New York State Comptroller
THOMAS P. DiNAPOLI

Delaware Academy Central School District at Delhi

Financial Management

2024M-21 | August 2024

Division of Local Government and School Accountability

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Report Highlights

Delaware Academy Central School District at Delhi

Audit Objective

Determine whether the Delaware Academy Central School District at Delhi (District) Board of Education (Board) and District officials properly managed fund balance and reserves.

Key Findings

The Board and District officials did not properly manage fund balance and reserves. The Board and officials' consistent practice of appropriating fund balance that is not needed and maintaining unreasonable reserve balances circumvents the statutory limit on surplus fund balance and resulted in a real property tax levy that was higher than needed to fund operations. From the 2020-21 through 2022-23 fiscal years, the Board and District officials:

- Overestimated budgetary appropriations by a total of $5 million (8.6 percent) and developed budgets that appropriated fund balance to address planned budget gaps totaling approximately $2.5 million. However, the District realized operating surpluses totaling approximately $3.2 million and the planned budget gaps were not realized.
- Reported a surplus fund balance that exceeded the statutory limit by $2.2 million, or 10.4 percentage points, as of June 30, 2023. For perspective, the recalculated surplus fund balance as of June 30, 2023 exceeded the limit by $6.3 million or 29.5 percentage points.
- Improperly held $3.25 million in a debt reserve and maintained an unemployment insurance reserve with a reported balance of $267,320 that could fund 22 full-time employees' unemployment expenditures for the maximum benefit.

Key Recommendations

- Adopt realistic budgets and reduce both surplus fund balance to comply with the statutory limit and overfunded reserves in a manner that benefits taxpayers.

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 – November 30, 2023.

We extended our audit period to December 19, 2023 to compare the reserve fund balances to the District's reserve plan.

Background

The District serves the Towns of Andes, Bovina, Delhi, Franklin, Hamden, Kortright and Meredith in Delaware County.

The elected seven-member Board is responsible for the District's general management and control of financial affairs. The Superintendent of Schools (Superintendent) is the chief executive officer responsible for the District's day-to-day management under the Board's direction.

The Assistant Superintendent for Business (Assistant Superintendent) is responsible for the administration and supervision of financial activities, including working with the Board and Superintendent to develop and administer the budget.

Quick Facts	
2023-24 Appropriations	$21.5 million
2023-24 Real Property Tax Levy	$10.1 million
Total Reserves as of December 19, 2023	$6.7 million

Financial Management

How Should a School Board and School District Officials Properly Manage Fund Balance and Reserves?

Fund balance is the difference between revenues and expenditures accumulated over time. To properly manage fund balance, a school board (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 next year's budget and the expected real property tax levy. Accurate estimates help ensure that the tax levy is not greater than necessary, and that surplus fund balance does not exceed the legal limit.

School districts may retain a portion of surplus fund balance[1] for unexpected occurrences and fluctuations in cash flow. However, 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. When the board appropriates fund balance for the next year's budget, the board is budgeting for a planned operating deficit (expenditures exceeding revenues to decrease fund balance) approximately equal to the amount of fund balance that is appropriated.

The Board and District Officials Overestimated Appropriations

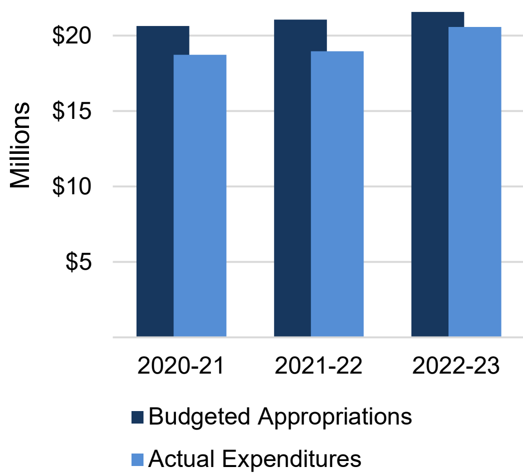
We compared budgeted revenues and appropriations with actual operating results from July 1, 2020 through June 30, 2023. While revenue estimates were generally reasonable, appropriations were overestimated by an average of $1.7 million annually for a cumulative total of approximately $5 million, or 8.6 percent (Figure 1). There were three expenditure accounts with an average variance of more than $100,000 in each of the last three fiscal years. The Board overestimated expenditures for:

- Employee health insurance by an average of $640,000, with variances ranging from $576,005 to $749,746.
- Special education by an average of $315,536, with variances ranging from $128,128 to $485,390.
- Retiree health insurance by an average of $118,155, with variances ranging from $103,255 to $141,553.

