



# Williamsville Central School District Financial Management

## Report of Examination

Period Covered:

July 1, 2012 – June 3, 2016

2016M-274



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

December 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 Williamsville Central School District, entitled Financial Management. 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 Williamsville Central School District (District) is located in the Towns of Amherst, Clarence and Cheektowaga in Erie County. The District is governed by the Board of Education (Board), which is composed of nine elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Assistant Superintendent of Finance and Management (Assistant Superintendent) is responsible for maintaining the District's accounting records and preparing financial reports.

The District operates 13 schools with almost 10,000 students and approximately 1,800 employees. The District's budgeted appropriations for the 2015-16 fiscal year were \$178.2 million, which were funded primarily with real property taxes, State aid, sales tax and grants.

## Objective

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

- Did the Board adopt accurate budgets and take appropriate action to address the reasonableness of fund balance, including reserves?

## Scope and Methodology

We examined the District's financial management for the period July 1, 2012 through June 3, 2016. At the exit discussion, we requested the 2015-16 audited financial statements and subsequently added updated financial information to our report.

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 disagreed with certain aspects of our findings and recommendations, but indicated they planned to initiate some corrective action. Appendix B includes our comments on issues raised in the District's response.

The Board has the responsibility to initiate corrective action. 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, 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 Management

In preparing the budget, the Board and District officials should accurately estimate how much the District will likely spend, what it will receive in revenue (e.g., State aid) and how much fund balance will be available at fiscal year-end to help fund the budget. Accurate budget estimates help ensure the tax levy is not greater than necessary. The Board and District officials should ensure that unrestricted fund balance does not exceed the amount allowed by law. New York State Real Property Tax Law currently limits unrestricted fund balance to no more than 4 percent of the subsequent year's budget. Any unrestricted fund balance over this percentage should be used to reduce the upcoming fiscal year's tax levy or to fund reserves. School districts are legally allowed to establish reserves and accumulate funds for certain future purposes (e.g., capital projects and retirement expenditures). District officials should plan for the funding and use of these reserves.

The Board and District officials did not prepare accurate budgets for the 2012-13 through 2015-16 fiscal years. While they appropriated \$21.7 million of unrestricted fund balance to help finance operations, it was not needed because the District's budgeting practices produced operating surpluses totaling \$33.4 million. When unused appropriated fund balance was added back, the District's recalculated unrestricted fund balance exceeded the statutory limit by approximately 3 percentage points.

We found that the District's reserves, totaling approximately \$52 million as of June 30, 2015, were properly established and, with the exception of the insurance reserve, properly expended. However, the Board and District officials did not take appropriate action to address the reasonableness of reserves as the reserve fund policy did not adequately address how reserves would be funded and used. Furthermore, while the Board and District officials appropriated reserves in the budget and then recorded the use of reserves at the end of the fiscal year, District officials also replenished (or increased) the reserve balances at fiscal year-end.

### Budgeting

The annual operating budget represents the District's financial plan for a fiscal year and is an important tool for managing District finances. A good budget begins with sound estimates and well-supported budgetary assumptions. The Board, Superintendent and Assistant Superintendent are responsible for accurate and effective budgeting. Spending levels and financial resources should be accurately estimated at budget preparation time to ensure that planned services are properly funded.

We compared budgeted appropriations and estimated revenues with actual operating results from 2012-13 through 2014-15. While revenues estimates were reasonable, the Board overestimated appropriations in the annual budgets each year by an average of \$16.5 million for a cumulative total of approximately \$49.6 million, an average of 10 percent each year.

The most significant budget variances were found in appropriations for utilities (average \$2.3 million, or 45 percent), special education teaching (average \$2.1 million, or 22 percent), health insurance benefits (average \$3.0 million, or 18 percent) and teaching salaries (average \$3.1 million, or 6 percent). Because many of these costs are determined by contractual agreements, District officials should be able to reasonably estimate these amounts in the annual budget. District officials indicated that teaching salaries were overestimated primarily because there is a lag between when the budget is prepared and final teacher retirements, special education was overestimated because they budget for federally funded expenditures in the general fund in case they lose funding in the special aid fund, and health insurance was overestimated because they switched to self-funding which has resulted in cost savings. District officials stated that these cost savings have been used to fund capital reserves and pay down debt. Budgeting practices that continually overestimate expenditures result in tax levies that are higher than necessary.

