OFFICE OF THE NEW YORK STATE COMPTROLLER

DIVISION OF LOCAL GOVERNMENT
& SCHOOL ACCOUNTABILITY

Elmira City School District

Financial Condition

Report of Examination

Period Covered:

July 1, 2011 — September 24, 2014

2014M-348

Thomas P. DiNapoli

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State of New York
Office of the State Comptroller

Division of Local Government
and School Accountability

March 2015

Dear District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support school district operations. The Comptroller oversees the fiscal affairs of school districts statewide, as well as 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 operations and Board of Education governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard school district assets.

Following is a report of our audit of the Elmira 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 school 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 Elmira City School District (District) is located in the City and Town of Elmira in Chemung County. The District is governed by the Board of Education (Board) which comprises nine elected members. The Board President is the chief financial officer. 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 chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District, under the direction of the Board. The Superintendent started as an interim Superintendent in July 2013 and was appointed by the Board to the position in February 2014. The Business Official is responsible for accounting for the District's finances, maintaining accounting records and preparing financial reports. The current Business Official started with the District in November 2012.

The District has 11 schools in operation with approximately 6,500 students and 1,200 employees. During the 2013-14 fiscal year, the District had operating expenditures of approximately $105 million. For the 2014-15 fiscal year, the District's operating budget is approximately $119 million, funded primarily with State aid and real property taxes.

Objective

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

- Did the Board and District officials adequately manage the District's financial condition?

Scope and Methodology

We examined the District's financial records for the period July 1, 2011 through September 24, 2014.

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 is included in Appendix B 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 generally agreed with our recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3) (c) of the 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, Superintendent and Business Official are accountable to District taxpayers for the use of District resources and are responsible for effectively planning and managing the District's financial operations. The Board and Superintendent are also responsible for ensuring budgets are based on reasonable estimates of appropriations and revenues. Sound budgeting provides sufficient funding for necessary operations, and prudent fiscal management includes establishing reserves needed to address long-term obligations or planned future expenditures. It is also important for the Board to adopt policies governing the establishment, use and maintenance of reserve funds. After the Board has addressed those issues, any remaining fund balance, exclusive of that allowed by law to be retained to address cash flow and unexpected occurrences, should be used in a manner that benefits District taxpayers, such as to reduce the local tax levy or pay down debt. Further, the Board should prepare a multiyear financial plan based on reasonable estimates that project future revenues, expenditures, reserve amounts and fund balance amounts.

District officials have significantly improved the District's financial condition due to staff reductions and consolidation and restructuring of the location of students. However, we found that the Board and District officials did not adopt reasonable budgets that were based on realistic estimates of revenues and expenditures. Also, the Board has not adopted an adequate reserve policy and is not budgeting to fund reserves but funds reserves at the end of the fiscal year. As a result, three of the District's six reserve funds are overfunded. Additionally, due to the District's budgeting practices, the balance in the debt service fund has increased significantly over the last two years. Furthermore, the District's current multiyear financial plan is inadequate and not sustainable.

General Fund Budget

In preparing the general fund budget, the Board is responsible for estimating what the District will spend and what it will receive in revenue (e.g., State aid), estimating how much fund balance will be available at the fiscal year end and balancing the budget by determining the expected tax levy. Accurate estimates help ensure that the levy of real property taxes is no greater than necessary. New York State Real Property Tax Law (RPTL) allows a district to retain a limited amount of fund balance (up to 4 percent of the ensuing year's budget) for unexpected events or cash flow. Fund balance in excess of that amount must be used to fund a portion of the next year's appropriations, thereby reducing the tax levy, or used to fund legally established reserves.

The Board and District officials are not appropriately budgeting revenues and expenditures. The District experienced an unplanned operating deficit of approximately $5.2 million[1] for fiscal year 2010-11 because, according to District officials, they did not anticipate cuts in State aid. The deficit required the District to issue $10 million in revenue anticipation notes as temporary funding. In 2011-12, District officials transferred $1.2 million from reserves to unrestricted fund balance, which eliminated the $629,700 deficit in unrestricted fund balance. However, the transfers of $425,000 from the insurance reserve and $22,745 from the worker compensation reserve were inappropriate.