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

FIGURE 1

Comparison of Budgeted Appropriations to Actual Expenditures



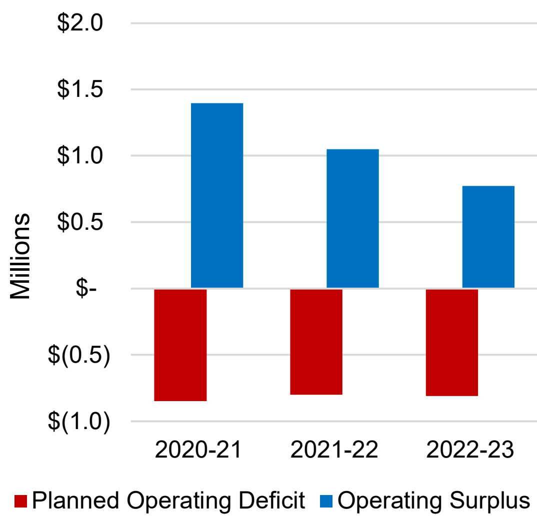
The Assistant Superintendent told us they budget conservatively for employee health insurance, special education and retiree health insurance due to the uncertainty of these costs and Medicare reimbursements. However, District officials should have used historical information to develop future budgets and did not reduce estimates to prepare more realistic budgets. These budgeting practices generated operating surpluses and the accumulation of additional surplus fund balance.

The Board and District Officials Appropriated Fund Balance That Was Not Needed and Exceeded the Statutory Limit for Surplus Fund Balance

Because the Board and District officials overestimated appropriations, it appeared the District needed to use appropriated fund balance to close projected budget gaps. In the 2020-21 through 2022-23 fiscal-year budgets, the Board appropriated a total of approximately $2.5 million of fund balance. However, the District's annual revenues were sufficient to cover annual expenditures. As a result, the District experienced operating surpluses each year totaling approximately $3.2 million (Figure 2). The District did not use any of the appropriated fund balance and total fund balance continued to increase. As of June 30, 2023, the District reported surplus fund balance totaling nearly $3.1 million and exceeded the statutory limit by $2.2 million, or 10.4 percentage points.

FIGURE 2

Planned Operating Deficits vs. Operating Surpluses



Furthermore, we reviewed the 2023-24 budget and year-to-date revenues and expenditures as of October 31, 2023. We determined that the District will most likely generate another operating surplus in 2023-24, and it will not need to use the $800,000 of surplus fund balance appropriated in the 2023-24 budget.

The Board and District officials' practice of appropriating fund balance that is not needed is, in effect, a reservation of fund balance that is not provided for by statute and is a circumvention of the statutory limit on surplus fund balance. Additionally, the Board and District officials incorrectly recorded $820,000 of surplus fund balance in the assigned unappropriated fund balance account code.

Appropriating fund balance that is not needed and maintaining additional surplus fund balance in the assigned unappropriated fund balance account code artificially reduces the amount of surplus fund balance subject to the statutory limit, giving the appearance that surplus fund balance is closer to the statutory limit. For perspective, when unused appropriated fund balance, assigned unappropriated fund balance and the $2.5 million improperly retained in the debt reserve[2] is included in surplus fund balance, the District's surplus fund balance as of June 30, 2023 would have totaled nearly $7.2 million and exceeded the statutory limit by over $6.3 million, or 29.5 percentage points (Figure 3).