## **Fund Balance**

A school district may retain a portion of fund balance at the end of the fiscal year for cash flow needs or unexpected expenditures. Districts may also establish reserve funds to restrict reasonable portions of fund balance for specified purposes in compliance with statutory provisions. When fund balance is appropriated to finance operations, the District should incur a planned operating deficit. However, District officials overestimated appropriations each year and realized operating surpluses.



**Figure 1: Unrestricted Fund Balance at Year-End**

	2012-13	2013-14	2014-15
Beginning Fund Balance	\$50,610,080	\$54,743,139	\$61,092,992
Plus: Operating Surplus	\$12,154,772	\$10,393,635	\$10,878,540
Less: Expenditures Charged to Reserves <sup>a</sup>	\$8,021,713	\$4,043,782	\$3,634,082
Ending Fund Balance	\$54,743,139	\$61,092,992	\$68,337,450
Less: Appropriated Fund Balance	\$5,424,000	\$5,424,000	\$5,424,000
Less: Reserve for Encumbrances	\$2,436,499	\$2,208,312	\$2,096,820
Less: Nonspendable Fund Balance	\$1,856,925	\$1,870,000	\$1,630,000
Less: Restricted Fund Balance (Reserves) <sup>b</sup>	\$38,225,656	\$44,632,416	\$52,066,628
Unrestricted Fund Balance at Year-End	\$6,800,059	\$6,958,264	\$7,120,002
Subsequent Year's Budgeted Appropriations	\$170,003,254	\$173,956,594	\$178,199,516
Unrestricted Fund Balance as a Percentage of Subsequent Year's Appropriations	4%	4%	4%

<sup>a</sup> Net of interest and other minor revenue adjustments

<sup>b</sup> Approximately \$16 million of operating surpluses funded the voter-approved capital reserves over the last three years (2012-13 through 2014-15), reducing the amount that the District needed to borrow for capital projects.

From 2012-13 through 2014-15, the Board appropriated fund balance of \$5.4 million annually to finance operations. The District realized operating surpluses during the same period and did not need to use any of the appropriated fund balance to finance operations. When unused appropriated fund balance was added back, the District's recalculated unrestricted fund balance exceeded the statutory limit each year by approximately 3 percentage points.

**Figure 2: Recalculated Unrestricted Fund Balance at Year-End**

	2012-13	2013-14	2014-15
Unrestricted Fund Balance at Year-End	\$6,800,059	\$6,958,264	\$7,120,002
Plus: Appropriated Fund Balance Not Used to Fund Subsequent Year's Budget	\$5,424,000	\$5,424,000	\$5,424,000
Recalculated Unrestricted Fund Balance at Year-End	\$12,224,059	\$12,382,264	\$12,544,002
Subsequent Year's Budgeted Appropriations	\$170,003,254	\$173,956,594	\$178,199,516
Unrestricted Fund Balance as a Percentage of Subsequent Year's Appropriations	7.2%	7.1%	7.0%

The District also ended 2015-16 with an operating surplus due to overestimated appropriations.<sup>1</sup> The 2016-17 adopted budget continues the trend of appropriating over \$5.4 million in fund

<sup>1</sup> The District reported a net operating surplus of \$16 million, which includes charges to reserves.



balance and overestimating appropriations and will likely generate an operating surplus. The District's practice of annually 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.

## **Reserve Funds**

School districts are legally allowed to establish reserves and accumulate funds for certain future purposes (e.g., capital projects and retirement expenditures). Reserve money set aside must be used in compliance with statutory provisions that determine how reserves are established, funded, expended and discontinued. Generally, school districts are not limited in the amounts they can maintain in reserves. However, funding reserves at greater than reasonable levels contributes to higher than necessary real property tax levies because excessive reserve balances are not used to fund operations.

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. Therefore, it is important that the Board adopt a written policy that states its rationale for establishing reserve funds, objectives for each reserve, targeted funding levels and conditions under which reserves will be used or replenished.

