New York State Comptroller
THOMAS P. DiNAPOLI

# Fulton City School District

## Financial Condition

**August 2026 | 2026M-71**

Prepared by the Division of Local Government and School Accountability

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# Audit Results

## Fulton City School District

### Audit Objective

Did the Fulton City School District (District) Board of Education (Board) and District officials effectively manage the general fund's financial condition?

### Audit Period

June 30, 2022 – December 5, 2025

We extended the audit period to review the District's budget-to-actual revenue and expenditure results and projected operating deficit for the 2025-26 fiscal year as of May 20, 2026.

### Understanding the Audit Area

A board and district officials are responsible for effectively managing the general fund's financial condition to maintain a district's fiscal stability and ensure sufficient financial resources are available to support current operations and future educational needs. Sound financial management includes adopting structurally balanced budgets, maintaining appropriate fund balance and reserves, monitoring financial performance and making informed financial decisions. These practices help safeguard public resources, strengthen a district's long term financial condition and promote accountability, transparency and public trust.

The District's general fund budgeted appropriations for the 2025-26 fiscal year totaled approximately $94 million.

### Audit Summary

The Board adopted budgets that relied on appropriated fund balance and underestimated expenditures, resulting in recurring operating deficits that significantly depleted the District's financial cushion. As a result, the District's surplus fund balance declined to $607,034 at the end of the 2024-25 fiscal year, representing just 0.6 percent of the ensuing year's budget. The District also issued $8 million in revenue anticipation notes (RANs) to address year-end cash flow needs.

In the 2023-24 and 2024-25 fiscal years, the Board appropriated approximately $966,000 in fund balance to finance the budgets. Additionally, District officials underestimated expenditures by approximately $4 million. Together, these budgeting practices contributed to combined operating deficits totaling approximately $5.3 million. If these trends continue, the District will likely deplete its remaining fund balance, leaving few financial resources available to address unforeseen circumstances or support future budgets.

District officials also did not review or update the District's multiyear financial plans, limiting their ability to identify potential financial issues, evaluate long-term spending decisions and effectively plan for future financial and capital needs.

The report includes five recommendations that, if implemented, will improve management of the general fund's financial condition by strengthening the District's budgeting and multiyear planning practices, promoting long-term fiscal stability, and helping to ensure sufficient financial resources are available to meet current and future operational needs. District officials generally agreed with our findings and indicated they have initiated or plan to initiate corrective action. Appendix C includes our comment on an issue raised in the District's response.

This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the Office of the New York State Comptroller's (OSC's) authority as set forth in Article 3 of the New York State General Municipal Law (GML). The audit's methodology and standards are included in Appendix D.

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 OSC within 90 days, pursuant to Section 35 of GML, Section 2116-a (3)(c) of the 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 the CAP, please refer to the OSC brochure, *Responding to an OSC Audit Report*, which was provided with the draft audit report. The CAP should be posted on the District's website for public review.

# Financial Condition: Findings and Recommendations

A school district's financial condition is considered healthy when it funds needed services (recurring expenditures) with recurring revenue sources. To maintain a school district's fiscal stability, a school district's board should adopt realistic, structurally balanced budgets with recurring revenues financing recurring expenditures. Budget estimates should be based on historical trends or other known factors.

School districts should retain an adequate amount of surplus fund balance at year-end to provide a reasonable financial cushion for unexpected occurrences and cash flow in the ensuing year.[1] While fund balance can be appropriated in the budget to help finance operations, consistently doing so can deplete fund balance to levels that are not sufficient for contingencies and cash flow. A continuous decline in fund balance often indicates a deteriorating financial condition.

School district officials should prepare multiyear financial plans that are periodically reviewed and updated on an ongoing basis.

More details on the criteria used in this report, as well as resources OSC makes available to local officials that can help them improve operations, are included in Appendix A.

## Finding 1 – The Board and District officials did not effectively manage the general fund financial condition and fund balance has declined.

