



# **Silver Creek Central School District**

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Financial Management

**2022M-153 | January 2023**

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# Report Highlights

## Silver Creek Central School District

### Audit Objective

Determine whether the Silver Creek Central School District (District) Board of Education (Board) and District officials properly managed fund balance and reserves.

### Key Findings

The Board and District officials need to improve their budgeting practices and transparency. Although our 2016 audit identified similar deficiencies, officials did not effectively implement corrective actions. As a result, the Board and District officials continued to not properly manage fund balance and reserves, resulting in more taxes being levied than were needed to fund operations.

The Board and District officials:

- Overestimated general fund appropriations by \$6.7 million and appropriated \$2.7 million of fund balance and reserve funds that were not needed to fund operations from 2018-19 through 2020-21.
- Adopted annual budgets which gave taxpayers the impression the District would have operating deficits when it had operating surpluses; the swing in operational results totaled \$9.7 million.
- As of June 30, 2021, maintained a surplus fund balance that exceeded the legal limit of 4 percent by approximately \$7.1 million, or 27 percentage points.
- Overfunded four reserve funds by as much as \$2.3 million.

### Key Recommendations

- Adopt reasonable budgets.
- Reduce surplus fund balance to comply with the statutory limit.
- Reduce overfunded reserves in accordance with applicable statutes.

District officials generally agreed with our findings and recommendations, except for certain issues. Appendix B includes our comment on issues District officials raised in their response.

### Background

The District serves the Towns of Hanover and Sheridan in Chautauqua County and the Town of Brant in Erie County.

The elected seven-member Board is responsible for managing and controlling the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is responsible for the District's day-to-day management under the Board's direction.

The School Business Administrator, (Administrator) oversees the Business Office and maintains the District's financial records. The Board, Superintendent and Administrator are responsible for developing and monitoring the budget.

#### Quick Facts

<b>2021-22 Appropriations</b>	\$25.9 million
<b>Three-Year Cumulative Operating Surplus</b>	\$7 million
<b>Surplus Fund Balance as of June 30, 2021</b>	\$8.1 million
<b>General Fund Reserves Balance as of June 30, 2021</b>	\$6.4 million

### Audit Period

July 1, 2018 – June 22, 2022

We extended our audit period back to review historical activity, as indicated in Appendix C.

# Financial Management

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Our Office issued an audit report<sup>1</sup> that identified similar deficiencies in 2016 that found the District's operating surpluses caused fund balance to exceed the statutory limit by 13 percentage points. In addition, the District had overfunded the retirement contribution reserve and maintained a property loss reserve even though there were no current outstanding claims to support funding such a reserve. The District prepared a corrective action plan that stated the District would:

- Use a financial planner to determine realistic revenues and expenditures in developing a responsible budget.
- Develop a plan to reduce unrestricted fund balance to the statutory limit.
- Consider using surplus funds as a financing source, funding one-time expenditures, funding necessary reserves and reducing District property taxes.
- Ensure that the 10-year reserve funds plan and Board policy are applied to use funds to maximum capacity and maintain long-term solvency.

However, this audit found that the Board and District officials did not effectively implement corrective actions and continued to maintain excessive surplus fund balance and reserves.

## How Should Fund Balance Be Properly Managed?

To properly manage fund balance, a school board should adopt reasonably estimated and structurally balanced budgets based on historical or known trends, in which recurring revenues finance recurring expenditures. In preparing the budget, a school board must estimate the amounts a school district will spend and receive, the amount of fund balance that will be available for use at year-end and the expected real property tax levy. Accurate budget estimates help ensure that the real property tax levy is enough to fund operations but not greater than necessary.

A school board is permitted to retain both a specified amount of fund balance for cash flow needs or unexpected expenditures and reserves for other identified or planned needs. Fund balance is the difference between revenues and expenditures accumulated over time. School district officials must comply with New York State Real Property Tax Law Section 1318, which currently limits the amount of surplus fund balance that a school district can retain to no more than 4 percent of the next year's budget. School district officials must use any surplus fund balance over this percentage to reduce the upcoming fiscal year's real property tax levy or to fund needed reserves. When school district officials

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To properly manage fund balance, a school board should adopt reasonably estimated and structurally balanced budgets. ...

