



# Putnam Valley Central School District Financial Condition

## Report of Examination

Period Covered:

July 1, 2014 – February 10, 2016

2016M-135



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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

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 Putnam Valley Central 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 Putnam Valley Central School District (District) is located in the Town of Putnam Valley in Putnam and Westchester Counties. The District is governed by the Board of Education (Board) which is composed of five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Assistant Superintendent for Business (Assistant Superintendent) was in charge of preparing the 2010-11 through 2013-14 budgets. As of June 2014, the Treasurer is responsible for managing the District's business operations and preparing the budget.

The District operates three schools with approximately 1,730 students and 478 full- and part-time employees. The District's budgeted appropriations for the 2015-16 fiscal year are approximately \$48 million funded primarily with real property taxes, state aid and tuition from students who reside outside the District.

## Objective

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

- Did District officials ensure reserves and fund balance are maintained at a reasonable level and in accordance with statutory requirements?

## Scope and Methodology

We examined the District's financial condition for the period July 1, 2014 through February 10, 2016. We extended our audit scope period back to July 1, 2010 to evaluate financial trends.

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 recommendations in our report, 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

The Board is responsible for making sound financial decisions that are in the best interests of the District, the students it serves and the residents who fund the District's programs and operations. Sound budgeting practices based on accurate estimates along with prudent fund balance management help ensure that sufficient funding will be available to sustain operations, address unexpected expenses and satisfy long-term obligations or future expenditures.

Fund balance represents resources remaining from prior fiscal years. A district may retain a portion of fund balance, but must do so within the limits established by New York State Real Property Tax Law (RPTL). Currently, the amount of fund balance that a school district can retain may not be more than 4 percent of the ensuing fiscal year's budget. Additionally, districts are legally allowed to establish reserve funds and accumulate funds for certain future purposes (e.g., capital project, retirement expenditures).

The Board is responsible for developing a formal plan for funding and using reserves. Funding reserves should be done through appropriations in budgets that are voted on by District residents. Funding reserves at greater than reasonable levels can contribute to real property tax levies that are higher than necessary because the excess reserve balances are not being used to fund operations. Therefore, the appropriate use of reserve funds is also an important part of the budget process.

The Board and District officials need to improve the budget process to ensure reserves and fund balance are maintained at reasonable levels in accordance with statutory requirements. Over the five-year period (2010-11 through 2014-15), the Board adopted budgets that included almost \$1 million of appropriated fund balance, which was not used to fund operations because the District incurred operating surpluses during four of the five years.

District officials used surplus funds to increase reserves and the debt service fund each year. However, District officials did not use these restricted funds to pay for reserve and debt service related obligations because the Board budgeted appropriations each year to pay these expenditures. When the unused appropriated fund balance and excess debt service and reserve funds were added back, the District's recalculated unrestricted fund balance exceeded the statutory limit, ranging from 8.1 to 12.7 percent. As a result, District officials have missed the opportunity to accumulate less fund balance, reduce the tax levy and increase transparency in the District's budget process.

## Fund Balance

School districts may retain a portion of fund balance at year end for cash flow purposes or to fund unexpected expenditures. Any amounts in excess of the statutory limit should be used to lower real property taxes, increase or establish necessary reserves for specific purposes, pay down debt or pay for one-time expenditures.

The District accumulated operating surplus of more than \$2.6 million from 2010-11 through 2014-15. The Board appropriated fund balance to fund operations, which averaged \$994,000 over the five years. However, due to operating surpluses in the last four of the five years, the fund balance appropriated was not used to fund operations. The appropriation of fund balance and transfers of surplus funds to increase reserves and debt service at year-end resulted in the District's unrestricted fund balance remaining within the 4 percent statutory limit (Figure 1).

