



Central Square Central School District

Fund Balance

2022M-196 | March 2023

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Report Highlights

Central Square Central School District

Audit Objective

Determine whether Central Square Central School District (District) officials accurately reported fund balance, maintained surplus fund balance within the statutory limit and maintained reserve funds at reasonable levels.

Key Findings

District officials did not accurately report the District's surplus fund balance, maintain surplus fund balance within the statutory limit or maintain all reserve funds at reasonable levels. As a result, officials reduced the transparency of District finances and kept \$8 million from productive use. Although the District had relatively modest property tax increases each year, the increases may not have been necessary, considering the amount of excess surplus funds retained.

- The District's surplus fund balance exceeded the statutory limit by about \$8 million (9.2 percentage points) as of June 30, 2021. While officials reported that the District's surplus fund balance exceeded the legal limit by \$1.6 million, officials also overstated accrued liabilities, nonspendable fund balance and encumbrances, which resulted in surplus fund balance being underreported by about \$6.4 million.
- Officials could not provide us with evidence that the Board properly established the employee benefit accrued liability reserve (EBALR). As of June 30, 2021, the reserve had a balance of \$3.6 million that exceeded the liabilities eligible to be paid from the reserve by \$1.5 million.

Key Recommendations

- Accurately report surplus fund balance.
- Comply with the statutory surplus fund balance limit.

District officials generally agreed with our recommendations and indicated that they planned to initiate corrective action.

Background

The District serves the Towns of Amboy, Constantia, Hastings, Mexico, Palermo, Parish, Schroepel and West Monroe in Oswego County, the Towns of Cicero and Clay in Onondaga County, and the Town of Vienna in Oneida County.

The District is governed by a nine-member Board of Education (Board). 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 District's business office operations. The Board, Superintendent and business manager are responsible for developing the budget.

Quick Facts

Enrollment	3,439
2020-21	
Total Fund Balance	\$20.6 million
Reported Surplus Fund Balance	\$5 million
Recalculated Surplus Fund Balance	\$11.4 million
2021-22	
Budgeted Appropriations	\$86 million

Audit Period

July 1, 2017 – June 30, 2022.

Fund Balance

Fund balance is the difference between revenues and expenditures accumulated over time. A school district (district) may retain a portion of fund balance, referred to as surplus fund balance, for unexpected occurrences and fluctuations in cash flow.¹

How Should District Officials Maintain and Report Surplus Fund Balance?

Officials must comply with New York State Real Property Tax Law Section 1318, which limits the amount of surplus fund balance that a district can retain to no more than 4 percent of the next year's budgeted appropriations. Officials must use any surplus fund balance over this percentage to reduce the next year's real property tax levy or fund needed reserves.

District officials should maintain financial records that accurately depict the district's true financial condition. For example, the annual financial reports should accurately reflect fund balance classifications and constraints (i.e., nonspendable, restricted, committed, assigned or unassigned). Also, the accounting records must be accurate to support those classifications (e.g., accrued liabilities, noncurrent receivables and encumbrances).

Officials should record accrued liabilities when expenditures are incurred in the current fiscal year that will not be paid until the following fiscal year. When a district's financial records are closed out at the end of the year, its expenditures decrease fund balance. When expenditures and accrued liabilities are recorded in a current year but not paid with current financial resources, it artificially reduces the amount of surplus fund balance.

Officials should classify and report fund balance appropriately. Nonspendable fund balance consists of assets that are inherently nonspendable in the current period, either because of their form or because they are legally or contractually required to be maintained intact. These include prepaid items, inventories, long-term portions of loans receivable and principal of endowments. Only amounts such as these should be reported as nonspendable fund balance.

Before the end of the fiscal year, officials should review all outstanding encumbrances and determine whether amounts should be carried forward, adjusted or canceled. Encumbrances are commitments related to unfulfilled contracts for goods or services that are already ordered but not yet received. At the end of the fiscal year, if resources have not already been restricted or committed, officials should consider amounts encumbered as assigned fund

¹ Surplus fund balance is generally defined as unrestricted fund balance minus appropriated fund balance and encumbrances included in committed and assigned fund balance. For additional information on fund balance classifications, refer to our accounting bulletin at <https://osc.state.ny.us/localgov/pubs/releases/gasb54.pdf>.

balance for the purpose of the expected expenditure. This serves to constrain fund balance and is done so that the following year's budget may be increased by these amounts.

