

District overestimated expenses

Audit

Audit finds Churchville-Chili shifted \$6.3M

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The Churchville-Chili Central School District overestimated its expenses by \$6.3 million over three years then shifted the surplus into another account, possibly to avoid violating state accounting regulations, according to an audit by the state Comptroller's office.

In an unusually stern report, Comptroller Thomas DiNapoli criticized the district for failing to follow the recommendations of a 2009 audit that focused on the same problem. In particular, he wrote, the unbudgeted money transfers "diminish the transparency of district finances to the taxpayers."

According to the audit, the district overestimated its expenditures by about 6.5 percent in 2012, 2013 and 2014, totaling about \$14.9 million. To leave that much unassigned cash in the general fund would violate state law; instead, the district made unforeseen transfers to its separate capital improvement account.

"The district's practice of consistently appropriating fund balance that is not

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needed to finance operations is, in effect ... a circumvention of the 4 percent statutory limit imposed on the level of unrestricted, unappropriated fund balance," the auditor wrote. "The board should include any planned transfers for known capital projects in its adopted budgets to increase transparency and avoid the appearance of moving money to reduce fund balance to the statutory limit while continuing to overtax property owners."

A 2009 audit, covering the years 2002 to 2007, made the same point.

It found the district had accumulated an extra \$4 million and had generated 14 percent more tax revenue than necessary.

The report also found the district's accounts for retirement contributions, unemployment insurance and workers' compensation were "overfunded and potentially unnecessary." The three accounts combined hold \$10.9 million.

In its response to the audit, the district said it would consider ways to spend down those three accounts and would be "less conservative on its estimates" for expenditures, but otherwise largely defended its budgeting practices.

The money in the capital reserve, it said, was used to pay for a number of projects that otherwise would have required additional taxes.

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