



# Thousand Islands Central School District

---

## Financial Management

2022M-201 | June 2023

# Contents

---

- Report Highlights . . . . . 1**
  
- Financial Management. . . . . 2**
  - How Should a Board and District Officials Manage Fund Balance? . . 2
  
  - The Board and Officials Overestimated Appropriations and Exceeded the Surplus Fund Balance Statutory Limit . . . . . 2
  
  - How Should the Board and Officials Properly Manage Reserve Funds? . . . . . 5
  
  - The Board and Officials Could Improve Their Management of Reserve Funds. . . . . 6
  
  - Why Is Multiyear Financial Planning Important? . . . . . 9
  
  - The Board Did Not Adopt a Written Multiyear Financial Plan . . . . . 9
  
  - What Do We Recommend? . . . . . 10
  
- Appendix A – Surplus Fund Balance and the Statutory Limit. . . . . 11**
  
- Appendix B – Response From District Officials . . . . . 12**
  
- Appendix C – OSC Comments on the District’s Response . . . . . 15**
  
- Appendix D – Audit Methodology and Standards . . . . . 16**
  
- Appendix E – Resources and Services . . . . . 18**

# Report Highlights

## Thousand Islands Central School District

### Audit Objective

Determine whether the Thousand Islands Central School District (District) Board of Education (Board) and District officials properly managed fund balance and reserves.

### Key Findings

The Board and District officials did not properly manage fund balance and reserves. As a result, officials have withheld funds from productive use and may have missed opportunities to reduce the tax levy.

The Board and District officials:

- Overestimated appropriations by \$9.7 million (11.6 percent) between the 2017-18 and 2020-21 fiscal years and appropriated fund balance totaling \$6.1 million that was not needed.
- Reported fiscal year-end surplus fund balance ranging from \$2.4 to \$3 million (10.3 to 12.8 percent) of the next year's budget (during the same period), which exceeded the 4 percent statutory limit by \$1.4 to \$2.1 million.
- Improperly funded a tax certiorari reserve by \$304,641 and did not use a debt reserve, with a balance of approximately \$1 million, to pay debt-service costs during the 2019-20 and 2020-21 fiscal years as required.

### Key Recommendations

- Adopt budgets that include reasonable estimates for appropriations and appropriated fund balance.
- Reduce surplus fund balance to comply with the statutory limit.
- Return improperly restricted funds to the general fund and use the debt reserve to pay debt-service costs as required.

District officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action. Appendix C includes our comments on issues raised in the District's response letter.

### Background

The District serves the Towns of Brownville, Cape Vincent, Clayton, Lyme and Orleans in Jefferson County. The District is governed by an elected nine-member Board that is responsible for managing 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 District's business manager oversees the business office, maintains financial records and prepares financial reports.

The Board, Superintendent and business manager are responsible for developing and monitoring the annual budget.

### Audit Period

#### Quick Facts

Student Enrollment	894
2022-23 Appropriations	\$22.9 million
June 30, 2021 Balances	
Surplus Fund Balance	\$2.7 million
Total Reserve Funds	\$7 million

July 1, 2017 – November 16, 2022

# Financial Management

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

Fund balance is the difference between revenues and expenditures accumulated over time. A district board (board) should adopt reasonably estimated and structurally balanced budgets to properly manage fund balance. Budgets should be based on historical data or known trends in which recurring revenues finance recurring expenditures.

A board must comply with New York State Real Property Tax Law Section 1318, which limits the amount of surplus fund balance<sup>1</sup> that a school district (district) can retain to no more than 4 percent of the following year's budget. District officials must use surplus fund balance that exceeds the 4 percent limit to reduce the upcoming fiscal year's real property tax levy or to fund needed reserves.

While preparing the budget, a board must estimate how much the district will spend and receive, the amount of fund balance that will be available at the end of the fiscal year to use (appropriate) in the next year's budget and the expected real property tax levy. A board should use accurate budget estimates to ensure that the tax levy is not greater than necessary and that surplus fund balance does not exceed the statutory limit.

---

A board should use accurate budget estimates to ensure that the tax levy is not greater than necessary. ...

---

## The Board and Officials Overestimated Appropriations and Exceeded the Surplus Fund Balance Statutory Limit

For the 2017-18 through 2020-21 fiscal years, we compared estimated revenues and appropriations to actual operating results in the general fund budget. While revenue estimates were generally reasonable, we found that the Board and officials overestimated appropriations by \$9.7 million (11.6 percent) during the four fiscal years (Figure 1).

