



# Village of South Glens Falls

## Financial Condition and Budgeting Practices

### Report of Examination

Period Covered:

June 1, 2010 — May 31, 2013

2014M-102



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 2014

Dear Village Officials:

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

Following is a report of our audit of the Village of South Glens Falls, entitled Financial Condition and Budgeting Practices. 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 General Municipal Law.

This audit's results and recommendations are resources for local government 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 Village of South Glens Falls (Village) is located in Saratoga County and has a population of approximately 3,500 residents. The Village is governed by a Board of Trustees (Board) which comprises four elected Trustees and an elected Mayor. The Board is responsible for the general management and control of the Village's financial affairs. The Mayor is the Village's chief executive officer and is responsible for, among other duties, appointing the Village Clerk-Treasurer, subject to the Board's approval. The Clerk-Treasurer, as the Village's chief fiscal officer, is responsible for receiving, disbursing and maintaining custody of Village moneys, in addition to maintaining the accounting records.

The Village provides various services to its residents, including highway maintenance, snow removal, water and sewer service and general government support. The Village's budgeted appropriations for the 2013-14 fiscal year are approximately \$4.2 million, funded primarily with real property taxes, sales tax and water and sewer rents.

## **Objective**

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

- Does the Board adopt structurally balanced budgets with reasonable estimates and maintain reasonable levels of fund balance?

## **Scope and Methodology**

We examined the Village's financial condition and budgeting practices for the period June 1, 2010 through May 31, 2013. We also reviewed the Village's adopted budgets for June 1, 2013 through May 31, 2014 and June 1, 2014 through May 31, 2015.

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 Local Officials and Corrective Action**

The results of our audit and recommendations have been discussed with Village officials and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. 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. We encourage the Board of Trustees to make this plan available for public review in the Clerk-Treasurer's office.

## Financial Condition and Budgeting Practices

The Board is responsible for the financial planning and management necessary to maintain the Village's fiscal health. As such, an essential component of the Board's duties and responsibilities is to make sound financial decisions that are in the best interest of both the Village and the taxpayers that fund its operations. This responsibility requires Board members to balance the level of services desired and expected from Village residents with the ability and willingness of the residents to pay for such services. To meet these responsibilities, it is essential that the Board adopt structurally balanced budgets for all of its operating funds with recurring revenues to finance recurring expenditures.

The Board is also responsible for monitoring revenues and expenditures against budgeted amounts to ensure that revenues are being realized as expected, that appropriations are not overexpended and that deficits do not occur. Reasonable budget estimates and adequate monitoring are essential to ensuring that property taxes and water and sewer rates are at appropriate levels and excess funds are not being unnecessarily accumulated. Fund balance represents the difference between revenues and expenditures accumulated over time and the Village may retain a reasonable amount of fund balance as a financial cushion for unanticipated expenditures. Operating deficits can be planned for and financed by appropriating fund balance. However, it is important that Village officials ensure that enough fund balance is available to appropriate when preparing the budgets.

The Village's budget process includes participation from the Mayor, who is the Village's budget officer, the Board, the Clerk-Treasurer (Treasurer) and the department heads. The entire budget process takes about six months to complete and includes obtaining quotes from vendors and holding a public hearing prior to the Board adopting the budget. Throughout the year, the Board also receives monthly financial statements from the Treasurer showing budget-to-actual variances for its review.

Despite the budgetary processes used by Village officials, the Board has not adopted structurally balanced budgets with reasonable estimates for revenues and appropriations for the general, water and sewer funds. Specifically, Village officials repeatedly underestimated revenues and overestimated appropriations in these three funds' budgets for the 2010-11 through 2012-13 fiscal years. General fund revenues were underestimated by a total of approximately \$743,000

(10 percent) and appropriations were overestimated by a total of approximately \$1.24 million (13 percent) over the last three fiscal years. The Board also planned for general fund operating deficits in each of the three years reviewed and appropriated a total of approximately \$1.81 million to fund the ensuing years' operations. Due to unrealistic budget estimates, the general fund only used about \$46,000 (2.5 percent) of total appropriated fund balance during this time. As a result, year-end fund balance has remained relatively stable in the three years reviewed. However, had the general fund actually realized the planned deficits, it would have had deficit unrestricted fund balances in all three years.

