

# Warrensburg Central School District

## Financial Condition Management

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**JUNE 2018**

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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# Report Highlights

## Warrensburg Central School District

### Audit Objective

Determine whether District officials effectively managed the District's financial condition.

### Key Findings

- District officials annually overestimated appropriations from 2014-15 through 2016-17 and it appears they did so again in 2017-18.
- Unrestricted fund balance ranged between 7.6 and 14.4 percent of ensuing years' appropriations, exceeding the 4 percent statutory limit.
- Five completed capital projects were not closed out.

### Key Recommendations

- Develop realistic estimates of appropriations.
- Adopt a written plan to use excess fund balance to benefit District residents.
- Close completed capital projects.

District officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate corrective action.

### Background

The Warrensburg Central School District (District) serves the Towns of Bolton, Chester, Horicon, Johnsburg, Lake George, Stony Creek, Thurman and Warrensburg in Warren County.

The seven-member elected Board of Education (Board) is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

#### Quick Facts

Employees	170
2017-18 Enrollment	755
2017-18 Budgeted Appropriations	\$19.6 million

### Audit Period

July 1, 2014 – June 30, 2017

# Financial Condition Management

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## What Is Effective Financial Condition Management?

The District's financial data must be accurate to properly manage and assess the District's financial condition. In addition, the Board is responsible for adopting realistic and structurally balanced budgets based on historical or known trends, in which recurring revenues finance recurring expenditures. In preparing the budget, District officials must estimate revenues, expenditures and the amount of fund balance that will be available at year-end, some or all of which may be used to help fund the next year's appropriations. Accurate estimates help ensure the real property tax levy is not greater than necessary.

The Board must also maintain reasonable fund balance levels. Fund balance is the difference between revenues and expenditures accumulated over time. New York State Real Property Tax Law limits the amount of unrestricted fund balance a school district can retain to no more than 4 percent of the ensuing fiscal year's budget. In addition, school districts may also appropriate a portion of fund balance to help finance the next year's budget (referred to as appropriated fund balance). Sound budgeting practices provide that the Board should not routinely appropriate fund balance that will not be used.

Once a capital project (project) is completed, the Board should adopt a resolution to close the project and distribute any unexpended balance based on the project's funding source(s). Unexpended funds originating from bonds must be transferred to the debt service fund<sup>1</sup> and used for debt service payments on the related debt. Unexpended funds originating from interfund transfers or advances must be returned to the fund(s) that originally supplied the resources.

## General Fund Account Balances Were Overstated

The District had recorded an accrued liabilities<sup>2</sup> balance in the general fund of approximately \$1.3 million as of June 30, 2017, which included approximately \$1.25 million for future retiree health insurance costs. The Business Administrator recorded a journal entry on June 30 of each year during the audit period to increase the accrued liabilities in the general fund by the corresponding amount of retiree health insurance expenditures that were recorded for future costs, which consisted of \$297,182, \$293,002 and \$524,324 during the 2014-15 through 2016-17 fiscal years, respectively.<sup>3</sup> However, these expenditures should not have been

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1 Debt service funds are used to account for and report the accumulation of resources that are restricted, committed or assigned to the payment of principal and interest on long-term debt.

2 Government funds use the modified accrual basis of accounting that recognizes increases and decreases in financial resources only to the extent they reflect near-term inflows and outflows of cash. Under the modified accrual basis of accounting, expenditures are recognized when the fund liability is incurred and when the expenditures are expected to draw on current spendable resources.

3 Similar journal entries totaling \$133,756 were made prior to the 2014-15 fiscal year.

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recorded as accrued liabilities because they were not expenditures of the current fiscal year for costs incurred, which were payable in the subsequent fiscal year. In addition, the accrued liabilities balance was not reduced in the subsequent fiscal year for retiree health insurance expenditures that were paid, but instead the balance accumulated over the fiscal years to its balance as of June 30, 2017. Consequently, the District's accrued liabilities balance and health insurance expenditures were significantly overstated (Figure 1). During our audit fieldwork and subsequent to us communicating these findings to District officials, adjusting journal entries were recorded by the District to correct the accounting errors for the 2016-17 fiscal year.

