



Batavia City School District Financial Condition

Report of Examination

Period Covered:

July 1, 2012 – March 10, 2016

2016M-160



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 2016

Dear School District Officials:

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

Following is a report of our audit of the Batavia City School District, entitled Financial Condition. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

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

Respectfully submitted,

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

Introduction

Background

The Batavia City School District (District) is located in the City of Batavia and the Towns of Batavia and Stafford in Genesee County. The District is governed by an elected seven-member Board of Education (Board), which is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management under the Board's direction. The Business Administrator is responsible for accounting for the District's finances, maintaining accounting records and preparing financial reports.

The District operates four schools with approximately 2,300 students and 420 employees. The District's budgeted appropriations for the 2015-16 fiscal year are \$43 million, which are funded primarily with State aid, real property taxes and grants. The District has levied real property taxes averaging \$18 million during the last three completed fiscal years. As of June 30, 2015, the District reported approximately \$19 million of fund balance in the general fund.

Objective

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

- Did the Board and District officials effectively manage fund balance?

Scope and Methodology

We examined the District's financial condition and budgeting practices for the period July 1, 2012 through March 10, 2016. We extended our scope period back to July 1, 2008 to analyze reserve fund balances.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix C of this report.

Comments of District Officials and Corrective Action

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

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

Financial Condition

A school district's financial condition is a factor in determining its ability to fund public educational services for students within the district. The Board, Superintendent and Business Administrator are responsible for accurate and effective financial planning for the use of District resources. Fund balance represents the cumulative residual resources from prior fiscal years that can, and in some cases must, be used to lower property taxes for the ensuing fiscal year. New York State Real Property Tax Law limits the amount of unrestricted fund balance to no more than 4 percent of the subsequent year's budget. Additionally, school districts are legally allowed to establish reserve funds and accumulate funds for certain future purposes (e.g., capital project, retirement expenditures). However, reserve balances must be reasonable.

The Board and District officials did not effectively manage fund balance. While the Board appropriated fund balance in the annual budgets to help finance operations, these amounts were not needed because the District's budgeting practices produced operating surpluses each year. District officials also appropriated reserves as a funding source in the annual budgets that were not expended as budgeted. District officials appropriated \$3 million in reserves from the 2012-13 through 2014-15 fiscal years but charged expenditures totaling only \$138,000 to the related reserves during these years.

The District's unrestricted fund balance was in excess of the statutory limit, ranging from 6 percent to 7 percent of the ensuing year's appropriations during two of these years (2012-13 and 2013-14). However, when unused fund balance is added back, the District's recalculated unrestricted fund balance was in excess of the statutory limit for all three years, ranging from 5 to 9 percent of the ensuing year's budget. As a result, District officials missed the opportunity to use these excess funds to finance operations and the tax levy was higher than necessary.

We also found that three general fund reserves, totaling approximately \$4.2 million, were overfunded, and the District improperly accumulated \$1 million of surplus cash in the debt service fund.

Budgeting

In preparing the budget, District officials must estimate revenues (e.g., State aid), appropriations and the amount of fund balance and reserves that may be used to finance the ensuing year's appropriations and to balance the budget. After taking these factors into account, District officials should determine the expected tax levy that is necessary to

fund operations. Accurate budget estimates help ensure that the real property tax levy is not higher than necessary to fund operations.

We found that District officials annually overestimated appropriations. We compared budgeted appropriations and estimated revenues with actual operating results from 2012-13 through 2014-15. While revenues were generally in line with budgeted estimates, the Board and District officials overestimated appropriations in the annual budgets each year by an average of \$2.8 million for a cumulative total of approximately \$8.6 million, an average of 7.3 percent each year.

The most significant budget variances were found in appropriations for central services, teaching, special education programs and employee benefits¹ at amounts that averaged between \$510,000 and \$840,000 annually. Because some of these costs are determined by contractual agreements, District officials should be able to reasonably estimate these amounts in the annual budget. District officials indicated that they were negotiating new collective bargaining agreements during this time.

Fund Balance

A school district may retain a portion of fund balance at the end of the fiscal year for cash flow needs or unexpected expenditures. School districts may also establish reserve funds to restrict reasonable portions of fund balance for specified purposes in compliance with statutory directives. Any unrestricted fund balance over the statutory limit should be used to reduce the upcoming fiscal year's tax levy. For the 2012-13 and 2013-14 fiscal years, unrestricted fund balance exceeded the statutory limit, with fund balance levels ranging between 6 and 7 percent of the next year's budget (Figure 1).