The water fund has consistently maintained unrestricted fund balance amounts in excess of 300 percent of annual expenditures. The water fund's unrestricted fund balance has increased by approximately \$358,000 (41 percent) from fiscal years 2010-11 through 2012-13. Finally, even though the sewer fund appropriated fund balance each fiscal year to partially finance the subsequent years' operations, the total unrestricted fund balance has increased by approximately \$166,000 (124 percent) from fiscal years 2010-11 through 2012-13. For all three funds, the Board has continued unrealistic budgeting practices with the current budget for fiscal year 2013-14 and the recently adopted budget for fiscal year 2014-15. As such, it is likely that each fund will have results of operations consistent with those in previous years.

General Fund – The Board consistently adopted general fund budgets with unrealistic estimates for revenues and expenditures. As shown in Table 1, Village officials underestimated revenues by a total of \$742,969 (10 percent) and overestimated appropriations by a total of \$1,239,094 (13 percent) from fiscal years 2010-11 through 2012-13. The underestimated revenues and overestimated expenditures were spread throughout budget line items in the general fund. However, there were several large variances between the budget and actual line items. For example, sales tax receipts were underestimated by a combined total of \$397,790 (24 percent) for all three years, utilities gross receipts tax by \$108,441 (118 percent) and franchise tax by \$60,679 (51 percent). Although the estimated revenue figures increased from year to year, the increases were still below the level of revenues realized each year.

Regarding expenditures, health and dental insurance benefits costs were overestimated by a combined total of \$181,068 (13 percent) for all three years, snow removal personal services by \$104,554 (48 percent), street cleaning personal services by \$68,777 (65 percent) and street construction contractual services by \$49,489 (71 percent). Furthermore, despite appropriations being overestimated

by \$363,426 for the 2011-12 fiscal year, Village officials once again increased the appropriations estimate for the 2012-13 fiscal year by more than \$76,000 compared to the previous fiscal year. The Board also included a \$100,000 contingency appropriation in the budget each year that was never used. These budgetary practices continued despite the large budget-to-actual variances that occurred year after year.

	2010-11	2011-12	2012-13	Totals
Estimated Revenues	\$2,332,144	\$2,441,985	\$2,530,850	<b>\$7,304,979</b>
Actual Revenues	\$2,600,900	\$2,712,331	\$2,734,717	<b>\$8,047,948</b>
Variance	\$268,756	\$270,346	\$203,867	<b>\$742,969</b>
Budgeted Appropriations	\$3,127,835	\$3,064,540	\$3,140,973	<b>\$9,333,348</b>
Actual Expenditures	\$2,645,673	\$2,701,114	\$2,747,467	<b>\$8,094,254</b>
Variance	\$482,162	\$363,426	\$393,506	<b>\$1,239,094</b>

Overestimated appropriations coupled with underestimated revenues resulted in positive budget-to-actual variances. Such variances are normally desirable for local governments; however, consistent and significant variances usually indicate poor budgetary practices and could result in over taxing property owners. Furthermore, as shown in Table 2, the Board also planned for operating deficits in each of the three years reviewed and appropriated a total of approximately \$1.81 million to fund the ensuing years’ operations. Due to unrealistic budget estimates, the general fund only used about \$46,000 (2.5 percent) of total appropriated fund balance during this time. As a result, year-end fund balance has remained relatively stable in the three years reviewed.

Although Village officials decreased the amount of appropriated fund balance in the budget over the last three fiscal years, they consistently appropriated fund balance in excess of what would have been available had the budgets been accurate. Had the general fund actually realized the planned deficits, it would have had fund balance deficits for all three fiscal years ranging from \$90,101 to \$129,537.