From the end of the 2022-23 fiscal year through the end of the 2024-25 fiscal year, the total general fund balance decreased by approximately $5.3 million (29 percent) from $18 million to $12.7 million (Figure 1). In addition, the surplus fund balance decreased by $2.8 million (82 percent) over the same period. At the end of the 2024-25 fiscal year, the surplus fund balance was $607,034, or 0.6 percent of the next year's budgeted appropriations. This left the District with little cushion for unforeseen events and negatively impacted the District's cash flow.

**Figure 1: General Fund Operating Results and Fund Balance (by Fiscal Year)**

| | 2022-23 | 2023-24 | 2024-25 |
|---|---|---|---|
| Beginning Fund Balance[a] | $16,864,545 | $17,992,342 | $15,339,533 |
| Add: Operating Surplus/(Deficit) | $1,127,423 | -$2,652,809 | -$2,645,814 |
| Ending Fund Balance | $17,991,968 | $15,339,533 | $12,693,719 |
| Less: Restricted Fund Balance (Reserve Funds) | $13,783,896 | $13,368,761 | $11,865,248 |
| Less: Nonspendable and Assigned Fund Balance for Encumbrances | $465,345 | $71,320 | $221,437 |
| Less: Appropriated Fund Balance for the Next Year | $373,750 | $592,225 | $0 |
| Surplus Fund Balance | $3,368,977 | $1,307,227 | $607,034 |
| Next Year's Budgeted Appropriations | $84,155,000 | $88,487,583 | $94,197,840 |
| Unassigned Fund Balance as a Percentage of Next Year's Budgeted Appropriations | 4.0% | 1.5% | 0.6% |

a) Includes prior period adjustments

1 A school district board and officials must comply with New York State Real Property Tax Law Section 1318, which limits the amount of surplus funds that a school district can retain to no more than 4 percent of the budget.

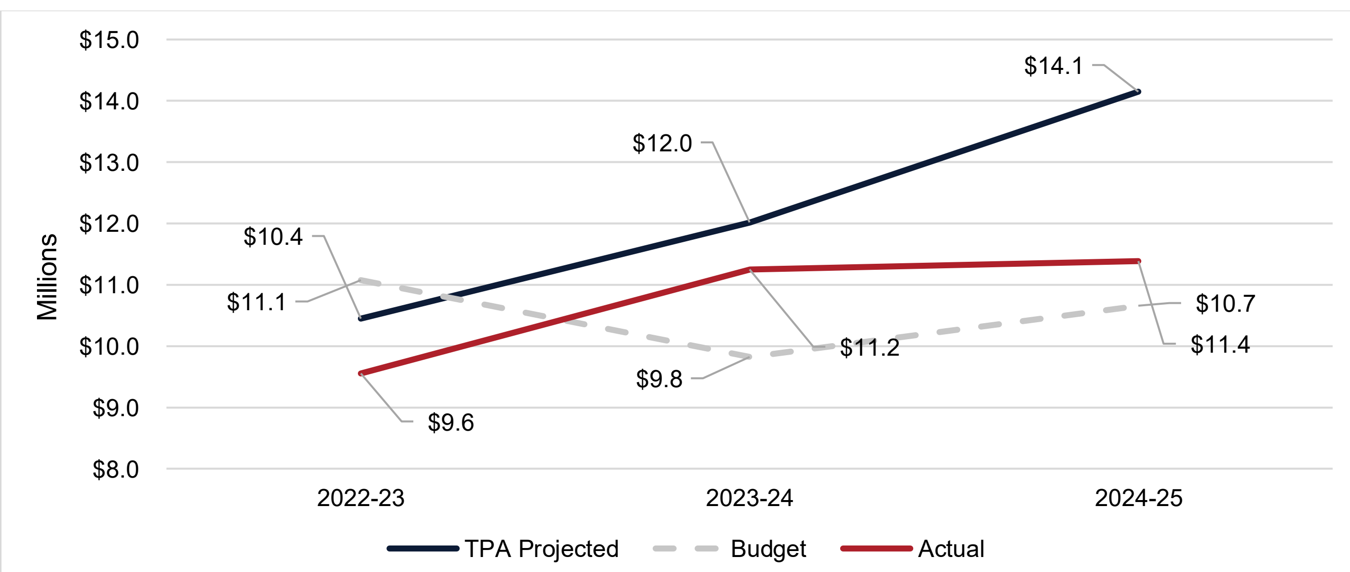
The fund balance decline occurred, in part, because the budgets were not structurally balanced and District officials relied on fund balance to fill budget gaps. For example, District officials budgeted for planned operating deficits[2] totaling approximately $966,000 by appropriating $373,750 in fund balance to finance the 2023-24 budget and $592,225 to finance the 2024-25 budget. Additionally, the District experienced operating deficits that were greater than planned each of these fiscal years because actual expenditures exceeded budgeted appropriations. This caused fund balance to decrease a total of $5.3 million over two years ($2.7 million in the 2023-24 fiscal year and an additional $2.6 million in the 2024-25 fiscal year).