As of June 30, 2015, the District had \$52 million in reserve funds. These included capital reserves (\$21.7 million) for which the maximum balance and intended use of the reserve is included in the capital reserve resolutions adopted by the Board and approved by the voters. The District also has an employee benefit accrued liability reserve<sup>2</sup> (EBALR) (\$10.4 million), retirement contribution reserve (\$8.2 million), repair reserve (\$5.3 million), workers' compensation reserve (\$3.7 million), insurance reserve (\$2.2 million) and unemployment reserve (\$464,000).<sup>3</sup>

The District's reserve funds were properly established and, with the exception of the insurance reserve, properly expended. We found that the capital reserves were funded within the maximum authorized amounts, and the EBALR balance did not exceed the related long-term liability. However, it is unclear whether the remaining reserves are reasonably funded as the District's reserve fund policy is inadequate.

**Reserve Fund Policy** – The Board should adopt a reserve fund policy which indicates when reserves will be funded, the maximum dollar

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<sup>2</sup> This reserve is used to fund the payment of unused leave due to employees when they leave District employment.

<sup>3</sup> The District also had a tax certiorari reserve with a balance of \$45,000 which we did not consider in our testing due to the immaterial balance.

amount to be accumulated in the reserves and the expected use of the reserves. Although the Board adopted a reserve fund policy, the policy does not indicate specifics for the maximum funding levels for each reserve, the conditions necessary for using reserve funds to finance the related costs or the circumstances under which reserve funds will be replenished. The policy indicates that the Assistant Superintendent will determine reserve fund specifics and report them to the Board. The Assistant Superintendent provided the Board with reports on reserve funds at various times during the fiscal year. However, the reports do not include information on maximum funding levels for reserves or when reserves will be used.

Prudent fiscal management practices suggest that reserves should be used to fund spikes in the associated costs, in order to maintain a stable tax rate. For example, the District's average retirement costs over the past three years (2012-13 through 2014-15) were approximately \$3.2 million. The highest annual cost was approximately \$3.3 million in 2012-13, which is \$100,000 over the average. Therefore, if the retirement contribution reserve was only used to cover increases in expenditures, the balance of \$8.2 million would be excessive. While the District could use the reserve to fund more of the related expenditures during periods of fiscal difficulty, without a written policy clearly stipulating that, District residents are not in a position to ascertain whether the current balance is reasonably funded.

Insurance Reserve – General Municipal Law authorizes school districts to maintain an insurance reserve to fund certain uninsured losses, claims, actions or judgments for which the district is authorized or required to purchase or maintain insurance, with a number of exceptions. An insurance reserve may not be used to pay for uninsured losses, claims, actions or judgments for which the following types of insurance are authorized: life insurance, annuities, accident and health insurance, workers' compensation and employers' liability insurance, among other items. The District maintains an insurance reserve, which had a balance of \$2.2 million as of June 30, 2015. This reserve has been used for self-insurance for dental and other claims, which is not an appropriate use of this type of reserve. District officials indicated that their external auditor informed them that they were improperly using the reserve, so they no longer charge these costs to the reserve.

Appropriation of Reserves – The District appropriates reserves as a funding source in the annual budget. District officials appropriated \$13 million in reserves in the adopted general fund budgets from 2012-13 through 2014-15. However, for the past three completed fiscal years, the District has prepared a June 30 journal entry to charge related expenditures to the reserves and another June 30 journal entry

to replenish the reserves, using a combination of interest earnings and operating surpluses, to generally restore the balances to the levels they were at prior to charging the expenditures, or to a greater amount.

To illustrate, over the last three years (2012-13 through 2014-15), approximately \$7.2 million was expended from the retirement contribution reserve while, at the same time, \$10 million from operating surpluses and small transfers of funds from other reserves was used to replenish it. Similarly, over the last three years (2012-13 through 2014-15) approximately \$1 million was expended from the repair reserve, but at the same time, \$2.9 million from operating surpluses and small transfers of funds from other reserves was used to replenish it. These entries result in the reserve fund money not being used as planned in the adopted budget. A more appropriate method the Board could use to demonstrate its intent to fund or replenish reserves would be to include a provision to increase the reserves in the proposed budget presented to residents for approval. In this way, District residents would be aware of the Board's intent to both fund and charge expenditures to reserves during the upcoming year.