Officials should generally close open purchase orders (OPOs) by the end of the fiscal year. OPOs are sometimes used for purchasing goods or services that are needed on a repetitive basis and should be issued for a specific amount and a limited time-period. Officials should not use OPOs to encumber funds for expenditures attributable to the next fiscal year's budget.

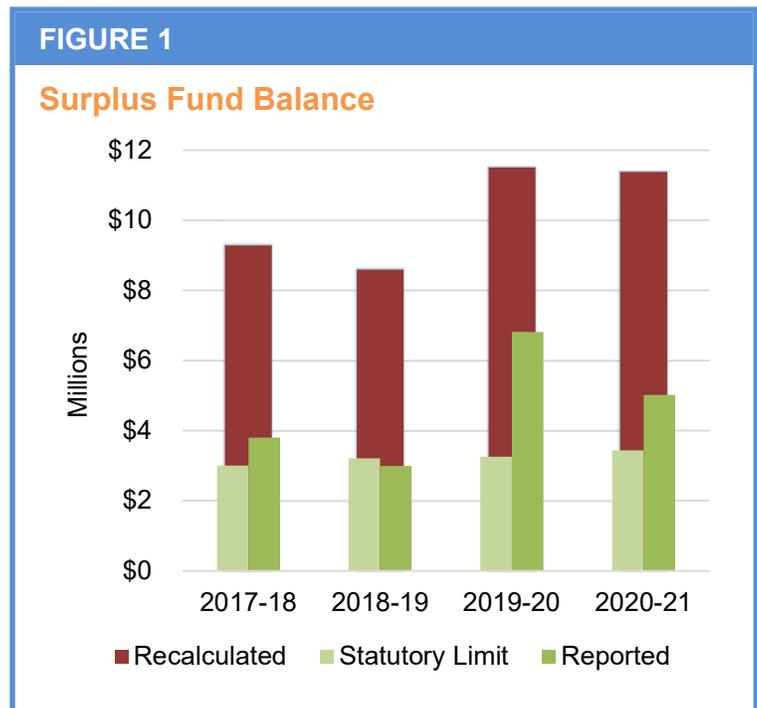
Surplus Fund Balance Exceeded the Statutory Limit and Was Not Accurately Reported

District officials should improve their accounting practices to accurately report fund balance in the general fund. The District reported surplus fund balance (also classified as unassigned fund balance) that exceeded the 4 percent statutory limit for three out of four years during the 2017-18 through 2020-21 fiscal years.

As of June 30, 2021, the District's reported surplus fund balance exceeded the statutory limit by about \$1.6 million (1.8 percentage points). However, in the District's financial records, officials overstated accrued liabilities, nonspendable fund balance and encumbrances in each of the last four years, which caused the District's surplus fund balance to be artificially understated.

After we recalculated the surplus fund balance to correct these reporting errors, surplus fund balance exceeded the statutory limit by an average of about \$7 million each year. As of June 30, 2021, the recalculated surplus fund balance totaled about \$11.4 million, which exceeded the statutory limit by nearly \$8 million (9.2 percentage points) (Figure 1).

Although our fieldwork ended before the final 2021-22 fiscal year information was available, the amounts reported are consistent with the last four fiscal years, except for one component of nonspendable fund balance. As a result, the 2021-22 reported surplus fund balance is most likely understated as well.



The differences between the reported surplus fund balances and the recalculated surplus fund balances relate directly to the District's overreporting of certain amounts, as follows:

Accrued Liabilities – The District reported accrued liabilities between about \$3.2 million and \$4.6 million at the end of each fiscal year. However, most of the liabilities did not represent actual expenditures incurred during these fiscal years. For example, we found that between about \$2.8 million and \$4 million should not have been accrued as a current liability each year because it was not expected to be paid with current financial resources (Figure 2).