The District also improperly accounted for encumbrances<sup>4</sup> during the audit period. Recorded encumbrances were overstated by an average of approximately \$204,000 at fiscal year-end 2014-15 through 2016-17 (Figure 1). This primarily occurred because the District created blanket purchase orders for operating expenditures that were to be incurred during the same fiscal year the purchase orders were created, but did not close the blanket purchase orders at the end of the fiscal year. Instead, the District left the purchase orders open and reduced the purchase order balances and corresponding encumbrance balances as they incurred subsequent fiscal year's operating expenditures. This resulted in encumbrance balances being incorrectly recorded for the amount of the outstanding purchase order balances at fiscal year-end, although they did not represent valid commitments for specific expenditures for the current year.

For example, a \$315,558 blanket purchase order created on December 5, 2014 for heating fuel purchases for the 2014-15 fiscal year had an outstanding balance of \$139,002 at fiscal year-end. However, the District did not close this purchase order at the fiscal year-end, resulting in an encumbrance of \$139,002 being incorrectly recorded.

The purchase order was carried over to the 2015-16 fiscal year and the outstanding balance of the purchase order was decreased for heating fuel purchases totaling \$92,022 that were made related to the 2015-16 fiscal year. Similar to the 2014-15 fiscal year, the District again did not close this blanket purchase order at fiscal year-end, resulting in an encumbrance of \$46,980 being incorrectly recorded for the outstanding balance of the purchase order. Instead, the purchase order was again carried over to the 2016-17 fiscal year and the outstanding balance of purchase order was decreased for heating fuel purchases totaling \$46,980 that were made related to that fiscal year.

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<sup>4</sup> Encumbrances are obligations in the form of unfilled purchase orders or unfulfilled contracts. Encumbrances that exist at the end of the fiscal year may be carried over to the next year, but must represent valid commitments for specific expenditures for the current year.

**Figure 1: General Fund – Recording Discrepancies**

Fiscal Year	2014-15	2015-16	2016-17
<b>District Recorded Including Adjustments</b>			
<b>Accrued Liabilities Balance at Year-End</b>	\$577,306	\$833,608	\$66,048 <sup>a</sup>
<b>Health Insurance Expenditures</b>	\$3,944,202	\$4,053,954	\$3,754,882 <sup>a</sup>
<b>Encumbrances Balance at Year-End</b>	\$385,033	\$314,842	\$248,255
<b>Office of the State Comptroller Recalculated</b>			
<b>Accrued Liabilities Balance at Year-End</b>	\$146,368	\$109,668	\$66,048
<b>Health Insurance Expenditures</b>	\$3,647,020	\$3,760,952	\$3,754,882
<b>Encumbrances Balance at Year-End</b>	\$127,373	\$102,485	\$103,847
<b>Variance Between District Recorded and OSC Recalculation</b>			
<b>Overstatement of Accrued Liabilities</b>	\$430,938	\$723,940	\$0
<b>Overstatement of Health Insurance Expenditures</b>	\$297,182	\$293,002	\$0
<b>Overstatement of Encumbrances</b>	\$257,660	\$212,357	\$144,408

<sup>a</sup> The District had originally recorded an accrued liabilities balance of \$1,314,312 and health insurance expenditures of \$4,279,206 in their accounting records for the 2016-17 fiscal year. However, during our audit fieldwork and after we notified the District of the accounting errors, in October of 2017 District officials adjusted their accounting records to correct the account balances for accrued liabilities and health insurance expenditures for the 2016-17 fiscal year to align with the OSC recalculated balances.

The District’s overstatement of accrued liabilities, health insurance expenditures and encumbrances in the general fund has prevented District officials from being aware of the general fund’s actual operating results, unrestricted fund balance and true financial condition (see Figure 3 in Appendix A). These misstatements occurred because of inaccurate accounting practices by the Business Administrator. Additionally, the District’s independent auditors failed to adjust the incorrect balances when compiling the District’s audited financial statements for the 2014-15 and 2015-16 fiscal years. The accounting practices and the independent auditors’ failure to adjust incorrect balances resulted in significant discrepancies between the District’s reported and actual financial position.