We compared budget estimates to actual operating results and determined that revenue estimates were generally realistic. However, the Board and District officials underestimated expenditures by approximately $4 million combined for the 2023-24 and 2024-25 fiscal years. District officials consistently and significantly underestimated appropriations for employee health benefits, contracted Board of Cooperative Educational Services (BOCES) services and contracted student transportation services as follows:

Health Benefits – District officials underestimated the cost of health benefits by $1.4 million (15 percent) in the 2023-24 fiscal year and $730,000 (7 percent) in the 2024-25 fiscal year. The District is self-funded for health benefits and uses a third-party administrator (TPA) to process employee and retiree health claims. District officials received projections from the TPA indicating health insurance costs were expected to increase in both fiscal years, but District officials did not budget for these increases because they believed the TPA estimates were too high.

Because the District has a self-funded health plan, it is responsible for paying employee and retiree health care claims instead of paying fixed premiums to an insurance carrier. This can make this budget line more difficult to predict. The TPA projected health insurance benefits to be about 16 percent higher each year, but the Board adopted budgets with an 11 percent decrease in 2023-24 and a 9 percent increase in 2024-25 (Figure 2). Had the Board budgeted closer to the projected amounts, it may have avoided these over-expenditures. When developing the 2025-26 budget, District officials and the Board included a budget appropriation for health benefits that is more consistent with the TPA projections and planned staff reductions.

**Figure 2: Health Benefits – Estimated and Actual Costs**




2 Operating deficits occur when actual expenditures in a given fiscal year exceed actual revenues. An operating deficit can be planned for and financed by appropriating fund balance.

BOCES Services – District officials underestimated expenditures for contracted BOCES services by $900,000 (9 percent) in the 2023-24 fiscal year and $1.1 million[3] (11 percent) in the 2024-25 fiscal year. Most (62 percent) of this variance related to BOCES services the District needed or planned to use, but the cost was not included in the adopted budgets. For example, while the District planned for and had BOCES provide emotional and behavioral support services and needed information technology upgrades totaling $1.0 million, the costs of these services were not included in the 2024-25 budget. The current School Business Administrator[4] could not explain why these BOCES services were not included in the District's budgets.

Contracted Transportation – The District contracts with an outside vendor for student transportation services. District officials underestimated the cost of these services by $484,000 (13 percent) in the 2023-24 fiscal year and $388,000 (10 percent) in the 2024-25 fiscal year. The School Business Administrator cited additional routes necessary to provide the required transportation for students as the reason for the cost overruns and told us that they used the contract to budget for this service and added additional amounts for extra bus runs. However, the School Business Administrator could not provide supporting documentation for how District officials estimated the additional costs in the 2023-24 and 2024-25 budgets to account for the extra bus runs beyond those already included in the District's student transportation contract. If budgeted appropriations were based on historical trends, they may have been closer to actual expenditures.

The decrease in surplus fund balance has led the District to experience concerns with cash flow. In June 2025, the District issued RANs for $8 million so it would have sufficient cash available for regular operations. This resulted in $164,333 of unbudgeted interest expenditures. Unless the District improves cash flow, there will be a continued reliance on short-term borrowing.

