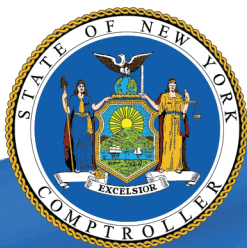


Lake Pleasant Central School District

School District Website

MARCH 2021



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Lake Pleasant Central School District

Audit Objective

Determine whether the Lake Pleasant Central School District (District) used its resources to maintain a website that provided the public with transparent and comprehensive financial information.

Key Findings

District officials maintained a website but certain financial information was not posted, resulting in a lack of transparency. Information that was posted was limited in comprehensiveness. This prevents taxpayers and other interested parties from readily accessing and reviewing documents to make informed decisions.

Officials did not post:

- The final annual budget and audit reports.
- Comprehensive budget-to-actual results and corrective action plan (CAP) to the external audit in an easily accessible location.

Officials did not prepare:

- A multiyear financial plan. Posting a prepared plan further enhances the transparency of the District's fiscal decisions.

Key Recommendations

- Post the final annual budget and audit reports.
- Post the comprehensive budget-to-actual results and an external audit CAP in an easily accessible location.
- Prepare and post a multiyear financial plan to help residents see the impact of fiscal decisions over time.

District officials agreed with our recommendations and indicated they will take corrective action.

Background

The District serves the Towns of Arietta, Benson, Hope, Indian Lake, Inlet, Lake Pleasant, Long Lake, Morehouse and Wells in Hamilton County.

The District is governed by a Board of five elected members, which is responsible for the general management and control of financial affairs. The Superintendent of Schools is responsible for day-to-day management under the Board's direction. The Board, Superintendent and Treasurer are accountable to District taxpayers for the use of resources and are responsible for effective financial management of operations.

Quick Facts

Total Website Visits (1/1/2019-12/20/2019)	20,719
Population (rounded)	700
Enrollment	75
2019-20 Budgeted Appropriations	\$5.2 million

Audit Period

July 1, 2018 – June 30, 2019.
As described in Appendix C, for certain financial information reviews we extended the audit period.

School District Website

A district operates to provide public education services for its students. The public's right to know the process of decision making and to review the documents leading to actions is basic. Access to such comprehensive information should not be difficult for the public to obtain.

To this end, various laws and regulations require certain information to be posted on districts' websites to help enhance the public's access to basic information. Further, districts following best practices and guidance should utilize the website as another tool to communicate their financial direction.

In a time when financial resources are limited, making well-informed decisions is critical. Therefore, it is important that the public have access to transparent and comprehensive district financial information. A district's transparency of comprehensive financial information allows the public to formulate questions for officials and ultimately make informed decisions that will impact district programming and the annual tax levy. If residents cannot locate necessary financial information on their district's website, they would have to contact their district directly.

How Should Officials Provide Comprehensive Financial Information Transparently to the Public?

District officials can provide comprehensive financial records and other information to the public in a transparent manner by making the information available on the district website. While certain laws and regulations require a district's website to contain audit reports, CAPs, the original and final annual budgets and any board-adopted multiyear financial plan, other information should be shared with the public in a complete and clear manner. For example, financial reports should either appear prominently on the district's home page or be easy to locate on the website. In addition, voters may find other documents helpful in evaluating the budget and keeping them informed. Such documents include planning documents, budget-to-actual results, board minutes, newsletters, press releases or other materials on district operations.

Certain Financial Information Was Not Posted on the Website in a Transparent and Comprehensive Manner

While District officials maintained a website, certain financial information was not posted to the website and information posted was limited in comprehensiveness and transparency.

Officials did not post the 2019-20 final annual budget and audit reports to the District's website (Figure 1). In addition, while the external CAP and some monthly budget-to-actual reports were posted, these documents were not in an easily accessible transparent location. Officials did not create a multiyear financial

plan and did not conduct any internal audits during our audit period. Therefore, nothing was posted on the website for these items. This information is helpful to voters and can help them make an informed inquiry or decision.