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<sup>1</sup> Refer to *Silver Creek Central School District – Financial Condition (2015M-321)*, issued in February 2016.

appropriate fund balance for the next year’s budget, they should expect the school district to have a planned operating deficit equal to the amount of fund balance that they appropriated.

### The Board and District Officials Overestimated Appropriations

We compared budgeted appropriations and estimated revenues with actual operating results for 2018-19 through 2020-21 to determine whether budget estimates were reasonable. The Board and District officials overestimated appropriations by an annual average of more than \$2.2 million (9.8 percent) each year, or a total of approximately \$6.7 million (Figure 1).

**Figure 1: Overestimated Appropriations (millions) <sup>a</sup>**

Expenditures	2018-19	2019-20	2020-21	Totals
<b>Budgeted</b>	\$24.5	\$24.8	\$25.7	\$75.1
<b>Less Actual</b>	22.7	22.5	23.2	68.4
<b>Overestimated</b>	\$1.8	\$2.4	\$2.5	\$6.7
<b>Percentage Overestimated<sup>b</sup></b>	8.1%	10.6%	10.7%	9.8%

a Excludes unbudgeted transfer activity and transportation vehicle purchases that were funded by reserves.

b Overestimated appropriations divided by expenditures

In addition, while total actual revenues for 2018-19 and 2019-20 were reasonable when compared to total budgeted revenues, actual revenues for 2020-21 exceeded estimated revenues by \$2.6 million, or approximately 11 percent. The most significant revenue variance for 2020-21 was Native American Aid<sup>2</sup> and was primarily attributable to the District receiving \$1.4 million in Native American Aid payments in excess of the reimbursements requested by the District. The Business Administrator was unable to provide an explanation for the excess funds or any documentation to support she investigated or inquired about the extra payments. We verified that the District was erroneously paid more than it should have been and that the District has been asked to return the excess funds it received. The remaining revenue variance in 2020-21 was mainly due to District officials underestimating various other State aid items. While the Business Administrator told us that they planned for a 20 percent reduction in State aid for 2020-21, State aid projections available to the District in March 2020 actually indicated that the District should have expected a small increase of approximately 1 percent.

<sup>2</sup> Financial assistance for public school districts that educate Native American children residing on reservations throughout the State

The most significant overestimated appropriations were for:

- Instructional salaries,
- Employee benefits and
- Board of Cooperative Educational Services (BOCES) expenditures.

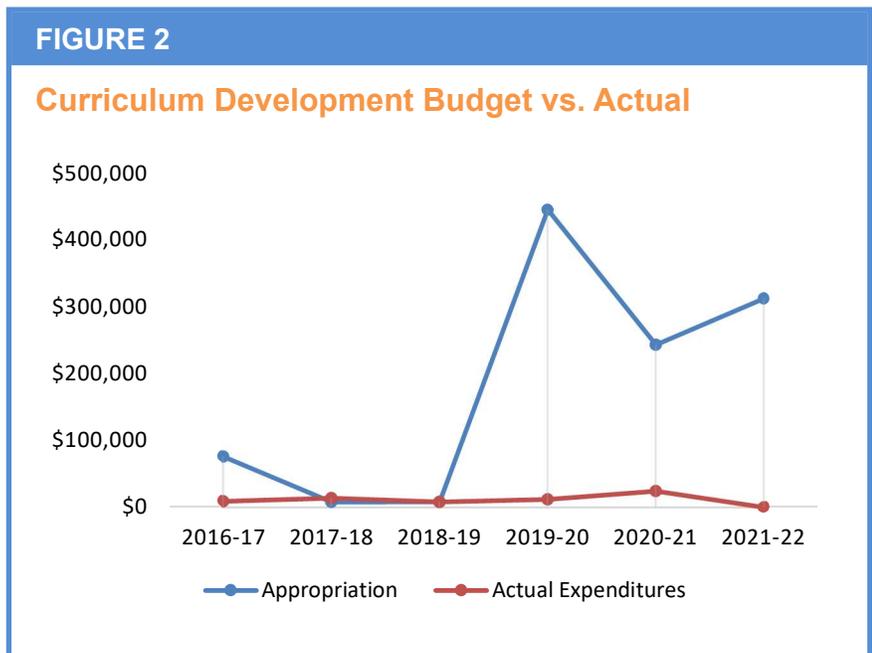
These appropriations were overestimated between 15 and 21 percent, or a total of approximately \$3.7 million from 2018-19 through 2020-21.