Furthermore, the Board budgeted to use $3.85 million of restricted fund balance (reserve funds) as a financing source in the 2025-26 budget, which will continue to deplete fund balance levels. Using non-recurring financing sources, such as appropriated reserves, to establish a balanced budget may offer a short-term solution but only temporarily defers the need to address structural budgetary imbalances.

Based on operating results as of May 20, 2026, District officials were anticipating an operating deficit of approximately $2.8 million for the 2025-26 fiscal year rather than the planned operating deficit of $3.85 million. During our exit conference on July 27, 2026, District officials told us that this was a conservative estimate and they do not anticipate the District will need to use any of the appropriated reserves for the 2025-26 fiscal year. The District has appropriated another $1.08 million in fund balance and reserve funds to finance the 2026-27 budget.[5] If the District continues to generate operating deficits, it will gradually deplete fund balance, leaving nothing available to use for financing future budgets. This will require the Board to either increase revenues (such as property taxes) and/or decrease appropriations (potentially reducing services) to adopt a structurally balanced budget and sustain the District's long-term fiscal health.

## Recommendations

The Board and District officials should:

1. Develop and adopt budgets that include reasonable revenue and expenditure estimates based on current financial information, historical trends, contractual obligations and other known factors.
2. Reduce reliance on fund balance to finance recurring expenditures and adopt structurally balanced budgets.
3. Maintain a reasonable level of surplus fund balance to provide financial flexibility, address unanticipated costs and support the District's cash flow needs.

3 This is the remaining budget-to-actual difference after excluding amounts directly reimbursed by BOCES in 2024-25.

4 The current School Business Administrator first joined the District in January 2024 as the Business Manager. She became the School Business Administrator in January 2025 when the Chief of Operations and Finance left District employment.

5 The budget includes $550,000 appropriated reserves and $532,491 appropriated fund balance.

## Finding 2 – The Board and District officials did not have a current multiyear financial plan.

The Board and District officials have not reviewed or updated the multiyear financial plan since October 2023. The plan contained actual expenditures and revenues for fiscal years 2021-22 and 2022-23 and projections of expenditures and revenues through fiscal year 2027-28, along with the respective projected operating surpluses or deficits. However, it did not include the estimated remaining surplus and reserve fund balance projections for each year.

The plan showed operating deficits in the 2025-26 through 2027-28 fiscal years without a fiscal improvement plan to address the declining fund balance that will result if repeated operating deficits continue. A fiscal improvement plan identifies goals to improve a school district's long-term fiscal condition and outlines the actions necessary to achieve those goals.

The School Business Administrator told us that the multiyear financial plan was not updated and addressed because of turnover in the business office. During the audit period, the District had three different business officials.

When multiyear plans are not developed or kept up to date, District officials are hindered in their ability to adequately assess needs and prioritize projects and purchases and make informed decisions regarding the long-term financial impacts of proposed initiatives and spending on the District's overall finances.

## Recommendations

The Board and District officials should:

4. Adopt a comprehensive written multiyear financial plan that includes projected year-end surplus and reserve fund balances and a fiscal improvement plan with strategies to restore and maintain the District's long-term fiscal stability.

5. Review and update the multiyear financial plan at least annually using current financial information and use it to guide budget development and financial decisions.

# Appendix A: Profile, Criteria and Resources

## Profile

The District is located in the City of Fulton and serves the City of Fulton and portions of the Towns of Granby, Minetto, Oswego, Palermo, Scriba, and Volney in Oswego County. The District is governed by the elected seven-member Board, which is responsible for the District's general management and control of financial affairs.

The Superintendent is the chief executive officer and is responsible for the District's day-to-day management under the Board's direction. The School Business Administrator is responsible for the management of financial activities, including working with the Board and Superintendent to administer the budget. The School Business Administrator oversees the business office, maintains financial records and prepares financial reports.

## Criteria

Financial condition is the ability of a school district to balance recurring expenditure needs with recurring revenue sources, while providing services. School district officials should periodically assess the district's financial condition and analyze trends to help identify potential fiscal problems and the causes of fiscal stress and to predict future outcomes.

