



# Sweet Home Central School District

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## Financial Management

2022M-166 | March 2023

# Contents

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- Report Highlights . . . . . 1**
  
- Financial Management. . . . . 2**
  - How Should Fund Balance Be Properly Managed? . . . . . 2
  - The Board and District Officials Did Not Properly Manage the District’s Fund Balance . . . . . 2
  - How Should District Officials Properly Encumber Funds? . . . . . 5
  - District Officials Improperly Encumbered Funds Totaling at Least \$1.7 Million. . . . . 5
  - How Should Reserve Funds Be Properly Managed? . . . . . 7
  - District Officials Continue to Improperly Restrict Surplus Funds in a Debt Reserve . . . . . 7
  - What Do We Recommend? . . . . . 8
  
- Appendix A – Response From District Officials . . . . . 9**
  
- Appendix B – OSC Comments on the District’s Response . . . . . 12**
  
- Appendix C – Audit Methodology and Standards . . . . . 13**
  
- Appendix D – Resources and Services. . . . . 15**

# Report Highlights

## Sweet Home Central School District

### Audit Objective

Determine whether the Sweet Home Central School District's (District) Board of Education (Board) and District officials properly managed fund balance and reserve funds.

### Key Findings

District officials did not properly manage fund balance. They improperly encumbered funds and improperly restricted surplus funds in a debt reserve. As a result, District officials were not transparent with taxpayers and maintained real property taxes at a level higher than necessary to fund operations.

- Recalculated surplus fund balance exceeded the statutory limit by \$7.2 million including \$2.8 million which was improperly restricted in a debt reserve as of June 30, 2021.
- The Board unnecessarily appropriated \$2.4 million of fund balance each year and real property taxes were increased by \$4.5 million or 9.7 percent during the audit period.
- Appropriations were overestimated by \$13.4 million and sales tax revenue was underestimated by \$3.4 million from 2018-19 to 2021-22.
- At least \$1.7 million was improperly encumbered which reduced the District's surplus fund balance.

### Key Recommendations

- Comply with the surplus fund balance statutory limit.
- Adopt realistic budgets and ensure encumbrances are valid.

District officials generally disagreed with our recommendations but indicated they planned to initiate corrective action. Appendix B includes our comments on issues raised in the District's response.

### Background

The District serves the Towns of Amherst and Tonawanda in Erie County. The seven-member Board is responsible for managing the District.

The Superintendent of Schools (Superintendent) and staff manage the day-to-day operations. The Director oversees the Business Office and maintains the District's financial records.

The Board, Superintendent and the Director develop the annual budget.

In response to our 2016 audit, that identified similar deficiencies to those in this audit, the Board stated it planned to continue the same budgeting practices.

#### Quick Facts

<b>2021-22 Appropriations</b>	\$85.9 million
<b>Reported Surplus Fund Balance</b>	\$4.8 million
<b>Statutory Limit</b>	\$3.4 million
<b>Recalculated Surplus Fund Balance as of June 30, 2021</b>	\$10.6 million

### Audit Period

July 1, 2018 – July 14, 2022

Final 2021-22 fiscal year financial information was obtained after the end of fieldwork on October 18, 2022.

# Financial Management

## How Should Fund Balance Be Properly Managed?

Fund balance represents the cumulative residual resources from prior fiscal years. A school board must comply with New York State Real Property Tax Law Section 1318 that permits a school district to retain surplus fund balance totaling up to 4 percent of the next year's budget for cash flow needs or unexpected expenditures and reserves for other identified and planned needs. A board must use any surplus fund balance that exceed this percentage to reduce the upcoming fiscal year's real property tax levy or to fund needed reserves.

To properly manage fund balance, a board should adopt reasonably estimated and structurally balanced budgets based on historical data 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 at fiscal year-end to use towards the next year's budget and the expected real property tax levy. Accurate estimates help ensure that the tax levy is not greater than necessary and that surplus fund balance is not over the legal limit.

Accurate estimates help ensure that the tax levy is not greater than necessary. ...

## The Board and District Officials Did Not Properly Manage the District's Fund Balance

The Board and District officials overestimated appropriations, allowed surplus fund balance to exceed the statutory limit and appropriated fund balance that was not needed to fund operations. As a result, District officials were not transparent with taxpayers and maintained real property taxes at a level higher than necessary to fund operations.