<b>Table 2: General Fund – Operating Results and Fund Balance</b>			
	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
Beginning Fund Balance	\$548,557	\$503,784	\$515,001
Actual Revenues	\$2,600,900	\$2,712,331	\$2,734,717
Less: Actual Expenditures	\$2,645,673	\$2,701,114	\$2,747,468
Operating Surplus/(Deficit)	(\$44,773)	\$11,217	(\$12,751)
<b>Total Year-End Fund Balance</b>	<b>\$503,784</b>	<b>\$515,001</b>	<b>\$502,250</b>
Less: Restricted Fund Balance	\$10,766	\$10,421	\$10,421
<b>Total Unrestricted Fund Balance at Year-End</b>	<b>\$493,018</b>	<b>\$504,580</b>	<b>\$491,829</b>
Unrestricted Fund Balance as a Percentage of Expenditures	19%	19%	18%
Less: Fund Balance Appropriated to Finance Next Year's Operations	\$622,555	\$610,123	\$581,930
Unrestricted Fund Balance Deficit / Budgetary Deficits	(\$129,537)	(\$105,543)	(\$90,101)

We reviewed the 2013-14 adopted budget, which includes estimated revenues of \$2,605,686 and appropriations of \$3,187,616. The budgeted revenues for 2013-14 are less than the actual revenues received in the last two fiscal years by about \$100,000 each year. Furthermore, the budgeted appropriations for 2013-14 are between \$440,148 and \$541,943 greater than the actual expenditures for the last three fiscal years. Thus, the current budget does not reflect the actual results of the prior fiscal years. Subsequent to fieldwork, we reviewed the 2014-15 Board adopted budget consisting of revenues of \$2,705,109 and appropriations of \$3,333,650. Despite raising these budget issues with Village officials during the course of the audit, they still included unrealistic estimates for revenues and appropriations in this budget.

Water Fund – The Board's inadequate budgeting practices for the water fund have resulted in an excessive amount of fund balance being accumulated over the years. As shown in Table 3, although Village officials' revenue estimates for the 2010-11 and 2011-12 fiscal years were in line with actual revenues, the 2012-13 revenue estimates were almost \$134,000 less than actual revenues, a 28 percent variance. Budgeted revenues increased from 2011-12 to 2012-13 because the Board approved increases to customer water rates in 2012-13. However, actual revenues received significantly exceeded the estimates. The Board should have been able to calculate these revenues more realistically, being that there are a set number of customers being billed for water and a set rate being charged.

Appropriations were overestimated by a total of \$394,330 over the last three fiscal years, a 33 percent variance.<sup>1</sup> We found the largest variances between budgeted and actual expenditures for the water fund in the following line items: water pump contractual costs were overestimated by a combined total of \$109,942 (40 percent) water administration contractual costs by \$42,422 (25 percent), and water pump equipment by \$31,921 (32 percent) for all three fiscal years. In addition, Board members included bond anticipation note principal and interest payments totaling \$43,000 in the 2012-13 budget even though payments were not recorded in these line items for the fiscal year.

	2010-11	2011-12	2012-13	Totals
Estimated Revenues	\$329,169	\$333,850	\$481,400	<b>\$1,144,419</b>
Actual Revenues	\$334,213	\$336,669	\$615,089	<b>\$1,285,971</b>
Variance	\$5,044	\$2,819	\$133,689	<b>\$141,552</b>
Estimated Appropriations	\$354,606	\$369,461	\$484,422	<b>\$1,208,489</b>
Actual Expenditures	\$250,043	\$187,711	\$376,405	<b>\$814,159</b>
Variance	\$104,563	\$181,750	\$108,017	<b>\$394,330</b>

The water fund has consistently maintained an unrestricted fund balance level in excess of 300 percent of the fund’s annual expenditures. As can be seen in Table 4, unrestricted fund balance has increased by approximately \$358,000 (41 percent) from the end of the 2010-11 fiscal year to the end of the 2012-13 fiscal year and the unrestricted fund balance was 353 percent, 567 percent and 330 percent of the annual expenditures for the three years reviewed.

<sup>1</sup> Revenues and expenditures increased during the 2012-13 fiscal year because the Village had to purchase resident water from the Town of Moreau while the Village was completing a water treatment plant infrastructure improvement project.