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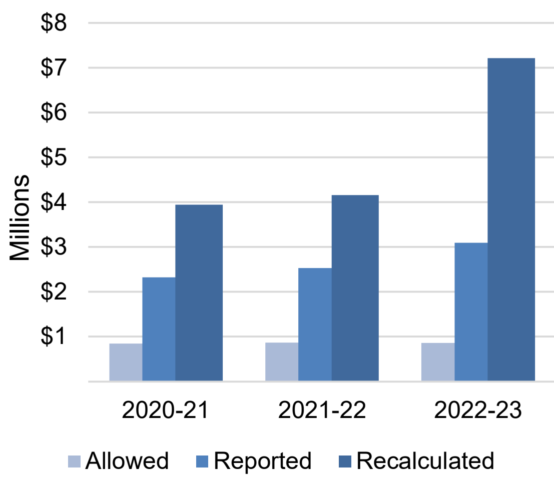
2 See section "Certain Reserves Were Not Reasonably Funded."

Although the District's tax levy has remained below the State's real property tax cap limit and gradually increased by $392,410, or 4 percent, over the three-year period, the Board and officials' budgeting practices resulted in a real property tax levy that was higher than needed to finance actual expenditures.

FIGURE 3

Surplus Fund Balance



How Should a School Board and School District Officials Properly Manage Fund Balance and Reserves?

To properly manage reserve funds, a board should adopt a comprehensive written reserve fund policy that states its rationale for establishing reserve funds and the 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. While school districts are generally not limited to the amount of funds that can be held in reserves, the board should maintain reserve balances which are reasonable. The board should balance the intent for accumulating funds for identified future needs with the obligation to help ensure real property taxes are not higher than necessary.

School districts are required to set certain funds aside and use them to pay related debt. The board should ensure compliance with New York State Local Finance Law Section 165.00 that requires a debt reserve to be established if unexpended bond proceeds remain after a capital improvement project is completed. The debt reserve should be recorded in the debt service fund and must be used for related debt principal and interest payments.

In addition, the board should include amounts to be placed in reserve funds in the annual budget. By making provisions to raise resources for reserve funds explicit in the proposed budget, the board gives voters, residents and taxpayers an opportunity to know its plan for funding reserves.[3]

Certain Reserves Were Not Reasonably Funded

As of December 19, 2023, the District had eight reserves totaling nearly $6.7 million. The Board adopted a comprehensive, written reserve plan on December 18, 2023, that included funding sources and targeted balances. We analyzed the District's reserve plan and compared the balance in each reserve to historical expenditures and determined that two of the eight reserves were either improperly funded or not reasonably funded. The remaining six reserves totaling approximately $3.2 million had reasonable targeted fund levels and were reasonably funded.

Debt Reserve – The District accounts for and reports a debt reserve 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. As of December 19, 2023, this reserve had a reported balance totaling approximately $3.25 million. The Superintendent, Assistant Superintendent and Board President told us that the reserve had been funded with unrestricted fund balance (i.e., surplus fund balance) and that they intended to use approximately $2 million for capital projects.

District funds should not be restricted in a debt reserve unless required by statute (e.g., unexpended bond proceeds associated with outstanding obligations). The District received voter approval to create a capital equipment reserve fund using surplus general fund money totaling up to $750,000, and District officials have been treating this debt reserve as a capital reserve. Therefore, up to $750,000 of the debt reserve could be used to fund the capital equipment reserve. However, the remaining $2.5 million should be returned to the general fund's surplus fund balance.

Unemployment Insurance Reserve – The Board established this reserve for the payment of claims to the New York State Unemployment Insurance Fund. The District's reserve plan allowed this reserve's balance to be funded up to 2 percent of the following year's adopted budget, for a maximum balance of $430,951 as of the 2023-24 fiscal year's budget. The balance in this reserve increased each year during our audit period and, as of December 19, 2023, had a reported balance of $267,320. We determined that the reserve balance could fund 22 full-time employees' unemployment expenditures for the maximum benefit. In

3 Refer to our Local Government Management Guide entitled Reserve Funds (https://www.osc.ny.gov/files/local-government/publications/pdf/reserve-funds.pdf) for additional guidance on reserves.

addition, if future unemployment insurance costs averaged $8,342 per year, the maximum unemployment insurance expenditure over the last three years, the reserve's current funding level would be sufficient to pay unemployment insurance expenditures for more than 32 years. Furthermore, the District included appropriations for unemployment insurance averaging $7,329 from 2020-21 through 2023-24 to fund and pay for these expenditures through the annual budget rather than this reserve.

