



Lyndonville Central School District Financial Condition

Report of Examination

Period Covered:

July 1, 2012 – February 24, 2016

2016M-143



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of District Officials and Corrective Action	2
FINANCIAL CONDITION	4
Budgeting and Fund Balance	5
Reserve Funds	7
Recommendations	10
APPENDIX A Response From District Officials	12
APPENDIX B OSC Comments on the District's Response	16
APPENDIX C Audit Methodology and Standards	17
APPENDIX D How to Obtain Additional Copies of the Report	18
APPENDIX E Local Regional Office Listing	19

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 2016

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Lyndonville 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 recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Lyndonville Central School District (District) is located in the Towns of Carlton, Gaines, Ridgeway and Yates in Orleans County. The District is governed by an elected seven-member Board of Education (Board), which is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with the Business Administrator, for the District's day-to-day management and for the development and administration of the budget under the Board's direction.

The District operates one school building with approximately 640 students and 110 employees. The District owns one additional building, now vacant, that was formerly the District's elementary school. The District's 2015-16 general fund appropriations totaled \$13.3 million and were funded primarily with State aid and real property taxes. As of June 30, 2015, the District had approximately \$10.6 million in general fund balance and approximately \$649,000 in the debt service fund.

Objective

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

- Did the Board properly manage District finances by ensuring that budgets were realistic and reserves were maintained in accordance with statutory requirements?

Scope and Methodology

We examined the District's financial condition and budgeting practices for the period July 1, 2012 through February 24, 2016. We extended our scope back to July 1, 2000 to review certain reserve activity.

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 C of this report.

Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with some findings and disagreed with others, but indicated they planned to initiate some corrective action. Appendix B includes our comments on issues raised in the District's response letter.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the 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

A school district's financial condition is a factor in determining its ability to fund public educational services. The Board, Superintendent and Business Administrator are responsible for accurate and effective financial planning. They are also responsible for adopting annual budgets that contain realistic estimates of expenditures and the resources available to fund them. District officials also must ensure that fund balance does not exceed the amount allowed by law. Fund balance represents the cumulative residual resources from prior fiscal years that can, and in some cases must, be used to lower property taxes for the subsequent fiscal year. New York State Real Property Tax Law limits the amount of unrestricted fund balance a school district can retain to no more than 4 percent of the subsequent year's budget. The portion of fund balance used to reduce the property tax levy is referred to as appropriated fund balance.

Prudent fiscal management includes establishing reserves that are needed to address long-term obligations or planned future expenditures. A school district can legally reserve portions of fund balance to finance future costs for a variety of specified objects or purposes. The Board should fund reserves appropriately, monitor reserve amounts and use them as intended for the related expenditures. When the Board establishes reserve funds, it is important that it develop a plan for funding the reserves, determining how much should be accumulated, and how and when the funds will be used to finance the related costs. Such a plan should guide the Board in accumulating and using reserve funds and would help inform District residents about how District resources will be used.

The Board did not adopt realistic budgets or ensure that reserves were reasonably funded. District officials consistently overestimated appropriations in the general fund budget during the last three fiscal years 2012-13 through 2014-15 totaling more than \$3.4 million or 9 percent, generating approximately \$2.7 million in operating surpluses. The District used the operating surpluses to fund various reserves, which led to reserve balances increasing by more than \$2.4 million (32 percent) since July 1, 2012. Although District officials appropriated an average of approximately \$333,000 in fund balance and \$258,000 in reserves annually towards the ensuing year's budget, none of the appropriated funds were used because of consistent year-end surpluses. This trend is projected to continue through 2015-16.

While we continue to forecast an operating surplus for 2015-16, we recognize certain measures the Board and District officials have

begun implementing regarding their financial management practices. For example, they did not raise the tax levy in 2014-15, and they reduced the tax levy by more than 5 percent (\$250,000) for 2015-16.

Budgeting and Fund Balance

The Board and District officials are responsible for developing realistic estimates of appropriations and the use of fund balance and reserves in the annual budget and ensuring that the amount of unrestricted fund balance is in compliance with the statutory limit. When fund balance and reserves are appropriated as a funding source, the expectation is that there will be a planned operating deficit in the ensuing fiscal year, financed by the amount of appropriated fund balance and reserves.