The District responded to the loss in State aid by laying off 160[2] employees between June 2011 and June 2012. Although the District reduced its total number of employees by 12 percent, the budget was not reduced to reflect a reduction in salaries. Instead, District officials increased the estimate due to an anticipated retroactive payment.[3] As a result, salaries were overestimated by approximately $3.3 million in 2012-13. District officials also overestimated unemployment payments by $2.2 million for the laid off employees and overestimated healthcare costs by $8.8 million for the fiscal years 2012-13 and 2013-14.[4] In total, appropriations were overestimated by approximately $17.5 million for the three-year period ending June 30, 2014. In addition, although District officials are provided with State aid estimates upon release of the Governor's budget and again after the adoption of the State budget, District officials have inconsistently budgeted for State aid. For example, District officials overestimated revenues by $2.1 million for the 2011-12 and 2012-13 fiscal years and underestimated these revenues by $1.6 million for the 2013-14 fiscal year. In total, revenues were underestimated by more than $1 million for the three-year period ending June 30, 2014. The revenue shortfall was less than the underestimated expenditures.

Due to its inaccurate budgeting, the District ended fiscal years 2012-13 and 2013-14 with operating surpluses of approximately $5.5 million

1 The total operating deficit for 2010-11 was $6.8 million, of which $1.6 million was originally planned through the appropriation of fund balance.

2 In June 2011, the District laid off 120 employees, and it laid off another 40 employees in June 2012.

3 District officials stated that salaries have been difficult to estimate over the past three fiscal years because of ongoing negotiations related to collective bargaining agreements (CBAs), which the District anticipated would include retroactive salary payments to be made to employees. The District attempted to anticipate retroactive pay in each of these years and built these estimates into the budgets. However, CBAs were not negotiated until late in fiscal year 2013-14.

4 District officials stated that they used healthcare cost estimates that were prepared by an independent consultant, even though these amounts varied significantly from historical trends.

and $9.2 million, respectively. As a result of the operating results, planned transfers from reserves to the general fund of $620,000 in 2012-13 were not necessary, causing the already excessive reserve balances to increase. Overall, these large operating surpluses resulted in fund balance increasing approximately 600 percent.

Figure 1: Budget - vs. - Actual Revenues and Expenditures and Analysis of Fund Balance

	2011-12	2012-13	2013-14	Totals
Estimated Revenues	$111,073,989	$113,340,883	$113,982,977	**$338,397,849**
Actual Revenues	$111,759,985	$111,301,587	$114,287,486	**$337,349,058**
Variance	$685,996	($2,039,296)	$304,509	**($1,048,791)**
Appropriations	$112,265,000	$113,960,883	$113,982,977	**$340,208,860**
Actual Expenditures	$111,927,200	$105,762,321	$105,060,551	**$322,750,072**
Variance	$337,800	$8,198,562	$8,922,426	**$17,458,788**
Operating Surplus/(Deficit)	($167,215)	$5,539,266	$9,226,935	**$14,598,986**
Beginning Fund Balance	$2,569,546	$2,402,329	$7,941,590	
Year End Fund Balance[a]	$2,402,329	$7,941,590	$17,168,506	
Restricted for Reserves	$1,947,993	$3,511,621	$8,332,178	
Non-Spendable Fund Balance		$31,149		
Restricted Unappropriated Fund Balance[b]	$26,053	$2,541,312	$4,073,542	
Unrestricted Fund Balance	$428,283	$1,857,508	$4,762,786	

[a] Includes prior period adjustments

[b] Restricted unappropriated fund balance for 2012-13 includes an assignment for debt in the amount of $2.5 million. For 2013-14 the assignment includes $2 million for buses and $1.9 million for building condition survey items, which the District plans to move to a capital reserve after receiving voter approval.