We compared budgeted appropriations and estimated revenues with actual operating results for 2018-19 through 2021-22. Appropriations were overestimated by an annual average of approximately \$3.35 million (4.2 percent), or a total of \$13.4 million for the four-year period, as shown in Figure 1.

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

	2018-19	2019-20	2020-21	2021-22	Totals
<b>Appropriations</b>	\$79.1	\$81.1	\$83.1	\$85.7	<b>\$329.0</b>
<b>Actual Expenditures</b>	76.6	76.5	79.7	82.8	<b>315.6</b>
<b>Overestimated Appropriations</b>	\$2.5	\$4.6	\$3.4	\$2.9	<b>\$13.4</b>
<b>Percentage Overestimated<sup>b</sup></b>	3.3%	6.0%	4.3%	3.5%	<b>4.2%</b>

a Excludes budgeted and actual transfer activity  
b Overestimated appropriations divided by actual expenditures

The overestimated appropriations were spread throughout the budget line items, but the largest variances were for:

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- Regular instruction salaries, transportation salaries and special education instructional salaries that were overestimated by an annual average totaling \$1.4 million.
  - Retirement contributions and health insurance costs that were overestimated by an annual average totaling \$1.1 million.

The Superintendent and Director told us that these appropriations were overestimated because they budgeted for optimum employment levels and vacant positions, but the District has had difficulties filling all of the open positions included in the Board-adopted budgets due to labor shortages. However, District officials did not provide documentation to demonstrate the number of positions the District intended to fill and the number of unfilled positions. In addition, a historical trend analysis demonstrates that actual expenditures for salaries and employee benefits have been overestimated in all four fiscal years that we reviewed.

Revenue estimates were underestimated by approximately \$5.4 million or 2 percent for the four fiscal years, averaging \$1.35 million each year reviewed. The majority of this underestimated revenue was due to sales tax revenue. Total sales tax revenue for the audit period was \$16.9 million or 5.3 percent of total revenues and was underestimated by \$3.4 million:

- \$600,000 (2018-19),
- \$300,000 (2019-20),
- \$1.2 million (2020-21), and
- \$1.3 million (2021-22).

The Director told us that sales tax revenue was underestimated because they were unsure how sales taxes would be impacted by the COVID-19 pandemic and wanted to budget conservatively. While sales tax revenue may have been difficult to predict when preparing the 2020-21 budget, the District's sales tax revenue was underestimated prior to the pandemic, and in the 2021-22 fiscal year. The Board, Superintendent, and Director should consider historic trends and other known factors when developing estimates for appropriations and revenues.

By using budgeting practices that are not based on historical data, known trends and anticipated needs, the Board and District officials did not present the District's spending plan in a transparent and meaningful manner to taxpayers. These practices led to the accumulation of surplus fund balance that was in excess of the legal limit. The District's surplus fund balance exceeded the limit during three of the last four fiscal years.

- \$1.2 million, 1.5 percentage points, in 2019-20,
- \$1.3 million, 1.6 percentage points, in 2020-21, and
- \$1.5 million, 1.7 percentage points, in 2021-22.

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...[T]he Board and District officials did not present the District's spending plan in a transparent and meaningful manner to taxpayers.

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Because the Board and District officials overestimated appropriations and underestimated sales tax revenues, it appeared that they needed to appropriate fund balance and increase real property taxes to close projected budget gaps. In the 2018-19 through 2021-22 fiscal year budgets, the Board appropriated \$2.4 million of fund balance each year and during the same period increased real property taxes by \$4.5 million or 9.7 percent. However, the District incurred operating surpluses in each of these four fiscal years and appropriated fund balance and reserve funds were not used to finance expenditures.

When fund balance and reserve funds are appropriated for the next year's budget, the expectation is that there will be a planned operating deficit approximately equal to the amount that was appropriated. Instead, the District experienced an operating surplus in all four fiscal years, totaling approximately \$5 million and, therefore, did not use any of the fund balance that was appropriated. In addition, the District appropriated a total of \$5.2 million from various reserve funds but only used approximately \$3.9 million from the debt reserve to pay for related expenditures. However, in 2021-22, District officials prepared a fiscal year-end journal entry to charge related expenditures totaling \$125,000 to the workers' compensation and retirement contribution reserves and another journal entry to replenish these two reserves totaling \$200,000. Therefore, District officials did not actually use those reserve funds.