Figure 1: Financial Information on the Website

Financial Information	Posted		Posting Required	Comment
	Yes	No		
Budget – Original, Board Adopted for Vote	X		Yes	
Budget – Final Annual		X	Yes	
Multiyear Financial Plan		X	No	
Budget-to-Actual Reports	X		No	
Audits	Posted		Posting Required	Comment
	Yes	No		
External Audit		X	Yes	
External Audit - CAP	X		Yes	
State Comptroller’s Audit (OSC)		X	Yes	
OSC Audit - CAP		X	Yes	Not Applicable - No Findings
Internal Audit		X	No	Exempt
Internal Audit - CAP		X	No	Exempt

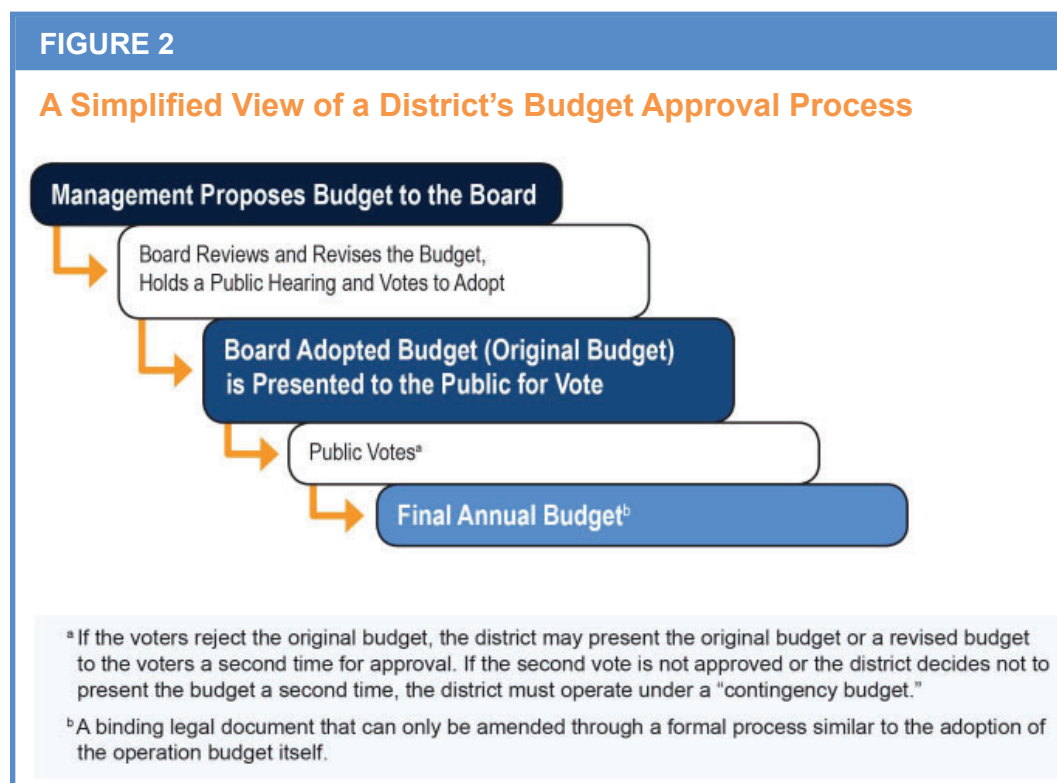
Although officials posted the Board’s original adopted budget and partial year budget-to-actual reports on the website, these documents were located on separate web pages. Further, the year-end budget-to-actual reports were not posted for the public. Because these documents were not posted to the website in a transparent location, budget assessments would be difficult to make by taxpayers and other interested parties.

For example, the District’s financial statements showed the Board’s actual expenditure amounts were less than the budget by approximately \$1.1 million combined in 2017-18 and 2018-19. Without budget-to-actual results posted in a transparent location, interested parties cannot determine whether the estimates were reasonable before voting.

The failure to provide and post information prevents the taxpayers and other interested parties from readily accessing and reviewing documents to make informed decisions.

Which Budgeting and Financial Planning Documents Provide Transparency?

Final Annual Budget – A budget is a detailed financial plan of estimated expenditures (proposed spending) and means of financing (estimated revenues and appropriated fund balance and reserves¹). Figure 2 shows the budget approval process. Budgets are developed, adopted and subjected to voter approval each year.² Ideally, amounts to be placed in reserves should be included in the annual budget to ensure taxpayers are aware of the board’s intent to fund reserves in the upcoming year. After the public vote, the final annual budget must be posted on the district’s website, as required by law.