Instructional Salaries – District officials overestimated instructional salaries by \$1.4 million, or 21 percent, over the last three fiscal years. The Business Administrator told us that instructional salaries were overestimated because officials budgeted for a curriculum development stipend with the assumption that all teachers eligible to earn the stipend would potentially need to be paid. The Business Administrator told us there was an unexpected increase in expenditures in a recent year in which all teachers qualified for the stipend; therefore, officials chose to increase the appropriation going forward. However, curriculum development expenditures averaged \$13,500 per year over the past five fiscal years, and there was no evidence to suggest that all teachers had opted for the stipend within the last five fiscal years (Figure 2).

Although the Business Administrator said the District faced substitute hiring issues in fiscal year 2021-22, she was unable to provide an explanation for the variances in the other fiscal years.

Employee Benefits – District officials overestimated employee benefits by \$1.3 million, or 19 percent, over the last three fiscal years. The Business Administrator told us that employee benefits were overestimated due to:

- Benefits being paid from the federal fund but budgeted for in the general fund,
- Individuals opting out of the District’s health insurance plan,
- Budgeting to make contributions to retirement plans (403(b) tax-sheltered annuity plans) for all eligible teachers and
- Budgeting for a retirement incentive for all eligible teachers.



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The Business Administrator stated that some employee benefits were budgeted for in the general fund but paid for from the federal fund because the benefits were related to two federal grants that were typically not finalized until after the District's budget process was completed. However, if anticipated grant funds were considered, the District could provide a more accurate budget estimate each year and not levy real property taxes to pay for expenditures which will likely be covered by grants. Additionally, the average employee benefit costs for the two grants totaled approximately \$39,000 (3 percent) of overestimated employee benefits.

The Business Administrator also stated a significant number of District employees switched to other health insurance plans because the District's required employee contribution rates are high compared to other school districts. However, we determined that the District experienced fluctuations in health insurance enrollments that could account for only approximately \$270,000 (21 percent) of the \$1.3 million overbudgeted for employee benefits.

Furthermore, in 2019-20, District officials overestimated appropriations for teacher 403(b) plan contribution accounts by approximately \$190,000. The Business Administrator told us this was due to new teachers that were hired and did not have a 403(b) account set up in time for the District's annual contribution. However, had all teachers set up a 403(b) account that year, the District would have paid a maximum of \$24,975 (\$225 per teacher).<sup>3</sup> The Business Administrator told us there was also a retirement incentive that was expiring in 2019-20 and that officials budgeted to cover the costs associated with this incentive for all retirement eligible teachers, but some teachers did not take the incentive. We requested but were not provided with any evidence of the retirement incentive offered in 2019-20.

BOCES Expenditures – District officials overestimated BOCES expenditures by \$1 million, or 15 percent, over the last three fiscal years. The Business Administrator and the Board President told us that it is difficult to estimate the potential number of students with disabilities that would need BOCES support services and that the District has a consistently high number of students with disabilities.

While it is necessary to consider unexpected expenditure fluctuations during budget preparation, the Board and District officials should consider previous years' results of operations and surplus fund balance – which exceeded \$8.1 million at the end of 2020-21 – available to accommodate such expenditures. Surplus fund balance is intended to cover unplanned expenditures.

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District officials overestimated BOCES expenditures by \$1 million, or 15 percent, over the last three fiscal years.

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<sup>3</sup> According to New York State Department of Education, the District reported having 111 teachers in 2019-20.