When we asked Board members why they consistently appropriated \$2.4 million in fund balance although it was never used, four Board members told us they maintained the \$2.4 million in appropriated fund balance as a cushion for unforeseen expenditures. However, the District is permitted to retain surplus fund balance within the statutory limit for this purpose. If unanticipated expenditures were to occur, District officials could make certain budget transfers from other unused appropriations and rely on the surplus fund balance. In addition, including appropriated fund balance in the annual budgets that has a history of not being needed or used does not afford a transparent budget process to taxpayers.

The Board and District officials' practice of appropriating fund balance that is not needed to finance operations is, in effect, a reservation of fund balance that is not provided for by statute and is a circumvention of the statutory limit imposed on the level of surplus fund balance. The practice of appropriating fund balance that is not needed artificially reduces the amount of surplus fund balance subject to the statutory limit. When unused appropriated fund balance is added back, recalculated surplus fund balance as of June 30, 2021 totaled \$7.2 million, which exceeded the statutory limit by \$3.8 million, or 4.4 percentage points.

Furthermore, we reviewed the 2022-23 budget and determined that revenue and expenditure estimates are consistent with the last four fiscal years. As such, the

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...[A]ppropriating fund balance that is not needed to finance operations is, in effect, a reservation of fund balance that is not provided for by statute. ...

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District will most likely generate another operating surplus in 2022-23 and will not need to use the \$2.4 million of fund balance and \$125,000 reserves appropriated in the budget.

In response to our 2016 audit<sup>1</sup> that identified similar deficiencies, the Board stated it planned to continue the same budgeting practices. As such, the Board has maintained real property taxes at a level higher than necessary to fund operations and missed opportunities to lower real property taxes.

### **How Should District Officials Properly Encumber Funds?**

School district officials may encumber (carryover) appropriations from one budget year to the next when there are outstanding commitments related to unfulfilled contracts for goods and services at the end of the fiscal year. Encumbrances are intended to help prevent a school district from exceeding appropriations and allow officials to set aside a portion of fund balance for these commitments into the next fiscal year. Encumbrances are added to and increase the following year's adopted budget. Generally, encumbrances should be liquidated within the first few months of the following year when the related contractual obligations have been satisfied and the vendors are paid. Officials should maintain sufficient documentation to support that such transactions were initiated in the fiscal year when the funds were encumbered. Officials must also ensure encumbrances represent valid commitments for specific future expenditures and should not be overstated to artificially reduce available fiscal year-end fund balance.

### **District Officials Improperly Encumbered Funds Totaling at Least \$1.7 Million**

During 2018-19 through 2020-21, the Director recorded 676 fiscal year-end purchase orders resulting in encumbrances totaling \$7.9 million. We reviewed a sample of 21 of these purchase orders totaling \$3 million<sup>2</sup> (38 percent) and found 14 purchase orders, totaling \$1.7 million (58 percent), were improper encumbrances.

The following are examples of funds being improperly encumbered.

- The Director improperly issued a \$494,782 purchase order at the end of the 2018-19 fiscal year, and the same purchase order was carried into the 2019-20 and 2020-21 fiscal years, for a portion of the District's share of a Erie 1 Board of Cooperative Educational Services capital project. The first payment of \$387,663 was not made until June 11, 2021, or 24 months after

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In response to our 2016 audit that identified similar deficiencies, the Board stated it planned to continue the same budgeting practices.

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1 Sweet Home Central School District – Financial Management (2016M-207), which was issued in September 2016.