Budget-to-Actual Reports – Officials should provide support for their budgetary estimates using actual historical trends, including projections of current year spending and receipts based on year-to-date actual amounts, along with analyses of identified future needs and risks to compute budget items. Actual revenue and expenditure information should be made available to provide district taxpayers with an understanding of the budget’s status.

1 Planned use of unexpended surplus money from prior years’ operations

2 With the exception of the Big Five districts (Buffalo, New York City, Rochester, Syracuse and Yonkers)

Original Budget – A comprehensive, board-adopted budget must be posted and include:

- A three-component presentation as follows: administrative, capital and program.
- Categories of revenues, expenditures and fund balance information and comparison data and changes from the prior year school budget.
- Appended documents, including the administrator salary disclosure and property tax report card with a schedule of reserves, among other items.

The appended administrator salary disclosure is a report of highest payroll for administrator titles and amount in the district (reported in 2019-20 all administrators with salaries exceeding \$138,000). The district's property tax report card includes details on the national consumer price index, district enrollment, fund balance, spending and tax levies for the current and future school year.

The appended property tax report card also includes information on each district's reserve fund balances as of March 31, including each reserve's name, a short description, and any planned use of the funds in the upcoming school year. Reviewers can use this information to assess whether the amount in each reserve fund is reasonable.

An unrealistic budget can result in a tax levy that is more than needed. The law restricts districts in the amount of unexpended surplus funds they can keep, so that they do not – intentionally or unintentionally – retain large sums of money unless it is intended for a specific purpose. Conversely, an unrealistic budget can also result in a tax levy that is insufficient to fund district operations.

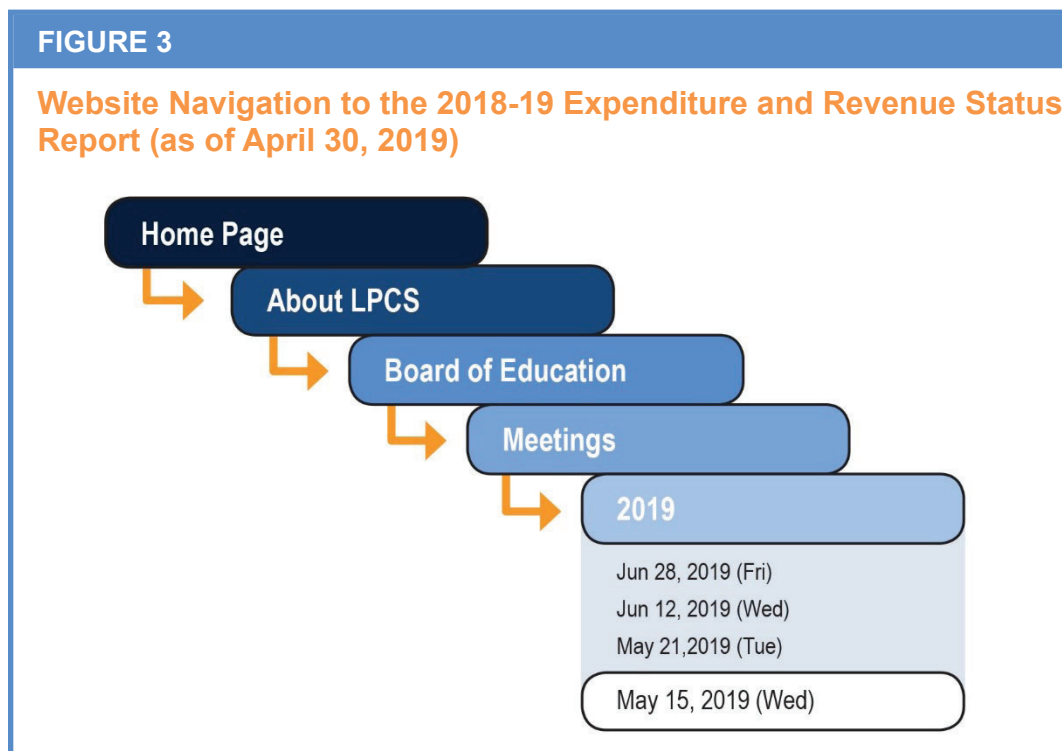
Multiyear Financial Plans – District officials can set long-term priorities and work toward goals by using a multiyear financial plan. A plan can help stakeholders see the impact of the fiscal decisions over time. They can decide what funding choices to make in advance, avoiding sudden tax increases or dramatic budget cuts and accumulating excessive fund balance. If the board adopted a multiyear financial plan, it must be posted on the district website. Elements of a plan should include revenue and expenditure projections, annual surpluses/(deficits), reserves, fund balances and a fiscal improvement plan.