A key measure of a school district's financial condition is its level of fund balance, which represents the difference between revenues and expenditures accumulated over time. It is important that school districts maintain an adequate amount of surplus fund balance to provide a reasonable financial cushion for cash flow and unexpected occurrences (e.g., revenue shortfalls and unanticipated expenditures). A continuous decline in fund balance often indicates a deteriorating financial condition.

The annual budget is the financial plan for the school district and as such it is essential that it be properly constructed. The governing board has the responsibility to adopt realistic, structurally balanced budgets. Using non-recurring revenues, such as appropriated fund balance, to establish a balanced budget may offer a short-term solution but only temporarily defers the need to address structural budgetary imbalances. It is important to prepare the budget using realistic estimates based on the most current and accurate information available, such as consultant's projections or historical trends. Overestimating revenues and/or underestimating appropriations could result in shortfalls that threaten the delivery of essential services.

A helpful tool in developing a sound and structurally balanced budget is a multiyear financial plan. A multiyear plan projects revenues and expenditures several years into the future using historical trends and operating results, as well as any emerging trends. It projects what will happen to a school district's ability to pay for and provide services given a set of policy and economic assumptions. These plans help policy makers assess expenditure commitments, revenue trends, financial risks and the affordability of new services and capital investments. Maintaining a reasonable level of surplus fund balance is a key element of effective multiyear financial planning. A multiyear financial plan should be reviewed and updated at least annually to provide a reliable framework for preparing budgets and ensuring that information used to guide decisions is current and accurate.

## Additional Resources

OSC's *Local Government Management Guides,* and other informational resources that are available on OSC's website to help officials understand and perform their responsibilities, include:

- *Multiyear Financial Planning:* https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf

- *Understanding the Budget Process:* https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf

- *Financial Condition Analysis:* https://www.osc.ny.gov/files/local-government/publications/pdf/financial-condition-analysis.pdf

In addition, local officials can use OSC's website to search for audits, resources, publications and training for officials at: https://www.osc.ny.gov/local-government.

# Appendix B: Response From District Officials

The content below is a reproduced copy of the original response letter issued by District officials, is reformatted to meet the Americans with Disabilities Act *Web Content Accessibility Guidelines (WCAG)*,[6] and may have included changes to spelling and grammar. The substance of the content was not changed.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Rebecca Wilcox
Chief of Municipal Audits
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August 20, 2026

Dear Ms. Wilcox,

We appreciate the work that the auditors completed during their time in the District along with the suggestions they provided during the process and in the final report. We are encouraged that upon starting with the District, that the Superintendent and Business Official identified many of the same items as the report and we began addressing many of them immediately. We appreciate the candid conversations with the auditors during the process, which allowed us to implement some of their suggestions right away.

In order to prevent future operating deficits, we have looked into several budget areas. The report indicates that we expected an operating deficit at the end of 25-26 due to the planned use of reserves to balance the budget. Through careful budgeting and spending, we ended the 25-26 fiscal year with a budget surplus rather than the deficit that was indicated by planned reserve use. As a result, we will be able to preserve our reserves as well as rebuild our unassigned fund balance. Additionally, we are relying less on reserves and fund balance in the 26-27 budget, which will continue to be a goal in future budget years. The District also did not find it necessary to issue a RAN at the end of 25-26 [OSC Comment: See Appendix C, Note 1].

Since healthcare was historically an area of concern for our district, it was a primary area of focus throughout our budgeting efforts. During the 25-26 budget process, we increased the healthcare line by approximately $5 million, following the projections from our Employee Benefits Consultants at the time. Additionally, during the summer of 2025 we proceeded with an RFP for Employee Benefits Consultants. Since making this change we are able to meet with one of their data analysts monthly to track the trends in healthcare claims and develop a budget projection that is updated frequently during the budget process. As a result of having more accurate information, the 25-26 year did not result in a deficit in healthcare spending, but rather a surplus.