Figure 2: Overstated Accrued Liabilities

	2017-18	2018-19	2019-20	2020-21
Workers' Compensation	\$500,000	\$500,000	\$250,000	\$250,000
Health Insurance	2,475,262	2,000,000	1,250,000	1,250,000
Compensated Absences	1,068,393	1,324,299	1,324,299	1,324,299
Totals	\$4,043,655	\$3,824,299	\$2,824,299	\$2,824,299

When a liability is accrued, the expenditure is recorded but not yet paid. Also, surplus fund balance is reduced when expenditures are closed to fund balance at the end of the fiscal year. Therefore, when accrued liabilities are overstated, the District's surplus fund balance is understated.

The business manager provided supporting documentation for accrued liabilities for payroll and benefits (including stipend, service and separation payments for employees who were leaving District employment by the end of the fiscal year) and for the District's cumulative share of a Board of Cooperative Educational Services (BOCES) program. However, the business manager did not provide sufficient supporting documentation for amounts accrued for workers' compensation, health insurance and compensated absences.

The business manager gave us a September 2021 email from the District's health insurance consultant that recommended the District hold \$1.25 million at the end of the 2020-21 fiscal year for possible health insurance-related costs in the following fiscal year. The consultant suggested that the District set aside \$500,000 for its old insurance plan, to cover potential claims incurred through June 2018 that had not yet been reported or paid, and \$750,000 to cover the District's share of possible deficits in its new plan for the following year. The business manager also gave us similar emails from the consultant to explain the health insurance amounts included as accrued liabilities for the two prior fiscal years.

However, the amounts suggested by the consultant as "set-asides" did not represent current-year expenditures that were actually incurred and measurable. In addition, officials did not provide a sufficient explanation or

supporting documentation for the accrued liabilities for workers' compensation or compensated absences. Therefore, these expenditures and the related accrued liabilities should not have been recorded.

Nonspendable Fund Balance – The District reported nonspendable fund balance between \$2.6 million and \$3.2 million over the past four fiscal years. However, a portion of the fund balance designated as nonspendable did not meet the classification requirements for nonspendable fund balance during each fiscal year. As a result, nonspendable fund balance was overstated by between \$983,000 and \$2.45 million during the 2017-18 through 2020-21 fiscal years (Figure 3).

Figure 3: Overstated Nonspendable Fund Balance

	2017-18	2018-19	2019-20	2020-21
Health Insurance Cash Requirement	\$0	\$0	\$0	\$1,360,100
Special Aid Fund Receivable	993,986	983,027	1,160,160	1,025,056
School Lunch Fund Receivable	0	0	0	62,665
Totals	\$993,986	\$983,027	\$1,160,160	\$2,447,821

The nonspendable amounts included health insurance money² and noncurrent receivables (amounts due from the special aid fund³ and school lunch fund). In 2017, officials deposited \$1.36 million into a bank account as required by an agreement with the District's health insurance provider. The District reported the funds as nonspendable fund balance each year because the funds were contractually required to be maintained intact.

The District switched to a different provider beginning with the 2018-19 fiscal year. In September 2020, the former provider notified the District that, effective July 2020, it was no longer required to hold the funds. The District promptly closed this bank account, but incorrectly reported the \$1.36 million as nonspendable fund balance at the end of the 2020-21 fiscal year. Officials subsequently corrected the error and did not report this amount as nonspendable on the District's 2021-22 financial reports.

A portion of the nonspendable fund balance recorded in the general fund was attributed to noncurrent accounts receivable that were due from the special aid and school lunch funds. The general fund advanced money to these funds when they experienced cash flow shortfalls.

² These amounts were not included in the amounts attributed to the accrued liabilities for health insurance.

³ Officials used the special aid fund to account for special projects or programs that were supported in whole or in part by federal funds or State-funded grants.

The business manager worked with the District's independent auditor to calculate the nonspendable amount for special aid fund advances by netting the fiscal year-end advances outstanding with the special aid fund cash on hand. Then they computed a three-year average of that and multiplied it by 80 percent. This amounted to about \$1 million per year, which was classified as nonspendable fund balance. The business manager said they did this because they typically were waiting for various grant money at the end of the fiscal year.