The Board and District officials continued to implement cost-savings strategies and avoided additional employee layoffs by closing one of its buildings in the 2012-13 fiscal year, changing from a self-insured to a fully funded health insurance plan and restructuring bus routes beginning in the 2014-15 fiscal year. We commend the Board and District officials on their efforts to reduce expenditures. However, the resulting fund balance at June 30, 2014 has exceeded the RPTL limit of 4 percent since it is 7 percent of the ensuing year's budget. In addition, the Board and District officials have adopted a 2014-15 budget with appropriations of approximately $119 million, which is approximately $14 million more than the actual expenditures for the 2012-13 and 2013-14 fiscal years, which provide a good indicator of what 2014-15 expenditures should be.

Reserves

Reserve funds may be established by the Board in accordance with applicable laws to provide financing for specific purposes. Money set aside in reserves must be used only in compliance with statutory provisions which determine how reserves are established and how they may be funded, expended and discontinued. Generally, school districts are not limited as to how much money can be held in reserves; however, reserve balances should be reasonable. When District officials establish a reserve, it is important that they develop a policy for how to fund the reserve, how much should be accumulated and how and when these moneys will be used to finance related costs. Such a plan serves to guide District officials in the accumulation and use of reserved funds and to inform District residents about the use of their tax money. Ideally, transfers to reserve funds should be included in the annual adopted budget. Making clear provisions to raise resources for reserve funds in the proposed budget will give voters and residents the opportunity to know the Board's plan for funding reserves, which increases transparency. When conditions warrant, the Board should reduce reserve funds to reasonable levels or liquidate and discontinue a reserve fund that is no longer needed or whose purpose has been achieved in accordance with New York State Education Law (Education Law).

The reserve policy the Board adopted is specific to the 2013-14 fiscal year, and does not include details related to the various reserves' purpose, use or funding. Additionally, the Board and District officials have not included provisions in the budget for the funding of reserves. Instead District officials used year end operating surpluses to fund reserves. The District had six general fund reserves, totaling approximately $8.3 million at June 30, 2014. Based on our analysis, we determined that three of these reserves, totaling approximately $3.3 million, were overfunded or unnecessary as of the end of fiscal year 2013-14.[5]

Figure 2: General Fund Reserves with Excess Balances

Reserve	2011-12	2012-13	2013-14
Insurance Reserve	$1,261,113	$1,246,113	$1,247,481
Unemployment Insurance Reserve	$3,505	$603,505	$804,167
Workers' Compensation Reserve	$401,622	$1,001,622	$1,202,722
Total	**$1,666,240**	**$2,851,240**	**$3,254,370**

<u>Insurance Reserve Fund</u> – This reserve was established under General Municipal Law (GML) on May 9, 1995 and reestablished on November 4, 2001 to fund certain uninsured losses, claims, actions or judgments for which the District is authorized or required to insure. At June 30, 2014, the balance in this reserve was $1,247,481. The District purchases liability insurance to limit the need for substantial reserves to fund insurance claims. Over the last three years, the District has used $15,000 from this reserve. The District made a transfer of $425,000 from this reserve to unrestricted fund balance in 2011-12 to reduce the excessive balance, but did not have any related general fund expenditures that were legally allowed to be paid from this

5 The same reserves identified as being overfunded or unnecessary in this audit were also identified in OSC's previous audit of the District through fiscal year 2010-11 as being overfunded or unnecessary.

reserve. Therefore, this transfer was inappropriate, as money from this reserve cannot be transferred to fund general fund operations and can only be transferred to pay for appropriate expenditures. Because the District has used such a small amount in proportion to the reserve balance in the last three years, we question the necessity of this reserve. The Board can discontinue this reserve if it determines the reserve is unnecessary. Money from the discontinued reserve can be transferred only to another reserve as authorized by Education Law.