**Figure 1: Appropriation Analysis (in Millions)**

	2017-18	2018-19	2019-20	2020-21	Totals
<b>Appropriations</b>	\$23.0	\$23.3	\$23.4	\$23.4	\$93.1
<b>Less Actual Expenditures</b>	\$20.0 <sup>a</sup>	\$21.6	\$21.3	\$20.5	\$83.4
<b>Overestimated Appropriations</b>	\$3.0	\$1.7	\$2.1	\$2.9	\$9.7
<b>Percentage Overestimated</b>	15.0%	7.9%	9.9%	14.1%	11.6%

a) This amount excludes an unbudgeted transfer to the capital projects fund totaling \$2.8 million.

The most significant variances during the four fiscal years were for Board of Cooperative Educational Services (BOCES) special education and instructional services (\$2.5 million), instructional salaries (\$2 million) and employee retirement benefits (\$1.4 million). The business manager and Superintendent told us that the

---

<sup>1</sup> Surplus fund balance is defined as unrestricted fund balance minus appropriated fund balance and encumbrances included in committed and assigned fund balance.

---

Board and officials budgeted conservatively for BOCES special education and instructional services due to the uncertainty of knowing how many students might require these services each year. However, we reviewed the expenditures for the 2017-18 through 2020-21 fiscal years and found that costs remained relatively stable, ranging between \$2 and \$2.3 million, or an average of \$2.1 million.

Furthermore, officials told us that the Board and officials intentionally overestimated certain appropriations each year, including instructional salaries and employee retirement benefits, to generate operating surpluses and provide enough funds at the end of the year to transfer to reserves.

The Board approved an unbudgeted transfer of surplus fund balance totaling \$2.5 million at the end of the 2020-21 fiscal year, and \$3 million at the end of the 2021-22 fiscal year, to a capital reserve fund in the general fund. However, consistently overestimating appropriations to generate annual operating surpluses to fund reserves does not provide a transparent budget process for taxpayers.

To increase transparency, the Board should develop more realistic estimates for appropriations and include the amounts to be reserved in its annual budgets. This budgeting practice provides taxpayers with an opportunity to know and approve the Board's plans for funding reserves.

The business manager and Board members told us they believe it is important that the real property tax levy remain consistent, so taxpayers do not experience significant fluctuations in their tax bills from year to year. Based on our review, the Board budgeted for and maintained a flat tax levy during the 2017-18 through 2022-23 fiscal years. In the 2017-18 through 2020-21 budgets, officials appropriated \$6.1 million of fund balance to fund operations, which should have resulted in planned operating deficits consistent with that amount during those four fiscal years.

However, because the Board and officials overestimated appropriations during that time period, the District spent less than budgeted and generated operating surpluses totaling \$1.3 million (including interfund transfers). This total operating surplus would have been \$4.1 million if officials did not make an unbudgeted fiscal year-end transfer of \$2.8 million to the capital projects fund at the end of the 2017-18 fiscal year (Figure 2).

---

...[O]verestimating appropriations to generate annual operating surpluses to fund reserves does not provide a transparent budget process for taxpayers.

---

**Figure 2: Planned Operating Deficits vs. Operating Results After Transfers (in Millions)**

Fiscal Year	Planned Operating Deficit <sup>a</sup>	Operating Surplus Before Transfers	Unbudgeted Transfers to Capital Projects Fund	Operating Surplus/ (Deficit) After Transfers	Variance
2017-18	(\$1.2)	\$1.2	\$2.8	(\$1.6)	(\$0.4)
2018-19	(1.9)	0.6	0	0.6	2.5
2019-20	(1.3)	0.9	0	0.9	2.2
2020-21	(1.7)	1.4	0	1.4	3.1
<b>Totals</b>	<b>(\$6.1)</b>	<b>\$4.1</b>	<b>\$2.8</b>	<b>\$1.3</b>	<b>\$7.4</b>

a) The amount of fund balance appropriated as a financing source in the budget

Because appropriated fund balance was not needed to finance operations, the District accumulated and maintained surplus fund balance that exceeded the statutory limit. The District’s reported surplus fund balance in the general fund exceeded the 4 percent statutory limit each fiscal year from 2017-18 through 2020-21, ranging from 10.3 to 12.8 percent of the next year’s budget, or \$1.4 million to \$2.1 million over the statutory limit.<sup>2</sup>

When the Board and officials annually appropriated fund balance that was not needed to finance operations, this misrepresented the amount of surplus fund balance maintained by the District. By doing so, the Board and officials, in effect, reserved fund balance that was not provided for by statute and circumvented the statutory limit imposed on the amount of surplus fund balance that the District was allowed to retain.