However, the business manager told us that the District usually received grant money within 90 days of submitting grant expenditures for reimbursement. In addition, we reviewed the 2020-21 year-end special aid fund grants receivable and found that most (93 percent) were received within 180 days.

Because the special aid fund had sufficient current resources (cash and grants receivables) at the end of the fiscal year to repay the advances from the general fund, the advances were not long-term receivables. Therefore, they should not have been classified as nonspendable fund balance in the general fund.

In addition to advancing funds to the special aid fund for cash flow purposes, the District also advanced funds from the general fund to the school lunch fund to address cumulative annual operating deficits, which led to a \$762,200 deficit fund balance in the school lunch fund at the end of 2020-21. Because the school lunch fund did not have sufficient resources to repay the advances from the general fund, the District considered the advances to be long-term receivables and classified about \$824,800 as nonspendable fund balance in the general fund. However, this amount incorrectly included \$62,665 related to the school lunch inventory, which was already accounted for as nonspendable in the school lunch fund balance and should not have been used to determine the noncurrent portion of the general fund receivable.

Furthermore, officials essentially used interfund advances from the general fund to subsidize the school lunch fund, which had fund balance deficits that increased from \$271,700 at the end of 2017-18 to \$762,200 at the end of 2020-21. Officials should consider taking steps to make the school lunch fund self-sufficient. If they do not expect the advances to be repaid, they should budget and record an interfund transfer to more accurately reflect that the general fund is providing a subsidy and not a loan.

Encumbrances – Purchase orders (POs) authorize the delivery of goods and services and encumber funds to pay for them. PO amounts carried forward as encumbrances at the end of a fiscal year are classified as assigned fund balance for financial reporting purposes and are excluded from the 4 percent surplus fund balance limit. As a result, carryover encumbrances should represent goods or services already ordered but not yet delivered or paid for. Generally, encumbrances should be liquidated within the first few months of the following

year, when the related contractual obligations have been satisfied and the vendors are paid.

The District carried forward its outstanding POs at the end of the fiscal year and reported encumbrances totaling between approximately \$1.3 million and \$1.7 million during the last four fiscal years. We compared the year-end POs to the following year’s activities and took a conservative approach to quantify the amount of overstated encumbrances.

We excluded POs that were spent within one year even though they should typically be spent within the first few months after the end of the year. A significant number of the year-end encumbrances were not valid commitments because between \$450,000 and \$1.1 million were not spent within one year (Figure 4).

Figure 4: Overstated Encumbrances

	2017-18	2018-19	2019-20	2020-21
Fiscal Year-End Outstanding Encumbrances	\$1,505,760	\$1,295,244	\$1,352,937	\$1,746,320
Plus: Carryover Encumbrances (POs) Increased in Subsequent Year	3,629	2,245	5,941	23,631
Less: Expenditures in Subsequent Year From Carryover Encumbrances	1,058,867	507,927	649,361	678,701
Overstated Amount	\$450,522	\$789,562	\$709,517	\$1,091,250
Overstated Percentage	30%	61%	52%	62%

Furthermore, the District carried some of the same encumbrances forward during multiple years. For example, the \$1.35 million encumbrances at the end of the 2019-20 fiscal year included \$377,161 (28 percent) from POs that originated in the two preceding fiscal years. Of that amount, \$39,618 originated in 2017-18 and \$337,543 in 2018-19. While these amounts are already reflected in the previously mentioned overstated amounts, these examples further demonstrate how encumbrances did not always represent valid commitments for purchases of goods and services.