During the audit process, the auditors spoke about underestimating the BOCES and contract transportation budget lines. While these areas were budgeted appropriately in 25-26, we were also to take their feedback and further refine how we determine the necessary budget amounts for 26-27. These will continue to be areas of focus in future budget years.

6 https://www.ada.gov/resources/2024-03-08-web-rule/#highlights-of-the-requirements-in-the-rule

We have also begun the process of updating our multi-year financial plan. This was accomplished through the use of the NYS Comptroller's planning tool. We began in the winter of 25-26 and continued to update the information throughout the year. The plan is now up to date with the unaudited 25-26 information and the 26-27 official budget information. The District is also in the process of exploring the possibility of working with a consultant to further expand upon the multi-year plan.

Sincerely,

Douglas Lawrence
Superintendent of Schools

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

Note 1

We amended the report based on additional information received during the exit conference.

# Appendix D: Audit Methodology and Standards

OSC auditors obtained an understanding of internal controls that were deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of the work on internal controls, as well as the work performed in the audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials and reviewed 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 compared general fund budgets from the 2022-23 through 2024-25 fiscal years to operating results to determine whether they were realistic and structurally balanced. We followed up on significant budget variances.
- We reviewed the 2025-26 general fund budgeted appropriations for those accounts with trends of significant budget variances to determine whether the budgeted amounts were reasonable based on prior year expenditures, the amount budgeted, and any external sources the District used for budgeting purposes.
- We analyzed the trend in total fund balance and surplus fund balance for the 2022-23 through 2024-25 fiscal years. We also reviewed the budget-to-actual results and the District's projected fiscal year-end operating results for the 2025-26 fiscal year as of May 20, 2026 and analyzed the use of fund balance in the 2025-26 and 2026-27 budgets.

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

# Questions?

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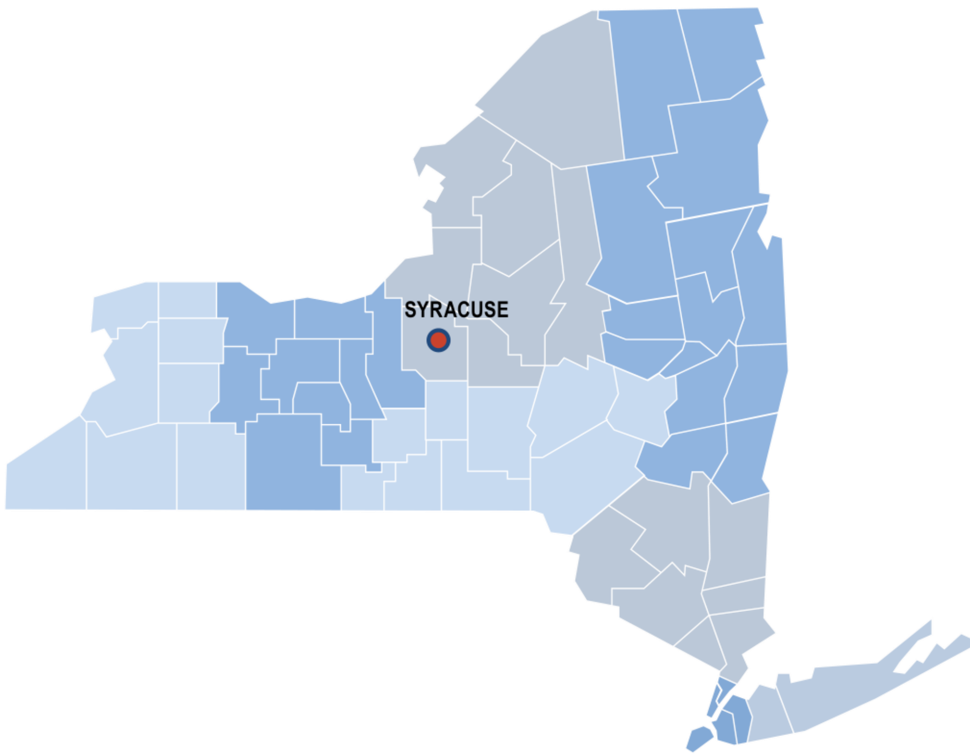

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