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April 10, 2014

Dr. William Silver
Superintendent of Schools
Members of the Board of Education
Liberty Central School District
115 Buckley Street
Liberty, NY 12754

Report Number: B4-14-6

Dear Superintendent Silver and Members of the Board of Education:

Chapter 380 of the Laws of 2003 authorizes the Liberty Central School District (District) to issue debt totaling \$1.3 million to liquidate the accumulated deficit in the District's general and lunch funds as of June 30, 2002. 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 next succeeding fiscal year.

The budget must be submitted no later than 30 days before the date scheduled for the Board's vote on its adoption or the last date on which the budget may be finally adopted, whichever is earlier. 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 Board rejects must be explained in writing to our office.

Our office has recently completed a review of the District's budget for the 2014-15 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 2014-15 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 recommendations contained in the budget review report issued in March 2013?

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 inquired and checked 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 ending June 30, 2015, consisted of the following:

- 2014-15 Proposed General and School Lunch Fund budgets
- 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	\$42,202,839	\$21,675,875	\$1,211,387	\$19,315,577
Food Service	\$1,159,892	\$1,159,892	\$0	\$0

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

Corrective Action of Prior Years' Findings

In our budget review letter issued March 2013, we found that the District's 2013-14 proposed budget for the food service fund included an appropriation of \$36,162 in fund balance that may not have been available. We recommended that District officials prepare a projection of year-end

fund balance before they adopted their 2013-14 budget. Additionally, the 2013-14 fiscal year budget for the food service fund included a transfer from the general fund and loans from other funds, both of which were in increasing amounts from prior years. We recommended that District officials develop a long-term plan to reduce the need for general fund subsidies to fund the food service fund.

District officials have taken some corrective action by preparing a projection of year-end fund balance for the food service fund while also improving the overall solvency of the fund. The District expanded on the reimbursable programs in the food service fund as a means to increase revenue and decrease reliance on transfers and loans from other funds. For example, while the 2014-15 proposed budget for the food service fund continues to rely on a transfer from the general fund to balance the budget, the budgeted transfer decreased by \$10,000 from the 2013-14 adopted budget. Furthermore, the amount owed by the food service fund to other funds has decreased from \$80,000 to \$50,000 as of February 2014. We recommend that the District officials continue to prepare projections of year-end fund balance for the food service fund and develop a long-term plan to help them further decrease their reliance on general fund subsidies.

Tax Cap Compliance

The State Legislature and Governor 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, 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 increase within the statutory limit. In adopting the 2014-15 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 the upcoming budget for the District. If you have any questions on the scope of our work, please feel free to contact Todd Eames, Chief Examiner of the Binghamton Regional Office, at (607) 721-8306.

Sincerely,

Gabriel F. Deyo

cc: Lorine Lamerand, Business Manager
Tania DeFrank, Clerk of the Board
Lawrence Thomas, District Superintendent of Sullivan County BOCES
Hon. John A. DeFrancisco, Chair, Senate Finance Committee
Hon. Herman D. Farrell, Jr., Chair, Assembly Ways and Means Committee
Hon. Aileen M. Gunther, NYS Assembly
Hon. John J. Bonacic, NYS Senate
Robert L. Megna, Director, Division of the Budget
Dr. John B. King Jr., Commissioner, State Education Department
Maria Guzman, Director, Office of Audit Services, State Education Department
H. Todd Eames, Chief Examiner