¹ Central services expenditures include school building operation and maintenance. Teaching expenditures include salaries, equipment, conferences, supplies and textbook expenditures. Special education program expenditures include tuition and all related services (i.e., occupational, physical and speech therapy). Employee benefit expenditures include retirement contributions, health insurance, Social Security, unemployment insurance and workers' compensation.

Figure 1: Unrestricted Fund Balance at Fiscal Year-End

	2012-13	2013-14	2014-15
Beginning Fund Balance	\$15,931,900	\$17,450,700	\$17,830,700
Add: Operating Surplus	\$1,518,800	\$380,000	\$780,500
Ending Fund Balance	\$17,450,700	\$17,830,700	\$18,611,200
Less: Nonspendable Fund Balance	\$95,300	\$96,200	\$96,400
Less: Restricted Fund Balance (Reserves)	\$11,682,300	\$11,753,200	\$13,537,500
Less: Appropriated Reserves	\$875,700 ^a	\$1,300,100 ^a	\$1,585,700
Less: Encumbrances	\$975,000	\$911,600	\$1,167,400
Less: Appropriated Fund Balance	\$1,362,800	\$750,000	\$500,000
Unrestricted Fund Balance at Fiscal Year-End	\$2,459,600	\$3,019,600	\$1,724,200
Ensuing Year's Budgeted Appropriations	\$41,981,200	\$42,986,400	\$43,108,400
Unrestricted Fund Balance as a Percentage of Ensuing Year's Budget	6%	7%	4%

^a District officials misclassified appropriated reserves in the 2012-13 and 2013-14 financial statements but subsequently realized the misstatement. Amounts shown above are adjusted to correct for the original error.

From 2012-13 through 2014-15, the Board appropriated fund balance averaging \$1.2 million annually to finance operations. When fund balance is appropriated to finance operations, the District should incur a planned operating deficit. However, District officials overestimated appropriations each year. Therefore, the District realized operating surpluses aggregating \$2.7 million during the same period and did not need to use any of the appropriated fund balance to actually finance operations.

When unused appropriated fund balance was added back, the recalculated unrestricted fund balance exceeded the statutory limit each year by 1 to 5 percentage points (Figure 2).

Figure 2: Unused Fund Balance			
	2012-13	2013-14	2014-15
Unrestricted Fund Balance at Fiscal Year End	\$2,459,600	\$3,019,600	\$1,724,200
Add: Appropriated Fund Balance Not Used to Fund Ensuing Year's Budget	\$1,362,800	\$750,000	\$500,000
Recalculated Unrestricted Fund Balance	\$3,822,400	\$3,769,600	\$2,224,200
Recalculated Unrestricted Fund Balance as a Percentage of Ensuing Year's Budget	9%	9%	5%

We compared 2015-16 estimated revenues and appropriations with operating results from the last three fiscal years and project that the District will likely end 2015-16 with an operating surplus. Therefore, we expect that unrestricted fund balance will continue to exceed the statutory limit. Furthermore, the District's practice of annually appropriating fund balance that is not needed to finance operations is, in effect, a reservation of fund balance that is not provided for by statute.

Restricted Funds

When school districts establish reserves for specific purposes, it is important that a formal written plan is developed for how to fund the reserves, how much should be accumulated in the reserves and when the money will be used to finance related costs. While school districts are generally not limited as to how much money can be held in reserves, balances should be reasonable and based on historical costs and projected costs. Funding reserves at greater than reasonable levels, not using reserves appropriated in the annual budget, and accumulating excess money in the debt service fund contribute to property tax levies that are higher than necessary.

We analyzed the District's six reserves recorded in the general fund and the cash recorded in the debt service fund as of June 30, 2015, with combined balances totaling \$16.1 million to determine if the amounts retained were reasonable. While District officials appropriate reserves as a funding source in the annual budget, the amounts appropriated are often not expended as budgeted. Furthermore, we found that the retirement contribution, unemployment and tax certiorari reserves, with balances totaling approximately \$4.2 million, are overfunded. The District also has improperly accumulated \$1 million of excess funds in the debt service fund.

