



# **Caledonia-Mumford Central School District**

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Financial Management

**2024M-101 | December 2024**

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# Report Highlights

## Caledonia-Mumford Central School District

### Audit Objective

Determine whether the Caledonia-Mumford Central School District (District) Board of Education (Board) and District officials effectively managed fund balance.

### Key Findings

The Board and District officials did not effectively manage fund balance, the difference between revenues and expenditures accumulated over time. As a result, the District's surplus fund balance is two times the statutory limit, District officials were not transparent with taxpayers and more real property taxes were levied than necessary to fund operations. In the 2020-21 through 2022-23 fiscal years included in our audit period:

- The Board-adopted budgets made it appear the District would have budget deficits requiring fund balance to be appropriated and real property taxes to be increased. However, the District had operating surpluses totaling \$5.1 million. Appropriating unneeded fund balance circumvents the statutory limit.
- Three general fund reserves totaling \$1.4 million were not necessary or reasonably funded and the debt reserve in the debt service fund had \$337,777 in unidentified money that should be returned to the general fund. For example, officials increased the unemployment reserve to \$888,580 as of June 30, 2023, a 310 percent increase over the three years and sufficient to fund applicable expenditures for about 500 years.
- District officials overstated the District's outstanding future financial commitments by a total of \$1.3 million over the three years, which made it appear the District had less surplus fund balance.
- The District did not develop or adopt a written multiyear capital plan, comprehensive multiyear financial plan or reserve plan. This inhibited effective financial management and did not provide adequate justification for the levels of accumulated fund balance including reserves.

### Recommendations

The audit report includes seven recommendations to help the Board and District officials improve their financial management practices.

District officials disagreed with certain aspects of our findings but indicated they will initiate corrective action. Appendix B includes our comments on the District's response letter.

### Audit Period

July 1, 2020 – July 29, 2024

### Background

The District is located in the Town of LeRoy in Genesee County, the Town of Caledonia in Livingston County and the Towns of Chili, Riga and Wheatland in Monroe County. The elected seven-member Board is responsible for managing and controlling the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer and is responsible for the District's day-to-day management under the Board's direction. The Business Administrator is responsible for the administration and supervision of financial activities, which includes working with the Board and Superintendent to develop and administer the budget. The current Business Administrator started in April 2021.

#### Quick Facts

<b>2024-25 Appropriations</b>	\$20.6 million
<b>Total Reserves as of June 30, 2023</b>	\$7.1 million

# Financial Management

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## How Should a School Board and District Officials Effectively Manage Fund Balance?

Fund balance is the difference between revenues and expenditures accumulated over time. School districts may retain a portion of surplus fund balance<sup>1</sup> for unexpected occurrences and fluctuations in cash flow. However, a school district board (board) and officials must comply with New York State Real Property Tax Law Section 1318, which limits the amount of surplus funds that a school district can retain to no more than 4 percent of the budget. Officials must apply any surplus fund balance in excess of the 4 percent limit to reduce the upcoming year's real property tax levy or appropriately fund needed reserves.

To properly manage fund balance, the board and school district officials should develop and adopt reasonably estimated and structurally balanced budgets based on historical data or known trends in which recurring revenues finance recurring expenditures. In preparing the budget, the board must estimate the amounts the school district will spend and receive, the amount of fund balance that will be available at fiscal year-end to use toward the upcoming year's budget, and the expected real property tax levy. Accurate and reasonable budget estimates help ensure that the tax levy is not greater than necessary, the budget is presented transparently to the public, and surplus fund balance does not exceed the statutory limit. During the fiscal year, as school district officials have a better understanding of the results of financial operations, they should consider using anticipated surplus fund balance to finance one-time expenditures, fund needed reserves or pay off debt.

School districts may encumber (carryover) appropriations from one budget year to the next when there are outstanding financial commitments related to unfulfilled contracts for goods or services at the end of the fiscal year. Officials should maintain sufficient supporting documentation to show that these transactions were valid encumbrances and were initiated during the fiscal year when officials encumbered the funds.