Unemployment Insurance Reserve – This reserve was established under GML to reimburse the State Unemployment Insurance Fund (SUIF) for payments made to claimants. We found that the District's SUIF expenditures decreased from $472,855 in fiscal year 2012-13 to $42,949 in fiscal year 2013-14. The reserve balance of $804,167 at June 30, 2014, represents significantly more than the very high expenditure in the 2012-13 fiscal year and 19 years of a more typical annual expenditure.[6] Because the District budgets for these expenditures in the general fund and therefore levies taxes to fund them, we question why the Board and District officials are continuing to hold a substantial balance in this reserve. If, at the end of any fiscal year, the money in the fund exceeds amounts required to be paid, the governing board, within 60 days of the close of the fiscal year, may elect to transfer all or part of the excess amount to certain other reserve funds, or apply all or part of the excess to the budget appropriation of the next succeeding fiscal year.

Workers' Compensation Reserve – This reserve was established under GML on May 9, 1995 for the payment of compensation benefits, medical and hospital expenses and expenses of administering a self-insurance program. At June 30, 2014, the balance in this reserve was $1,202,722, which was primarily funded over the past two fiscal years in the amounts of $600,000 and $201,100. In an attempt to reduce the excessive balance in this reserve, District officials transferred $530,215 to unrestricted fund balance in 2011-12, of which $22,745 did not have associated expenditures and was not appropriate. In addition to the large balance in the reserve, the District has budgeted for these expenditures in the general fund and, therefore, has levied taxes to pay for them in each of the last two fiscal years. Because the Board and District officials have typically not used this reserve to pay for workers' compensation costs and included a budget appropriation of $489,227 in the 2014-15 budget, we question why the Board is continuing to hold a substantial balance in this reserve. Alternately,

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6 Unemployment insurance expenditures for fiscal years ending in 2012 and 2013, when the District required a large number of layoffs to balance the budget were $397,364 and $472,855. Since then the District has not experienced such layoffs and the expenditures returned to a more historically accurate level of $42,949 in the fiscal year ending in 2014.

the Board can discontinue this reserve and transfer the moneys to another legal reserve or use the money for the ensuing year's budgeted appropriation, as authorized by GML.

Because the Board and District officials have not adopted an adequate reserve policy and have used inaccurate budgeting practices, the District is not appropriately budgeting for reserve transfers and funding, and certain reserves are overfunded or unnecessary. The Board can improve accountability for District finances by using funds from reserves as a resource when preparing the District's annual budget.

Debt Service Fund

A debt service reserve must be established if a capital improvement financed with debt remains outstanding or is sold, or if State or Federal aid is received for a capital improvement for which there is outstanding debt. Money in this reserve should be accounted for in the debt service fund and used for debt service payments on that debt or, in certain cases, other outstanding debt. In addition, if a district has residual bond proceeds and/or interest earned on bond proceeds, those moneys must be used only to pay for debt service on the related obligations or for capital expenditures associated with the project for which the debt was issued and must be accounted for in the debt service fund. There is no other authority for a school district to establish or fund a reserve to pay for debt service.

For the last three fiscal years, the District's anticipated share of debt has totaled approximately $2 million annually,[7] and the District does not anticipate any significant increases in their share of debt in the near future. The District included transfers in the adopted budgets for fiscal years 2012-13 and 2013-14 from the debt service fund to the general fund to pay debt. However, due to the significant operating surpluses in these years, the transfers did not need to be made. As a result, the balance in the debt service fund has continued to increase to approximately $11.8 million at June 30, 2014. Considering the District's average local share of debt over the last three fiscal years and the balance of the debt service fund at June 30, 2014, the District would be able to sustain their annual portion of debt for approximately six years.[8] Using these funds for debt service would allow for general fund resources to be used to reduce the real property tax burden.