Officials Could Enhance the Transparency of Financial Information

Final Annual Budget – Voters passed the original 2019-20 budget. However, officials did not post the final annual budget on the website, as required. The Superintendent attributed the lack of posting the final budget to a clerical oversight.

An unrealistic budget can result in a tax levy that is more than needed.

Budget-to-Actual Reports – Actual revenues and expenditures information for 2018-19 was located on the Board of Education web page within the Board agenda as a revenue and expenditure status report attachment. Although posted, it would be difficult for interested parties to locate the information. Similarly, they would have to search through Board agendas by meeting date and through agenda attachments to locate historical actual results. The Board of Education web page is located from the District’s Home Page by selecting “About LPCS” (Figure 3).



In addition, the most complete reports posted showed only the first 10 months of budget-to-actual results instead of the complete year. Providing complete historical and current year actual revenue and expenditure results on the same web page as budget information could have enhanced the transparency of financial information regardless of whether any major budgetary issues occurred or not. To adequately evaluate budgets, the current budget must be compared to previous budgets and evaluated in comparison to actual spending and receipts. Such comparisons help to identify any ongoing problems the District is having with its budgets.

The Superintendent told us officials never thought to place this information anywhere other than in agendas. Additionally, the Treasurer told us an oversight error caused the final two months of budget-to-actual results to not be posted

publicly. See Appendix A for a snapshot presentation of the District's budget comparison.

Original Budget – The proposed budget, with appended Property Tax Report Card and administrative salary disclosure, were posted on the District's website. The documents were located on the budget 2019-20 web page, which linked from the District's Home Page.

The budget documents included categories for revenues, expenditures, fund balance, a comparison between the adopted and prior year final annual budget, and schedule of reserves information.

Multiyear Financial Plan – District officials did not develop a Board-adopted multiyear financial plan. The Superintendent told us changes in administration and the Board contributed to no plan being created. However, having a prepared, adopted and posted plan helps officials and the public see the impact of fiscal decisions over time and the effect on District priorities and goals.

How Do Posted Audit Reports and CAPs Provide Transparency?

An audit (external or internal) is an integral part of a district's system of checks and balances and providing an objective review of stewardship and fostering accountability to taxpayers and the public. The board is required to secure an annual audit by an independent auditor including an annual audit of district federal award programs, if warranted,³ and the extra-classroom activity fund.

Districts must post on their websites the annual external audit report that is issued by a certified public accounting firm and the CAP prepared in response to any findings contained in the annual external audit report or management letter, or any final audit report issued by OSC. Districts are required to post the final audit report from OSC on their internet websites for a period of five years.

CAPs provide an opportunity for the governing board to provide direction, and communicate how audit findings and recommendations will be used positively to improve operations and internal controls. A CAP helps ensure corrections occur and should include a detailed description of what action has already occurred or is planned in response to each recommendation, who within the district is responsible for implementation and the implementation date.