We compared budgeted appropriations and revenues with actual operating results from fiscal years July 1, 2012 through June 30, 2015. While revenue estimates were generally reasonable, expenditures were overestimated by an average of \$1.1 million per year or a cumulative total of \$3.4 million (9 percent) over the last three years, as shown in Figure 1. The most significant variances were found in employee benefits,¹ programs for students with disabilities and regular teaching salaries. Actual amounts for these items averaged between \$217,000 (7 percent) and \$435,000 (14 percent) less than annually budgeted. Because employee benefits and salary costs are determined by contractual agreements, anticipated expenditures should be reasonably projected and not consistently overestimated.

Figure 1: Overestimated Appropriations			
	2012-13	2013-14	2014-15
Appropriations	\$12,964,687	\$13,094,250	\$13,188,750
Actual Expenditures	\$11,662,930	\$11,973,329	\$12,174,103
Amount Under Budget	\$1,301,757	\$1,120,921	\$1,014,647
Percent Overestimated	10%	9%	8%

We analyzed the average change in actual revenues and expenditures for each of the prior three years to forecast probable results for the 2015-16 fiscal year. We agree with the Business Administrator’s projection that prior year trends will continue through 2015-16 and the District will end the year with appropriations overestimated by more than \$735,000 (6 percent).

Overestimated appropriations contributed to operating surpluses totaling approximately \$2.7 million during the last three years. Although budgets included appropriated fund balance that averaged \$333,000 per year and appropriated reserves that averaged

¹ Includes retirement contributions, health insurance, Social Security, unemployment insurance and workers’ compensation payments.

approximately \$258,000, none of these funds were needed because the District ended each year with a surplus rather than a planned deficit. It is not a realistic budgeting practice to routinely adopt budgets that appropriate fund balance and reserves that will not be used. District officials presented residents with budgets that stated these funds would be used to reduce their taxes. In reality, the District's general fund balance continued to increase by more than \$2.6 million during the last three years, as indicated in Figure 2.

Figure 2: Unrestricted Fund Balance at Year-End			
	2012-13	2013-14	2014-15
Beginning Fund Balance	\$7,926,223	\$8,816,351	\$9,659,790
Add: Operating Surplus/(Deficit)	\$890,128	\$843,439	\$917,145
Ending Fund Balance	\$8,816,351	\$9,659,790	\$10,576,935
Less: Restricted Fund Balance (Reserves)	\$7,825,943	\$8,593,789	\$9,479,198
Less: Encumbrances	\$51,124	\$38,497	\$57,761
Less: Non-spendable Fund Balance	\$65,513	\$200,929	\$209,819
Less: Appropriated Fund Balance for the Ensuing Year	\$350,000	\$300,000	\$300,000
Unrestricted Fund Balance at Fiscal Year-End	\$523,771	\$526,575	\$530,157
Ensuing Year's Budgeted Appropriations	\$13,094,250	\$13,188,750	\$13,253,892
Unrestricted Fund Balance as a Percentage of Ensuing Year's Budget	4%	4%	4%

Although the District appeared to adhere to statutory requirements by limiting unrestricted fund balance to no more than 4 percent of the ensuing year's budget, it would not have met the statutory limit if unused appropriated fund balance were also included. As shown in Figure 3, when appropriated fund balance not needed to finance operations is included, the District would have exceeded the statutory limit in all three years. Recalculated fund balance totals range from approximately \$830,000 (6 percent) to \$874,000 (7 percent).

Figure 3: Unused Fund Balance			
	2012-13	2013-14	2014-15
Unrestricted Fund Balance at Fiscal Year-End	\$523,771	\$526,575	\$530,157
Add: Appropriated Fund Balance Not Used for the Ensuing Year	\$350,000	\$300,000	\$300,000
Recalculated Unrestricted Fund Balance	\$873,771	\$826,575	\$830,157
Recalculated Unrestricted Fund Balance as a Percentage of Ensuing Year's Budget	7%	6%	6%

While the Board did not increase the 2014-15 tax levy and reduced the 2015-16 levy by more than 5 percent (\$250,000), the Business Administrator projects to end the year with an operating surplus of more than \$300,000. As a result, appropriated fund balance and reserves will not be used towards the 2015-16 budget as budgeted.