**Table 4: Water Fund – Operating Results and Fund Balance**

	2010-11	2011-12	2012-13
Beginning Fund Balance	\$834,147	\$918,317	\$1,067,275
Actual Revenues	\$334,213	\$336,669	\$615,089
Actual Expenditures	\$250,043	\$187,711	\$376,405
Operating Surplus	\$84,170	\$148,958	\$238,684
<b>Total Year End Fund Balance</b>	<b>\$918,317</b>	<b>\$1,067,275</b>	<b>\$1,305,959</b>
Less: Fund Balance Appropriated to Finance Next Year's Operations	\$35,611	\$3,022	\$65,696
Unrestricted Fund Balance	\$882,706	\$1,064,253	\$1,240,263
Unrestricted Fund Balance as a Percentage of Expenditures	353%	567%	330%

The Board's practice of consistently overestimating appropriations in all three years and underestimating revenues in the 2012-13 fiscal year has resulted in the water fund realizing consistent and increasing amounts of annual operating surpluses. Furthermore, the poor budgetary practices have resulted in a substantial level of fund balance that is materially excessive when compared to the level of the fund's annual expenditures. While Village officials appropriated portions of fund balance to finance the subsequent years' operations, the Village never actually used any of the fund balance because revenues significantly exceeded expenditures each year.

The water fund's 2013-14 adopted budget includes revenues of \$503,500 and appropriations of \$569,196. Although the Village will incur additional costs associated with purchasing water during 2013-14 due to an ongoing project, it is likely that appropriated fund balance will not be used to finance operations for the fiscal year. Subsequent to fieldwork, we reviewed the Board adopted 2014-15 budget consisting of revenues of \$516,250 and appropriations of \$582,487. Again, the Board adopted a budget that includes increases to both estimated revenue and appropriations from the previous fiscal year. Based on historical trends, the water fund will likely have a surplus in fiscal year 2014-15 that is similar to those in previous years.

Sewer Fund – The sewer fund's revenue estimates were in line with actual revenues for fiscal years 2010-11 through 2012-13, and the budget-to-actual variance decreased from about \$21,000 to about \$9,400 (55 percent) over these three years. However, Village officials repeatedly overestimated appropriations during this period by a total of \$337,488, as shown in Table 5. We found the largest variances between budgeted appropriations and actual expenditures in the

following line items: City of Glens Falls contractual costs were overestimated by a combined total of \$172,512 (20 percent), sewage disposal contractual by \$34,625 (29 percent) and sewage disposal equipment by \$33,044 (52 percent) for all three fiscal years.

	2010-11	2011-12	2012-13	Totals
Estimated Revenues	\$363,084	\$372,176	\$372,085	<b>\$1,107,345</b>
Actual Revenues	\$384,102	\$388,362	\$381,483	<b>\$1,153,947</b>
Variance	\$21,018	\$16,186	\$9,398	<b>\$46,602</b>
Estimated Appropriations	\$424,014	\$434,458	\$433,478	<b>\$1,291,950</b>
Actual Expenditures	\$331,361	\$307,276	\$315,825	<b>\$954,462</b>
Variance	\$92,653	\$127,182	\$117,653	<b>\$337,488</b>

Despite Village officials’ practice of appropriating fund balance to partially finance the subsequent year’s operations each year, the sewer fund’s unrestricted fund balance has increased by approximately \$166,000 (124 percent) from the 2010-11 through 2012-13 fiscal years. Similar to the water fund, the sewer fund’s significant operating surpluses have resulted in none of the appropriated fund balance actually being used to finance operations.

The sewer fund’s 2013-14 adopted budget includes revenues of \$378,500 and appropriations of \$421,909. Given the actual results of the past three fiscal years and the amounts in the adopted budget, it is likely that the sewer fund’s unrestricted fund balance will continue to increase. Subsequent to fieldwork, we reviewed the Board adopted 2014-15 budget consisting of revenues of \$378,570 and appropriations of \$429,346. Based on historical results of operations, it is likely that the sewer fund will again have an operating surplus in this year.