Figure 1: Unrestricted Fund Balance at Year End					
	2010-11	2011-12	2012-13	2013-14	2014-15
Total Beginning Fund Balance	\$5,679,734	\$5,529,205	\$6,001,752	\$6,549,410	\$7,054,599
Add: Operating Surplus (Deficit)	(\$150,527)	\$472,548	\$547,657	\$505,178	\$1,243,562
Total Ending Fund Balance	\$5,529,207	\$6,001,753	\$6,549,409	\$7,054,588	\$8,298,161
Less: Restricted Funds	\$2,742,494	\$3,171,270	\$3,322,765	\$3,716,080	\$4,799,462
Less: Encumbrances	\$379,061	\$167,193	\$286,616	\$233,247	\$585,938
Less: Appropriated Fund Balance for the Ensuing Year	\$925,000	\$875,000	\$995,000	\$1,179,068	\$994,632
Total Unrestricted Funds at Year End	\$1,482,651	\$1,788,290	\$1,945,028	\$1,926,193	\$1,918,129
Ensuing Year's Budgeted Appropriations	\$44,896,512	\$45,270,917	\$48,625,726	\$48,155,147	\$47,975,919
Unrestricted Funds as Percentage of Ensuing Year's Budget	3.3%	4.0%	4.0%	4.0%	4.0%

The Board used operating surpluses to increase reserves, which were overfunded by \$1.5 million as of June 30, 2015. Similarly, officials used surplus funds to make unbudgeted transfers totaling approximately \$4.6 million to the debt service fund at year-end in each of the last five completed fiscal years. However, the amounts retained in reserves were not used to pay related expenditures. Instead, the Board budgeted annually for these expenditures and paid for them from general fund appropriations. When the unused appropriated fund balance, excess reserves and debt service transfers were added back, the District's recalculated unrestricted fund balance exceeded the statutory limit each year. The recalculated percentages ranged from 4.1 to 8.7 percentage points more than the statutory limit (Figure 2).



Figure 2: Unused Fund Balance					
	2010-11	2011-12	2012-13	2013-14	2014-15
Total Unrestricted Fund Balance at Year End	\$1,482,651	\$1,788,290	\$1,945,028	\$1,926,193	\$1,918,129
Add: Appropriated Fund Balance Not Used to Fund Ensuing Year's Budget	\$774,473	\$875,000	\$995,000	\$1,179,068	\$994,632
Add: Excessive Reserve Funds	\$826,369	\$1,155,959	\$1,202,712	\$1,490,066	\$1,543,983
Add: Year End Transfers to Debt Service Fund	\$560,000	\$1,000,000	\$461,040	\$1,500,000	\$1,066,000
Total Recalculated Unrestricted Fund Balance	\$3,643,493	\$4,819,249	\$4,603,780	\$6,095,327	\$5,522,744
Recalculated Unrestricted Fund Balance as Percentage of Ensuing Year's Budget	8.1%	10.6%	9.5%	12.7%	11.5%

Had the Board used appropriated fund balance to finance operations, it could have accumulated less fund balance or used the excess funds to fund one-time expenditures, fund needed reserves or reduce the tax levy. During 2014-15, the Board appropriated \$994,632 of fund balance for use in the 2015-16 budget. We expect the District's unrestricted fund balance will continue to exceed the statutory limit, which will contribute to real property taxes being higher than necessary to fund the District's operations.

## Reserves

When the Board establishes reserve funds for specific purposes, it is important that it develops a plan for funding the reserves, determining how much should be accumulated and how and when the funds will be used to finance related costs. Such a plan should guide the Board in accumulating and using reserve funds and would help inform District residents about how tax dollars will be used. In addition, the Board should review the District's reserves at least annually and fund them through budget appropriations that are voted on by District residents to help ensure the amounts reserved are necessary and to provide transparency.

The District had six reserves totaling approximately \$4.7 million at the end of 2014-15. Three of the reserves (retirement contribution, tax certiorari and liability claims) were funded by transfers of surplus funds rather than through budget appropriations voted on by District residents. These reserves were overfunded as of June 30, 2015 by approximately \$1.5 million (33 percent of total reserves). The employee benefit accrued liability reserve (EBALR), the retirement contribution, tax certiorari and liability claims reserves were not used effectively because related expenditures were funded from general fund budget appropriations each year.