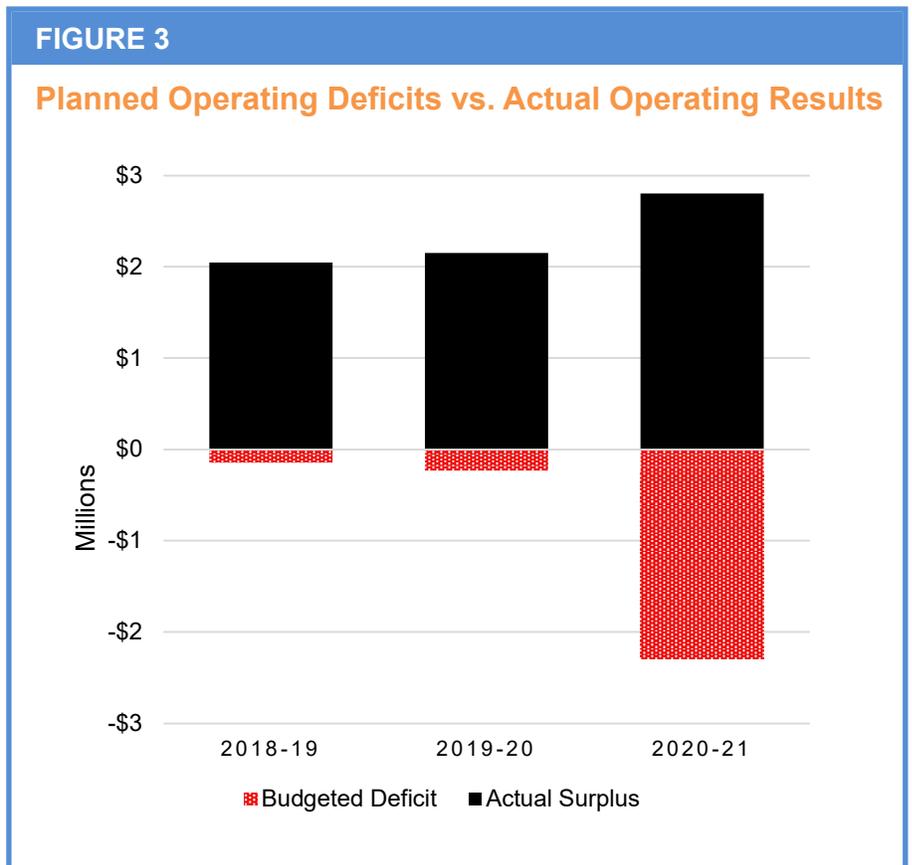
As a result of consistently overestimating appropriations, the District was not transparent with taxpayers and has levied more taxes than necessary, which resulted in the accumulation of significant surplus fund balance.

### The Board and District Officials Appropriated Fund Balance That Was Not Needed

Due to the Board and District officials overestimating appropriations, it appeared as though they needed to appropriate fund balance to close projected budget gaps. While the Board and District officials appropriated \$145,000 of fund balance in 2018-19 and \$233,000 in 2019-20, none of it was needed or used to fund operations in those years. However, despite not needing to use appropriated fund balance in the previous two years, in 2020-21 the Board and District officials appropriated \$1.5 million of fund balance, or about four times the amount appropriated in the two previous years. Additionally, District officials appropriated \$789,000 from reserves in the 2020-21 adopted budget. District officials did not appropriate reserve funds in the previous two budgets.

The Business Administrator and Board President told us they had to appropriate more fund balance and reserves to balance the 2020-21 budget because they were anticipating a 20 percent State aid reduction. However, as previously mentioned, State aid projections actually indicated that the District would receive a small increase of approximately 1 percent. As a result, rather than the operating deficits planned for 2018-19 through 2020-21, totaling \$2.7 million, the District realized operating surpluses totaling \$7 million (Figure 3).

Based on our review of the 2021-22 budget and year-to-date operating results as of April 26, 2022, we project that the District will generate another operating surplus and will not need to use the approximately \$412,000 in fund balance appropriated in the budget.



Annually appropriating fund balance that is not needed to fund operations is, in effect, a reservation of fund balance that is not provided for by statute and circumvents the statutory limit imposed on the level of surplus fund balance. By continually appropriating fund balance that is not needed and overestimating budgeted appropriations, the District is not presenting its surplus fund balance or budget in a transparent manner.