Reserve Funds

The Board may establish reserve funds and retain portions of fund balance to finance future costs for a variety of specified objects or purposes but must do so in compliance with statutory requirements. While school districts are generally not limited as to how much money can be held in reserves, balances should be reasonable. The Board should periodically assess the reasonableness of the amounts accumulated in each reserve and, when warranted, reduce reserve balances to a reasonable level or discontinue a reserve that is no longer needed or whose purpose has been achieved.

Annually, the Business Administrator provides the Board with an updated reserve plan that generally contains the District's objectives for each reserve, targeted reserve balances and a multiyear plan for the reserves, identifying anticipated use and planned replenishment. While the Board does not expressly approve these plans as a resolution in the meeting minutes, the Board does include this information in the annual budget provided to the voters. The Board then designates the amount from reserves that will be appropriated towards expenditures in the annual budget.

As of June 30, 2015, the District reported 10 general fund reserves with a combined balance of approximately \$9.5 million and a debt reserve in the debt service fund with a balance of approximately \$649,000. The total of these reserves (approximately \$10.1 million) is equal to approximately 77 percent of the 2014-15 budget.

We analyzed each of the reserves for reasonableness and adherence to statutory requirements. We found that three general fund reserves² and the debt reserve have shown no evidence of use since they were first established. While the remaining reserves are generally used for applicable expenditures, their balances are subsequently replenished with year-end surpluses. As a result, total reserve balances have increased by more than \$2.4 million (32 percent) since June 30, 2012. In addition, it appears that most of the reserves with balances as of June 30, 2015 totaling more than \$10.1 million were overfunded or unused by approximately \$2.7 million and the District could not provide evidence of a documented plan for the future use of the capital reserves.

² Liability, insurance and employee benefit accrued liability reserves

Capital Reserve – Education Law authorizes school districts to establish capital reserves with voter approval to cover, in whole or in part, the cost of certain capital purchases or improvements. As of June 30, 2015, the District reported four separate capital reserves with a combined balance of more than \$6.2 million. While there are currently no ongoing capital projects or otherwise documented specific plans that identify the potential use of the funds held in these reserves, during audit fieldwork, District officials told us that they anticipate seeking voter approval for a new capital project during the next year. However, if the anticipated new capital project does not occur, we question the continuation of retaining the total amount of \$6.2 million in capital reserves. If voters determine that the original purpose for which a capital reserve was established is no longer needed, the reserve may be liquidated by first applying its proceeds to any related outstanding indebtedness and then applying the balance, if any, to the annual tax levy.³

Retirement Contribution Reserve – This reserve is authorized for the payment of retirement contributions to the New York State and Local Retirement System (NYSLRS). As of June 30, 2015, the District reported a balance in this reserve of more than \$1.2 million. While the District uses funds in this reserve for applicable payments, it has transferred more money into the reserve than it has removed for retirement payments, resulting in a net increase of approximately \$512,000 during our audit period. The District’s 2016 reserve plan recommends that the balance in this reserve equal approximately three to five years of applicable retirement payments, which would be a substantial balance for this reserve. On average, over the last three years, the District has paid approximately \$162,000 per year to NYSLRS. As a result, this reserve is overfunded by at least \$434,000.

Workers’ Compensation Reserve – This reserve is authorized to pay workers’ compensation benefits and other expenses when a school district elects to be self-insured for this purpose. As of June 30, 2015, the District reported a balance in this reserve of approximately \$556,000. While the District used funds in this reserve for applicable payments, it has essentially transferred more money into the reserve than it has removed for compensation payments, resulting in an overall net increase of approximately \$226,000 during our audit period. The District’s 2016 reserve plan recommends that the balance in this reserve equal approximately three to five years of average claims. On average, over the last three years, the District has paid approximately \$52,000 per year in workers’ compensation claims. Based on this average cost, the District could pay related expenditures

³ The District should consult with legal counsel prior to liquidating or removing funds from the reserve.

for more than 10 years. As a result, this reserve is overfunded by approximately \$300,000.