We reviewed Board resolutions that established these reserves and found that each was properly established. However, the Board and District officials have not established a reserve fund policy stating how much would be set aside in each reserve, how each reserve would be funded or when the reserve funds would be used. We also reviewed the District's adopted budgets, Board minutes and account transactions and found that the reserve funding was not planned. District officials transferred surplus funds at year-end to fund each of these reserves, rather than funding them through budget appropriations. This diminished the transparency to District residents.

Retirement Contribution Reserve – General Municipal Law authorizes the Board to create a retirement contribution reserve to finance retirement contributions payable to the New York State and Local Retirement System. The District's average annual retirement contribution costs are about \$800,000. However, the reserve fund is not used to pay for the retirement contribution. Instead, the District budgets for the annual cost and pays them from the operating budget each year. Therefore, the reserve has a balance of \$1.8 million as of June 30, 2015, which is not used for its intended purpose.

Tax Certiorari Reserve – Education Law authorizes school districts to establish a reserve fund for costs related to tax certiorari proceedings.<sup>1</sup> Funds held in such a reserve may not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of such proceedings. Any amounts that are not spent for the payment of judgments and claims arising out of tax certiorari proceedings for the tax roll in the year the money is deposited to the fund or be reasonably required to pay any such judgment or claim must be returned to the general fund within four years of deposit.

As of June 30, 2015, this reserve had a balance of approximately \$700,000. The District's tax certiorari cases on file showed a total potential liability of approximately \$585,000 as of June 30, 2015. We reviewed the claims that the District settled during the past five fiscal years and calculated an average settlement rate of 40 percent. Therefore, this reserve may be overfunded by as much as \$465,000.

Liability Claims Reserve – Education Law authorizes school districts to establish a reserve fund for costs related to liability claims proceedings. Money held in such a reserve may not exceed the amount that might reasonably be deemed necessary to meet anticipated

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<sup>1</sup> A tax certiorari is a legal proceeding whereby a resident challenges the real property tax assessment on the grounds of excessiveness, inequality, illegality or misclassification. If the resident has a favorable ruling, the district would owe a tax refund to the resident for the difference in the property tax assessment as specified in the ruling.

judgments and claims arising out of such proceedings. As of June 30, 2015, the reserve had a balance of approximately \$450,000. We reviewed documentation of potential claims provided by the District's attorney, from which we calculated that approximately \$350,000 was reasonably necessary. However, we question the necessity for this reserve because none of these potential claims were ever filed. Instead, District officials settled and paid these liabilities through general fund budget appropriations.

Even though District officials had these reserve funds available, they budgeted for and levied taxes to pay retirement, tax certiorari and liability claim expenditures from the annual operating budget. When District officials budget for these expenditures annually, these reserves appear to be unnecessary. The Treasurer told us that the District plans on using funds from the retirement and liability claims reserve in the 2016-17 fiscal year.

By not establishing a reserve fund policy, not funding reserves through budget appropriations and not using reserves for their intended purposes, the Board and District officials may have missed the opportunity to use fund balance as a financing source, fund one-time expenditures, fund needed reserves or reduce the tax levy.

## **Recommendations**

The Board should:

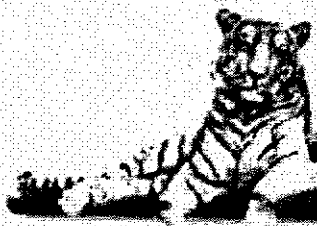
1. Develop a plan to use the surplus fund balance identified in this report in a manner that benefits District residents. Such uses could include, but are not limited to:
  - Using surplus funds as a financing source.
  - Financing one-time expenditures.
  - Funding needed reserves.
  - Reducing District property taxes.
2. Discontinue the practice of adopting budgets with the appropriation of fund balance that will not be used to fund operations and include any transfers to the debt service fund in the District's annual budgets.
3. Establish reserve fund policies that identify a clear intent or plan regarding the purpose, use and replenishment of funds, when appropriate.