### Surplus Fund Balance Exceeded the Statutory Limit

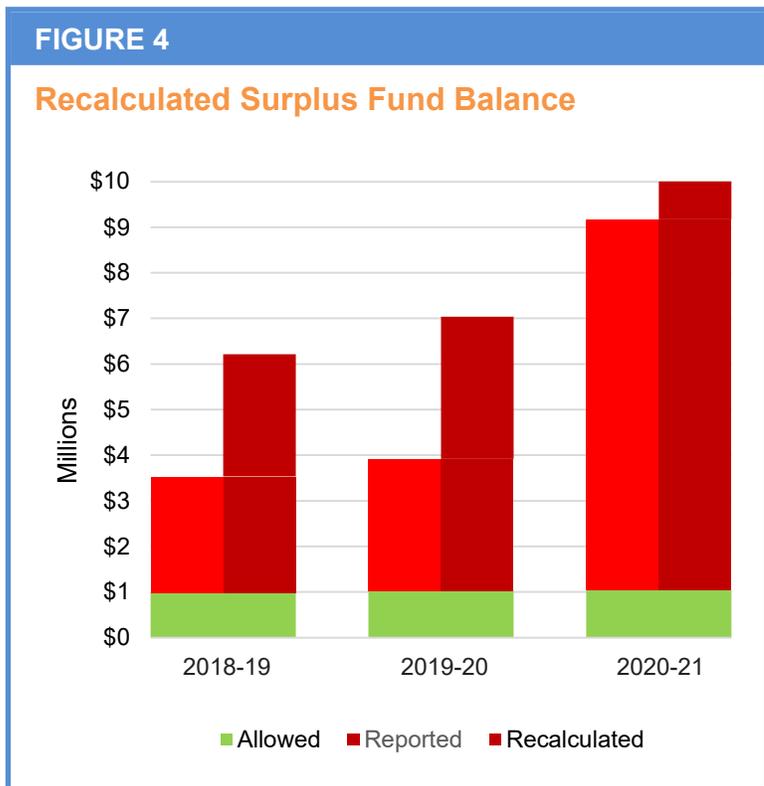
The District’s reported surplus fund balance in the general fund exceeded the 4 percent statutory limit from 2018-19 through 2020-21. As of June 30, 2021, surplus fund balance totaled \$8.1 million and was 31 percent of the 2021-22 budgeted appropriations, which exceeded the statutory limit by approximately \$7.1 million, or 27 percentage points.

When unused appropriated fund balance of \$1.9 million was added back, the recalculated surplus fund balance of approximately \$9.6 million exceeded the 4 percent statutory limit by as much as 33 percentage points, or \$8.6 million (Figure 4).

By maintaining surplus fund balance in excess of the statutory limit, District officials are withholding funds from productive use, which results in real property taxes that are higher than necessary. While surplus fund balance continued to increase, the District also continued to increase the tax levy by an average of 2 percent each year.

Had the Board and District officials developed and adopted more reasonable budgets, they could have considered using these excess funds to fund one-time expenditures and/or needed reserves, pay off debt or reduce the tax levy.

Three Board members, the Superintendent and the Business Administrator all stated that they were aware the District’s fund balance was above the 4 percent statutory limit. The Superintendent and three Board members stated that the 4 percent fund balance was unreasonable and the three Board members felt a more reasonable fund balance level would be 8 percent, which they said is their goal



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funding level because it would result in a more favorable bond rating. However, the Board and District officials do not have the discretion to disregard the statutory limit and establish their own benchmark. Moreover, the District's fund balance on June 30, 2021 exceeded that goal by 23 percentage points. Furthermore, the District's annual operating results have shown that the District has not historically encountered revenue shortfalls or unforeseen expenditures in excess of 4 percent. As demonstrated in this audit and our prior audit, the District's recurring revenues are significantly higher than its recurring expenditures.

The Business Administrator stated that because they planned for a 20 percent State aid reduction in 2020-21 that did not materialize and the District received unanticipated Native American Aid payments, fund balance levels increased significantly. Although both of these factors contributed to the District's excessive fund balance levels, the cumulative total is the result of consistently overestimating appropriations, appropriating fund balance that was not needed and unnecessarily increasing the real property tax levy.

Our previous audit report indicated that the District's surplus fund balance exceeded the statutory limit by 8 to 14 percentage points and recommended that the Board and District officials improve their budgeting practices. In response to our previous audit, the Board developed a corrective action plan which indicated the District would work with a financial advisor to assist in determining realistic revenues and appropriations using historical figures. Although the District has continued to use the financial advisor's services, the Board and District officials continue to overestimate appropriations, and surplus fund balance has increased from approximately \$1.8 million as of June 30, 2015 to \$8.1 million as of June 30, 2021, an increase of more than \$6.3 million or 352 percent.