School districts are also allowed to establish reserves (restricted fund balance) and accumulate funds for certain future purposes (e.g., unemployment expenditures). While school districts are generally not limited to the amount of funds that can be held in reserves, the board should ensure reserve balances are reasonable. The board should balance the desire to accumulate funds for identified future needs with the obligation to make sure real property taxes are not higher than necessary.

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

The Board's financial accountability policy requires a "long-term (three to five years) financial plan for both capital projects and operating expenses." Such plans enable officials to:

- Identify revenue and expenditure trends,

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<sup>1</sup> For guidance on fund balance classification and reporting see <https://www.osc.ny.gov/files/local-government/publications/pdf/gasb54.pdf>.

- Establish long-term priorities and goals,
- Consider the impact of near-term budgeting decisions on future fiscal years, and
- Assess the merits of alternative approaches (such as using surplus fund balance or establishing and using reserves) to finance operations.

Any comprehensive written multiyear financial and capital plans should be monitored and updated on an on-going basis to help ensure that decisions are made using the most accurate information available.

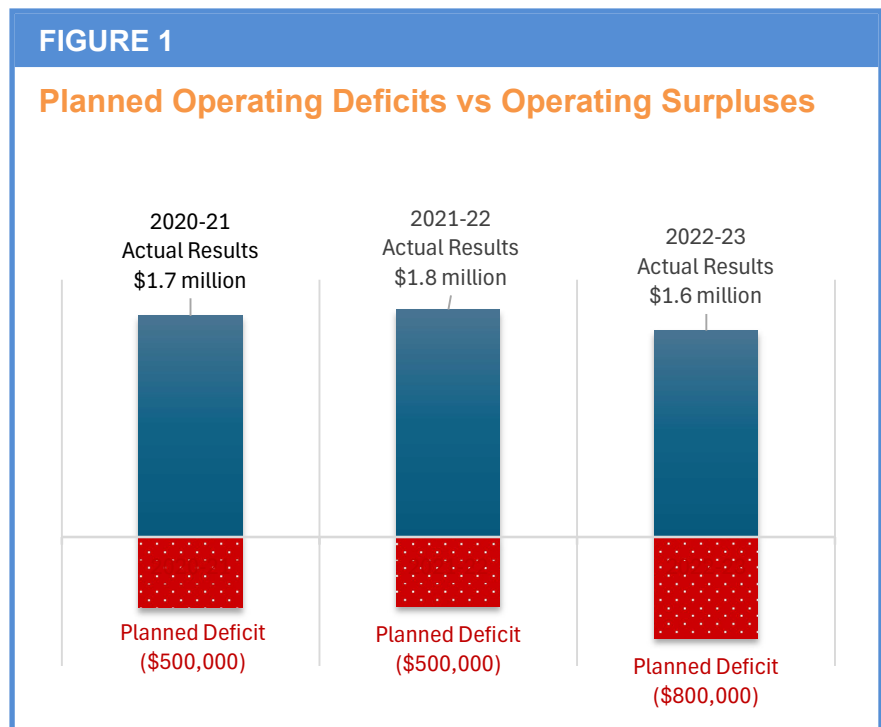
### The Board and District Officials Did Not Effectively Manage Fund Balance

The Board and District officials generally maintained surplus fund balance levels according to the statutory 4 percent limit by appropriating \$365,000 in fund balance in each of the 2020-21 through 2022-23 adopted budgets (that was not needed or used to finance operations), by overstating fiscal year-end encumbrances and funding reserves at the end of the fiscal year.

Appropriated Fund Balance – The District did not use any of the appropriated fund balance because the Board adopted budgets that annually underestimated revenues by approximately \$665,000 (6 percent of non-property tax revenues) and overestimated appropriations by an average of approximately \$1.8 million (10 percent) per year. The most significant overestimated expenditures were salaries and wages, which should generally be known when preparing a budget.

The Board’s budgets made it appear as though it needed to appropriate fund balance, including reserves, and increase real property taxes to close projected budget gaps. In the 2020-21 through 2022-23 fiscal year budgets, the Board appropriated fund balance totaling \$1.1 million and reserves totaling \$770,000 – which should have resulted in operating deficits – and increased the real property tax levy by a total of more than \$400,000 or 6 percent. However, the District instead incurred operating surpluses each year, totaling \$5.1 million and the appropriated fund balance and reserves were not used to finance expenditures (Figure 1).