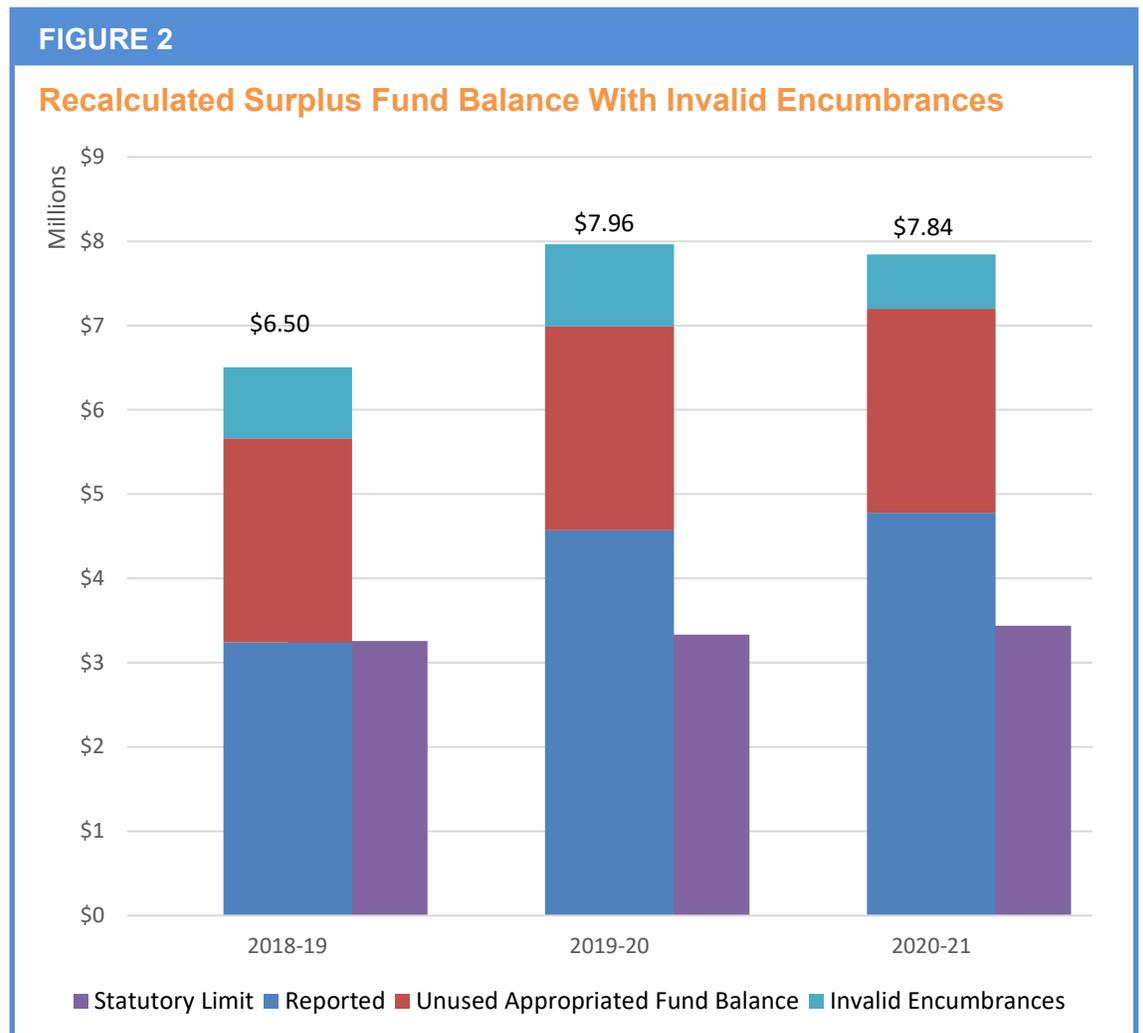
2 See Appendix C for details of our sampling methodology.

the purchase order was issued. District officials had adequate time to plan to include this in the annual budget and should not have encumbered the funds in April 2019.

- The Director improperly issued a purchase order in June 2019, fiscal year end, to encumber \$225,000 for an emergency notification system installation. Although no contract was entered for the work officials reported this as a valid encumbrance for about two years.

The Director told us that they recorded the encumbrances when they realized an operating surplus at fiscal year-end to ensure the availability of funds for anticipated future expenditures. However, District officials may only carryover encumbrances for valid commitments for the next fiscal year and not as means to reserve unspent appropriations. By overstating fiscal year-end encumbrances, District officials

circumvented the statutory limit on the amount of surplus fund balance the District can maintain at fiscal year-end. As a result of improperly encumbering funds and appropriating fund balance that was not needed, the Board and District officials were not transparent with the District's taxpayers. The District's actual surplus fund balance exceeded the statutory limit by at least \$3.2 million to \$4.6 million for 2018-19 through 2020-21 (Figure 2).



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## How Should Reserve Funds Be Properly Managed?

School districts are legally allowed to establish reserves and accumulate funds for certain future purposes (e.g., 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 board should balance the intent for accumulating funds for identified future needs with the obligation to make sure real property taxes are not higher than necessary.