During our review and after we notified the District of the accounting errors, District officials adjusted their accounting records to correct the account balances for accrued liabilities and health insurance expenditures for the 2016-17 fiscal year to align with the OSC recalculated balances. These adjustments were also made by the independent auditors when compiling the District’s audited financial statements for the 2016-17 fiscal year. However, adjustments were not made to record correct account balances for encumbrances.

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## **Appropriations Were Overestimated and Unrestricted Fund Balance Exceeded the Statutory Limit**

We compared the District's budgeted revenues and appropriations with actual results of operations for the 2014-15 through 2016-17 fiscal years. While revenue estimates were realistic, the Board significantly overestimated appropriations for recurring expenditures. Although total appropriations were only overestimated by approximately \$1.3 million or 2 percent during this time, we found this occurred because the District expended more than \$4.5 million<sup>5</sup> for non-recurring expenditures that were not included in the adopted budgets. These expenditures offset appropriations that were significantly overestimated in the adopted budgets. Without these expenditures, total appropriations in the adopted budgets would have been overestimated by approximately \$5.8 million<sup>6</sup> or 11 percent during this time.

Although the overestimated appropriations were spread among accounts throughout the budgets, the largest variances were for contractual expenditures and employee benefits. Contractual expenditures were overestimated by about \$2 million (18 percent) and employee benefits were overestimated by a total of more than \$2.8 million (17 percent). The most significant employee benefit overestimated was for health insurance, which was overestimated by approximately \$1.7 million (15 percent).

In addition, during the same three-year period, the District's budgets included appropriated fund balance totaling more than \$1.3 million, which should have resulted in planned operating deficits<sup>7</sup> in the same amount. However, because the District overestimated appropriations in its budgets, it realized an operating surplus of \$68,070 in the 2014-15 fiscal year and \$1,362,314 in the 2015-16 fiscal year despite appropriating fund balance to finance operations during those years of \$700,000 and \$370,000, respectively. In addition, although the District realized an operating deficit of \$610,752 in 2016-17, which was \$379,048 more than the planned deficit, this occurred because the District made a \$3 million interfund transfer from a capital reserve to the capital projects fund to finance a project that was not included in the adopted budget. As a result, none of the appropriated fund balance was actually used during the 2014-15 through 2016-17 fiscal years.

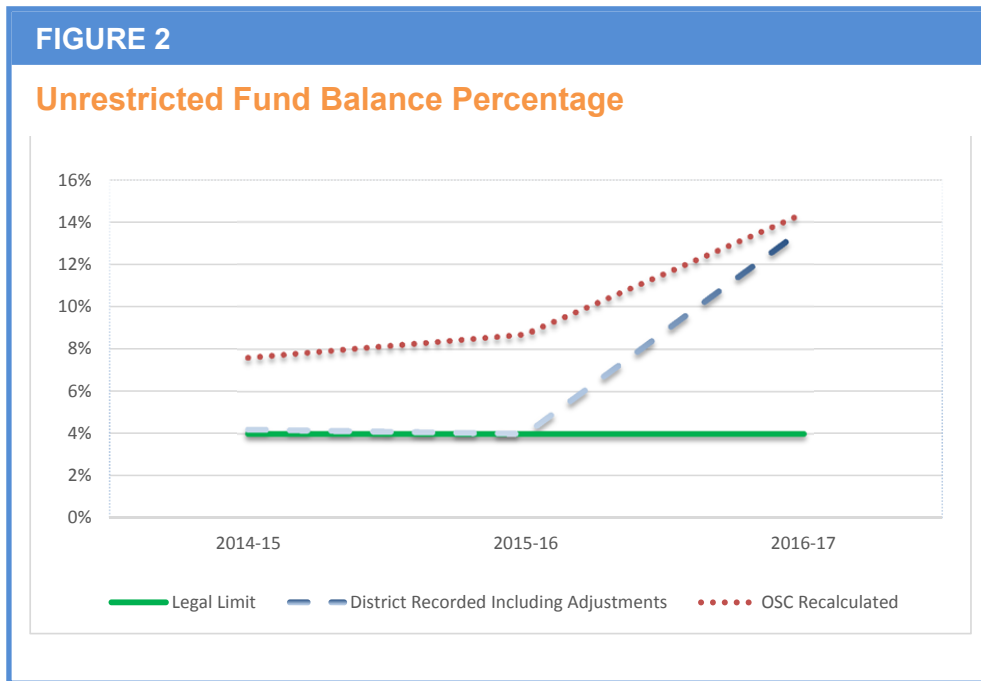
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5 The District made a \$360,000 interfund transfer to the capital projects fund to finance a project and prepaid debt principal totaling \$835,000 in 2014-15, prepaid debt principal totaling \$345,000 in 2015-16 and made a \$3.0 million interfund transfer to the capital projects fund to finance a project in 2016-17.