The Business Administrator and Superintendent told us that, although it was included



in the budget, they did not plan to use the appropriated fund balance or reserves unless there was a significant unplanned expenditure. Annually appropriating fund balance that is not needed to fund operations is, in effect, a reservation of fund balance that is not provided for by statute and circumvents the statutory limit imposed on the level of surplus fund balance.

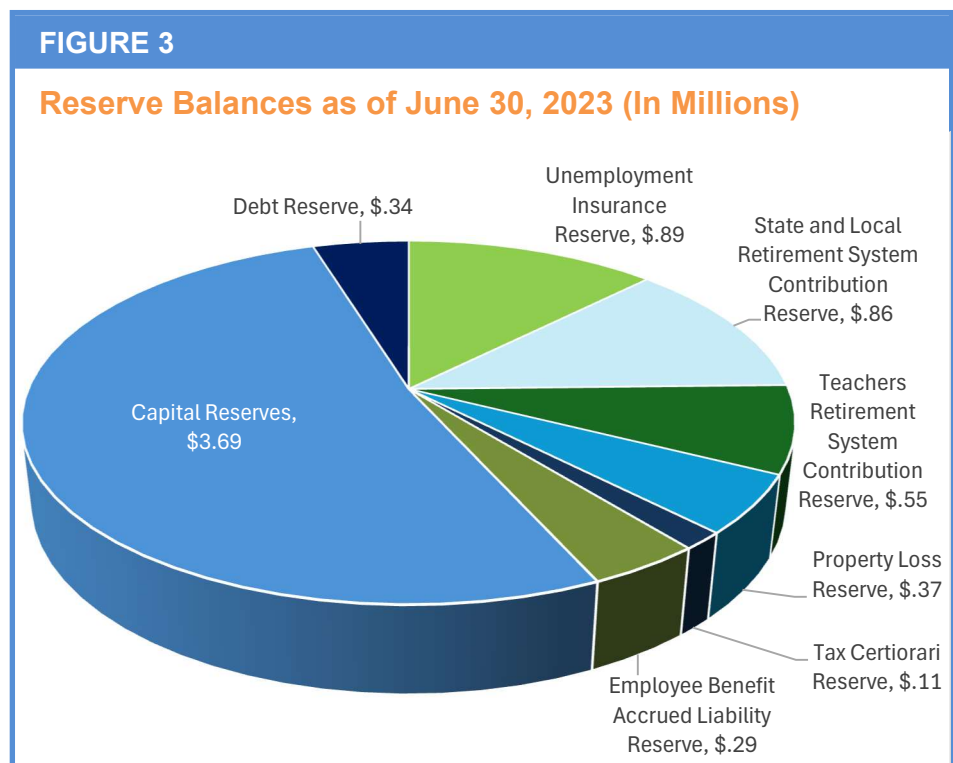
**Encumbrances** – In addition, District officials overstated encumbrances by a total of \$1.3 million (65 percent) in 2020-21 through 2022-23, in effect further circumventing the 4 percent surplus fund balance limit. The overstated encumbrances included:

- Purchase orders for orders never made,
- Services for the next fiscal year,
- Open purchase orders that were not closed at fiscal year-end, and
- Purchase orders with quotes received (and thus a commitment made) after the fiscal year-end.

Officials purported less funds were available by incorrectly underreporting the District’s actual surplus fund balance. When adding back the overstated encumbrances, the recalculated surplus fund balance, including the unused appropriated fund balance, totaled approximately \$1.6 million as of June 30, 2023, which was 8 percent of next year’s budget and exceeded the statutory limit of 4 percent (Figure 2).