By maintaining these two reserves in this manner, the Board and District officials may have missed opportunities to lower property taxes for District taxpayers and withheld funds from being used to meet District needs.

What Do We Recommend?

The Board and District officials should:

1. Develop and adopt budgets that include reasonable estimates for appropriations and the amount of fund balance that will be appropriated and used to fund operations.
2. Discontinue the practice of appropriating fund balance that is not needed or used to finance operations.
3. Develop and adopt a plan to reduce surplus fund balance to comply with the statutory limit. Surplus funds can be used for:
   - Reducing District property taxes,
   - Funding one-time expenditures,
   - Funding needed reserves, and
   - Paying off debt.
4. Amend the District's reserve plan to have a more reasonable targeted funding level for the unemployment insurance reserve.
5. Periodically review all reserve balances to determine whether the amounts reserved are necessary and reasonable. Reduce overfunded reserves to reasonable levels.
6. Transfer funds improperly held in the debt reserve to the general fund as surplus fund balance.

Appendix A: Response From District Officials

Delaware Academy Central School District at Delhi

2 Sheldon Drive • Delhi, New York 13753

Kelly M. Zimmerman
Superintendent

Phone: (607) 746-1305
Fax: (607) 746-6028

"A Tradition in Academic Excellence Since 1819"

June 5, 2024

Mr. [redacted]
NYS Office of the State Comptroller
44 Hawley Street - Rm 1702
Binghamton, NY 13901-4417

Dear [redacted]

Delaware Academy Central School District at Delhi is in receipt of the Fund Balance Report of Examination (2024M-21) for the period of July 1, 2020 to December 19, 2023. Please accept this letter to serve as the District's response to the audit findings.

On behalf of the Board of Education and the District's administration, we would like to thank the New York State Comptroller's Office field staff who assisted the district in the audit. They were courteous, professional, and understanding throughout the process acknowledging that this audit period coincided with the Covid-19 pandemic and its impact on school district budgeting during that time. The District is pleased with the extensive work of the auditors from your office and notes that the audit resulted in no findings of operational improprieties, fraud, waste or abuse. Rather, the focus of this audit was on the financial management of the District in which your auditors have provided feedback and recommendations in regards to fund balance and reserve management and use.

See Note 1 Page 13

While the District does not dispute the data-based findings of the report, we feel that the resulting interpretation of the District's practices fails to account for the volatile economic climate under which the District needed to operate between the 2020-2021 and 2022-2023 school years and contrasts with communications from the NYS Comptroller's Office within the same time span. During the span of these school years, the district survived an unprecedented global pandemic that not only had financial impacts on school operations, but on all public and private sectors of our state and federal economies. In the midst of the pandemic, districts received warning from the Governor's office to plan for 20-30% reductions in state aid from cost cutting measures. This required immediate response planning in anticipation of a substantial budget deficit in the coming year. Then, in the wake of the pandemic, districts were faced with significant teacher and labor shortages, expiration of federal funding relief sources, and additional projected reductions in New York State Foundation Aid despite the fact

1

that the academic, mental health, physical health, and special education needs of our students and families we serve had significantly increased.

To add to this dichotomy, schools also faced increased costs in labor, utilities, health insurance, construction materials, and other industry-based cost escalations, over which schools had no control, that further exacerbated the direct and challenging impact on the daily operations of our schools. We understand that this experience was no different from what other state offices in the public sector were experiencing. In fact, in the NYS Comptroller's 2022 Financial Condition Report it was noted that New York State budget reserves had reached a necessary 15% of General Fund spending, well above the national median at that time. It was further emphasized that, "Maintaining this commitment is important for safeguarding New Yorkers in the face of economic uncertainty. It is important to achieve this level of restricted reserves on or ahead of the proposed schedule to mitigate against future economic downturns." In contrast, the statutory limit on fund balance for schools to operate remains at 4%.