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... [S]urplus fund balance has increased... more than \$6.3 million or 352 percent.

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The Business Administrator and three Board members told us that they use a five-year budget projection worksheet to assist in budget development. However, we found that the calculations to project fund balance were significantly flawed on this worksheet because they did not include actual operating results from previous years. Therefore, we question how the Board and District officials could use this document to make meaningful decisions regarding fund balance. Furthermore, the five-year budget projection worksheet illustrates that the Board and District officials intend to continue overestimating appropriations, appropriating fund balance that is not needed and maintaining surplus fund balance in excess of the statutory limit.

These continued budgeting practices will result in the District levying more real property taxes than needed, a significant accumulation of surplus fund balance in excess of the statutory limit and missed opportunities to lower real property taxes.

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## How Should the Board Manage Reserve Funds?

School districts are legally allowed to establish reserves and accumulate funds for certain future purposes (e.g., capital project, retirement expenditures). While school districts are generally not limited as to the amount of funds that can be held in reserves, the balances should be reasonable. A school board should balance the desire to accumulate funds for identified future needs with the obligation to ensure real property taxes are not higher than necessary.

To help ensure that reserve balances do not exceed the amount necessary to address long-term obligations or planned expenditures, a school board should adopt a comprehensive written policy that states its rationale for establishing reserve funds and the objectives for each reserve, maximum targeted funding levels, conditions under which reserves will be used or replenished and a periodic review of reserve balances to assess reasonableness.

## The Reserve Fund Policy and Reserve Reports Were Inadequate

While the Board adopted a written reserve fund policy in 2017, the policy does not include the District's:

- Rationale for establishing reserve funds,
- Objectives for each reserve,
- Maximum targeted funding levels or
- Conditions under which reserves will be used or replenished.

In addition, although the policy requires an annual report be provided to the Board, the Board was not provided with annual reports. Instead of annual reports, the Board relied on monthly Treasurer's reports – which documented reserve fund beginning and ending balances, deposits and/or withdrawals and interest earnings – as well as verbal reports from the Business Administrator and the five-year budget projection document, to make decisions regarding reserve funds. However, information required to be included in the annual report – types of reserve funds, descriptions of reserve funds, dates of establishment, analyses of projected needs for reserve funds in the upcoming fiscal year and recommendations regarding funding those projected needs – were not included or reported to the Board. Three Board members, the Superintendent and the Business Administrator told us that reserve fund discussions including suggestions for planned usage and funding take place at Board meetings, but that annual written reports were not prepared, as required. The Board members did not provide explanations for not requesting annual reports. We reviewed Board meeting minutes and did not find evidence of any reserve fund discussions.

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Furthermore, while three Board members and the Superintendent told us that the District has a 10-year reserve fund plan, and it was referred to in the District's prior audit corrective action plan and public budget presentation documents, despite several requests, District officials were unable to provide this plan to us. Purporting that the District maintains a 10-year reserve plan when such a plan could not be produced after multiple requests contributes to an environment that lacks transparency. Moreover, because the District does not prepare comprehensive annual reserve fund reports and lacks a meaningful reserve fund plan, we question how the Board could make informed decisions regarding the current and future funding and use of reserves.

The Superintendent and Business Administrator also told us that it is impossible to project the use of reserves. We advised the Superintendent, Business Administrator and the three Board members that they should consider historical related expenditures and future needs to support reserve fund projections. We also explained that the Board should amend the District's reserve fund plans as needed to accommodate District needs while considering resources available to fund those needs. We provided the Superintendent, Business Administrator and three Board members with Office of the State Comptroller (OSC) resources and guidance regarding reserves.<sup>4</sup>

### **Reserves Were Overfunded**

As of June 30, 2021, the District reported eight reserves in the general fund totaling \$6.4 million. We found that the District properly established all eight reserves but four reserves were overfunded by as much as \$2.3 million. The remaining four reserves were reasonably funded.