<b>Figure 2: Recalculated Surplus Fund Balance as of June 30, 2023</b>	
<b>Reported Surplus Fund Balance</b>	\$814,733
<b>Unused Appropriated Fund Balance</b>	365,000
<b>Overstated Encumbrances</b>	471,729
<b>Recalculated Surplus Fund Balance</b>	<b>\$1,651,462</b>
<b>As a Percentage of the 2023-24 Budget</b>	8%

**Reserve Funds** – Furthermore, the Board and District officials’ budgeting practices allowed them to allocate the District’s annual surpluses to various reserve funds each year, to save approximately \$7.1 million for use some time in the future (Figure 3). While funding reserves can be a prudent method to accumulate money for certain future needs, the

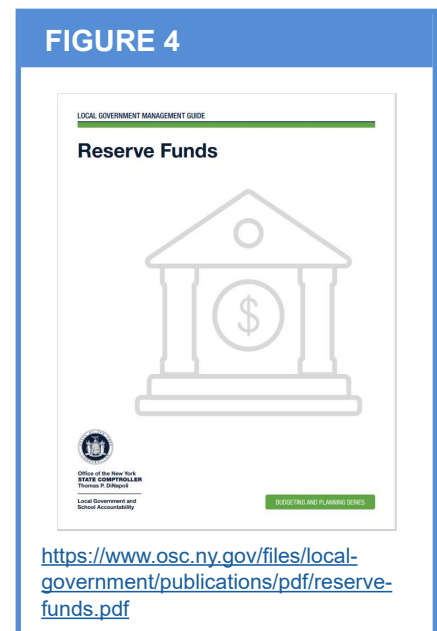


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Board should include a provision in the budget for the routine funding of these reserves, which is more transparent and allows for taxpayer approval.

District officials did not provide resolutions establishing six of the general fund reserves.<sup>2</sup> The capital reserves were properly established with voter approval. We reviewed reserve fund activity and determined that certain reserves (three general fund reserves totaling \$1.4 million and the debt reserve) were not necessary or reasonably funded, as described below. The other reserves were reasonably funded or within voter-authorized amounts, when applicable, and one capital reserve was properly used with voter approval (the other capital reserve was not used). As of June 30, 2023:

- **Unemployment Insurance Reserve** – This reserve had a balance of \$888,580 which was an increase of \$671,769 (310 percent) over three years despite the District not having any unemployment expenditures during that period. Based on the District’s average annual unemployment expenditures of \$1,791 over the last five years, this reserve’s balance would cover applicable expenditures for almost 500 years. The Business Administrator told us that he purposely overfunded this reserve because it provides more flexibility, than other reserves, with the ability to move the funds out of the reserve for other uses without voter approval. However, the purpose of the unemployment reserve is to fund future unemployment expenditures, not to use it to circumvent the statutory limit for surplus fund balance. For perspective, the increase in the unemployment reserve balance is 3 percent of 2023-24 appropriations. OSC has a *Local Government Management Guide* on reserves that can assist District officials on the use of this reserve fund and others (Figure 4).



- **Property Loss Reserve** – This reserve had a balance of \$373,702. However, the Business Administrator told us that the District did not have a need for the reserve and that he and the Superintendent discussed moving the balance out of the reserve.
- **Tax Certiorari Reserve** – This reserve had a balance of \$111,126. However, the Business Administrator told us that the District did not have any tax certiorari claims. Therefore, these funds should have been returned to the general fund. After our discussions during fieldwork, in May 2024 the Board approved the liquidation of the tax certiorari reserve back to the general fund due to no outstanding claims.
- **Debt Reserve** – The District had a debt reserve totaling \$337,777 in the debt service fund, separate from the general fund. A debt service fund is used to account for the accumulation of resources designated for paying principal and interest on long-term debt.<sup>3</sup> The Business Administrator told us that the District did not maintain records of the composition of the debt

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2 After the completion of fieldwork and receipt of the draft report, District officials provided resolutions establishing these reserves.

3 Per New York State Local Finance Law, Section 165.00 and New York State General Municipal Law, Section 6-L.

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reserve allocated to specific debt. Because the outstanding obligations related to the debt service funds cannot be identified, there is no statutory requirement or authority to maintain a debt reserve and the balance should be transferred to the general fund as surplus fund balance. If these funds were returned to the general fund, they would be approximately an additional 2 percent of 2023-24 appropriations.