Since that time, the state has also added new requirements for electrification of bus fleets, obligations to educate students with disabilities beyond the age of 21 (whose set of needs are typically the most costly), and the return of accountability measures, all with new and significant financial considerations. There is no way that any of this could have been predicted, much less planned for in order to survive these tumultuous times while maintaining essential programs, services, and facilities in order to sustain our district throughout this audit period and into the future.

Given these considerations, the District and Board of Education took a conservative and intentional approach to short and long-term fiscal planning throughout the period covered in this audit. We upheld an obligation to our taxpayers to plan for uncertain fiscal times, particularly in a community that relies heavily on state aid to fund our schools. This practice ensured that annual budgets were implemented that addressed any unanticipated shortfalls within what proved to be a highly unpredictable and volatile economy, while maintaining exceptional programs and services to our students and families, and respecting the position of our taxpayers. This included the use of fund balance and the strategic use of reserves while communicating this approach in a way that was nothing short of transparent to our community. In fact, the District is guided by a set of district goals that direct all decision-making; one of which assures that, "Delaware Academy will evaluate and provide necessary resources to achieve our Mission in an informed and fiscally responsible manner." We believe that we have achieved that goal in each year of this audit period.

With consideration of the economic climate during the timeframe of this audit, including the aforementioned considerations, the District's responses to the Key Findings of the audit are as follows:

- Comptroller's Key Finding 1: Overestimated budgetary appropriations and developed budgets that appropriated fund balance to address planned budget gaps, however, the planned budget gaps were not realized.

  District's Response 1:
  In regards to both fund balance allocations, and the estimating of budgetary expenses, the District has, and will continue to take a conservative approach. A conservative approach assists in navigating the

uncertainty of student placements, special education needs, staffing shortages, and unforeseen various other circumstances that create instability in budgets year-to-year. As explained earlier, this was exacerbated during the Covid-19 pandemic. Fiscal responsibility necessitated a conservative approach in order to control for unexpected expenses that could have resulted in unbalanced budgets. The district reviewed historical and anticipated needs, accounting for a new set of pandemic-related requirements in estimating anticipated expenses. Appropriating fund balance year to year follows that same principle. Shifts in state and federal revenue sources are a constant issue plaguing public education, and proved to be a constantly moving target during the years of this audit. Therefore, the allocation of fund balance helped to ensure that the District did not ask for more taxes than necessary.

With that being said, at no time did the District ask taxpayers for more funding than what was applicable and disagrees with the comptroller's comment of tax levy "being higher than necessary to fund operations". The State of New York has established a 2% tax cap and provides a formula for districts to apply when calculating what the state indicates is an allowable tax levy. Delaware Academy CSD at Delhi has consistently set tax levies lower than the calculated rate allowed by New York State. For the time period referenced in this audit report, the District has enacted tax levies on average of 1.42%, all while the tax cap has averaged 2.47%. This difference resulted in approximately $247,000 of decreased revenue to the District and increased savings to our local taxpayers. The District has been consistently transparent with taxpayers about this approach during publicly held budget workshops, budget hearings, and regularly scheduled Board of Education meetings.

See Note 2 Page 13

- Comptroller's Key Finding 2: Reported a surplus fund balance that exceeded the statutory limit.

  District's Response 2:
  The District does not dispute that fund balance exceeded the statutory limit of 4% as of June 30, 2023. The District has consistently waited until after the yearly audit report is received in October of each year before the unassigned fund balance is adjusted to its statutory limits. It should be noted that the Board of Education approved adjustments to the unassigned fund balance amount in December of 2023, bringing the audited figure within the required funding level.

- Comptroller's Key Finding 3: Improperly held $3.25 million in a debt reserve and maintained an unemployment insurance reserve that could fund 22 full-time employees' unemployment expenditures for the maximum benefit.

  District's Response 3:
  1) *Debt Reserve.* Since 2005, the District has maintained a debt reserve fund. This fund has consistently been used to offset long-term debt payments related to borrowing for capital projects. To fund these projects, districts are required to engage in long-term financing or borrowing with consideration for allocations from state building aid. To finance the local share of remaining debt, the district has allocated funds resulting in no additional tax impact to our community while simultaneously ensuring the maintenance and condition of high quality facilities.