Appropriation of Reserves – The District appropriated reserves as a funding source in the annual budget, but did not always use them to finance the related expenditures. District officials appropriated \$3

million in reserves in the adopted general fund budgets from 2012-13 through 2014-15 but only charged \$138,000 in related expenditures to the reserves during that time. As a result, about \$2.9 million of the \$3 million appropriated was not used, as budgeted. For example, District officials appropriated \$2.1 million from the employee benefit accrued liability reserve² in the adopted budgets but never actually charged any related expenditures to this reserve. In addition, \$450,000 was appropriated from the retirement contribution reserve in the 2014-15 budget but no retirement expenditures were charged to this reserve. As a result, appropriated reserve fund balances are not being used to fund operations, as planned.

Retirement Contribution Reserve – General Municipal Law (GML) authorizes the Board to establish this type of reserve to pay contributions for employees covered by the New York State and Local Retirement System. The balance of this reserve as of June 30, 2015 was \$2.8 million, which would be sufficient to cover over three years of retirement costs.

According to the District’s reserve fund policy, it plans to use an assumed 17 percent contribution rate to estimate the retirement appropriation in the 2016-17 budget. If the actual contribution is less than the budgeted estimate, the District will allocate the unused appropriations to the reserve until it reaches the targeted balance of five times the annual expenditure, or \$4.5 million.

District officials acknowledge in the policy that this reserve can be used to fund a portion of the annual retirement contribution, the increase over the prior year’s contribution or the portion of the increase that is not exempt from the property tax cap. If officials plan to use the reserve to even out costs from year-to-year, the policy does not explain why the reserve’s current balance is not enough to provide funding for this purpose. Retirement costs averaged \$765,000 over the last four completed fiscal years (2011-12 through 2014-15). The highest annual cost was \$898,000 in 2012-13, which was \$133,000 more than the four year average. At this rate, the reserve balance may be sufficient to cover 20 years of increases in retirement costs.

Unemployment Reserve – GML authorizes the Board to establish this type of reserve to reimburse the New York State Unemployment Insurance Fund for payments made to claimants on the District’s behalf. As of June 30, 2015, this reserve had a balance of \$1.2 million. The District annually charges unemployment insurance costs, which averaged \$32,500 over the last three fiscal years, to the reserve. If

² This reserve, which had a balance of \$8 million as of June 30, 2015, can be used to pay the monetary value of accrued and unused sick, vacation and certain other leave time due to employees when they leave District employment.

unemployment costs continue to average approximately \$32,500 per year, the balance in this reserve would last for more than 30 years. Therefore, we question the reasonableness of the amount in this reserve. District officials acknowledged the reserve's excessive balance in the District's policy but did not take corrective action.

Tax Certiorari Reserve – The Board can establish this type of reserve fund to pay for judgments and claims in tax certiorari proceedings. Any money not expended for the payment of costs related to tax certiorari proceedings must be returned to the general fund by the fourth fiscal year following the deposit into the reserve. As of June 30, 2015, the balance of this reserve was \$158,000. While the District used a portion of this reserve in 2013-14, the Business Administrator told us that the reserve balance could have been liquidated in 2014-15. Therefore, the remaining balance should be returned to unrestricted fund balance in the general fund.

Debt Service Fund – School districts are required to establish a debt reserve to account for and restrict unexpended bond proceeds from closed capital projects. This reserve should be accounted for in the debt service fund. Cash from this reserve should be used to help pay the related debt service costs. Cash in the debt service fund not required to be restricted should be transferred to the general fund.

The District reported \$1 million in cash in the debt service fund as of June 30, 2015. District officials told us that the balance consists of an accumulation of funds from various sources which are not tied to any specific capital projects or outstanding debt. Although the District has reduced the balance from 2009 levels, there is no authority for the District to accumulate cash in the debt service fund from these sources. The excess cash should be returned to unrestricted fund balance in the general fund and used for operations or to reduce the tax levy.

By maintaining excessive reserves, combined with ongoing budgeting practices that generated operating surpluses and excess unrestricted fund balance, the Board and District officials have levied higher taxes than necessary each year.