To assess the appropriateness of the encumbrances in more detail, we reviewed 18 POs (encumbrances) that were outstanding as of June 30, 2021 and 33 POs that were outstanding as of June 30, 2018.⁴ These 51 POs totaled approximately \$1.8 million. For the 18 POs, totaling \$818,420, we found that encumbrances totaling \$720,456 were not used during 2021-22. The District liquidated and/

⁴ Refer to Appendix B for further information on our sample selection.

or canceled \$659,588 of these encumbrances without using the funds to make purchases. For example:

- Ten POs totaling \$462,482 were canceled without any related expenditures. These POs included purchases for materials and supplies; desks; chairs; heating, ventilation and air conditioning (HVAC) work; computers; and a printer. The purchasing clerk told us that one PO for computers totaling \$63,953 was an error and should have been deleted immediately (not carried forward into 2021-22). The purchasing clerk also told us that she created a \$2,000 PO for a printer because she knew that the technology department needed one, but she was concerned they would not have funding for it in the next year's budget. However, this is not a proper or transparent way to increase the budget.
- Seven POs totaling \$291,985 were carried forward into the 2021-22 fiscal year and were partially spent. However, about two-thirds of the PO amounts (\$197,106) were unneeded, so the unspent encumbrances were canceled and/or liquidated. The POs included purchases for cameras, vehicle repairs, stone and gravel.
- Two POs, including one that was partially spent, were carried forward into the 2021-22 fiscal year and had outstanding balances totaling \$60,868 as of June 30, 2022 (one year later). Most of the purchases in these POs were for computers.

For the 33 POs, with outstanding amounts totaling approximately \$1 million as of June 30, 2018, we also found that many were not valid year-end encumbrances. The District liquidated and/or canceled \$347,464 of these encumbrances without using the funds to make purchases. In some instances, the District carried forward encumbrances from the same PO during multiple years. For example:

- Ten POs totaling \$222,140 were carried forward into 2018-19 and not spent. Seven were carried forward for two years, and one was carried forward for three years before they were canceled without any expenditures. These POs were for purchases including labor and materials for a District-wide cabling project, engineering and architect services, HVAC repairs, gravel, parking lot excavation services and a payment for an energy performance contract.
- Eight POs totaling \$253,711 were carried forward and partially spent. However, about half (\$125,324) of the POs were unneeded, so they were canceled and/or liquidated above the amounts already spent. Five POs were carried forward for two years and one was carried forward for three years before they were fully liquidated. These POs were for purchases including a bus wash system, chiller repairs, wiring, doors, stone, camera system upgrades and water treatment services.

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- Two POs totaling \$111,805 were carried forward for one year and fully expended. However, they were for 2018-19 fiscal year expenditures and should not have been reported as encumbrances at the end of 2017-18. One was for insurance services totaling \$75,000 and the other was for a plow truck payment totaling \$36,805.

In addition, we noticed that among the POs that we reviewed, including several that were not spent, many were created on June 30th, the last day of the District's fiscal year. Many were for large, rounded dollar amounts, as is typical of OPOs, which are also known as "blanket POs."

Blanket POs created at the end of a fiscal year do not meet the criteria of unfilled contracts for goods or services that are already ordered, but not yet received. If officials intended to use blanket POs, they should have created and used them in the year for which they were budgeted. Also, unneeded amounts should have been canceled at the end of the fiscal year and not carried forward to future fiscal years.

Encumbrances were primarily overstated at the end of the fiscal years during our audit period because officials recorded POs that did not represent valid commitments for goods or services that were ordered from vendors but not yet received. Also, the business manager did not perform a thorough review of outstanding POs at the end of each fiscal year to ensure they were valid and to cancel or adjust those that were not.

By overstating accrued liabilities, nonspendable fund balance and encumbrances, officials underreported surplus fund balance, withheld nearly \$8 million of fund balance from productive use at the end of 2020-21 (which exceeded the statutory limit), and reduced the transparency of District finances. Although the District had relatively modest property tax increases each year (averaging 2 percent), the increases may not have been necessary, due to the excess surplus fund balance retained by the District.

How Should a Board Ensure Reserves Are Established and Funded Reasonably?

Districts are legally allowed to establish reserve funds to accumulate fund balance for certain future purposes (e.g., capital projects and retirement system expenditures). District officials generally are not limited to how much money they can hold in reserves. However, they should ensure reserve balances are reasonable. Combining a reasonable level of surplus fund balance with specific legally established reserves provides for unanticipated events and other identified or planned needs.