School district money cannot be reserved in a debt reserve unless required by statute. For example, a debt reserve must be established if unexpended bond proceeds remain on a capital improvement or when a capital improvement has outstanding debt remaining at the time of sale. These funds must be restricted and used for related debt principal and interest payments.

### District Officials Continue to Improperly Restrict Surplus Funds in a Debt Reserve

As of June 30, 2021, the District reported eight general fund reserves totaling \$9.9 million. Other than the debt reserve, we found that the reserves were properly established, reasonably funded but were generally not used, except for the capital reserve.

As of June 30, 2021, the debt reserve had a balance of \$2.8 million, a decrease of \$4.6 million from the \$7.4 million reported as of July 1, 2016. However, as we reported in our previous audit,<sup>3</sup> the District does not have statutory authority to establish or maintain this reserve since these funds were not unexpended bond proceeds associated with outstanding obligations or related to the sale of property with outstanding debt.

As a result, these funds should be accounted for as surplus fund balance. Had these funds been accounted for properly, surplus fund balance as of June 30, 2021 would have been more than \$10.6 million, exceeding the statutory limit by \$7.2 million.

While it is a prudent practice for officials to save for future expenditures, the District is inappropriately retaining surplus fund balance in excess of the statutory limit instead of using these funds to reduce real property taxes or in a manner beneficial to the taxpayers.

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3 Refer to Sweet Home Central School District – Financial Management (2016M-207), issued in September 2016.

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## What Do We Recommend?

The Board and District officials should:

1. Develop and adopt budgets that include reasonable estimates for revenues and appropriations and the amount of fund balance that will be used to fund operations.
2. Discontinue the practice of appropriating fund balance that is not needed or used to fund operations.
3. 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.
4. Ensure fiscal year-end encumbrances are a valid purchase or contractual commitment for the fiscal year in which they originate and are properly supported.
5. Discontinue the practice of improperly restricting surplus funds in the debt reserve.

# Appendix A: Response From District Officials



## Sweet Home Central School District of Amherst and Tonawanda

Board of Education  
1901 Sweet Home Road • Amherst, New York 14228  
(716) 250-1402

*Marianne Jasen*  
President, Board of Education

March 1, 2023

Ms. Melissa Myers, Chief of Municipal Audits  
Office of the State Comptroller  
295 Main Street, Suite 1032  
Buffalo, NY 14203-2510

RE: Sweet Home Central School District Response to the Financial Management Report of Examination (2022M-166) for the time period July 1, 2018 through July 14, 2022.

Dear Ms. Myers:

The Sweet Home Central School District is in receipt of the State Comptroller's Office Draft Report of Examination for Financial Management for the period of July 1, 2018 through July 14, 2022. On behalf of the District, I would like to thank the staff of the Comptroller's Office, who we found to be courteous and professional throughout the audit process. The District welcomes the feedback provided by the Comptroller's Office and appreciates the opportunity to strengthen our practices as a result of reflection on that feedback.

We have thoroughly reviewed the report provided by your office. The District is pleased that the draft report does not suggest any malfeasance or legal impropriety with respect general business operations. I feel it is important to note that a significant portion of our audit time period was in the midst of the COVID-19 pandemic. During this time period, New York State threatened mid-year state aid cuts of 20% and, in fact, withheld aid from school districts as part of the response to the pandemic. Additionally, the pandemic had significant impact on our staffing particularly in the service related fields. Our response to the particular areas of examination follows.

**Recommendation #1: Budgeting and Fund Balance:** Because public schools are affected by the financial constraints imposed by a property tax cap and Foundation Aid that is not fully funded according to State formulas, the District has committed itself to conservative budgeting practices. The report indicates that the District overestimated appropriations in 2019-20 (6.0%) and 2020-21 (4.3%) – each of which were in the middle of the COVID-19 pandemic. Districts were forced into remote learning and expenses were down as a result. The report also noted that sales tax revenue was underestimated by \$3.4million over the audit time period. Once again, it is important to note that much of that time period was during a pandemic and spending patterns were uncertain. The Sweet Home Central School District has been committed to balancing fiscal responsibility while delivering excellent education to our students by taking a conservative approach to the budgeting process. Traditionally, this approach results in an Appropriated Fund Balance which provides a proper level of budgetary flexibility in the face of shifting revenue sources and unexpected expense. We believe that the maintenance of the Appropriated Fund Balance has provided fiscal stability through the years and limited the amount of taxes we have levied. These measures have been instrumental in helping the District maintain a sound financial footing that has enhanced the quality of programs we deliver to our students.