## **Recommendations**

The Board and District officials should:

1. Ensure budgets include realistic appropriations based on actual needs to avoid levying taxes at a level greater than needed.
2. Ensure that estimates in the annual budget for the planned use of fund balance are accurate and reasonable.
3. Revise the reserve fund policy to ensure that it identifies optimal or targeted funding levels for each reserve and the conditions under which each reserve fund will be used or replenished.
4. Charge appropriate expenditures to the insurance reserve as required or transfer the funds in the reserve to another reserve in accordance with statute.

**APPENDIX A**

**RESPONSE FROM DISTRICT OFFICIALS**

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



November 8, 2016

Mr. Jeffrey D. Mazula  
Office of the New York State Comptroller  
Chief Examiner of Local Government  
and School Accountability  
295 Main Street, Room 1032  
Buffalo, New York 14203

Dear Mr. Mazula:

The information stated in this letter constitutes the Williamsville Central School District's written response and corrective action plan to the New York State Comptroller's Office's Financial Management audit for the period of July 1, 2012 – June 30, 2016. The audit commented on the District's budgeting, fund balance, and reserve fund policy.

**Budgeting** – The audit states that “while revenue estimates were reasonable, the Board of Education overestimated appropriations in the annual budgets each year”. It was identified in the audit that overages occurred in utilities, special education, teaching salaries, and health insurance benefits.

**Response** - The District has stated to our community during budget development cycles that the expense areas identified by the Comptroller as being overestimated are potentially susceptible to uncontrolled budget increases. For example, utility rates may change drastically based on world events, teacher salaries and benefits are impacted by changing enrollment and student needs. Special Education services change each year based on student needs and health insurance benefits can incur large fluctuations if your insured population encounters several significant medical claims. Failure to adequately budget for these items can contribute to budget deficit situations and result in the New York State Comptroller's Office classifying a school district as being in fiscal stress. When this situation occurs the most detrimental impact of it is not having the ability to respond to changing instructional program needs and the inability to implement the programs promised to a school district's community. It is pertinent to mention that if a school district is in a deficit budget position they must address the situation immediately. Usually the only fiscally responsible option available to a school district is to cut programs to balance the budget. Once program reductions occur it becomes difficult to restore them due to the tax cap law. As the New York State Comptroller knows it is possible to request that your community exceed the tax cap. A school district who contemplates exceeding the tax cap must carefully weigh the potential ramifications of a failed budget vote that would result in a greater amount of fiscal stress to the district since there can be no increase in the tax levy under these circumstances. It is easy to see how a budget deficit situation can rapidly spiral out of control. The Williamsville Central School District understands the severity of failing to budget appropriately for expenditures. It also understands that it must budget items in a reasonable manner to minimize the tax levy impact on our community. Upon review of the financial circumstances in the years reviewed by this New York State Comptroller's audit it was clear that it was a turbulent time for school district budgeting. Items that Williamsville had to consider within the audited period of time included extreme rises in New York State retirement system rates, state aid reductions, potential federal program reductions, fluctuating energy costs, tax cap law, and many new state mandates including the impact of the APPR program on the District's budget. The District's budget practices protected its programs from unanticipated expense increases during these budget years. Lastly, it is important to state that Education law, §1718 prohibits a school district from exceeding the legally authorized limits set

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Scott G. Martzloff, Ed.D., Superintendent of Schools



by the budget process. If a school district's budget does not sufficiently provide some flexibility to address unplanned expense increases in a budget year it is severely limited on alternative funding that can be used to support these expenditures.

When there are surplus funds available at the end of a fiscal year the District utilizes them in a financially responsible manner. Through our long-range financial plan the District has saved surplus funds over a period of years in capital reserve accounts that were pre-authorized by our community. As an example, \$17,500,000 was saved in the 2007 capital reserve account. These funds have since been expended by the District for the payment of capital project expenses as authorized by our community in past capital project proposition votes. If the District had to borrow these funds it would have had to pay approximately \$4,100,000 in interest payments over a fifteen year repayment schedule. In addition to the interest savings received by the District it would have had to increase its general fund budget by approximately \$1,400,000 to support the principal and interest payments associated with the debt. The usage of surplus funds in this manner directly resulted in the District avoiding a future increase in the tax levy that would have occurred had it borrowed these funds. It is also important to state that if surpluses become available to the District they positively impact the District's bond rating. The Williamsville Central School District has the highest bond rating of any Western New York School District. The rating of Aa1 was most recently reconfirmed by Moody's investment service on May 25, 2016. The ability to maintain an outstanding credit rating allows it to obtain lower interest rates on debt borrowings and this allows more funds to be allocated to programs rather than to pay for debt.