6 \$1,769,713 in 2014-15, \$1,845,783 in 2015-16 and \$2,223,090 in 2016-17

7 Planned operating deficits result when the Board adopts a budget with appropriations exceeding estimated revenues with the difference being offset by the appropriation of fund balance to finance expenditures.

The District's budgetary practices contributed to an increasing level of unrestricted fund balance that was in excess of the statutory limit (see Figure 3 in Appendix A). The District's tax levy has remained the same over the past three fiscal years. However, had District officials been aware of the general fund's increasing unrestricted fund balance, the Board could have reduced the tax levy.



The District's 2017-18 adopted budget includes a 4 percent tax levy decrease and a \$300,000 decrease in total appropriations compared to 2016-17. We reviewed the District's 2017-18 budget estimates and found the budgeted revenues were reasonable. In addition, budgeted appropriations were more realistic than in recent years, but we still project the Board has overestimated appropriations among accounts throughout the budget. For example, we project District officials have overestimated retirement contributions by approximately \$180,000, or 17 percent. In addition, the District's budget does not include a planned operating deficit because it does not include appropriated fund balance as a financing source.

Fund balance will remain in excess of the statutory limit unless the District incurs planned operating deficits or the Board develops a plan to use excess fund balance in a manner more beneficial to residents.



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## Completed Projects Were Not Closed Out

The Board did not adopt a resolution to close any completed projects during the audit period. As of June 30, 2017, the District's project accounting records contained five projects that had been completed but not closed out. These projects all began after the start of the 2011-12 fiscal year and were all completed by the end of the 2015-16 fiscal year.

We reviewed these projects and found four had unexpended funds totaling \$163,030 as of June 30, 2017. Specifically, one project had unexpended debt proceeds and the other three projects had unexpended funds originating from interfund transfers from the general fund. Consequently, as of June 30, 2017, the capital projects fund owed \$17,345 to the debt service fund and \$145,685 to the general fund for unexpended funds from these completed projects.

For the remaining project, the general fund had only transferred to the capital projects fund \$100,000 of the \$104,014 in cash needed to fund the expenditures that were incurred. Consequently, this project was over-expended and other projects' funds totaling \$4,014 were used to pay for this project's expenditures, resulting in the general fund owing this amount to the capital projects fund.

By not closing out completed projects and distributing unexpended funds in a timely manner, District officials have withheld funds that could have been used for related debt service payments, for operating expenditures or to reduce the tax levy.

## Debt Service Funds Were Not Used to Pay Related Debt

The District maintained a debt service fund with a cash balance of \$175,944 as of June 30, 2017. Most of these funds, \$169,692,<sup>8</sup> consisted of unexpended debt proceeds from projects approved in 2000<sup>9</sup> and the corresponding interest earned. However, the District did not use these funds for debt service payments on the related debt during the audit period. Instead, the District paid the related debt service payments from the general fund. These payments also included the \$835,000 principal prepayment in 2014-15 and the \$345,000 principal prepayment in 2015-16 to retire the outstanding debt.<sup>10</sup>

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8 The remaining \$6,252 cash balance in the debt service fund was related to two debt issuances for completed projects and the corresponding debt is still outstanding.

9 The projects consisted of the acquisition of land and construction of a new bus garage and renovations to the elementary school building, which had authorized maximum costs of \$1,860,000 and \$340,000, respectively.