The report suggests that the unused Appropriated Fund Balance becomes part of the Unassigned Fund Balance; thus, the District exceeds the statutory 4% limit on Unassigned Fund Balance (June 30, 2021 / 4.4 percentage points over). The report suggests that the practice of appropriating fund balance that is not needed artificially reduces the amount of surplus fund balance subject to the statutory limit. In reality, expectation is that the District will not fully expend the budget since we are not allowed to spend more than we appropriate. It is easy to look back on completed fiscal years and determine exactly how much was needed and how much variance was produced by budgeted appropriations. However, it is a different story when budgets are constructed up to 18

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See  
Note 1  
Page 11

See  
Note 2  
Page 11

months prior to expenditures taking place. Ultimately a budget is an estimated spending plan. The report points out a few areas of positive variance to the budget but there were several areas of negative variance as well including special education tuition, charter school tuition, and transportation to name a few. The positive variances helped to offset the negative ones. The District will continue to use Appropriated Fund Balance as a budgeting tool but will strive to efficiently manage the budget and access as many revenue sources as possible so as to limit its use in any given year. Conservative budgeting, the use of Appropriated Fund Balance, and the use of reserve funds are all part of constructing a budget that helps to produce stability over the long term.

See  
Note 2  
Page 11

**Recommendation #2: Encumbrance of Funds:** The District acknowledges the comments from the Comptroller's report regarding encumbrances, specifically those related to carryover appropriations. It is important to note that the two examples cited in our report were strategies supported by our financial advisors as long as any potential expense was booked which the District did. The District will take into consideration the suggestion that encumbrances should be liquidated within the first few months of the following year when the related contractual obligations have been satisfied and the vendors are paid.

**Recommendation #3: Debt Reserve:** The Comptroller's report suggests that the District improperly reports a Reserve for Debt in the general fund and points out that there is no authority for a school district to reserve general fund moneys for future debt payments. While respectfully acknowledging the Comptroller's opinion on the Reserve for Debt, the District believes that its current use of the Reserve is legal, prudent, and in the best interest of the District's taxpayers and students.

See  
Note 3  
Page 11

The district maintains the position it had following our 2016 State Comptroller Audit that it is necessary to fund the Reserve for Debt for future debt resulting from a mismatch between the amortized length of payments on capital improvement bonds (20 years) and the revenue generated from state building aid (15 years). The Reserve for Debt is prudently being used to accumulate district funds equivalent to yearly state aid applicable to debt service that the district is receiving over the initial 15-year period for payment. These Reserve funds are being used to supplant the missing state aid in the remaining five years of debt payment due 2020-2025. This strategy was recommended by our financial and legal advisors and is supported by the Office of the State Comptroller in Opinion 95-24.

The State Education Department changed the prior practice of amortizing state aid payments after the capital improvement bonds for the District's \$29 million project were sold. The project was approved during a period of amortization transition in the State. The State changed their practice in the middle of the project period, changing to a set period of aid amortization based on the scope of the project, rather than providing aid on the same schedule as the debt service payments. The result for the District is a five-year State building aid gap at the end of the project. It is the District's opinion, which is also shared by our financial and legal advisors as well as our external auditor, that the best way to meet our future debt obligation and prohibit a negative impact on taxpayers over the final five years of bond repayments is to hold the surplus money in the Reserve for Debt until such time as those payments come due. The District believes the Debt Reserve is set up properly and funded as specified by General Municipal Law Sec 6L and Sec 27:46 of School Law. The District's Debt Reserve account is listed in the general fund group of accounts A884 per the Uniform System of Accounts.

Additionally, the District provided our on-site auditors with a detailed plan to use the remaining \$2.8 million in the reserve by the end of the 2025-26 fiscal year to help offset local taxpayer share with regard to debt service payments. While we provided the documentation as requested, it was disappointing to see that it was never mentioned in our draft report.

See  
Note 4  
Page 11

**Transparency:** There are statements throughout the report regarding a lack of transparency by District officials through the budgeting process. The process of constructing a budget in the District is an open one where all details are thoroughly reviewed and made available to the public. The use of Fund Balance and reserves are in the budget material and discussed at budget workshops. We appreciate the tremendous support of the community in passing budgets for the last 45 years in a row with an average passing rate of 75% over the last five years. We have been at or under the Tax Levy Limit every year since its inception. These are all indicators that the District treats our taxpayers with respect.