4. Review reserves to determine if the amounts reserved are justified, necessary and reasonable. To the extent that they are not, reserves should be properly reduced.

**APPENDIX A**

**RESPONSE FROM DISTRICT OFFICIALS**

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



# Putnam Valley Central School District

**"The Child, First and Foremost...  
Building a Foundation for the Future"**

June 9, 2016

Ms. Tenneh Blamah  
Chief Examiner of Local Government and School Accountability  
Office of the State Comptroller  
Newburgh Regional Office  
33 Airport Center Drive, Suite 103  
New Windsor, New York 12553

Dear Ms. Blamah:

The Putnam Valley Central School District has received and our officials have reviewed the Comptroller's Audit Report, "Financial Condition: Report of Examination-Period Covered -July 1, 2014- February 10, 2016."

On behalf of the Putnam Valley Board of Education and the District's administration, we would like to thank the local field staff of the Comptroller's Office. They were professional and courteous in conducting their duties associated with this Audit.

We would like to note that no findings were reported that indicate operational improprieties, fraud, or abuse. It is also noted on page 7 of the report that the category of Fund Balance known as Unrestricted Funds is a percentage of the ensuing year's budget and has remained at the legal limit of 4%, as provided for under Section 1318(1) of the New York State Real Property Tax Law.

See  
Note 1  
Page 16

In responding to this report, prior to addressing the specific recommendations, the District is mindful of the necessity to communicate regularly and act in a transparent manner in planning and implementing the annual budget, including expenditures, revenue and the District's financial condition. For the past several years, the District has been adapting to the recent legislation that ushered in the "tax levy limit" (Section 2023-a of the NYS Education Law). The implications of that law have shaped much of the fiscal decision-making aimed at establishing fiscal stability and the avoidance of seeking what is almost always an unattainable 60% voter approval rate for an override vote just to support our programs and services at a level commensurate with community expectations. At the same time, the District has sought to continue academic improvements in response to new and higher learning standards. Our students will need opportunities to learn and attain the

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knowledge required to achieve success in a competitive and challenging global economy. Thus, much of our budget work in the last few years has focused on the restoration of programs that had been eliminated during the economic downturn as well as the addition of new academic options to serve the needs of all students, including those with special needs and those with language deficits while providing challenging and rigorous avenues for applying learning and using technology effectively.

To accomplish this task of advancement, the District searched for savings and the lawful use of reserve funds to both satisfy our educational mission and remain attractive in financial markets so that when borrowing is necessary, the most favorable rates are available for the benefit of District taxpayers. Thus, the District's business department has negotiated new contracts with collective bargaining units, vendors for equipment and services, including student transportation, and has refinanced debt to spare the taxpayer from unnecessary interest costs.

We also note that prior to notification to the District of this Comptroller's Audit a number of steps had already been taken that are related to the recommendations made in the report and will indeed be considered part of the corrective action plan that we are including with this response. These include a tax levy decrease in the 2015-16 budget of \$181,000, and the referendum to allow the District to establish a Capital Reserve approved on December 8, 2015. In addition, the 2016-17 budget includes a tax levy decrease of an additional \$100,000. In fact, the total amount of the school district budget itself decreased in both years. The District, therefore, unique among others in the region and state, at this time has made a positive impact by reducing the taxes of residents of the Putnam Valley community. The tax reductions will have an immediate impact and the Capital Reserve Fund will continue to modify taxes by possibly eliminating or reducing the need for financing Capital project(s) in the future.

As discussed at the post-Audit exit interview, the District takes exception to the presentation of certain statistics in the Audit Report that give the appearance of taxing in excess, when, in actuality, the same reflect prudence in effectuating budgetary restraint. The "accumulated operating surplus" over a five year period stated as \$2.6 million dollars never existed in that amount and is an aggregation of five annual amounts that ranged from minus \$150,527 to plus \$1,243,562, the latter of which indicated that the 2014-15 School Year Budget was under-expended by just 2.6%. The actual expenditure of a school district budget within 2.6% of the budgeted amount is well within the normal range and has never been characterized by the Comptroller upon audit as being beyond normalcy.