10 The District prepaid 14 years of scheduled principal payments to retire this debt.

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The Business Administrator told us the debt service funds were not used to retire the debt because the general fund had sufficient unrestricted fund balance to pay the outstanding debt. Because the related debt has been retired, the corresponding \$169,692 balance in the debt service fund should be transferred to the general fund and used in a manner beneficial to residents. The inaccurate accounting by the Business Administrator and the verification of those accounting practices by the District's independent auditors caused the District's financial position to be misstated in the audited financial statements.

### **How Does Multiyear Financial Planning Improve Budgeting?**

Multiyear financial planning enables District officials to identify developing revenue and expenditure trends, establish long-term priorities and goals and consider the impact of current budgeting decisions on future fiscal years. It also allows District officials to assess the merits of alternative approaches (such as appropriating unrestricted fund balance or establishing and using reserves) to finance its operations. Any long-term financial plan should be monitored and updated on a continuing basis to provide a reliable framework for preparing budgets and to ensure information used to guide decisions is current and accurate.<sup>11</sup>

### **District Officials Had Not Developed a Multiyear Financial Plan**

District officials did not develop a multiyear financial plan. Had such a plan been developed, District officials would have had a valuable resource that would have allowed them to make more informed financial decisions during the budget process, which may have prevented the District's accumulation and retention of unrestricted fund balance in excess of the statutory limit. However, on May 2, 2017, the District entered into a contract with a consultant to assist District officials with the development of a multiyear financial plan during the 2017-18 fiscal year. The development of a financial plan would be a useful tool for District officials to address the reduction of the District's unrestricted fund balance to within the statutory limit.

### **What Do We Recommend?**

District officials should:

1. Properly account for and record accrued liabilities and ensure year-end encumbrances are valid and supported.

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<sup>11</sup> See <http://osc.state.ny.us/localgov/pubs/lgm/multiyear.pdf> for more information.

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2. Ensure the accounting records are adjusted to properly reflect correct account balances.
  3. Develop and adopt budgets that include realistic estimates for appropriations and the amount of fund balance that will be available and used to fund operations.
  4. Ensure the money in the debt service fund for which there is no corresponding outstanding debt is transferred to the general fund and the remaining money in the debt service fund is used to make related debt service payments.
  5. Develop a multiyear financial plan and monitor and update the plan on an ongoing basis.

The Board should:

6. Adopt a written plan to reduce the excess amount of unrestricted fund balance. Such uses include financing sources for:
  - Funding one-time expenditures.
  - Funding needed reserves.
  - Reducing District property taxes.
7. Adopt a resolution to close out completed projects and develop procedures to ensure projects are closed in a timely manner and the Business Administrator properly distributes any unexpended funds.

# Appendix A: Fund Balance Chart

**Figure 3: Unrestricted Fund Balance at Year-End**

Fiscal Year	2014-15	2015-16	2016-17 <sup>a</sup>
<b>District Recorded Including Adjustments</b>			
<b>Total Beginning Fund Balance</b>	\$5,033,084	\$4,803,972	\$6,597,224
<b>Add: Operating Surplus/(Deficit)</b>	(\$229,112)	\$1,069,312	(\$610,752)
<b>Total Ending Fund Balance</b>	\$4,803,972	\$5,873,284	\$5,986,472
<b>Less: Restricted Funds</b>	\$3,223,954	\$4,539,403	\$3,063,061
<b>Less: Encumbrances</b>	\$385,033	\$314,842	\$248,255
<b>Less: Appropriated Fund Balance for the Ensuing Year</b>	\$370,000	\$231,704	\$0
<b>Total Unrestricted Funds at Year-End</b>	\$824,985	\$787,335	\$2,675,156
<b>Ensuing Year's Budgeted Appropriations</b>	\$19,866,440	\$19,866,440	\$19,566,440
<b>Unrestricted Funds as Percentage of Ensuing Year's Budget</b>	4.2%	4.0%	13.7%
<b>Office of the State Comptroller Recalculated</b>			
<b>Total Beginning Fund Balance</b>	\$5,166,840	\$5,234,910	\$6,597,224
<b>Add: Operating Surplus/(Deficit)</b>	\$68,070	\$1,362,314	(\$610,752)
<b>Total Ending Fund Balance</b>	\$5,234,910	\$6,597,224	\$5,986,472
<b>Less: Restricted Funds</b>	\$3,223,954	\$4,539,403	\$3,063,061
<b>Less: Encumbrances</b>	\$127,373	\$102,485	\$103,847
<b>Less: Appropriated Fund Balance for the Ensuing Year</b>	\$370,000	\$231,704	\$0
<b>Total Unrestricted Funds at Year-End</b>	\$1,513,583	\$1,723,632	\$2,819,564
<b>Ensuing Year's Budgeted Appropriations</b>	\$19,866,440	\$19,866,440	\$19,566,440
<b>Unrestricted Funds as Percentage of Ensuing Years Budget</b>	7.6%	8.7%	14.4%