**Corrective Action Plan** - The District will review the New York State Comptroller's comment on budgeting and make reasonable budget adjustments that allow for the continuation of our sound fiscal plan. The District will continue to balance the budget needs of our educational programs while minimizing the impact of tax levy changes to our community. When surpluses are generated at the end of a fiscal year the District will utilize these funds to strategically reduce future long-term debt through the continued use of our community approved capital reserves.

**Fund Balance** – The audit states that the District's appropriated fund balance should be used when it is budgeted and that the budget situation dictating its use is the forecasting of a planned budget deficit in the revenue budget. It was commented in the audit report that due to the fact that the District had budget surpluses in the years that it appropriated fund balance in its revenue budget that the appropriated fund balance was not needed. The Comptroller interpreted the unused funds as excess fund balance that they subsequently added to the District's unrestricted fund balance amount. Based on this interpretation the Comptroller recalculated the unrestricted fund balance percentages and state that they exceed the four percent level allowed by Real Property Tax Law, Section 1318.

**Response** - During the period covered by this audit there were years when New York State stated that increases in State Aid would not be provided to school districts if they did not have an approved APPR plan. The development of APPR plans included negotiating agreements with various bargaining units within the school district. The impact of these unknown factors on the revenue budget substantiate the need for the appropriation of fund balance in the Williamsville Central School District budget. The District establishes appropriated fund balance as part of the budget development process and annual budgets for the next school year are finalized in April and approved by the Community in May of each year. These budgets become effective from July 1<sup>st</sup> – June 30<sup>th</sup> every year. The District's final budget surplus amounts are not known until the fiscal year is complete. There is an eighteen month period of time between when the establishment of the appropriated fund balance in the budget and the amount of the budget surplus becomes known to the District. The Comptroller's action to add the unused fund balance appropriations back to the unassigned fund balance once the year is over is using future information that the District does not have when establishing budgets. Real Property Tax Law Section 1318, allows school district's to maintain unassigned fund balance levels up to four percent of the current year's school budget. The District understands the New York State Comptroller's interpretation and calculation of surplus fund balance. The District does not share the Comptroller's opinion that the unused appropriated fund balance should be added back to recalculate a new level of fund balance.

See  
Note 1  
Page 15

See  
Note 2  
Page 15

**Corrective Action Plan** - Although we understand the Comptroller's statement and calculation of the unassigned fund balance level we do not believe that the calculation reflects how fund balance is calculated under Real Property Tax Law Section 1318 and the District does not believe it has exceeded the four percent fund balance level in the years reviewed in this audit. In future budgets the District will consider the Comptroller's comment.

**Reserve Funds/Reserve Fund Policy** – The audit states that school districts are legally allowed to establish reserves and accumulate funds for certain future purposes. It was stated in the audit that the District's reserve funds were properly established and properly expended. The report found that capital reserves were funded up to their maximum authorized amounts and that the Employee Benefit Liability Reserve was funded at a level that did not exceed the related long-term liability. It was recommended that the Board adopt a revised reserve fund policy that includes information on when reserves will be funded, maximum funding level of the reserves, conditions related to use of reserves, and circumstances for replenishment of reserves.

**Response** - The District currently requests Board of Education approval on an annual basis for the authority to adjust reserve balances based on year-end expenses. Each year the District provides detailed information to the Board of Education requesting their authorization to make changes to specific reserves. The District makes changes to these reserves after receiving approval from the Board of Education. Additionally, the Board of Education receives reserve information from the Audit Committee and the District's external auditor each year. The District provides the Board of Education and the Community with a comprehensive reserve report at the conclusion of the annual audit and this report shows all of the reserve balance changes. The District also provides an updated long-range reserve plan to the Board of Education and the Community at the beginning of the budget development cycle. During the audit the Comptroller reviewed the District's detailed reserve documentation and this information substantiated the reserve balances they reviewed as part of their audit.