**Conclusion:** In conclusion, the Sweet Home Central School District appreciates the feedback provided by the Comptroller's Office and views it as an opportunity to improve upon our financial practices. The District is committed to taking appropriate corrective action to correct, clarify, and/or strengthen our operating procedures in those areas of concern that were noted, and to fully comply with State guidelines.

While respectfully acknowledging that the Comptroller has, from a policy perspective, taken issue with certain aspects of the District's fiscal approach, the District maintains that its primary financial objective is to minimize the

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cost of delivering a high-quality education to our students. The District's current budgeting practice and management of its fund balance and reserves is conducted in furtherance of this objective and has resulted in, by any measure, one of the highest achieving districts in Western New York, along with one of the lowest residential tax rates in Erie County.

The District has already begun to implement the recommendations specified in the audit document. Our Board of Education is working to complete the Corrective Action Plan, which will be approved in May and forwarded to all appropriate parties. Thank you for the opportunity to review and respond to these recommendations.

Sincerely,

Marianne Jasen  
President, Sweet Home Board of Education

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## Appendix B: OSC Comments on the District's Response

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### Note 1

By maintaining surplus fund balance in excess of the statutory limit, the District is in violation of New York State Real Property Tax Law Section 1318. In addition, our audit did not focus on general business operations. The audit focused on the District's management of fund balance and reserve funds. Therefore, the audit cannot be used to draw any conclusions on the District's other business operations.

### Note 2

Although the COVID-19 pandemic created a degree of financial uncertainty, District officials were consistently overestimating appropriations, appropriating fund balance that was not needed and unnecessarily increasing the real property tax levy prior to the pandemic. In addition, including appropriated fund balance in the annual budgets, which historically goes unneeded or unused, does not provide a transparent budget process. Appropriated fund balance is the amount of fund balance that District officials should be planning to use towards the next year's budget and to reduce the real property tax levy.

### Note 3

New York State General Municipal Law Section 6-1 and New York State Local Finance Law Section 165 specify the circumstances in which a debt reserve, or mandatory reserve, must be established and what funds must be placed into the reserve. District officials were unable to provide sufficient documentation to demonstrate that the funds being held met the requirements of either statute.

As stated in our prior reports, 2009M-40 and 2016M-207, Office of the State Comptroller Opinion 95-24 addresses General Municipal Law Section 6-1 reference to State and federal aid received for a capital improvement financed by debt. Here, it is not apparent that the District placed excess State aid in the reserve because the District did not meet the requirement of General Municipal Law Section 6-1(4).

### Note 4

While we appreciate that the District has a plan to use and eliminate the debt reserve, it continues to be improperly restricted and should be returned to the general fund unrestricted 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, and District policies to gain an understanding of the District's financial management policies, procedures and budgeting practices.
- We reviewed the adopted general fund budgets from 2018-19 through 2020-21 to assess whether they are reasonable and structurally balanced by comparing adopted budgets with actual results of operations and analyzing significant budget-to-actual variances.
- We reviewed the adopted 2022-23 general fund budget to determine whether budgeting trends were similar to previous fiscal years.
- We reviewed the District's results of operations from 2018-19 through 2021-22 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, invalid encumbrances and funds improperly restricted in a debt reserve.
- We reviewed a sample of 21 purchase order encumbrances totaling approximately \$3 million to determine whether fiscal year-end encumbrances were supported by a valid purchase or contractual commitment for the fiscal year in which they originated for 2018-19 through 2020-21. The total population was 676 purchase order encumbrances totaling \$7.9 million for 2018-19 through 2020-21. We selected our sample from the highest five expenditure lines on the District's budget status reports and reviewed all outstanding purchase orders over \$10,000.
- We reviewed reserve fund balances as of June 30, 2021 to assess whether they were properly established, used appropriately and reasonably funded.
- 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 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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Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

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

Office of the New York State Comptroller  
Division of Local Government and School Accountability  
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: [localgov@osc.ny.gov](mailto:localgov@osc.ny.gov)

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

Local Government and School Accountability Help Line: (866) 321-8503

**BUFFALO REGIONAL OFFICE** – Melissa A. Myers, Chief of Municipal Audits

295 Main Street, Suite 1032 • Buffalo, New York 14203-2510

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