are extremely pleased that the internal controls and financial oversight implemented by District officials are functioning as intended, and effectively safeguarding District assets.

Further, the District appreciates the work of your examiners and wishes to thank them for their professionalism.

Sincerely,

  
Dr. Susan Guiney  
Superintendent of Schools

## **APPENDIX B**

### **AUDIT METHODOLOGY AND STANDARDS**

The objective of our audit was to examine the District's financial condition. To accomplish our objective, we performed the following procedures:

- We interviewed District officials and reviewed the Board meeting minutes, resolutions and budget brochures to gain an understanding of the District's budget development including the fund balance process.
- We reviewed the general fund's results of operations for the fiscal years 2009-10 through 2013-14.
- We compared the general fund's budgeted revenues and expenditures to the actual revenues and expenditures for fiscal years 2009-10 through 2013-14 to determine if District officials were budgeting reasonably.
- We analyzed the general fund's trend in total and restricted fund balances, including the use of appropriated fund balance, for the fiscal years 2009-10 through 2013-14. We also compared the unexpended surplus fund balance to the ensuing year's budgeted expenditures to determine the fund balance availability for future years.
- We reviewed the list of outstanding claims for tax certiorari and estimated the rate of settlement based on payment history.

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.

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