**Corrective Action Plan** - The District will consider the Comptroller's recommendation to modify the current reserve policy in regard to funding level amounts and the conditions that govern reserve replenishment. The District will review our reserve policies and make policy adjustments that strengthen our financial condition while maintaining compliance with the laws that govern school district reserves.

**Summary Comment:** - The Williamsville Central School District utilizes fund balance appropriations and reserves as a financial tool for long-range planning. As the Comptroller has stated in its reserve funds document, "Planning today and saving incrementally for expected future events can help mitigate the financial impact of major, nonrecurring or unforeseen expenditures on your annual operating budget." The Williamsville Central School District follows the Comptroller's statement/recommendation and its budgeting practices create fiscal stability for our educational programs. The usage of reserves in long-range planning has allowed the Williamsville Central School District to sustain educational programs through periods of New York State Aid reductions, interest rate earning reductions, and limited tax levy increases that are the result of the New York State Tax Cap. The budget methodology that has been implemented by the District has allowed it to cope with unforeseen financial situations that have occurred after the budget has been approved by our Community. These situations include reduced revenue, contractual expenditure increases, new State mandated expenses, and general expense increases that occurred in health insurance, energy, and in other operating expenses. In the years covered by this audit the District reduced budget increases by always implementing efficiencies and cost saving measures each budget year. The financial plan implemented by the District allowed it maintain programs when state aid reductions were imposed on it by New York State. The cumulative impact of these State Aid revenue reductions to the Williamsville Central School District was a loss of \$32,786,978. The District's budget plan that was reviewed in this audit saved many of our core educational programs, student support programs, student clubs, and athletic teams from being reduced and/or eliminated during this difficult period of time. It is important to state that during the audited period the District maintained an average tax levy increase of 2.86% and every budget submitted to our Community was under the tax cap. The average tax rate increase was 1.58%. These percentages show that the District's budget process balanced the needs of our educational programs with an intent to minimize tax levy and tax rate increases to our Community.



The Williamsville Central School District understands the Comptroller's point on expense budgeting. The Comptroller also knows that school district budgeting is complex and dependent on many external economic factors that are outside the control of school districts. It is our intention to maintain our educational programs to the greatest extent possible for our community. The District also highly values the financial support that it receives from our community each and every year. As we proceed through the annual budget process it is always our goal to minimize the tax levy increase while not jeopardizing our financial future. The Williamsville Central School District's Board of Education has always been and continues to be concerned about the impact of our budget on the District and Community. This concern results in the following Board Goal: *"Create and oversee a fiscally responsible budget that upholds the mission and values of the school community."* The Williamsville Central School District will continue to carefully craft annual budgets that consider the Comptroller's recommendations while meeting the educational and fiscal needs of our District and Community.

The District would like to recognize the work completed by the New York State Comptroller's auditor assigned to oversee this audit. The auditor completed their work in a professional and organized manner. Their efforts allowed the audit to occur without interference to our daily business office's activities. The District appreciated the auditors' consideration of our need for the business office to function in a normal manner during the audit.

Sincerely,

Scott G. Martzloff, Ed.D  
Superintendent

Thomas R. Maturski  
Assistant Superintendent for Finance and Management Services

## **APPENDIX B**

### **OSC COMMENTS ON THE DISTRICT'S RESPONSE**

#### **Note 1**

The District's claim that the annual operating surplus is not known until the fiscal year is complete is misleading. During the budget preparation process and throughout the fiscal year, school districts normally estimate annual operating results and fund balance levels to determine if fund balance will be available for appropriation in the subsequent year's budget.

#### **Note 2**

Our report does not recommend the restatement of unrestricted fund balance to include unused appropriated fund balance. The recalculated unrestricted fund balance at fiscal year-end in the report demonstrates the effect of consistent budgeted operating deficits that were not realized.

## **APPENDIX C**

### **AUDIT METHODOLOGY AND STANDARDS**

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

- We reviewed audited financial statements and budget-to-actual reports to analyze changes in fund balance as a result of annual operations. We also examined the components of fund balance for adherence to statutory requirements.
- We identified and analyzed specific budget lines with significant budget-to-actual variances.
- We analyzed the activity in the District's reserve funds. Specifically, we evaluated if the use of reserves complied with statutory requirements, if balances appeared reasonable and if interest earnings were properly credited. We also examined Board resolutions to determine if each reserve was properly established.

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**

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