When we added the unused appropriated fund balance to the District’s reported surplus fund balance, the recalculated surplus fund balance ranged from 15.3 to 20.1 percent of the next year’s budget.<sup>3</sup> This exceeded the statutory limit by 11.3 to 16.1 percentage points. At the end of the 2020-21 fiscal year, the recalculated surplus fund balance was \$3.5 million, which exceeded the statutory limit by \$2.6 million (Figure 3).

Our onsite fieldwork ended before the District closed its records for the 2021-22 fiscal year and completed its year-end financial report. When we subsequently reviewed the 2021-22 budget and operating results, we found that District officials continued to overestimate appropriations during the 2021-22 fiscal year.

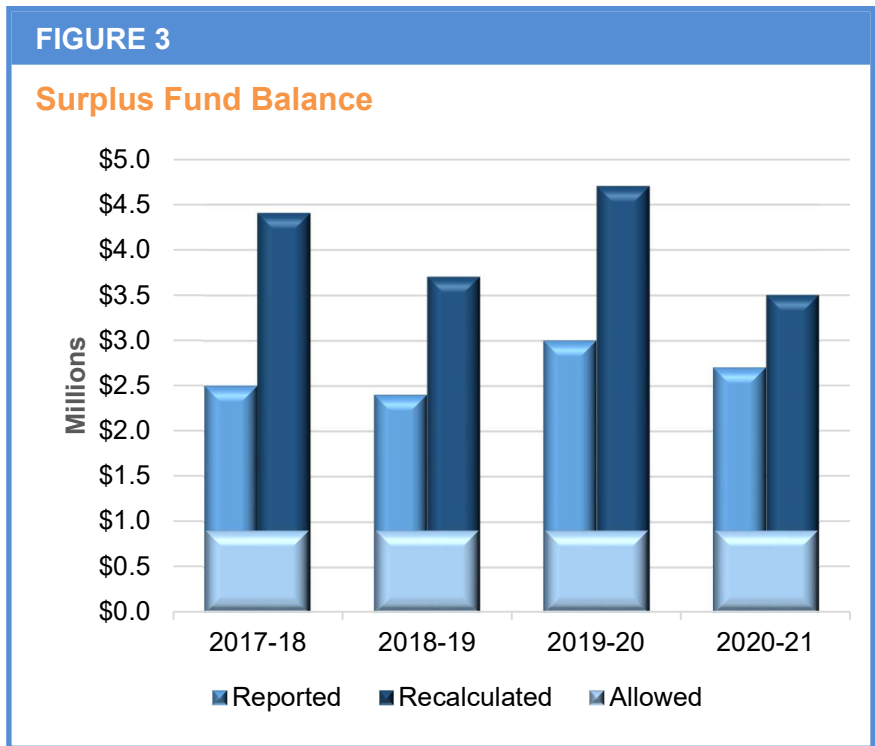
Because the District spent less than budgeted and also received grant monies for a Pre-K program and federal COVID-19 relief funding – which was used to offset previously budgeted expenditures – the District generated another operating

<sup>2</sup> For further information, refer to Figure 5 in Appendix A.

<sup>3</sup> Ibid.

surplus totaling \$2.9 million during the 2021-22 fiscal year. As a result, officials did not need to use the approximately \$800,000 of fund balance that was appropriated in the budget.

If officials continue the same budgeting practices of overestimating appropriations, they will continue to generate annual operating surpluses and not use fund balance appropriated in the budget. This could lead to further accumulation of surplus fund balance that exceeds the statutory limit. By maintaining surplus fund balance over the statutory limit, officials are withholding significant funds from productive use, such as funding one-time expenditures and/or needed reserves, paying off debt or reducing the tax levy to provide relief to taxpayers.



### How Should the Board and Officials Properly Manage Reserve Funds?

Districts are legally allowed to establish reserves and accumulate funds for certain future purposes (e.g., capital projects or retirement expenditures). While districts generally are not limited as to the amount of funds that can be held in reserves, the balances should be reasonable. A board should balance the intent for accumulating funds for identified future needs with the obligation to ensure real property taxes are not higher than necessary.