Recommendations

The Board and District officials should:

1. Develop realistic estimates of appropriations and the use of fund balance and reserves in the annual budget.
2. Use surplus funds as a financing source for:
 - Funding one-time expenditures;
 - Funding needed reserves; and
 - Reducing District property taxes.

3. Review all reserves to determine if the amounts reserved are necessary and reasonable. Excess funds should be transferred to unrestricted fund balance (where allowed by law) or to other reserves established and maintained in compliance with statutory directives.
4. Periodically review and update the written reserve fund policy to ensure fund balance is prudently managed.
5. Return cash improperly retained in the debt service fund to the general fund.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



Batavia City Schools

Christopher J. Dailey, Superintendent of Schools

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July 11, 2016

Jeffrey D. Mazula, Chief Examiner
Division of Local Government and School Accountability
Office of the Comptroller
295 Main Street Suite 1032
Buffalo, New York 14203-2510

Dear Mr. Mazula:

We wish to acknowledge receipt of the findings and recommendations outlined in your "Report of Examination" of the Batavia City School District for the period of July 1, 2012, through March 10, 2016.

Our District takes this report seriously and respects the Office of the NYS Comptroller and will continue to improve our budgeting practices with the input provided. While we value and appreciate the opinions in this report, we would like those reading the Audit Report to understand that generally the budget comments were focused solely on single-year budgeting practices without any regard to a long-term fiscal strategy that has served the Batavia City School District and taxpayers well for many years.

Our Board of Education balances its responsibility to be both fiscally responsible to the community and to deliver exceptional educational programs to our students. Concurrently, the Board of Education must abide by the numerous constraints placed upon us by state and federal laws, regulations, and mandates. We shelter ourselves from vagaries outside our control (impact of national and state political decisions, inconsistent and unpredictable State Aid; significant fluctuations in employer contributions to both NYS Teachers and NYS Employees retirement systems; changes in student population and needs; fluctuations in cost of utilities; availability of grant funding; cost of health insurance and the Affordable Care Act).

The Batavia City School District Board of Education, elected by local residents, spends a significant amount of time developing budgets that balance all of these important priorities. With more than 70% of our residents approving our budgets in each of the last 4 years and 7 out of the last 10 years, our community stakeholders recognize the value of our stable tax rates (10 year average increase of 0.68%) and continued fiscal responsibility. The Board is charged with a fiduciary duty to protect the fiscal health of the District and must plan for unforeseen events. Anything less than this would be considered neglect by our community. While past performance is certainly a measure that can be looked at to tighten budgets, past results do not guarantee the future in the many areas that are just simply unpredictable in crafting sound school budgets in the State of New York. Besides the fiscal stability of the District, the New York State Comptroller has reported that there is no fiscal stress (the past three years).

There are significant items we wish to highlight and showcase positive initiatives which are not captured by this audit. They are listed as follows:

1. The District consolidated and restructured its educational plan in July 2012. One building was later sold and the other building is being used for some district offices along with being leased to generate additional annual revenue which results in tax levy savings. District vacant land was also sold.
2. Partnered with the City of Batavia to approve three exemptions (Home Improvement Exemption; Mixed-Use Exemption and Inhibited Property Exemption).
3. Approved the Alternative Veterans' Tax Exemption.
4. Refunded Serial Bonds in 2012 which resulted in \$764,814 net present value savings.
5. Debt as a percent of the General Fund budget has been reduced from 101.87% as of June 30, 2008 to 39.19% as of June 30, 2016.
6. Taxpayers this year will be receiving their third (out of three opportunities) rebate check directly from New York State as a result of the District compliance with the New York State Tax Cap law and efficiencies undertaken since July 2012.
7. In the five years since the New York State Tax Cap, the District Tax Levy has increased an average of 0.80%, however, the District was allowed to increase 3.15% or \$2,146,484 total tax levy less than allowed.
8. General Fund Payroll in 2007-08 fiscal year was \$20,701,103 and in 2014-15 payroll was \$20,248,248 (or a decrease of 2.2%). Each year since 2007-08, payroll was less than the 2007-08 base year. Savings in payroll have been achieved via strong negotiation strategies and District consolidation.
9. Contracts with all of our bargaining units (Administration, Teacher, Clerical, Custodial, Food Service and individual contracts) were negotiated two different times during the period audited resulting in significant cost savings to the District on employee health care contributions.
10. The Batavia City School District survived the 2010-11 to 2015-16 Gap Elimination Adjustment (GEA) which resulted in a loss of New York State Aid in the amount of \$8,649,980 during those six years. The single highest year of reduction was \$2,570,826. It is also important to note, that from 1990-91 to 1992-93 (three years), New York State also reduced (the first year was a mid-year cut) funding to school districts. In this 26 year time span, New York State has cut New York State Aid due to public schools nine years (or 34% of the time). New York State must look into and fix the politics of the New York State public school funding.
11. Since 2010-11, the District has also absorbed \$1,704,152 in corrections (current year reduction in State Aid) to New York State Building Aid (in addition to the GEA previously mentioned). These reductions were a result of New York State overpayment of Building Aid over many years.
12. Since June 30, 2003, all Independent External audits and New York State Comptroller audits are available to our public on the District website in an attempt to enhance transparency.
13. Moody's has the District rated as A1 which is slightly lower than the median rating of Aa3 for school districts nationwide. According to Moody's: the financial position of the district is strong and is a notable strength with respect to the assigned rating of A1; the economy and tax base of the District are solid overall and positive operating margins are a component of strong financial management (surplus being generated and the tax base expanded modestly).