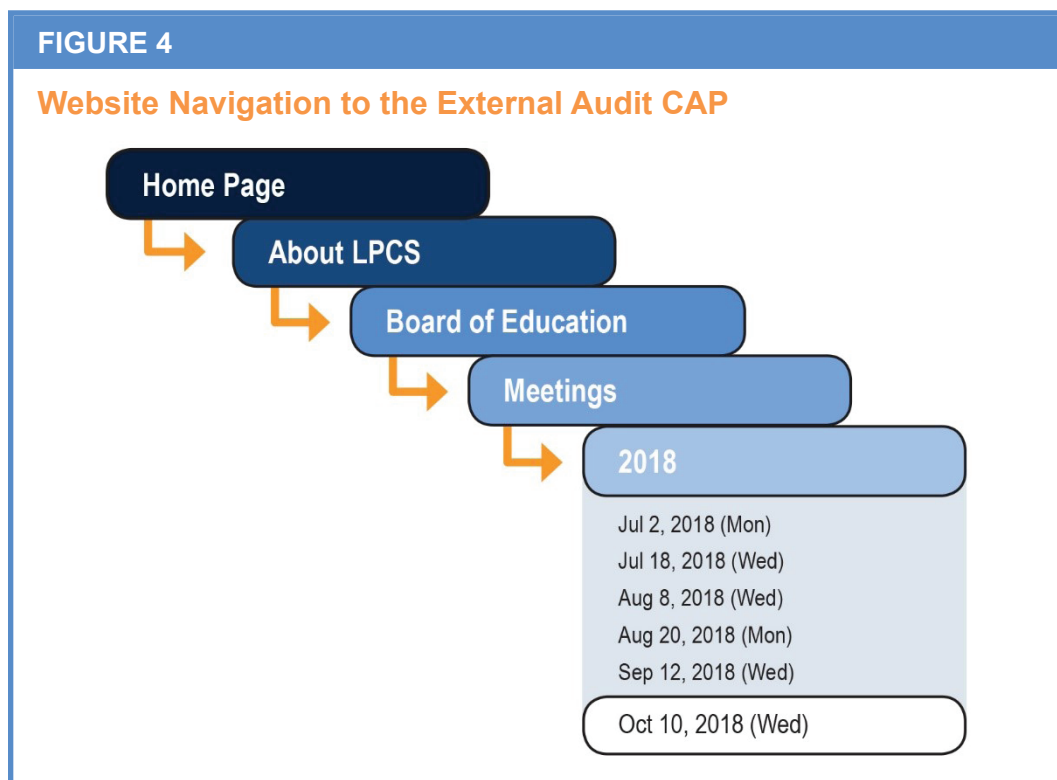
Further, districts are required to establish an internal audit function. A district is eligible for exemption from the internal audit requirement if it has less than eight teachers, less than \$5 million in general fund expenditures in the previous school year, or less than 1,500 enrolled students in the previous year. However, boards,

³ The Uniform Guidance requires that an annual audit of the district's federal award programs be included with the annual school district audit if \$750,000 or more in federal aid was expended during the corresponding year.

by policy, can require an internal audit function even if exempt. The internal auditor's primary responsibility is to assist in ensuring that risks to district assets are identified and that appropriate internal controls are in place to address those risks.

Audit Results Were Not Posted to the Website

Officials did not post the 2017-18 external audit reports⁴ to the District's website. The related CAP was posted; however, it was not found in an easily accessible location. The Treasurer told us she did not provide a copy of the external audits to the webmaster for posting because she was unaware of the requirement. The CAP specific to the audit findings recommendations was included as an attachment to the Board agenda dated October 10, 2018 (Figure 4).



However, visitors to the website must search through all Board agendas, looking at the agenda items for each meeting to find the audit's CAP. The Superintendent told us she thought the CAP was in a transparent location.

⁴ External audit documents for school year 2017-18 included the audits of the financial statements, the extra-classroom activity fund and management letter.

The OSC audit report issued within the last five years was not posted to the website.⁵ In addition, no CAP was required because the OSC audit provided no recommendations. The Board President told us he was unaware of the requirement to post the report. Posting audit reports and the CAP to the website in a transparent manner could increase public understanding and oversight of the District.

District officials did not implement the internal audit function based on the student enrollment exemption. As a result, no internal audit was required.

What Do We Recommend?

The Board:

1. Must ensure that the final annual budget and all audit reports are posted to the website, as required.
2. Should provide further transparency by posting complete budget-to-actual results to the website in a transparent location.
3. Should prepare and post a multiyear financial plan to the website to help residents, taxpayers and the public see the impact of fiscal decisions.
4. Should provide further transparency by posting the external audit CAP in a website location easy for the public to access.

⁵ Refer to *Lake Pleasant Central School District – Payroll (2016M-8)* released in March 2016.