Unemployment Insurance Reserve – This reserve is authorized to fund payments made when a school district elects to reimburse the New York State Unemployment Insurance Fund for actual claims filed. As of June 30, 2015, the District reported a balance in this reserve of almost \$458,000. On average, over the last three years, the District has paid approximately \$15,000 per year in unemployment payments. Based on this average cost, the District could pay related expenditures for more than 30 years. Although the 2016 reserve plan did not include a specific recommendation for the appropriate balance, we used the same guidelines as used for the other reserves. As a result, this reserve is overfunded by approximately \$380,000.

Liability Reserve – This reserve is authorized to cover liability claims incurred. As of June 30, 2015, the District reported a balance in this reserve of approximately \$369,000. There is no evidence that this reserve has ever been used since it was originally established in September 2003. Because the District historically has not had any liability claims and currently does not have any outstanding liability claims that could be paid with this reserve, this reserve appears to be overfunded by the entire amount of \$369,000.

Insurance Reserve – This reserve is authorized to fund certain uninsured losses, claims, actions or judgments for which a school district is authorized or required to purchase insurance. As of June 30, 2015, the District reported a balance in this reserve of approximately \$318,000. District officials stated that they would use the funds in this reserve for insurance deductibles and claims that were not fully covered by their insurance. However, there is no evidence that this reserve has ever been used since it was established in August 2008. The District purchases liability insurance to limit the need for substantial reserves to fund insurance claims and the District's 2016 reserve plan recommends that the balance in this reserve equal approximately three to five years of the current annual deductible coverage of \$2,500. As a result, this reserve is overfunded by at least \$305,000.

Employee Benefit Accrued Liability Reserve (EBALR) – This reserve is authorized for the cash payment of accrued and unused sick, vacation and certain other accrued but unused leave time owed to employees when they separate from District employment. To be funded from this reserve, the accrued and unliquidated benefits must be due and payable to an employee upon separation from service. As of June 30, 2015, the District reported a balance in this reserve of

approximately \$296,000, which has remained unchanged since June 30, 2004.

We reviewed the District's collective bargaining agreements and found that the District has very few instances where funds could be legally removed from the EBALR. This is corroborated by the District's own compensated absence calculation that reports a long-term liability equal to approximately \$11,000 as of June 30, 2015. As a result, this reserve is overfunded by at least \$285,000.

Debt Reserve – A debt reserve must be established if unexpended bond proceeds remain on a capital improvement financed with debt. If a school district has residual bond proceeds or interest earned on bond proceeds, that money must be used to pay for debt service on the related obligations or for capital expenditures associated with the project for which the debt was issued. This money must be accounted for in the debt service fund. As of June 30, 2015, the District reported a balance in this reserve of approximately \$649,000.

There is no evidence that this reserve has ever been used towards debt service payments since the District first reported this reserve in its records in 2000. Instead, the District budgeted appropriations to fund the full amount of anticipated debt service costs. District officials provided documentation that the funds were from unexpended bond proceeds and related interest. Consequently, District officials were required to use the funds to pay related debt. We question why the District does not use the funds in the debt reserve until they are exhausted to pay for debt service payments rather than levy taxes for this purpose.

While it is fiscally prudent to provide for unforeseen circumstances, retaining excessive reserve balances and following overly conservative budgeting practices results in a tax levy that is higher than necessary.