**Table 6: Sewer Fund – Operating Results and Fund Balance**

	2010-11	2011-12	2012-13
Beginning Fund Balance	\$143,034	\$195,775	\$276,861
Actual Revenues	\$384,102	\$388,362	\$381,483
Actual Expenditures	\$331,361	\$307,276	\$315,825
Operating Surplus	\$52,741	\$81,086	\$65,658
<b>Total Year End Fund Balance</b>	<b>\$195,775</b>	<b>\$276,861</b>	<b>\$342,519</b>
Less: Fund Balance Appropriated to Finance Next Year's Operations	\$62,282	\$61,393	\$43,409
Unrestricted Fund Balance	\$133,493	\$215,468	\$299,110
Unrestricted Fund Balance as a Percentage of Expenditures	40%	70%	95%

The Treasurer informed us that the appropriations for contingencies and the amount of fund balance to be appropriated are the last two amounts determined to balance the budgets for each fund. Furthermore, the Treasurer stated she instructs the Board to underestimate revenues and overestimate appropriations to develop a realistic and appropriate budget for each year. The Treasurer said that she uses this budgetary practice to account for price increases that may occur between the time department heads receive the quotes that they used to prepare their budget requests and the time the purchases are made.

It is important to be prepared for unexpected events by either keeping some unassigned fund balance or by adopting a conservative budget. Keeping a very large fund balance and adopting extremely conservative budgets, as the Village has been doing, results in unnecessarily high tax rates and user charges. The Board's questionable budgetary practices also resulted in the water and sewer funds accumulating growing and excessive levels of unrestricted fund balance.

## Recommendations

1. The Board and Village officials should develop and adopt annual budgets that include realistic estimates for revenues, expenditures and the amount of fund balance appropriated to finance operations. The estimates should reflect the actual level of spending and revenues anticipated during the year and be supported by historical data, trends and other applicable supporting sources of information.
2. Village officials should accurately project the amount of available fund balance prior to appropriating it as a financing source for the subsequent year's operations. This will prevent appropriating fund balance in excess of what is actually available.

## **APPENDIX A**

### **RESPONSE FROM LOCAL OFFICIALS**

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



46 Saratoga Avenue

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Telephone (518) 793-1455 Fax (518) 793-3063

June 23, 2014

Mr. Jeffery Leonard  
Chief Examiner  
NYS Office of the State Comptroller  
Division of Local Government and School Accountability  
One Broad Street  
Glens Falls, NY 12801

Dear Mr. Leonard:

This letter serves a response to a Report of Examination of the Village of South Glens Falls Financial Conditioning and Budget Practices as well as it will outline the Village Board of Trustees Corrective Action Plan.

I, as the Mayor, as well as the Board of Trustees have read and reviewed the Report of Examinations from the NYS Office of the State Comptroller covering the periods from June 1, 2010 – May 31, 2014.

The Village Board continues to receive a monthly financial statement in which we will continue to monitor revenues and expenditures against budgeted amounts on a monthly basis for the June 1, 2014-May 31, 2015 budget year. Throughout the 12 month process there will be 6 months of preparation for the June 1, 2015- May 31, 2016 budget. During that 6 month period the Village Board will continue to analyze the “Budget to Actual Comparisons” and “Operating Results and Fund Balances” to insure the most accurate figures for the future financial operation of the Village.


The General Funds have fluctuated in the appropriations as well as the revenue for the periods covered in the Report of Examinations. This is largely due that in 2011 the Village of South Glens Falls no longer maintained an assessing unit for tax purposes. The Village solely relies on the Town of Moreau’s prior year assessments to meet the expected tax revenues of the General fund. The appropriations estimates are based on prior year actuals as well as meeting the demands of the union contracts, NYS retirement, Health, Dental and Vision Insurances, and the overall increase for the yearly operations of the Village. The Village Board does realize the importance of realistic estimates in this fund and will continue to monitor and review both the appropriations as well as the revenues for future budgeting purposes.

The Water Funds have fluctuated in the appropriations as well as the revenue for the periods covered in the Report of Examinations. This is due largely because in 2012 the Village of South Glens Falls was mandated by NYS Department of Health to revamp and refurbish the Village Water Treatment Facility. The Village has always tried to maintain a reasonable water rate for all customers. The Village Board does realize the importance of realistic estimates in this fund and will continue to monitor and review both the appropriations as well as the revenues for future budgeting purposes. Recently the Village Board established a water committee which will research and then supply the Board of Trustees with estimates for future revenues of water rates in the Village.