The Business Administrator, Superintendent and Board President told us that the reserves were funded at these levels because the Board and District officials prepared for possible changes to future State aid payments and potential additional expenditures if a special education student transfers to the District after the budget is adopted. However, reserves are only allowed to be funded and used for specific purposes for which they are intended. By maintaining excessive and unnecessary reserves, the Board and District officials may have missed opportunities to lower the property tax burden for District taxpayers and withheld funds to meet District needs.

The Board adopted a written reserve fund policy that requires District officials to provide an annual report of all reserve funds (reserve plan) to the Board to assist in managing reserve fund balances. However, District officials did not prepare the reserve plan for 2020-21 and those provided for 2021-22 and 2022-23 did not include all required components, such as an analysis of the projected needs for the upcoming fiscal year. The Board President and Vice President did not provide an adequate explanation for why the plan was not prepared in accordance with the Board's policy. Without complete information about reserve activity and analysis of projected reserve needs, the Board cannot make necessary and informed decisions to adequately manage reserve funds, or adequately share and justify reserve planning and balances for taxpayers.

The Board and District officials did not transparently communicate and justify their financial decisions by developing a written multiyear capital plan or a comprehensive multiyear financial plan including a comprehensive annual reserve plan as required by Board policy. District officials, in conjunction with a consultant, developed a written multiyear financial plan presented to the Board in August 2023, but the plan was not adequate because it contained contradictory and inaccurate information.

Although fund balance increased annually during the three fiscal years, the Board and District officials continued their budgeting practices, continued to appropriate fund balance and reserves and further increased property taxes in 2023-24 and 2024-25. As the District moves forward, well-designed written financial and capital plans can assist the Board in making informed decisions in a timely manner about programs and operations and help the Board transparently and effectively manage fund balance, including reserves, in the best interest of taxpayers.

## **What Do We Recommend?**

The Board and District officials should:

1. Develop and adopt budgets that include reasonable estimates for revenues, appropriations and the amount of fund balance that will be appropriated and used to fund operations.
2. Ensure that encumbrances are valid and supported.



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3. Ensure that reserve funds are properly established and supporting documentation is retained and available.
  4. Review reserve fund balances to determine whether the amounts are necessary and reasonable. To the extent that they are not, transfers should be made to surplus fund balance, where allowed by law, or to other reserves established and maintained in compliance with statute.
  5. Transfer debt reserve funds improperly held in the debt service fund to the general fund as surplus fund balance.
  6. Develop, adopt and periodically update comprehensive written long-term financial and capital plans to be used in conjunction with the annual budget process.

The Board should:

7. Ensure that District officials provide it with a comprehensive annual reserve report, with all components provided for in the District's reserve policy, and use the report to make informed and documented decisions related to the funding and use of reserves to finance operations or portions of capital projects or acquisitions and to justify accumulated reserve balances.

# Appendix A: Response From District Officials

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## Caledonia-Mumford CSD District Office

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November 5, 2024

Dear Ms. Howes,

Please accept this letter as the official response from Caledonia-Mumford Central School District to the “Draft Audit Report of Examination” of the district’s fund balance management for the period of July 1, 2020 – July 29, 2024. The Caledonia-Mumford Central School District Board of Education acknowledges the efforts of the New York State Comptroller and would like to express our thanks for the feedback as to the financial condition of our district and extend recognition to the field auditors who were professional and courteous while conducting their duties.

See  
Note 1  
Page 11

The District and Board of Education value the constructive insights provided by the OSC, recognizing them as opportunities for enhancing operations and governance. Moving forward, we will take the recommendations, along with all other regulations, into consideration as we plan school budgets that match the priorities of our school community.

The district believes that we have taken a conservative approach in managing the district’s finances. We budget conservatively to ensure the district’s financial stability for the long term. Budgeting is based on estimates, therefore when budgeting for the upcoming year, we use the information that is available at the time to develop expenditures and revenue estimates. Furthermore, it is important to note that this process has been further complicated for the years audited due to COVID related school shutdowns, reduction in operations, and increased federal stimulus monies, which are now ending.