Typically a district board should pass a resolution to establish a reserve fund.⁵ To ensure reserves are not overfunded, officials should plan for funding and using reserves by balancing the desire to accumulate funds for future needs with the obligation to ensure real property taxes are not higher than necessary. Therefore, a board should adopt a written policy or plan that states the board's rationale for establishing each reserve fund, objectives for each reserve, optimal or maximum targeted funding levels and conditions under which reserves will be used or replenished. A board should periodically review reserves to ensure that reserve amounts are reasonable.

The District's fund balance and reserve policy requires the business manager to prepare and submit an annual report to the Board for all reserve funds. The policy requires the report to include the date each reserve was established, amounts paid into each reserve, interest earned, amount and date of cash withdrawals, an analysis of the projected needs of the reserve funds in the coming fiscal year and a recommendation regarding funding those needs.

Officials Did Not Comply With the District's Reserve Policy and Overfunded One Reserve

The District reported four general fund reserves totaling \$7.6 million in its financial statements at the end of the 2020-21 fiscal year:

- Workers' compensation reserve,
- Tax certiorari reserve,
- EBALR and,
- Retirement system contribution reserve.

However, officials could not provide evidence indicating that the tax certiorari reserve and EBALR were properly established by Board resolutions.

Also, the business manager did not provide the Board with an annual report of reserve funds for all completed fiscal years during our audit period. The business manager told us that she discussed reserves with the Board as part of her fund balance presentation in September 2021. However, based on our review of the presentation, it did not include all required information for each reserve (e.g., date each reserve was established, amounts paid into the reserves and interest earned).

⁵ To establish a capital reserve, a district must obtain approval of a majority of qualified voters.

We reviewed reserve balances at the end of the 2020-21 fiscal year to determine whether they were reasonable. While the Board maintained reasonable balances in three of the reserves, the EBALR was overfunded by \$1.5 million. A district may use an EBALR for cash payments to former employees for accrued and unused sick, vacation and certain other leave when they leave district employment and for expenditures related to the reserve's administration.

The District had \$3.6 million in this reserve as of June 30, 2021 and a \$4.9 million calculated liability. Of this calculated liability, \$2.1 million represented the monetary value of accrued and unused sick leave due to employees when they leave District employment, which is allowed to be paid from the EBALR. However, the remaining liability related to estimated costs that were not permitted to be paid from an EBALR (service awards paid to employees when they leave District employment). Consequently, the District set aside \$1.5 million more than was necessary based on the reported liabilities that are attributable to this reserve.

The business manager told us that she did not realize the EBALR was overfunded because she thought it could be used to hold funds for service awards.

What Do We Recommend?

The Board and officials should:

1. Develop a plan to use excess surplus fund balance in a manner that benefits taxpayers. Such uses could include, but are not limited to:
 - Funding one-time expenditures,
 - Funding needed reserves, and
 - Reducing District property taxes.
2. Develop a plan for the school lunch fund to pay back its outstanding interfund advances from the general fund, or if the Board determines that interfund advances cannot be repaid, transfer funds from the general fund to the school lunch fund to pay off the advances.
3. Consult with legal counsel to ensure all reserves are properly established.
4. Review the EBALR and consult with legal counsel to develop a plan to reduce the balance to a reasonable level in accordance with statute.

The business manager should:

5. Properly account for fiscal year-end accrued liabilities, nonspendable fund balance and encumbrances and accurately report the District's surplus fund balance.

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6. Ensure expenditures are recorded, and any related accrued liabilities are reported, only when expenditures have been incurred, are measurable; and will be paid with current resources.
 7. Ensure fiscal year-end encumbrances represent valid purchases or contractual commitments for the fiscal year in which they originate and are properly supported.
 8. Provide the Board with an annual report of all reserve funds, as required by the reserve policy.