Capital Reserve – In May 2017, the District properly established a capital reserve with voter authorization for capital improvements and a maximum funding level of \$2.4 million. However, the District funded the reserve in June 2017 and August 2019, a total of approximately \$3.4 million, or nearly \$1 million over the voter authorized funding. The Business Administrator told us that she was not aware that this reserve was overfunded and could not provide an explanation for it. In March 2018, District voters approved using \$1 million from the reserve for a capital project, reducing the balance to \$2.3 million. However, in June 2021, the District spent \$100,000 from the reserve for a capital outlay project without transparently seeking proper approval from District voters. Rather than developing a specific proposition for voter consideration and approval, as required, District officials inappropriately included the planned use of capital reserve funds in the District's budget.

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... [F]our reserves were overfunded by as much as \$2.3 million.

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<sup>4</sup> <https://www.osc.state.ny.us/files/local-government/publications/pdf/reserve-funds.pdf> and <https://www.osc.state.ny.us/local-government/publications>

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Even though the District has reduced the balance of the reserve below the voter authorized amount of \$2.4 million, the District put \$1 million more into the reserve than was authorized. Therefore, District officials must obtain voter approval to either transfer the excess funds (\$1 million) to another properly established capital reserve or, if voters determine that the original purpose of the reserve fund is no longer desirable, the reserve fund may be liquidated by applying the balance to any outstanding debt and then to the annual tax levy.

2013 Capital Reserve for Vehicles – In May 2013, District voters approved a capital reserve to be used to purchase vehicles with maximum funding of \$850,000. The Board approved funding this reserve to the maximum allowable of \$850,000 in July 2013. However, the Board approved additional funding of \$708,000 in August 2019, exceeding the maximum allowable funding by \$708,000. When we requested funding information for this reserve, the Business Administrator told us that she noticed that it was overfunded and subsequently had discussions with the Board about the dissolution of the current reserve and the creation of a new one. In May 2022, District voters approved the dissolution of the 2013 capital reserve for vehicles and the creation of a new capital reserve for vehicles to be funded with the remaining \$570,000 in the dissolved reserve.

Property Loss Reserve – The Board established this reserve for paying property loss claims. As of June 30, 2021, the reserve had a balance of \$280,000 and the District had no outstanding claims. The Business Administrator told us that there is no planned use for this reserve and that the District plans to dissolve the reserve. During our previous audit, we advised District officials that there were no substantiating claims to support the reserve balance and that appropriate action should be taken. According to the District’s corrective action plan, District officials intended to work with the District’s attorney to assess the overfunded reserve. However, the Board and District officials did not implement the corrective action plan. As a result, six years after our prior recommendation, the District continues to restrict taxpayer funds from productive use.

Unemployment Insurance Reserve – The Board established this reserve to reimburse the New York State Unemployment Insurance Fund for payments made to claimants. Over the last three fiscal years, unemployment expenditures have averaged \$4,400 per year. However, the reserve balance as of June 30, 2021 was \$280,000, enough to pay the average annual expenditure for 64 years. The Board did not use the reserve to fund annual unemployment expenditures and instead used general fund appropriations. If the Board and District officials intend to continue to pay unemployment insurance claims from the general fund, the District should not continue to restrict taxpayer funds from productive use.

While it is a prudent practice for officials to save for future expenditures, the District is overfunding reserves without a specific plan and is not properly funding

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and using its capital reserves. Maintaining unnecessary reserve funds results in real property taxes that are higher than necessary to fund operations.

## **What Do We Recommend?**

The Board and District officials should:

1. Develop and adopt budgets that include reasonable estimates for appropriations, revenues and the amount of fund balance that will be used to fund operations.
2. Reconcile Native American Aid reimbursements and investigate any discrepancies in a timely manner.
3. Discontinue appropriating fund balance that is not needed to fund operations.
4. Develop a plan to reduce surplus fund balance to comply with the statutory limit. Surplus funds can be used for:
  - Reducing District property taxes,
  - Funding one-time expenditures,
  - Funding needed reserves and
  - Paying off debt.
5. Adopt a comprehensive written reserve fund policy that addresses the objective of each reserve, targeted or maximum funding levels, and conditions under which reserves will be used and replenished, and ensure an annual report on reserves is prepared and provided to the Board per District policy.
6. Consult with legal counsel regarding the overfunded capital reserves and the use of the excess amounts.
7. Ensure that reserve fund balances are maintained at reasonable levels and take appropriate action, in accordance with statute, to reduce reserves with excess funds.