Appendix A: Revenues and Expenditures Comparison – Budget to Reported Actual

Figure 5: Budget to Reported Actual Results

Categories	2017-18		2018-19	
	Original Budget	Actual Results	Original Budget	Actual Results
Revenues and Other Sources	\$5,055,887	\$4,624,301	\$5,103,105	\$4,606,165
Expenditures				
General Support	\$761,194	\$780,205	\$735,803	\$752,209
Instruction	2,075,272	1,815,640	2,085,163	1,924,724
Pupil Transportation	303,064	389,719	299,897	342,969
Community Services	7,710	186	6,010	1,379
Employee Benefits	1,283,264	921,944	1,372,374	969,091
Debt Service	483,883	483,883	478,833	480,583
Other Financing Uses	141,500	105,837	125,025	125,707
Expenditures and Other Financing Uses	\$5,055,887	\$4,497,414	\$5,103,105	\$4,596,662
Operating Results - Surplus		\$126,887		\$9,503
Tax Levy Increase Percentage from Prior Year	1.53%		1.57%	

Appendix B: Response From District Officials



Lake Pleasant Central School

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Heather Philo, Superintendent
Jennifer Braunius, CSE/CPSE Coordinator
Elisha Christman, District Treasurer



January 13, 2021

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

To Whom it may Concern:

This letter is a response to the findings from the recent audit of the Lake Pleasant Central School District website.

The Key Findings that were indicated are that the District did not post the FINAL annual budget and audit reports, Comprehensive Budget-to-Actual to the external audit in an easily accessible location, and while posted, the Budget-to-Actual were not posted in a transparent manner. In addition, the District did not have a multiyear financial plan.

In response to conversations with the Auditors and the written draft report from the Office of the State Comptroller, the District has already implemented all of the key recommendations. We have posted the final, approved audit and audit reports, have built a folder that is very clear and easy to use on it's own tab on the school website with all budget, audit, and financial documents clearly labeled in the folder, and have begun a multiyear financial plan with an outside financial advisor.

In the future, we will ensure that the above processes continue so that the District meets all transparency regulations.

It was a pleasure working with OSC through this process.

Sincerely,

Andrew Weaver,
President, LPCS Board of Education.

Appendix C: Audit Methodology and Standards

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 selected the District for audit using a random number generator applied to a list of districts (excluding NYC schools) not currently in the OSC audit process at the time of selection.
- We reviewed the 2019-20 budget documents (original proposed, final annual, appended property tax report card), multiyear financial plan, budget-to-actual revenues and expenditures, 2017-18 external audit and corrective action plan, most recent OSC audit and corrective action plan and internal audit and corrective action plan, if available. We selected this financial information to be included in our audit because of the historical risk related to lack of transparency of this financial information to the public. We reviewed the District's website on August 9, 2019 to determine whether the District is providing the public with transparent and comprehensive financial information.
- In addition to determining whether the item was located on the website at the time of testing, we reviewed the District support showing the item's activity on the website, if available – a date posting, updating and/or deleting. We determined reasonable reliability of the modified date on the report for tested information by observing transactions being posted to the system on September 10, 2020 and by comparing dates of captured images of the web pages.
- We extended the scope forward to December 20, 2019 to capture the number of visits to the District website homepage. The analytics were available for the period starting January 1, 2019 through December 20, 2019.
- We interviewed District officials to gain an understanding of the process for approving, finalizing, posting and maintaining certain financial information on the District's website.
- We reviewed District policies to gain an understanding of information required to be posted to its website.
- We reviewed Board minutes for 2018-19 to determine whether the Board took any action related to the 2019-20 budget work and appended property tax report card, 2018-19 reserve activity, multiyear financial plan, actual expenditures and revenue reports, most recent audit reports and associated CAPs. We reviewed Board minutes from July 1, 2014 through June 30, 2018 to determine whether the Board documented or discussed any actions related to the financial information audited during those years if we did not find it in the 2018-19 minutes.

-
- We collected screen shots of the District's website to provide a single date of reference during audit testing.
 - We did not audit the accuracy of the financial information posted to the District website. However, we determined reasonable reliability of financial information by analyzing various documents on the District's website for consistency of information provided, adhering to the law and District policies, and transparency of posted documents and website location.
 - We reviewed three employees' administrative permissions, and the process of posting information through a visual review.
 - We included a comparison of revenue and expenditure results reported in the external audit reports to show budget-to-actual results for 2017-18 and 2018-19.

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.

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 2116-1(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

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

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

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?title=&body_value=&field_topics_target_id=263206&issued=All

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

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/sites/default/files/local-government/documents/pdf/2020-05/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

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

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

Contact

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