We have conducted a comprehensive review of the report provided by your office. It is crucial to highlight that a substantial portion of the audit timeframe coincided with the COVID-19 pandemic. Throughout this period, New York State posed the threat of mid-year state aid cuts amounting to 20% as part of the pandemic response.

### **Key Recommendations**

The first of the audit report’s key recommendations is that the district adopt budgets that include reasonable estimates for revenues, appropriations and the amount of fund balance that will be appropriated and used to fund operations. The Board of Education has always been fiscally prudent in protecting against the financial difficulties of past years while also looking into the future. Therefore, the District budgets conservatively to ensure stability.

The unforeseen COVID-19 pandemic had a substantial impact. Despite its unpredictability, the district successfully allocated funds for unexpected considerable expenses of pandemic related essential supplies, technology, furniture, equipment, and services to not only safely sustain instruction. In doing so, the district was able to adhere to Federal, State, and Local guidelines, eventually resuming safe full-time, in-person instruction. However, the pandemic significantly disrupted the district’s ability to hire staff, significantly reducing budgeted expenditures.

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The district's approach to revenue budgeting mirrors its conservative principles. With just under 54% of the budget dependent on State Aid, Caledonia-Mumford is susceptible to significant revenue fluctuations, especially during challenging fiscal periods, such as the Gap Elimination Adjustment (GEA) experienced over multiple fiscal years.

See  
Note 2  
Page 11

The state's 2% tax cap places constraints on school districts' capacity to generate funds through property taxes, and any reductions have lasting compounding effects. Throughout the audit period and in preceding years, the district consistently operated at or below the tax cap. Over the past ten budget years, there has been an average levy increase of 1.84%.

See  
Note 3  
Page 11

In instances where revenues surpass expenditures for the year and appropriated fund balance and reserves are unnecessary, these funds become available for future use. If revenues exceed expenditures during the year and appropriated fund balance and reserves are not needed, those funds are available for a future year. Depleting one-time revenues makes the district susceptible to fiscal stress and/or could negatively impact the district's credit rating. A strong credit rating has a positive effect/reduces district financing cost. As stated in the Office of the State Comptroller's Fiscal Stress Monitoring System, the Caledonia-Mumford Central School District received a "no designation" stress rating in both Fiscal and Environmental ratings. The rating of "no designation" is the highest score the district can receive.

See  
Note 4  
Page 11

The comptroller makes notation that the district had operating surpluses of \$5.1 million during the 2020-21 through the 2022-23 school years. During this time, the district received \$2,205,094.14 in one-time federal monies for grants including but not limited to, American Rescue Plan (ARP), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), Emergency Connectivity Funds (ECF), Healthcare Workers Bonus (HCB) etc. This one-time money was utilized to fund reserves which allowed the district to perform a \$15,230,000 capital project with no additional cost to the taxpayer. In addition to one-time federal monies of \$2,205,094.14, district's experienced unprecedented high interest rates and Caledonia-Mumford was able to invest operating cash amounting to \$170,000 over budgeted sources, over these audited years. Post-audit, a decline in interest rates has been observed. Considering current economic volatility and historical rate fluctuations, the district made the strategic decision to maintain the interest revenue budget, anticipating a normalization of rates. The district also recognized savings or brought in additional revenue through the following sources: Recognizing the significant impact of bus driver shortages on our community, the district has budgeted for contract transportation to ensure that all students, especially those with special needs, can access education. Additionally, to mitigate the impact of anticipated staff vacancies, the district budgeted for a family health insurance plan for any potential replacements or new hires. Finally, the district received BOCES aid on qualifying purchases made through BOCES. The amount of aid for the current school year is based on the expenses incurred in the previous year. Since budgets are adopted in April, it's difficult to accurately predict June expenditures. Additionally, any surplus at the end of the year can increase the district's aid in the following year.