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Without this practice, the District would have needed to raise taxes in its yearly budgets at an average of approximately 2%, or $200,000 per year. At no point does the District feel that the funds were held improperly. The district has been transparent in explaining this approach to taxpayers through multiple presentations and forums during planning stages of capital improvement projects.

See Note 3 Page 13

The District also sought the advice of the NYS Comptroller's Office for a similar audit in November of 2015. Within the Comptroller's report, it was noted that the District should allocate debt service funds to "pay debt service principal and interest." The District has engaged in this recommended practice since that report. Also, at no point during the 2015 audit did the Comptroller state that the fund was "improper" or "improperly funded." The report also noted that the District should adopt a reserve plan stating funding levels and uses of said reserves. This plan was discussed with the NYS Comptroller's Office, and ultimately the Board adopted it in 2016. The reserve plan is reviewed on a yearly basis, presented publicly, and most recently revised in December of 2023. The community has consistently supported this through voter approval of several projects.

2) *Unemployment Insurance Reserve*. Increasing and fully funding the unemployment insurance reserve was in response to the unknowns associated with the closure of school buildings in the spring of 2020. During the years of the pandemic, rules and regulations surrounding continuous employment and qualification parameters for unemployment were tenuous at best. Districts across NYS experienced a spike in unemployment claims. In order for the District to protect the budget from unwieldy claims and shifts due to uncontrollable forces, we relied on this reserve to maintain stability in the face of potential unemployment cases.

Throughout the pandemic the Governor, NYS Department of Health, and NYS Education Department, provided a multitude of moratoriums and changes to operational procedures that applied to many public and government agencies in NYS, recognizing that previous parameters for daily operations were no longer applicable, practical, or feasible due to the unique set of circumstances experienced during the pandemic. Shifts in budgeting practices to stabilize jobs, public services, and education were necessary and critical. However, the parameters of this audit fail to account for this.

See Note 4 Page 13

Specific to the key findings of this audit, the NYS Comptroller's Office offered the following recommendations; 1) development of budgets with reasonable estimates for appropriations to fund operations, 2) not exceeding appropriations deemed necessary to finance operations, 3) adopt a plan to reduce undesignated fund balance to the statutory limit, 4) determine a reasonable targeted funding level for the unemployment insurance reserve and make necessary adjustments, and 5) periodically review all reserve balances to determine whether the amounts reserved are necessary and reasonable.

The District was beginning the work of stabilizing practices related to fund balance and reserve planning in an effort to return to pre-pandemic fiscal planning and management before this audit began. In the fiscal years that have followed this audit period (ending in December 2023), the District has taken multiple steps and measures to stabilize and return our fund balance and reserves to levels deemed acceptable by the Comptroller. A comprehensive Reserve Plan with recommended funding levels and spending parameters was presented to the Board of Education in November of 2023, and adopted in December of 2023. Training was also provided to the Board of Education on allowable reserves in NYS, including the allowable uses of each. During this same period, the District also implemented three (3) new voter and Board approved reserves (TRS Reserve in 2021, Repair Reserve in 2022, Capital Reserve in 2023). The Board of Education and the Administrative team are briefed regularly on reserve and fund balance allocations. These balances and related transfers or uses are discussed in conjunction with public budget workshops, budget hearings and monthly board meetings, and approved via Board resolution. The District also evaluates tax cap history, along with tax levy implications during budget preparation and long term fiscal planning. It was also noted that Board and District officials had incorrectly recorded $820,0000 of surplus funds within the assigned, unappropriated fund balance account code. The District has identified and self-corrected that error and promptly reallocated the $820,000 to the unassigned fund balance.