The Sewer Funds have fluctuated in the appropriations as well as the revenue for the periods covered in the Report of Examinations. This is due largely because the Village relies on the waste water operations and facility in the City of Glens Falls. The Village receives yearly budgeted estimates of expenditures from the City of Glens Falls Waste Water Treatment Facility in which the Village, then establishes a projected expense for the following year. The Village has always tried to maintain a reasonable sewer rate for all customers. The Village Board does realize the importance of realistic estimates in this fund and will monitor and review both the appropriations as well as the revenues for future budgeting purposes. Recently the Village Board established a sewer committee which will research and supply the Board of Trustees with estimates for future revenues of sewer rates in the Village.

The Village of South Glens Falls has taken the responsibility to initiate a corrective action plan listed above by forming committees to better provide an understanding in the adoption of a structurally balanced budget with reasonable estimates which will help provide for the future levels of the general, water, sewer fund balances.

Very Truly Yours,

  
Joseph Orlow,  
Mayor



## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to determine if internal controls over selected financial activities were appropriately designed and operating effectively. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: control environment, financial condition, budgeting, accounting records and reports, cash management, cash receipts and disbursements, purchasing, claims processing, payroll and personal services, billed receivables, real property taxes and information technology (IT).

During the initial assessment, we interviewed appropriate Village officials to gain an understanding of the internal control structure and determine the effectiveness of such controls. We also performed limited tests of transactions and reviewed pertinent documents such as adopted policies and procedures, Board minutes and financial records and reports. Through our completion of the IT questionnaire, we gained an understanding of the Village's information systems controls. Further, we reviewed the Village's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable. After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for inherent control risks. We then decided on the reported objective and scope by selecting for audit the area most at risk. We selected internal controls over financial condition and budgeting practices for further audit testing.

To accomplish the objective of this audit, we performed the following audit procedures:

- We interviewed appropriate Village officials to gain an understanding of the Village's financial management policies and procedures. This included inquiries about the Village's preparation of financial statements, budgeting practices, availability of multiyear financial and capital plans and the development of plans to maintain the Village's fiscal stability.
- We reviewed minutes of the proceedings of the Board for approval of the monthly financial statements, annual budgets and reserve funds.
- For fiscal years 2010-11 through 2012-13, we compared the adopted budgeted revenues to the actual revenues for the general, water and sewer funds and noted line items with large variances. We then summarized totals by account categories to determine if budgeted revenues were underestimated or overestimated.
- For fiscal years 2010-11 through 2012-13, we compared the adopted budgeted appropriations to the actual expenditures for the general, water and sewer funds and noted line items with large variances. We then summarized totals by account categories to determine if budgeted appropriations were underestimated or overestimated.
- We also reviewed the Village's adopted budgets for 2013-14 and 2014-15 to determine if budgeting trends continued from the prior fiscal years.

- For fiscal years 2009-10 through 2012-13, we reviewed the Village's bank reconciliations and supporting documents to perform a reconciliation of cash and show our calculation of the distribution of the bank account balance totals for the general, water and sewer funds. As a result, we were able to determine any difference between the ending bank statement balances and the reconciled general ledger balances. We also verified any differences between the general ledger balances reported on the Annual Update Document (AUD) and used by Village officials to reconcile the bank statements.
- For May 31, 2010, we prepared an analysis using our calculation of the distribution of bank account balance totals for May 31, 2010 as the ending cash balance to determine the correct fund balance for the general, water and sewer funds as of June 1, 2010.
- For fiscal years 2010-11 through 2012-13, we took our calculation of ending fund balance from the previous fiscal year and added or subtracted the operating surplus or deficit to determine our calculation of ending fund balance for the current fiscal year. We then reduced our calculation of ending fund balance by any reserve accounts listed on the general ledger and the appropriated fund balance documented on the ensuing year's budget. As a result, we were able to compare this total to the Village's reported fund balance total on the AUD and quantify any differences. We also performed a calculation to determine fund balance as a percentage of the ensuing year's appropriations. Finally, we summarized the data to determine if there were any significant trends.
- For fiscal years 2010-11 through 2012-13, we compared actual revenues to actual expenditures for the general, water and sewer funds to determine if there was an operating surplus or deficit. We also determined if any of the funds demonstrated significant trends over the years.
- For fiscal years 2010-11 through 2012-13, we compared the appropriated fund balance recorded in the budget to the AUD and the general ledger for the general, water and sewer funds.

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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