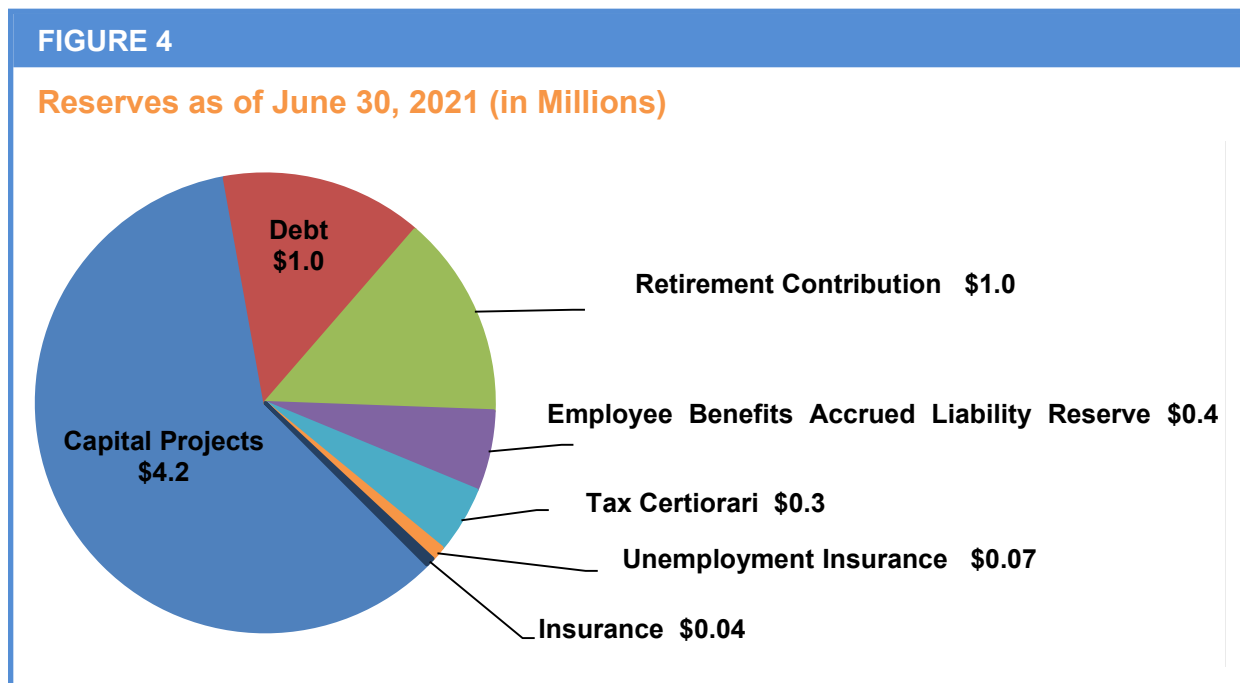
To help ensure that reserve balances do not exceed the amount necessary to address long-term obligations or planned expenditures, a board should adopt a comprehensive written policy and/or plan that states its rationale for establishing reserve funds, objectives for each reserve, maximum targeted funding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

Certain funds are required to be set aside and used to pay related debt. New York State Local Finance Law, Section 165 and New York State General Municipal Law, Section 6-I require districts to establish a debt reserve if unexpended bond proceeds

remain on a capital improvement or if proceeds are received from the sale of a capital improvement that has outstanding debt remaining at the time of the sale. These funds must be restricted and used for related debt principal and interest payments.

### The Board and Officials Could Improve Their Management of Reserve Funds

As of June 30, 2021, the District reported seven general fund reserves<sup>4</sup> with cumulative balances totaling \$6 million and a debt reserve of \$1 million that was accounted for in the debt service fund (Figure 4).



The Board adopted a reserve fund policy that requires officials to provide an annual report to the Board that includes the following information for each reserve:

- The reserve’s description.
- Date established.
- Amounts paid into the reserve.
- Interest earned.

<sup>4</sup> As of June 30, 2021, the District had two capital reserves: one had a balance of \$2.5 million and the other had a balance of \$1.7 million.



- 
- Withdrawal details.
  - Ending balances.
  - An analysis of projected needs in the upcoming fiscal year.
  - Recommendations regarding funding those needs.