See  
Note 5  
Page 11

A second key recommendation is that the district ensures encumbrances are valid and supported. Encumbrances are promises or commitments to pay and are used to commit funds for use in the subsequent fiscal year. The district uses year-end surplus to purchase one-time equipment/supply purchases that were not originally budgeted for due to the district's conservative budgeting principles. Most recently, the district encumbered money to upgrade our current phone system from analog to Internet Protocol (IP). Since this phone upgrade can be purchased through our local BOCES, the district will generate aid on this purchase in the subsequent year which generates additional aid for the following school year.

See  
Note 6  
Page 11

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The third key recommendation is to ensure that reserve funds are properly established and supporting documentation is retained and available. The auditors indicated that all reserve funds were properly established and that the district provided all necessary documentation by the conclusion of the exit conference.

The fourth key recommendation is to review reserve fund balances to determine whether the amounts are necessary and reasonable. To the extent that they are not, transfers should be made to surplus fund balance, where allowed by law, or to other reserves established and maintained in compliance with statute. The district presents to the Board of Education annually the status of the reserve funds. This includes total balance as of fiscal year end, maximum funding levels, interest earned, and much more. The district posts these plans on our website for full transparency. We believe reserves are funded appropriately and acknowledge the comptroller's recommendation.

See  
Note 7  
Page 12

The fifth key recommendation is to transfer debt reserve funds improperly held in the debt service fund to the general fund as surplus fund balance. The district understands and accepts the comptroller's recommendation and will utilize this money to pay for future debt and limit the burden on our taxpayers.

The final key recommendation is that the district develop, adopt and periodically update comprehensive long-term financial and capital plans to be used in conjunction with the annual budget process. During the 2023-24 fiscal year, the district contracted with the office of [REDACTED] to assist in the creation of a multi-year financial plan. This plan was provided as a report and presentation to the Board of Education. The district consistently provides annual reserve updates to the Board of Education and acknowledges there is room for improvement in the information and format of the reserve report and multiyear financial plans.

See  
Note 8  
Page 12

For long-term capital project planning, the district relies on the State-required Building Condition Survey (BCS), last completed in 2020. Our next BCS will be completed in 2025 and used for capital project planning for future years.

### **Conclusion**

The district recognizes the audit and insights from the OSC as opportunities to reassess current budgeting practices, reserve funds, and funding levels. It underscores the importance of evaluating the effectiveness of various reserves, particularly those designated for capital purposes such as buses and building projects. This strategic assessment aims to enhance the long-term sustainability of both operating and capital planning budgets, especially in light of emerging necessities like the new electric bus requirements and the substantial rise in construction costs.

Sincerely,

Robert Molisani,

Superintendent of Schools

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

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### Note 1

Unless otherwise indicated, this note relates to the entire response letter. While a conservative approach to budgeting has its merits, it must be re-evaluated considering the District experienced operating surpluses over the last three fiscal years totaling \$5.1 million, instead of the planned operating deficits totaling \$1.8 million. The Board and officials' unrealistic and non-transparent budgeting practices prior, during and after the COVID-19 pandemic consistently underestimated revenues, overestimated expenditures and appropriated unneeded fund balance and reserves. Officials did not use historical data or known revenue amounts and contractual obligations. As a result, the District levied more taxes than necessary and the District's growing general fund balance is excessive and more than sufficient to cover any unanticipated expenditures.

### Note 2

The State abolished the Gap Elimination Adjustment during the 2016-17 fiscal year, and the District's total State aid received increased in each of the three fiscal years reviewed.

### Note 3

The Board and officials should increase taxes based on the District's actual needs and not because it is allowable within the tax cap. The tax cap is the amount the Board and officials can increase the levy without obtaining 60 percent voter approval. With voter approval, school districts can generate funds needed to meet a school district's actual need. Our audit did not cover 10 budget years, but the Board's and officials' overly conservative and non-transparent budgeting practices unnecessarily increased taxes and overburdened taxpayers during the last three fiscal years.

### Note 4

Bond rating agencies analyze the risk to investors of an entity's indebtedness, which generally is not concerned with the District's excess fund balance. While our fiscal stress monitoring system assesses a District's susceptibility to fiscal stress, our audit assessed whether the Board and District officials effectively managed fund balance. Non-transparently accumulating excess reserves did not allow taxpayers to approve or reject the accumulations and unnecessarily overburdened District taxpayers.