Multiyear Planning

It is important for school district officials to develop comprehensive multiyear financial and capital plans to estimate the future costs of ongoing services and capital needs. Effective multiyear plans project

[7] Total debt payments less State aid

[8] Average annual District portion of debt for fiscal years 2012-13 through 2014-15 was $2.04 million and total balance of debt service fund as of 6/30/14 was $11.8 million = 11.8/2.04 = approximately six years.

operating and capital needs and financing sources over a three- to five-year period and allow school district officials to identify developing revenue and expenditure trends, set long-term priorities and goals and avoid large fluctuations in tax rates. Multiyear plans also allow school district officials to assess the effect and merits of alternative approaches to address financial issues, such as the use of unrestricted fund balance to finance operations and the accumulation of money in reserve funds. Long-term financial plans work in conjunction with Board-adopted policies and procedures to provide necessary guidance to employees on the financial priorities and goals set by the Board. Also, the Board must monitor and update long-term financial plans on an ongoing basis to ensure that its decisions are guided by the most accurate information available. In addition, constitutional debt limits (CDLs) exist to impose constraints on the amount of debt that a local government can incur. For a small city school district, the debt limit is 5 percent of the average full value of the last five years' tax rolls. The limit may be exceeded if authorized by 60 percent of the voters and approved by the Board of Regents and the State Comptroller.

The District's multiyear financial plan does not include information related to funding and use of reserves or to the level of fund balance. In addition, the District's plan is not sustainable, as it projects several years of operating deficits, which would result in the total fund balance being significantly depleted. The District has also been over its CDL for the last three fiscal years and debt was at its highest in fiscal year 2012.

The failure to develop a multiyear plan which includes specific estimates for revenues, expenditures, reserves and fund balance inhibits the District's ability to effectively manage its finances. This is increasingly important due to legislative changes in recent years which limit the ability of school districts to finance their operations through tax increases. Consequently, District officials need to remain cognizant of the future when strategically planning. Additionally, when District officials do not appropriately plan for significant projects or purchases, this results in their need to continually issue debt. Because the District maintains a high level of debt, District officials have more fixed costs resulting in less flexibility in using their funds for other purposes or controlling the purposes for which funds are used.

Recommendations

The Board and District officials should:

1. Adopt budgets that reflect the District's actual needs based on historical trends or other identified analysis.

2. Adopt a comprehensive reserve policy that clearly communicates to District taxpayers the purpose and intent

for establishing each reserve fund, the manner in which the Board will fund and maintain each reserve fund, the optimal or targeted funding levels and conditions under which each fund's assets will be used or replenished.

3. Review all reserves and determine if the amounts reserved are necessary, reasonable and in compliance with statutory requirements. To the extent that they are not, transfers should be made to unrestricted fund balance, where allowed by law, or to other reserves established and maintained in compliance with statutory directives.

4. Appropriately budget to fund reserves through transfers.

5. Review the balance of their debt service fund reserve, use funds for debt payments as appropriate and adopt budgets that allow for transfers from the debt service reserve to be made to finance debt as appropriate.

6. Develop a multiyear financial plan for a three to five-year period that is sustainable and includes information related to anticipated funding and use of reserves and the appropriation of fund balance.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Elmira City School District

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February 27, 2015

Edward V. Grant
Chief Examiner Division of Local Government and School Accountability
Office of the State Comptroller
The Powers Building, 16 W. Main Street, Suite 522
Rochester, NY 14614

Dear Mr. Grant:

On behalf of the Elmira City School District Board of Education I would like to thank you, your staff and Comptroller DiNapoli for your thorough and complete examination of the financial management of our District. The auditor's responsible for carrying out the engagement demonstrated professionalism throughout and we very much appreciate the thoughtful and respectful way this audit was conducted.

Below are our responses to the recommendations contained in your draft audit report.

1. *"Adopt budgets that reflect the District's actual needs based on historical trends or other identified analysis."*

   The School Business Administrator along with the Board Finance Committee continue to improve budget processes and estimates. As the District configuration becomes more stable budget projections will become more predictable and variances in both income and expenses will be minimized. It should be noted that (as indicated in your report) projections of revenues for FY2014 have greatly improved when compared to previous fiscal years.