However, the policy did not address optimal or targeted funding levels or circumstances under which reserves would be used or replenished. In addition, officials did not provide the Board with a comprehensive annual report on reserves. While the business manager provided the Board with an annual fund balance report that included historic fiscal year-end reserve balances, it did not provide other required information.

The business manager also maintained a reserve spreadsheet showing the dates that reserves were established and financial activity and balances for each reserve. However, the spreadsheet did not include any targeted funding levels or an analysis of the projected needs in the upcoming fiscal year. Also, the business manager did not give the spreadsheet to the Board.

Without a comprehensive reserve fund policy or plan, and annual reports that contained all required and recommended components, the Board's ability to make informed decisions regarding the funding and use of the reserve funds was limited. In addition, the Board's intentions for using and funding reserves was not transparent to District taxpayers.

We reviewed the reserve balances for reasonableness and adherence to requirements in statute. We found that the debt reserve had not been used as required for debt service payments since the 2018-19 fiscal year, and the tax certiorari reserve was not properly funded. The District's other six reserves were reasonably funded, or in the case of the capital reserves, were within the voter-approved maximum amounts. The District transferred \$3.1 million from one of the capital reserves during the 2017-18 fiscal year for use on a capital project and spent \$53,600 during the 2018-19 fiscal year from the tax certiorari reserve to pay related claims. The remaining reserves were not used during the 2017-18 through 2020-21 fiscal years.

Debt Reserve – From the 2017-18 through 2020-21 fiscal years, the District reported between \$904,000 and \$1 million in the debt service fund. The business manager provided us with a spreadsheet which showed that much of the balance in the debt service fund accumulated before she began working at the District in 2017.

The spreadsheet showed that some of the money was associated with premiums on obligations, leftover bond proceeds from completed capital projects and interest earnings, which the District must use to pay related debt-service costs.

---

However, the spreadsheet did not clearly demonstrate the source of all money in the debt service fund or the specific debt issuances to which the money relates. As a result, it is unclear whether all the funds were required to be restricted for debt service payments.

Officials used the debt service funds to pay debt totaling approximately \$432,000 in the 2017-18 and 2018-19 fiscal years. However, they did not use the funds to pay any debt-service costs during the 2019-20 or 2020-21 fiscal years. The District's debt-service costs during these fiscal years averaged about \$2 million annually and were paid entirely out of the general fund.

The business manager told us that the District was planning an upcoming capital project that would be partially financed with debt, which would increase the District's annual debt-service costs in future years. To maintain a stable tax rate, officials planned to use debt service funds to help pay off the current bonds, once new debt is issued.

However, officials are required to use funds that are statutorily required to be retained in the debt reserve to help pay for the District's existing related debt-service costs. Furthermore, any funds that are not required to be restricted in the debt reserve should be returned to the general fund as surplus fund balance. Using debt service funds would have allowed general fund resources to be used for other purposes, such as funding the capital reserve established for the project. This could reduce the amount of debt needed to finance the project and reduce the District's future principal and interest costs.

Tax Certiorari Reserve – New York State Education Law Section 3651 (1-a) authorizes districts to establish a tax certiorari reserve fund to pay judgments and claims in tax certiorari proceedings (legal claims challenging real property tax assessments). However, if a district has money in a tax certiorari reserve fund that will not be reasonably required to pay a tax certiorari judgment or claim, officials must return the money to the general fund on or before the first day of the fourth fiscal year following the date that the money was deposited in the reserve.

As of June 30, 2021, the tax certiorari reserve balance was \$304,641. However, the business manager could not provide us with a list of pending tax certiorari claims to support this amount.

Despite the lack of pending tax certiorari claims, the business manager and Superintendent told us that these funds were set aside over a concern of receiving future tax certiorari claims, which the District might need to pay. However, because officials could not provide claims to support this reserve's balance, and because the District did not have the authority to fund this reserve for claims in future years, officials must return the money in this reserve to the general fund's unrestricted fund balance.

---

When the Board and officials do not use the debt reserve as required and improperly fund the tax certiorari reserve, they withhold funds from being used to meet District needs and could miss opportunities to lower the real property tax levy.

### **Why Is Multiyear Financial Planning Important?**

A board and officials should develop a comprehensive, written multiyear financial plan (multiyear financial plan) to estimate future costs of ongoing services. Multiyear financial planning enables a board and officials to identify revenue and expenditure trends, establish long-term priorities and goals, consider the effect of near-term budgeting decisions on future fiscal years and assess the merits of alternative approaches (such as using surplus funds or establishing and using reserves) to finance operations.