Recommendations

The Board and District officials should:

1. Develop realistic estimates of appropriations and the use of fund balance and reserves in the annual budget.
2. Review all reserves at least annually, determine the amounts that are not necessary and reasonable, and develop a plan for using these amounts in a manner that benefits District residents and complies with statutory requirements. Such uses could include, but are not limited to:
 - Reducing real property taxes;

- Funding other needed reserves;
 - Paying off debt; and
 - Financing one-time expenditures.
3. Use debt reserve money to pay related debt service expenditures in compliance with statutory requirements.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Lyndonville Central School

Housel Avenue, P.O. Box 540
Lyndonville, NY 14098-0540
Phone : (585) 765-3101
Fax: (585) 765-2106
jasmith@lyndonville.wnyric.org

Jason A. Smith, Superintendent

June 23, 2016

Office of the State Comptroller
Attn: Mr. Jeffrey D. Mazula
Chief Examiner of Local Government and School Accountability
110 State Street
Albany, NY 12236

Re: Lyndonville Central School District Response to the Office of the State Comptroller Audit and Corrective Action Plan

The Lyndonville Central School District has reviewed the report entitled "Financial Condition". The District's response and corrective action is found below.

As expected, the audit did not identify any misuse of district funds. The findings reflect opinions, primarily focusing on District budgeting and use of reserves. Some of the recommendations have been implemented prior to the audit release and in some cases, our future plans are outlined.

See Note 1 Page 16

The District appreciates the audit process and will give consideration to any and all guidance that the Office of the State Comptroller provides to the District.

1) Budgeting and Fund Balance

In the current climate of a "Tax Cap" and the ability of New York State to withhold state aid based on state financial conditions (the Gap Elimination Adjustment), the Lyndonville Central School District must take a conservative approach to budgeting, fund balance and reserves. While the tax cap does allow exclusions for particular expense items (excessive Teacher Retirement System and Employee Retirement System contribution changes for example), it does not consider or adjust for changes in utilities, transportation contracts, health insurance, special education, and fuel. Variation in these expenses has occurred in the past and will occur in the future.

During the period covered by this audit, the Lyndonville Central School District has pursued and received competitive, short term grant funding (e.g., Performance Improvement Grant, Strengthening Teacher Leadership Effectiveness Grant, etc). The grant application and approval process does not line up with the general fund budget process which begins 6 months prior to the start of the budget year. These grant awards of short-term funding have off-set general fund expenses on a temporary basis, and will typically increase year-end fund balance.

The goal of our District is to provide a stable and consistent budget and not have reactionary increases and decreases in the budget and tax levy. The result has been consistent programs for our students with minimal reductions and layoffs. All of this has been accomplished while *slowly* and *responsibly* reducing our tax levy and tax rate. The District is very cautious in our approach to reducing the tax levy, understanding that if we reduce the levy by 5% it could take multiple years of Tax Cap restricted increases to restore that reduction.

Housel Avenue, P. O. Box 540 Lyndonville, NY 14098-0540
Phone: (585) 765-3101 Fax: (585) 765-2106

2) Reserves

The District continually monitors reserve funds by annually reviewing and updating the Reserve Plan. The District respectfully disagrees with the audit's evaluation method of determining reasonableness of reserve funding. Looking at the past 3-5 years of expenses, in some cases, does not consider future forecasts or any type of long-term planning.

In May of 2016, voters established a new Transportation Reserve which received initial funding by transferring \$100,000 from the Workers Compensation Reserve and \$200,000 from the Unemployment Reserve. This action was the result of annually monitoring and reviewing the Reserve Plan and making adjustments as needed.

In regard to Capital Reserves, the District has been working with our Facilities Committee to identify future projects. These meetings began in June of 2015. The State required Building Condition Survey is a critical piece of our long term facilities planning and our latest survey is being completed in 2016. Submitting a Capital Project to the public for approval without considering the Building Condition Survey would not ensure the best use of those reserves.

Further complicating our facilities planning was the establishment of the Smart Schools Bond Act (SSBA) of 2014. This District wanted to be certain of the expenses being reimbursed under the SSBA (connectivity and wiring) and to eliminate those items from our capital project plans.

The Liability Reserve and Insurance Reserve are intended to be used for unexpected and unplanned events. On that basis, the District does not believe these reserves are unreasonable. It should be noted that the Liability Reserve is less than 3% of the total budget (Education Law 1709, 8-C), and the Insurance Reserve is less than 5% of total budget (General Municipal Law, 6-n). These funding limits were established by New York State Law and the District feels they are a measure of "reasonableness."