See  
Note 2  
Page 16

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The Audit Report uses a calculation referred to as "Recalculated Unrestricted Fund Balance as Percentage of Ensuing Year's Budget". This calculation incorporates unexpended monies that are lawful to retain as described in Section 1318(1) of the Real Property Tax Law and ("Unassigned Fund Balance" as defined under GASB 54 Accounting Standards) and assigned fund balance that may be applied against the tax levy to assure that the same remains within the "tax levy limit", enabling a majority vote to pass the school budget and the maintenance of the tax payer relief provided by the "Tax Freeze Law". (Section 2023-b NYS Education Law). The two lawful amounts described above aggregate to \$2,912,761 of the \$5,522,774 noted for the 2014-15 School Year. When the assigned fund balance and 4% unassigned fund balance, as describe above, are subtracted from the "Recalculated Unrestricted Fund Balance", the remainder would yield \$2,610,013 or 5.4%, that incorporates all reserve funds, including tax certiorari reserves. That is far below the 11.5% in the chart set forth at page 7 of the Audit Report and presents a financial statistic that portrays the District's budget proceedings in a fair light.

See  
Note 1  
and 2  
Page 16

**Response to recommendations and the Corrective Action Plan associated with each recommendation**

***1. Develop a plan to use the surplus fund balance identified in this report in a manner that benefits district residents:***

- Using surplus funds as a financing source:

The surplus funds have been used to reduce taxes during 2015-16 and 2016-17. In addition, they have funded reserves for current liabilities and will be used going forward beginning in 2016-17. Future surpluses could fund the Capital Reserve in order to attain the goals of the District's Five Year Plan. In addition, monies that were placed in the Debt Service Fund have supplemented the annual debt payments for principal and interest on outstanding bonds over the past three years and again in 2016-17 for a total of \$2,451,790.

See  
Note 3  
Page 16

- Financing one-time expenditures

Currently, we use the surplus to fund small capital projects (under \$100,000), often projects related to safety, such as the removal of obsolete field facilities located at the Putnam Valley Elementary School; more recently, testing for lead and implementing needed repairs, remodeling active learning centers at the middle and high school campuses; replacing lockers at the middle school. In addition, we believe that some surplus funds are necessary so that unforeseen emergencies or

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educational placements can be managed without any financing which burdens the District residents with higher taxes that do not positively impact educational goals. We will certainly consider, and we have in the past, used unexpended funds for one-time expenditures.

- Funding needed reserves

Unexpended funds will also be used to fund reserves at appropriate levels and they continue to be relevant to the needs of the district.

- Reducing District property taxes

With regard to reducing property taxes, Putnam Valley is one of very few Districts that have reduced taxes for two years consecutively (2015-16, 2016-17). Thus District officials have taken advantage of fund balances to provide relief to residents of \$281,000 (*more than one quarter of a million dollars!*) over this two-year period.

***2. Discontinue the practice of adopting budgets with the appropriation of fund balance that will not be used to fund operations and include any transfers to the debt service fund in the district's annual budget.***

We understand the need to use appropriated fund balance in order to meet revenue requirements to fund a District budget that meets tax cap mandates. Thus we will have to continue to estimate how much of our reserves will need to be used to close the revenue gap when funds are not received through State aid and to meet the requirements under the tax cap law. The certainty of stable State Aid (that was absent during the Great Recession, when State Budget Gap Elimination Adjustments were made to State Aid revenues) should enable the District to reduce to need to appropriate fund balance in order to stay within the cap of the Tax Levy Limit Law. Moreover, we believe we need to improve our clarity when making the transactions. We acknowledge that the District should show the entries of transactions within the reserves at the close of the fiscal year even though it is unnecessary at times when the amount of the surplus (due to miscellaneous savings and the natural result of estimating) allows us not to make use of the reserves that were originally appropriated in the budget.