While the recommendations of the audit may result in a supplementary single-year tax levy reduction, consistently applying these recommended practices each year will result in significant fluctuations that will potentially harm the community in future years. This is a philosophy that is contrary to the District's philosophy. Instead, the Batavia City School District Board of Education believes our residents prefer a stable, consistent, and predictable tax rate while incorporating an effective long-range financial plan.

See
Note 1
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Budgeting:

Predicting factors that impact the school budget during the time period examined to make accurate budget projections was done effectively and efficiently by the District in accordance with District goals and objectives. The philosophy of the District is to ensure stability for the taxpayer and to comply with all New York State requirements, including not overspending a voter approved budget. Preparation of the budget in a conservative manner allows the District to fulfill all its required obligations while also preparing for the future if the worst case scenario does not occur. Predicting State Aid is an exercise in futility as we have had the Gap Elimination Adjustment (GEA) and swings in State Aid estimates versus actuals to account for each year while preparing budgets for community approval.

In addition, being the seat of government for Genesee County, predicting who will move in and out of our district in a given year and what their educational needs will be is difficult to do, to say the least.

Each year, since 1997, the Board of Education approves volunteers from the community to serve as Budget Ambassadors. Over a number of meetings, the District shares all aspects of the proposed budget and receives input and recommendations for the Board of Education to consider during the adoption process. This model of transparency in the public budget adoption process has led to outstanding voter approval of the budget.

We have had clean external audits and low-risk internal audit findings that were all reported to the District Audit Committee and the Board of Education. We continually shield ourselves from factors beyond our control as stated above and then move to long-range planning (reserves; lower taxes) if surpluses are generated.

Fund Balance:

To restate independent external audited reports (because of a misclassification) and to comment that the District exceeded the statutory limit for those two years is misleading since the District has consistently complied with the statutory limits and has options available to fund reserves at year end. The District would have done such had the misclassification been found before the audits were completed. Once the District was informed by the external auditor, the District changed its practice immediately and has been in compliance each year.

See
Note 2
Page 17

Restricted Funds/Reserves: Appropriation of Reserves; Retirement Contribution Reserve; Unemployment Insurance Reserve; Tax Certiorari Reserve; Debt Service Fund

Based on factors previously mentioned, the District's practice is to budget conservatively for a worst case scenario in order to protect the educational program for our students. Through this long term philosophy of the District, we have put ourselves in a position to weather most economic situations in the near future. There is no formal guidance on funding amounts or limits on all reserves so terms such as "reasonable" are purely subjective in nature. The District has developed its own policy on reserves as a guideline for the administration of reserves and balances.

Based on the input of this report, the District will develop strategies for reducing both the Unemployment Insurance and Tax Certiorari Reserve to levels that the District is comfortable with.

The Debt Service Fund has operated as such for more than twenty years. Independent external audits have never cited a concern with the accounting process used by the District. Since the 2009 New York State Comptroller's audit, the District has reduced the balances in the Debt Service Fund by over \$2.8 million. Funds in the current Debt Service Fund represent prior public commitments to capital projects. All future projects,

See
Note 3
Page 17

beginning with the 2013 voter approved \$3.8 million project will be accounted for in the General Fund. In 2015, the citizens authorized a \$7.5 million capital reserve fund to offset the local share of future projects.