# Appendix A: Response From District Officials



## SILVER CREEK CENTRAL SCHOOL DISTRICT

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website: www.silvercreekschools.org

December 6, 2022

Melissa A. Myers, Chief Examiner  
Office of the New York State Comptroller  
295 Main Street, Suite 1032  
Buffalo, NY 14203-2510

Re: Silver Creek Central School District Response to Report of Examination 2022M-153

Dear Chief Examiner, Melissa A. Myers,

The Silver Creek Central School District is in receipt of the State Comptroller's Office Draft Report of the Examination for Financial Management for the period of July 1, 2018, through June 22, 2022. Our district welcomes feedback and appreciates the opportunity this report could provide.

The District understands the purpose of the examination is to identify areas of operations that may benefit from these types of outside recommendations. The District recognizes this and hopes the underlying goal of these reports is to support the District's ongoing effort to improve our overall fiscal operation. We note that throughout the audit fieldwork many aspects of District internal procedures were reviewed, and we believe it was evident during the review that the District has established policies and procedures that demonstrate a commitment to compliance in generally accepted school district operations. Additionally, the District is pleased that the report does not suggest any malfeasance or impropriety with respect to general business operations.

The District accepts your audit findings. However, the District does not agree with the characterization of these findings. We feel that any report that fails to cite or recognize first the threat, and secondly the actual withholding of state aid by up to 20 percent within the 2020-2021 school year, followed by full restoration at the very end of the year is incomplete at best. Additionally, failure to recognize the uncertainty and volatile economic climate of this time frame in which the Covid Pandemic occurred misrepresents the District's response to this event.

As always, we appreciate your Office and the result your endeavors should afford us. We would welcome additional opportunities to have a better and deeper understanding of your position.

Sincerely,

Martha Howard  
President, Board of Education  
Silver Creek Central School District

See  
Note 1  
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## Appendix B: OSC Comment on the District's Response

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### Note 1

Although the pandemic created a degree of financial uncertainty, District officials consistently overestimated appropriations, appropriated fund balance that was not needed and unnecessarily increased the real property tax levy prior to the pandemic. In addition, while the audit report indicated that District officials planned for a 20 percent cut in State aid that did not materialize, there are other budgeting practices that contributed to the District's accumulation of excess surplus fund balance.

## Appendix C: Audit Methodology and Standards

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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 Board meeting minutes, resolutions and District policies to gain an understanding of the District's financial management policies, procedures and budgeting practices.
- We analyzed general fund financial records from 2018-19 through 2020-21 and evaluated any factors contributing to fluctuations in fund balance, including real property tax levy increases.
- We reviewed the adopted general fund budgets from 2018-19 through 2020-21 to assess whether they were reasonable and structurally balanced by comparing adopted budgets with actual results of operations and analyzing significant budget-to-actual variances.
- We extended our audit scope period to review historical reported results of operations for fiscal years 2015-16 through 2020-21 to determine year-to-year variances in the District's curriculum development, BOCES and health insurance expenditures.
- We reviewed the adopted 2021-22 general fund budget and budget and year-to-date operating results as of April 26, 2022 to project current year operating results and to determine whether any significant changes had been made to the District's budgeting practices.
- We reviewed the District's results of operations from 2018-19 through 2020-21 and calculated surplus fund balance as a percentage of the next year's appropriations to assess whether the District complied with statute.
- We recalculated surplus fund balance as a percentage of the next year's appropriations after adding back unused appropriated fund balance.
- We reviewed reserve fund balances as of June 30, 2021 to assess whether they were properly established, used appropriately and reasonably funded. We extended our audit scope period back to 2012-13 to review unemployment insurance reserve activity and determine when the reserve was funded and/or used.
- We reviewed the corrective action plan the District submitted in response to our 2016 audit report to determine whether the District took appropriate corrective action.

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

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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.

The Board has the responsibility to initiate corrective action. 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-a (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 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 CAP should be posted on the District's website for public review.

## Appendix D: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf)

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

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://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](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/resources/planning-resources](http://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/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.state.ny.us/files/local-government/publications/pdf/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](http://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](http://www.osc.state.ny.us/local-government/publications)

**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](http://www.osc.state.ny.us/local-government/academy)

## Contact

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