The Employee Benefit Accrued Liability Reserve (EBALR) is typically used for cash payment of accrued and unused sick and vacation leave. We have received recent guidance from the Office of the State Comptroller that indicates that some of our contractual retirement benefits may be categorized as an EBALR expense, and may allow the District to utilize these funds in the future. Our OSC auditor confirmed these potential uses for EBALR reserves.

District actions to date with respect to the Reserve Recommendations:

- The property tax levy has been reduced:
 - 2014-15 No levy increase
 - 2015-16 5.36% levy reduction
 - 2016-17 3.4% levy reduction
- In May 2016, the District obtained voter approval to use funds from the Workers Compensation and Unemployment Reserve to fund the 2016 Transportation Reserve.
- In 2013 the District inquired about using capital reserve funds to pay off existing debt. The District's two bond issues are currently non-callable. When they are callable in 2018, with current interest rates, the present value savings is under 1% which is far below a generally accepted target of 3% PV savings to trigger refunding. We will approach refunding options again as we near the call dates.
- Financing one-time expenditures: As explained above, the District is developing a capital project to address facility needs.

3) The Debt Service Reserve

The District will investigate opportunities to use the Debt Reserve to pay related expenses. District efforts to successfully re-issue debt have resulted in debt aid payments nearly matching debt principal and interest appropriations (96% funded). Therefore, additional taxes are not being levied for this purpose. This district will continue to review this reserve annually and use it in a manner consistent with our long-term planning, and in compliance with statutory requirements.

See
Note 2
Page 16

Conclusion

Over the last 10 years the Lyndonville Central School District has provided stable programs and staffing during a period of unstable State funding. The District is proud of its absence from the “Fiscal Stress” list as determined by the Office of the State Comptroller in 2016. We received the best possible score of 0%. The Office of the State Comptroller created the Fiscal Stress Monitoring System for municipalities and school districts to help provide a “realistic picture of their financial condition” (OSC, June 13, 2013 press release). The District feels this important information should be referenced in an audit entitled “Financial Condition.”

The Lyndonville Central School District will continue to take the steps necessary to keep our district fiscally sound by not only looking at past performance, but by taking a long-range view of our goals and the financial conditions in New York State. We will continue to provide our community with reasonable tax rates, and the programs and facilities they and our students deserve.

Respectfully Submitted,

Jason A. Smith
Superintendent of Schools

APPENDIX B

OSC COMMENTS ON THE DISTRICT'S RESPONSE

Note 1

When assessing the reasonableness of the reserves, we used the optimal funding levels as specified in the District's reserve plan.

Note 2

The District is required to use money in the debt reserve to pay related debt. Furthermore, building aid (i.e., debt aid payments) is generally unrestricted State aid to be used for District operations. As such, by not using the money in the debt reserve, the District was levying more taxes than necessary.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed District officials to gain an understanding of the District's financial management practices.
- We reviewed District policies and procedures related to budgeting and reserves.
- We identified all reserves in place during the last three years and determined if they were properly established.
- We analyzed 2012-13, 2013-14 and 2014-15 budgeted appropriations and revenues and compared them to actual results. We calculated if there was an operating surplus or deficit for each of these years.
- We evaluated selected appropriation and revenue codes for the most recent three years and compared them to actual results. We identified those with significant budget variances.
- We analyzed the changes in actual revenues and expenditures for 2012-13, 2013-14 and 2014-15. We calculated the average percentage change and applied it to the 2014-15 budget to make projections of revenues and expenditures for 2015-16. We requested the Business Administrator to project 2015-16 actual results and we compared his projections with ours.
- We analyzed fund balance for the most recent three years and determined if appropriated fund balance was used as budgeted.
- We documented the flow of funds in and out of the reserves over the last three years and determined if reserve funds were used towards related expenditures.
- We evaluated select expenditures that would be eligible to be paid from a reserve for the most recent three years. We calculated the average amount and determined how many years' worth of payments could be made from the related reserve.

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.

APPENDIX D

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX E
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller
Tracey Hitchen Boyd, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Bufferalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AUDITS

Ann C. Singer, Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313