2. *"Adopt a comprehensive reserve policy that clearly communicates to District taxpayers the purpose and intent for establishing each reserve fund, the manner in which the Board will fund and maintain each reserve fund, the optimal or targeted funding levels and conditions under which each fund's assets will be used or replenished."*

Sara Lattin, President • Kevin Sullivan, Vice President
Maryann Friebis • Lynn Grottenthaler • Scott Moore • Randy Reid • Ronald Shaw • Mary Tucker • Deborah White

The Policy Committee of the Elmira City School District Board of Education has already begun deliberations toward developing a reserve policy that will address your recommendation while allowing the District reasonable flexibility in accessing appropriated funds. A draft policy will be developed and provided to the Comptroller's Office for review prior to adoption by the Board of Education.

3. *"Review all reserves and determine if the amounts reserved are necessary, reasonable and in compliance with statutory requirements. To the extent that they are not, transfers should be made to unrestricted fund balance, where allowed by law, or other reserves established and maintained in compliance with statutory directives."*

   The Board Finance Committee routinely reviews reserves to determine proper funding levels. As new information becomes available changes will be made to reserve funding levels in compliance with legal limitations and Board of Education policy. We will continue to monitor our reserves and will adjust levels as deemed appropriate.

4. *"Appropriately budget to fund reserves through transfers."*

   Future budgets will contain provisions to properly fund approved reserves and transfers will take place to facilitate adjustments.

5. *"Review the balance of their debt service fund reserve, and use funds for debt payments as appropriate, as well as adopting budgets that allow for transfers from the debt service reserve to be made to finance debt as appropriate."*

   The Debt Service reserve fund will be thoroughly evaluated for reasonableness and will be adjusted during the current budgeting process.

6. *"Develop a multiyear financial plan for a three-to-five year period that is sustainable, and includes information related to anticipated funding and use of reserves and the appropriation of fund balance."*

We agree with the Comptroller of the importance of developing thoughtful, long-term budgets that address both the operating and capital needs of the District. The dynamic nature of our school district over the past several years, however, has made developing these projections problematic. Going forward we are confident that the District will be able to create financial plans that will better predict our financial future and provide a plan that is both conservative and sustainable.

Thank you, once again, for your report and we look forward to addressing your recommendations. A detailed Corrective Action Plan is being developed and will be presented to the Board of Education for approval as required by law.

Sincerely,

Sara Lattin, President
Elmira City School District Board of Education

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the District's financial condition. To accomplish our objective, we interviewed appropriate District officials and employees, tested selected records and examined pertinent documents.

Our examination included the following:

- We interviewed District officials to gain an understanding of the budget process. We reviewed financial information provided to the Board and Board minutes to determine the reports provided to the Board.
- We reviewed the general fund's results of operations for fiscal years 2011-12 through 2013-14.
- We compared the budgeted revenues and expenditures to the actual revenues and expenditures for the general fund for fiscal years 2011-12 through 2013-14 and identified any budget categories with significant variances.
- We analyzed the trend in total fund balance, including the use of reserves, in the general fund for the fiscal years 2011-12 through 2013-14. We also compared the unrestricted fund balance to the ensuing year's budgeted expenditures to determine if the District was within the statutory limitation during the same fiscal years.
- We reviewed the trend of real property tax rates, levies and assessments for the 2011-12 through 2013-14 fiscal years.
- We compared the District's accounting records to the annual update document and the audited financial statements.
- We obtained the fiscal year 2012-13 general fund trial balance and tested it for accuracy by comparing the balances to original source documents on a sample basis and to verify the reconciliation of cash. We also reviewed significant payables, receivables and accrued liabilities from the accounting records and determined if these amounts were properly supported.
- We reviewed the District's CDL calculation for fiscal years 2011-12 through 2013-14 and determined what percentage of the CDL the District was using.
- We reviewed the District's multiyear financial and capital plans for adequacy.
- We analyzed debt service fund balances and activity to determine amounts that accounted for the balance in this fund and whether the District was using these funds for the payment of debt.

- We discussed the 2010-11 financial condition and related events with District officials for perspective on the District's current financial condition.

- We reviewed District reserve accounts and related expenditures to determine if reserves were properly and legally established, were being funded or used and if reserve balances were reasonable.

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 C

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