A board and officials should periodically review and update the multiyear (long-term) financial plan to provide a reliable framework for preparing budgets and help ensure that information used to guide decisions is current and accurate.

### **The Board Did Not Adopt a Written Multiyear Financial Plan**

The Board and officials did not develop a comprehensive, written multiyear financial plan to help guide long-term decision-making. The business manager maintained a revenue-and-expenditure projection spreadsheet, which she informally discussed with the Board, that she used for budgeting purposes. The spreadsheet included historic actual and budgeted appropriation and revenue accounts from the 2018-19 through 2021-22 fiscal years, the proposed 2022-23 budget and the budget estimates for the next four fiscal years (through the 2026-27 fiscal year).

This spreadsheet was a useful tool for annual budget preparation and could provide a starting point for developing a written multiyear financial plan. However, the business manager did not give the spreadsheet to the Board to help it make long-term decisions.

The Board and officials should develop and adopt a multiyear financial plan and review and update the plan on an ongoing basis. A well-designed multiyear financial plan can assist the Board and officials in making timely and informed decisions about the District's programs and operations and help them effectively manage the District's fund balance and reserve funds.

---

A well-designed multiyear financial plan can assist the Board and officials in making timely and informed decisions. ...

---

---

## What Do We Recommend?

The Board should:

1. Review and update the reserve policy to include targeted funding levels for each reserve and conditions under which reserves will be used and replenished.
2. Ensure that the business manager provides the Board with an annual report on reserves that contains all required and recommended components.

The Board and District officials should:

3. Develop and adopt budgets that include reasonable estimates of appropriations and discontinue the practice of appropriating fund balance that will not be used to fund operations.
4. Develop a plan to reduce surplus fund balance to comply with the statutory limit and use excess funds in a manner that benefits District taxpayers. Surplus fund balance can be used as a financing source for:
  - Funding one-time expenditures.
  - Funding needed reserves.
  - Paying off debt.
  - Reducing District property taxes.
5. Include provisions in the annual budget for planned transfers to fund reserves.
6. Return the funds inappropriately restricted in the tax certiorari reserve to unrestricted fund balance (i.e., surplus fund balance) in the general fund.
7. Ensure that money properly residing in the debt reserve is used to pay related debt and return any money that is being improperly held in the debt service fund to unrestricted fund balance (i.e., surplus fund balance) in the general fund.
8. Develop and adopt a multiyear financial plan to provide a framework for future budgets and help manage the District's financial condition. The plan should be periodically reviewed and updated as appropriate.

# Appendix A: Surplus Fund Balance and the Statutory Limit

**Figure 5: Surplus Fund Balance and the Statutory Limit (in Millions)**

	2017-18	2018-19	2019-20	2020-21
<b>Reported Year-End Surplus Fund Balance</b>	\$2.5	\$2.4	\$3.0	\$2.7
<b>Add: Appropriated Fund Balance Not Used to Fund Next Year's Budget</b>	\$1.9	\$1.3	\$1.7	\$0.8
<b>Recalculated Surplus Fund Balance</b>	\$4.4	\$3.7	\$4.7	\$3.5
<b>Next Year's Budget</b>	\$23.3	\$23.4	\$23.4	\$22.9
<b>Reported Surplus Fund Balance as a Percentage of Next Year's Budget</b>	10.7%	10.3%	12.8%	11.8%
<b>Reported Surplus Fund Balance Exceeding the Statutory Limit</b>	\$1.6	\$1.4	\$2.1	\$1.8
<b>Recalculated Surplus Fund Balance as a Percentage of Next Year's Budget</b>	18.9%	15.8%	20.1%	15.3%
<b>Recalculated Surplus Fund Balance Exceeding the Statutory Limit</b>	\$3.5	\$2.8	\$3.8	\$2.6

# Appendix B: Response From District Officials

## Thousand Islands Central School District

8481 Co. Rt. 9 PO Box 100 Clayton, New York 13624

Tel: 315-686-5594 ext. 1000 Fax: 315-686-5511

Mr. Michael F. Bashaw, Jr.  
Superintendent

[bashawm@ticsd.org](mailto:bashawm@ticsd.org)  
[www.1000islandsschools.org](http://www.1000islandsschools.org)



April 21, 2023

Rebecca Wilcox  
Chief of Municipal Audits  
State Office Building Room 409  
333 E. Washington St.  
Syracuse, NY 13202-1428

The Thousand Islands Central School District is in receipt of the draft report of Financial Management (Report of Examination 2022-201). The Board of Education and the Administration of the school district appreciate this opportunity to respond to the findings. We appreciate the courteous and professional manner in which the auditors worked over the 12-month audit period. We are pleased to note that no fraud, waste, abuse, mismanagement, security or inventory issues were noted in the audit of our Technology Department.