Relevant information provided by the District:

Tax Levy History

Batavia City School General Fund Tax Levy History			
School Year	Tax Levy Amount	\$ Change in Levy	% Change In Levy
2016-17	18,501,372.00	\$ -	0.00000%
2015-16	18,501,372.00	\$ -	0.00000%
2014-15	18,501,372.00	\$ 360,996.00	1.99001%
2013-14	18,140,376.00	\$ -	0.00000%
2012-13	18,140,376.00	\$ 354,571.00	1.99356%
2011-12	17,785,805.00	\$ 706,170.00	4.13457%
2010-11	17,079,635.00	\$ 207,680.00	1.23092%
2009-10	16,871,955.00	\$ 128.00	0.00076%
2008-09	16,871,827.00	\$ (401,000.00)	-2.32157%
2007-08	17,272,827.00	\$ (39,379.00)	-0.22746%
2006-07	17,312,206.00		
3 year average		\$ 120,332.00	0.66334%
5 year average		\$ 143,113.40	0.79672%
10 year average		\$ 118,916.60	0.68008%

^ First year of the NYS Tax Cap ("2%") law; Internal Consolidation

§ Property Tax Freeze or Rebate Checks issued directly to taxpayer from NYS due to School District compliance with Tax Cap/Efficiency

Voter History

Batavia City School Budget Vote Results		
	% Yes	% No
2007-08	72.97%	27.03% *
2008-09	76.15%	23.85% *
2009-10	71.15%	28.85% *
2010-11	64.94%	35.06%
2011-12	58.52%	41.48%
2012-13	60.69%	39.31%
2013-14	71.57%	28.43% *
2014-15	70.93%	29.07% *
2015-16	85.03%	14.97% *
2016-17	85.86%	14.14% *


* 70% or greater voting in favor

The Batavia City School District would like to thank the New York State Office of the Comptroller for the exemplary collegiality and professionalism displayed by [REDACTED] during the audit process. Our District is always looking to improve its practices and this audit will help us in our continual effort to provide an outstanding education to all students.


Take Care of BCSD!



Patrick Burk
President
Board of Education



Christopher J. Dailey
Superintendent of Schools



Scott C. Rozanski
Business Administrator

APPENDIX B

OSC COMMENTS ON THE DISTRICT'S RESPONSE

Note 1

The tax levy could be reduced annually to the extent that the District adopts realistic budget estimates.

Note 2

As indicated in our report, the District exceeded the statutory limit in two of three fiscal years. Furthermore, when unused appropriated fund balance is added back, the District exceeded the limit in all three fiscal years.

Note 3

As indicated in our report, the District has no authority to accumulate cash in the debt service fund. In addition, capital projects should be recorded in the capital projects fund. If any money remains after projects are completed (for which debt was issued), those funds should be reported in the debt service fund and used to pay related debt.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District officials to gain an understanding of the District's financial management practices and policies.
- We analyzed 2012-13, 2013-14 and 2014-15 budgeted appropriations and estimated revenues and compared them to actual results. We calculated if there was an operating surplus or deficit for each of these years.
- We reviewed the 2015-16 budget and compared it to prior year's budgets and operating results. We documented any increases or decreases to selected appropriation and revenue codes. Based upon these comparisons we estimated operating results for the 2015-16 fiscal year.
- We analyzed fund balance for the most recent three years and determined if appropriated fund balance was used.
- We evaluated selected appropriation and estimated revenue codes for the most recent three completed fiscal years and compared them to actual results. We identified those accounts that had significant budget variances.
- We calculated unrestricted fund balance as a percentage of the next year's budget. We included both appropriated fund balance and unrestricted fund balance in our calculation because the District has shown a pattern of not using appropriated fund balance.
- We obtained documentation relating to the establishment of the reported reserve funds.
- We documented the flow of funds in and out of the reserves over the last three years and determined if appropriated reserves were spent. Where applicable, we looked back to 2008-09 to assess reserve activity in a historical context.
- We evaluated the balances in each reserve for reasonableness.

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

APPENDIX D

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DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

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

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