Appendix A: Response From District Officials



CENTRAL SQUARE CENTRAL SCHOOL DISTRICT

Mr. Thomas J. Colabufo
Superintendent

February 23, 2023

Ms. [REDACTED]
Office of the State Comptroller
Syracuse Regional Office
State Office Building, Room 409
333 E. Washington Street
Syracuse, NY 13202-1428

Dear [REDACTED]:

The Central Square Central School District is in receipt of the Draft Report of Examination on Fund Balance for the period of July 1, 2017 – June 30, 2022; 2022M-196. On behalf of the Board of Education and the District Administration, I would like to start by thanking the Comptroller's staff for their professionalism during this audit. The District considers every audit a learning experience and understands that the recommendations will help improve our systems and operations. The District manages the finances with a focus on maintaining an excellent instructional program for all students while understanding the resource capacity of the community and the economic condition of the State.

The State Comptroller's Office auditor spent almost a year at Central Square Central School District reviewing our procedures, processes, and policies. The Business Office staff were available throughout the process to answer questions, provide reports, and give access to records. As expected, no instances of fraud or misappropriation of funds were discovered. We work closely with the independent auditors and fiscal advisors to review our financial management practices, procedures and financial condition. The District has reviewed the Comptroller's findings and recommendations and will take appropriate corrective action.

Fund Balance and its management are very important for school districts. The fund balance provides a cushion for unforeseen expenditures and/or revenue shortfalls and helps ensure adequate cash flow, which reduces short-term borrowing and interest costs. The fund balance assists in the computation of school district's tax levy as well and credit ratings are improved as a result. The District has just received an A+/Stable S&P Global rating and the Comptroller's Fiscal Stress Monitoring System has found the District to be in the "No Designation" category for fiscal stress.

The District's total fund balance at the end of the 2020-21 year was intentionally higher due to NYS's plan announcing state aid cuts of 20%. The Governor at the time was forecasting catastrophic cuts to the education budget, which would then result in our District having to cut staff and significant programming that would negatively impact our students. Steps have been taken since then to begin reducing our fund balance, but it is also important to note that numerous school districts have had a practice of going beyond the recommended fund balance threshold for the same reasons mentioned above. There has not been a tax levy increase in the past two years (2021-22 & 2022-23) to the District residents. The Board of Education also deployed a fund balance of \$3.2 million to support the \$25 million Capital Project approved by the voters in May 2022. The District will continue to manage fund balance while implementing the recommendations.

Sincerely,

Thomas J Colabufo, Superintendent

Appendix B: 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, District policies and procedures and financial statements to gain an understanding of the District's fund balance management, including its use of reserves.
- We analyzed the trend in total general fund balance from the 2017-18 through 2020-21 fiscal years and compared surplus fund balance with the next year's budgeted appropriations to determine whether the District complied with the statutory limit.
- We reviewed the accrued liabilities and nonspendable fund balance reported from 2017-18 through 2020-21. We compared the balances to available supporting documentation and discussed these accounts with District officials to assess whether the balances were accurately reported.
- We reviewed encumbrances from 2017-18 through 2020-21. Our analysis compared fiscal year-end encumbrances to the subsequent fiscal years' activity to assess whether POs carried forward were valid. We also sampled POs and reviewed subsequent years' activity to determine how encumbrances were used (e.g., fully expended and liquidated, partially expended and liquidated and/or canceled). We selected a risk-based sample that included POs that were created at the beginning or end of the fiscal year, had large outstanding balances and/or rounded dollar amounts. We examined copies of POs and discussed exceptions with District officials. Our sample included:
 - 33 POs totaling \$1,042,430, out of 362 POs totaling \$1,505,760, that were outstanding at the end of the 2017-18 fiscal year.
 - 18 POs totaling \$818,420, out of 302 POs totaling \$1,746,320, that were outstanding at the end of the 2020-21 fiscal year.
- We recalculated surplus fund balance as a percentage of the next year's appropriations by adding back the overstated accrued liabilities, nonspendable amounts and encumbrances.
- We reviewed reserve fund balances and activities. We analyzed the balances to determine whether they were reasonable with respect to potential liabilities and expenditures.

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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

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 C: Resources and Services

Regional Office Directory

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

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

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

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

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

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

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

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

Contact

Office of the New York State Comptroller
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