See  
Note 1  
Page 15

While the District acknowledges the findings of the financial audit, we take issue with some of the recommendations presented:

**1. Review and Update the Reserve Policy to include targeted funding levels for each reserve and conditions under which reserves will be used and replenished.**

The District will take into consideration the recommendation by the OSC audit to include the language “targeted funding levels for each reserve and conditions under which reserves will be used and replenished” when reviewing the policy in the future.

**2. Ensure that the business manager provides the Board with an annual report on reserves that contains all of the required and recommended components.**

As required by TI Board Policy 5512, an annual reserve report is prepared and provided which includes the following information for each reserve fund: a) The type and description of the reserve fund; b) The date the reserve fund was established and the amount of each sum paid into the fund; c) The interest earned by the reserve fund; d) Capital gains or losses resulting from the sale of investments of the reserve fund; e) The total amount and date of each withdrawal from the reserve fund; and f) The total assets of the reserve fund showing cash balance and a schedule of investments. Additionally, this report is provided to the District’s external auditors for their review and is used as supporting documentation when drafting annual financial statements. The report will be updated to include an analysis of the projected needs for the reserve fund in the upcoming fiscal year and a recommendation regarding funding those projected needs. It is important to note here that reserve funding levels are reviewed prior to annual budget adoption, during board of education public meetings.



**3. Develop and adopt budgets that include reasonable estimates of appropriations and discontinue the practice of appropriating fund balance that will not be used to fund operations.**

The district's budgeting practices are consistent with the boards budget development policy.

In accordance with Board of Education Policy 5511, the District "develop[s] and adopt[s] budgets, that to the extent possible, reflect the anticipated revenues and expenditures" of the District. The policy further states, "It is important to note that the annual school budget development is based on prior years' operating results, past expenditure trends, anticipated future needs and available information at the time the budget is developed.... Reasonable budgeting requires that a district builds contingencies for unanticipated expenditures. As such is, has, and will continue to be the practice of the District to be conservative when estimating certain expenditures over which the District has little or no control, such as Special Education and Transportation. Where such budgeting practices and activities result in available balances, the District will endeavor to utilize its reserves to set money aside for future obligations which ultimately result in savings to the taxpayer."

See  
Note 2  
Page 15

**4. Develop a plan to reduce surplus fund balance to comply with the statutory limit and use excess funds in a manner that benefits District taxpayers. Surplus fund balance can be used as a financing source for: funding one-time expenditures; funding needed reserves; paying off debt; and reducing District property taxes.**

The Board has developed a plan to reduce surplus fund balance by transferring excess funds to the capital reserve. The establishment and maintenance of this fund allows for capital improvements to take place in the future with little to no additional tax impact to our taxpayers, and ensures stable tax rates. The rationale for this can be found in BOE Policy 5511 – Maintenance of Fund Balance "The Board recognizes that the maintenance of a fund balance is essential to the financial integrity of the District insofar as it helps mitigate current and future risks and assists in ensuring stable tax rates." While continuing this practice, the 2023-2024 school budget also provides for a tax decrease.

**5. Include provisions in the annual budget for planned transfers to fund reserves.**

The District acknowledges the recommendation and will also highlight these transfers so they are more readily apparent. On May 18, 2021 District residents approved the establishment of a new \$6M capital reserve. In the adopted 2023-2024 budget, the District has a planned transfer of funds to the capital reserve.

**6. Return the funds inappropriately restricted in the tax certiorari reserve to unrestricted fund balance (i.e., surplus fund balance) in the general fund.**

The District acknowledges the recommendation and will return funds which are not supported by current tax judgements and claims to the general fund. The District will be judicious in this task due to the recent re-evaluation and considerable increase in property values within the Town of Clayton and the potential for significant tax adjustments to occur.