It is worth noting that school districts are rated on their fiscal stress as a result of an annual financial audit also conducted by the NYS Comptroller's Office. A "no designation" rating is the equivalent to having no fiscal stress for that reporting year and is based on a variety of district accounting actions that are reviewed and evaluated annually. Since the inception of this reporting measure (10+ years), Delaware Academy has consistently maintained a "no designation" status (no fiscal stress), along with a bond rating of "AAA". This bond rating is the highest value possible and is an indicator of exceptional credit worthiness, fiscal management, and responsible fiscal planning along with the lowest risk of default. The District is grateful to the Comptroller's Office for this annual evaluative feedback. In the same light, we look forward to working collaboratively with the Comptroller's Office to develop a required corrective action plan in response to the current audit results that will provide additional detailed information on these steps.

See Note 5 Page 13

As always, the District will continue to engage in transparent budgeting practices. The District and Board of Education conduct multiple annual budget workshops, on a weekly basis, from February through April, in preparing the annual budget. These workshops include community members, are live streamed for community members who cannot attend, and remain available through the District's website for future viewing. This culminates in a public budget hearing prior to the budget vote in May of each year. Multiple mailings are sent to our taxpayers and information regarding our budget is available on our District website. This approach is taken to maximize transparency and communication throughout the budget development process, resulting in annual budgets that are consistently supported by our community in annual budget votes.

In summary, the Board of Education and District remain steadfast in our efforts to maintain the long-term financial health of the District, maintain transparency with taxpayers, and build responsible budgets that support high quality programs and services to the students, staff, and families we serve.

Respectfully submitted,

Kelly M. Zimmerman
Superintendent of Schools

Appendix B: OSC Comments on the District's Response

Note 1

Per the stated audit objective, the audit focused on the proper management of fund balance and reserves and is not intended to eliminate the possibility of fraud, theft or other possible misconduct by District officials in dealing with public funds.

Note 2

While the tax cap is the allowable levy growth factor the Board and officials can increase the real property tax levy without obtaining 60 percent voter approval, they should not interpret the cap to mean they should increase taxes regardless of the District's actual needs. When a school district levies taxes and continuously experiences operating surpluses, the result is higher than necessary real property tax levies.

Note 3

The debt reserve was improperly funded with surplus fund balance as the District did not have any situations where funds were statutorily required to be held in a debt reserve.

Note 4

Although the COVID-19 pandemic created a degree of financial uncertainty, the Board overestimated appropriations and appropriated fund balance that was not needed prior to the pandemic as well.

Note 5

District officials are referring to the Fiscal Stress Monitoring System (FSMS), which analyzes the financial information submitted to the New York State Office of the State Comptroller by local governments against a set of uniform financial and environmental factors to identify issues with budgetary solvency (the ability to generate enough revenues to meet expenditures). The FSMS rating does not constitute an annual financial audit.

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. 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 reviewed Board meeting minutes, resolutions and policies to gain an understanding of the District's financial planning and budgeting procedures.
- We calculated the results of operations for fiscal years 2020-21 through 2022-23 to determine whether there was an operating surplus or operating deficit and whether appropriated fund balance was used.
- We compared estimated revenues to actual revenues and budgeted appropriations to actual expenditures for fiscal years 2020-21 through 2022-23 to analyze budget reasonableness. For appropriations, we analyzed expenditure accounts with budget variances exceeding $100,000 for each of the three years.
- We used the last three fiscal years' averages to project revenues, expenditures and results of operations for the end of the 2023-24 fiscal year as of October 31, 2023. We used those results to project whether the District would have an operating surplus or an operating deficit and whether appropriated fund balance would be used.
- We analyzed the District's fund balance for fiscal years 2020-21 through 2022-23 to identify trends. We calculated surplus fund balance as a percentage of the next year's budgeted appropriations to determine whether it was within the statutory limit. We recalculated surplus fund balance as a percentage of the next year's budgeted appropriations after adding back unused appropriated fund balance, assigned unappropriated fund balance and the excessive balance in the debt reserve.
- We reviewed the District's reserve plan and reserve fund balances as of December 19, 2023, to determine whether reserves had reasonable targeted funding levels and reasonable balances.

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.

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

Regional Office Directory
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

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

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

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

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

Contact

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

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

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

BINGHAMTON REGIONAL OFFICE – Ann C. Singer, Chief of Municipal Audits

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