### Note 5

These one-time federal fund revenues accounted for less than half of the District's operating surpluses over the three-year audit period. The remaining operating surplus was attributable to the Board and officials' overly conservative and nontransparent budgeting practices of underestimating revenues, overestimating expenditures and appropriating unneeded fund balance and reserves. Because officials did not use historical data or known revenue amounts and contractual obligations when developing the budget, the total budgeting variance for the audit period was approximately \$7 million. Fund balance grew to excessive amounts and the District levied unnecessary taxes.

### Note 6

District officials did not ensure that all encumbrances were valid and supported. Encumbrances are commitments for unfilled contracts at the end of the fiscal year that were initiated during the fiscal year

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when officials encumbered the funds. It is not appropriate to encumber funds against the prior year's budget for commitments that have not yet been made or are never made, or for expenditures of the following school year.

#### Note 7

District officials did not prepare the reserve plan for the 2020-21 fiscal year and the plans provided for the 2021-22 and 2022-23 fiscal years did not include all required components, including interest earned, dates that all the reserves were established, each amount paid into the reserves, the total amount and dates of each withdrawal and an analysis of the projected needs for the upcoming fiscal year. The plans also stated that the unemployment reserve has no maximum funding level. As a result, District officials overfunded the unemployment reserve and circumvented the statutory limit for surplus fund balance. Overall, three general fund reserves totaling \$1.4 million were not necessary or reasonably funded.

#### Note 8

District officials should use the results of the building condition survey to develop a comprehensive capital plan that includes information on the projects to be completed and how they will be funded.

## Appendix C: Audit Methodology and Standards

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We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials and Board members and reviewed Board meeting minutes, resolutions, policies and the reserve plan to gain an understanding of the District's financial management policies and procedures, budgeting practices and monitoring of fund balance and reserves.
- We reviewed financial records to determine whether the District had operating surpluses or deficits during our audit period and compared the operating results to the appropriated fund balance and reserves to determine whether appropriated fund balance was used as budgeted.
- We reviewed the adopted general fund budgets from 2020-21 through 2022-23 to determine whether they were reasonable and structurally balanced by comparing adopted budgets with actual results of operations and analyzing significant budget-to-actual variances. We also reviewed the 2023-24 adopted budget compared to budget-to-actual results through April 30, 2024 and projections for the remainder of the fiscal year. In addition, we reviewed the 2024-25 adopted budget to determine whether the estimates were consistent with prior years' estimates.
- We analyzed fiscal year-end fund balance for the general fund and calculated surplus fund balance as a percentage of the upcoming year's appropriations to determine whether the surplus fund balance was in compliance with the statutory limit. We evaluated any factors contributing to changes in fund balance, including real property tax levy increases.
- We recalculated surplus fund balance by adding the unused appropriated fund balance from 2020-21 through 2022-23 and compared the amount as a percentage of the upcoming year's appropriations.
- We reviewed the 117 recorded fiscal year-end encumbrances in 2020-21 through 2022-23 totaling nearly \$2 million, and used our professional judgment to select a sample of 60 encumbrances (all encumbrances over \$5,000) totaling \$1.9 million (96 percent) and compared them to supporting documentation including purchase orders, invoices and quotes to determine whether they were valid encumbrances.
- We reviewed 2020-21 through 2022-23 reserve activity for each reserve to determine whether they were properly established and used, and whether balances were reasonable as of June 30, 2023.
- We reviewed and discussed reserve, multiyear financial and capital plans with District officials.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The CAP should be posted on the District's website for public review.



## Appendix D: Resources and Services

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### **Regional Office Directory**

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

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

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

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

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

**Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

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

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

[www.osc.ny.gov/local-government/resources/planning-resources](http://www.osc.ny.gov/local-government/resources/planning-resources)

**Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

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

**Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.ny.gov/local-government/required-reporting](http://www.osc.ny.gov/local-government/required-reporting)

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

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

**Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

[www.osc.ny.gov/local-government/academy](http://www.osc.ny.gov/local-government/academy)

## Contact

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