See  
Note 3  
Page 15

**7. Ensure that money properly residing in the debt reserve is used to pay related debt and return any money that is being improperly held in the debt service fund to unrestricted fund balance (i.e. surplus fund balance) in the general fund.**

The School Business Manager has reviewed the debt reserve and found no funds were improperly held.

**8. Develop and adopt a multiyear financial plan to provide a framework for future budgets and help manage the District's financial condition. The plan should be periodically reviewed and updated as appropriate.**

---

According to the OSC's multiyear financial planning guidebook, "the size complexity and narrative and level of detail can vary widely from one multiyear plan to the next, but certain elements are essential to a good plan including the following: revenue projections, expenditure projections, annual deficit and surpluses, reserves/fund balances, fiscal improvement plan". With exception of a fiscal improvement plan narrative, all of the noted elements are projected four years into the future and are shared with the Board periodically during each fiscal year.

See Note 4 Page 15
--------------------------

Respectfully, /

/  
Michael Bashaw, Jr.  
Superintendent of Schools  
Thousand Islands CSD

Tucker Wiley ✓  
President  
Thousand Islands BOE

Angela Picunas  
School Business Manager  
Thousand Islands CSD



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

---

### Note 1

Our audit did not include a review of the District's technology department. The scope of our audit was limited to a review of the Board and District officials' management of fund balance and reserves. Therefore, the audit cannot be used to draw any conclusions on the technology department's operations. Refer to Appendix D for information on our audit methodology and related procedures.

### Note 2

The Board and District officials' budgeting practices are not transparent. The Board and officials overestimated appropriations each year to generate operating surpluses at the end of the fiscal year. Furthermore, the Board and officials appropriated fund balance each year, giving the appearance to taxpayers that the District planned to have operating deficits. For example, the Board and officials developed the 2017-18 through 2020-21 budgets with estimated operating deficits totaling \$6.1 million. However, during this same period, the District generated operating surpluses of \$4.1 million (before transfers to the capital projects fund). The Board also used surplus funds to make unbudgeted transfers totaling \$5.5 million to a capital reserve at the end of the 2020-21 and 2021-22 fiscal years.

### Note 3

Education Law Section 3651 (1-a) does not provide authority to pre-emptively fund a tax certiorari reserve for claims in future tax roll years.

### Note 4

The audit report acknowledges that the Business Manager maintained a projection spreadsheet that she informally discussed with the Board. However, the spreadsheet was not provided to or adopted by the Board.

## Appendix D: Audit Methodology and Standards

---

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed Board meeting minutes, relevant laws, District policies, audited financial statements, budgets, multiyear financial projections and various records to gain an understanding of the District's budgeting process and how officials managed fund balance and reserves.
- We reviewed adopted general fund budgets from the 2017-18 through 2020-21 fiscal years to determine whether they were reasonable and structurally balanced by comparing adopted budgets with actual results of operations and assessing whether appropriated fund balance was used to fund operations as planned. We compared the 2021-22 budget with actual results and discussed year-end results with officials to evaluate whether the District needed to use the fund balance that was appropriated.
- We analyzed the trend in total general fund balance for the 2017-18 through 2020-21 fiscal years. We also compared surplus fund balance with the next year's budgeted appropriations to determine whether the District complied with the statutory limit. We recalculated surplus fund balance as a percentage of the next year's appropriation by adding back the unused, appropriated fund balance for the 2017-18 through 2020-21 fiscal years.
- We reviewed tax warrants and adopted budgets to identify trends in the tax levy from the 2017-18 through 2022-23 fiscal years.
- We reviewed reserve fund balances as of June 30, 2021 to assess whether the reserves were used and funded reasonably.

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

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the

---

next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The CAP should be posted on the District's website for public review.

## Appendix E: Resources and Services

---

### **Regional Office Directory**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Contact

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

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

[www.osc.state.ny.us/local-government](http://www.osc.state.ny.us/local-government)

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

**SYRACUSE REGIONAL OFFICE** – Rebecca Wilcox, Chief of Municipal Audits

State Office Building, Room 409 • 333 E. Washington Street • Syracuse, New York 13202-1428

Tel (315) 428-4192 • Fax (315) 426-2119 • Email: [Muni-Syracuse@osc.ny.gov](mailto:Muni-Syracuse@osc.ny.gov)

Serving: Herkimer, Jefferson, Lewis, Madison, Oneida, Onondaga, Oswego, St. Lawrence counties

[osc.state.ny.us](http://osc.state.ny.us)