See Note 4 Page 16
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**3. *Establish reserve fund policies that identify a clear intent or plan regarding the purpose, use and replenishment of funds, when appropriate.***

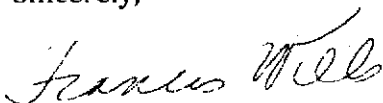
On April 19, 2016, the District adopted a reserve policy 6053 that outlines the purpose and use of reserve funds by regulatory definition. This policy was developed based on researching neighboring school districts and NYSSBA. We will strive to further examine appropriate policies on an ongoing basis to provide more clarity.

**4. *Review reserves to determine if the amounts reserved are justified, necessary and reasonable. To the extent that they are not, reserves should be properly reduced.***

We will review our reserves on an annual basis to ensure that they are justified, necessary, and reasonable. Thus, the report points out that our tax certiorari reserve may be over funded. We will look again in conjunction with our auditor's recommendations at the tax certiorari cases in reserve to ensure that we have reflected an appropriate level of liability. In the case of the retirement reserve, we will again review to determine appropriate funding. Some of the concerns expressed in the report relate to the way we record transactions for expenditure of retirement contributions. We will adjust our recording process accordingly to ensure that there is clarity on these transactions. The ERS reserve will also be reviewed with our auditor.

Thank you for assisting the District in its effort to ensure compliance with New York State auditing guidelines. We intend to maintain a transparent, prudent and responsible budget development and implementation process.

Sincerely,



Dr. Frances Wills  
Superintendent of Schools

Cc: PVCSD Board of Education  
J. Figarella, District Treasurer

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## **APPENDIX B**

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

#### **Note 1**

The District reported fund balance amounts that were within the statutory limit because fund balance was appropriated each year to fund operations. However, District officials did not use the amounts appropriated. As a result, the District's actual unassigned fund balance significantly exceeded the statutory limit.

#### **Note 2**

The District had combined operating surpluses totaling almost \$2.7 million from 2011-12 through 2014-15, which were transferred to reserve funds at year-end.

#### **Note 3**

The 2016-17 budget was not part of our audit scope. During the five years we reviewed, District officials budgeted for debt service payments annually from operating funds and debt service fund resources were not used to pay for related debt service costs.

#### **Note 4**

Reserve funds should be funded through the annual budget to provide transparency for District voters about the Board's plan for funding reserves. For the five years reviewed, reserve related expenditures were generally not paid from the reserve fund balances (except for the retirement reserve in 2013-14 and 2014-15 and the EBALR reserve in 2012-13).

## **APPENDIX C**

### **AUDIT METHODOLOGY AND STANDARDS**

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

- We interviewed District officials to gain an understanding of the processes and procedures in place over the District's reserve funds.
- We tested the reliability of the accounting records by comparing them to the annual financial report filed with the Office of the State Comptroller and to the District's independently audited financial statements.
- We analyzed the general fund's trend in total and restricted fund balances, including the use of appropriated fund balance for the fiscal years 2010-11 through 2014-15. We also compared the unrestricted fund balance to the ensuing year's budgeted expenditures to determine the fund balance availability for future years.
- We reviewed the list of outstanding claims for tax certiorari and estimated the rate of settlement based on payment history.
- We reviewed the District's fund balance policy.
- We reviewed budget-to-actual reports to determine operating surpluses or deficits.
- We reviewed the general fund results of operations and analyzed changes in fund balance for the period July 1, 2010 through June 30, 2015.
- We reviewed monthly financial reports provided to the Board.
- We reviewed Board minutes and resolutions to verify the establishment of reserve funds.
- We reviewed reserve fund records and the balances maintained for reasonableness.
- We calculated the amount of pending settlements per documentation from the District's attorney for the liability claim reserve, which we subtracted from funds reserved to calculate excess funding.

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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