<sup>a</sup> The District had originally recorded a total beginning fund balance of \$5,873,284, operating deficit of \$1,135,076, total ending fund balance of \$4,738,208, total unrestricted funds at year-end of \$1,426,892 and unrestricted funds as a percentage of ensuing year's budget of 7.3% for the 2016-17 fiscal year. However, during our audit fieldwork and after we notified the District of the accounting errors, in October of 2017 District officials adjusted their accounting records to correct the account balances for accrued liabilities and health insurance expenditures for the 2016-17 fiscal year to align with the OSC recalculated balances, which resulted in the previously stated balances also being amended.

# Appendix B: Response From District Officials

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**Cynthia Turcotte**  
School Business Administrator  
District Clerk

**Douglas A. Duell**  
Jr/Sr High School Principal

**John S. Goralski**  
Superintendent of Schools

**Amy Langworthy**  
Elementary School Principal

**Stephanie M. Gibson**  
Director of  
Pupil Personnel Services

May 11, 2018

Office of the State Comptroller  
Glens Falls Regional Office  
One Broad Street Plaza  
Glens Falls, New York 12801-4396

**RE: Warrensburg Central School District Response to New York State Comptroller "Financial Condition Management" Audit#2017M-265**

Please accept the following as Warrensburg Central School District's Response to Audit#2017M-265 and the corresponding Corrective Action Plan. The Key findings as listed on page three (3) of the Audit report note the following: over estimating appropriations, maintaining unrestricted fund balance above the 4 percent statutory limit, and not closing out completed capital projects.

The Board of Education has been diligently working on "right sizing" the budget based on implemented cost saving measures in such areas as energy, special education and health insurance. This process began prior to the OSC fieldwork and produced two zero based budgets and corresponding zero increases to the tax levies and, one budget reduction with a corresponding 4% reduction in the tax levy. The BOE has also adopted a 2018-19 budget with a reduction to appropriations (although contractual costs continue to rise) and a corresponding 4% reduction in the tax levy. In 2012 the Board of Education adopted a Reserve Plan and has used it as a tool when funding or using reserves. Several significant capital projects have been completed with zero impact to the tax levy by utilizing the Capital Reserve.

All recommendations in the Audit report have been implemented and most were acted upon during the auditor's fieldwork and prior to the auditors' completion of their fieldwork at the District.

**OSC Audit Recommendations 1**

Properly account for and record accrued liabilities and ensure year-end encumbrances are valid and supported.

**District Action:**

- A) As noted on page six (6) paragraph two (2) of the Audit Report the District and Independent Auditors made the proper adjustments to the health insurance accrual in question and the subsequent health insurance expense.
- B) The practice of carrying over blanket purchase orders into the following fiscal year has been discontinued. All of the encumbrances in question were closed out.

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### **OSC Audit Recommendation 2**

Ensure accounting records are adjusted to properly reflect correct account balances.

#### **District Action:**

- A) The District has closed all capital projects that have an approved Final Cost Report and transferred the money appropriately. The Action was taken before the OSC Auditors completed their field work.

### **OSC Audit Recommendation 3**

Develop and adopt budgets that include realistic estimates for appropriations and the amount of fund balance that will be available and used to fund operations.

#### **District Action:**

- A) On February 26, 2018 The Board of Education adopted a Long Range Financial Plan which they worked on in conjunction with R.G. Timbs, Inc. As noted on page nine (9), paragraph three (3) of the OSC report the District began preparing for the process by entering into a contract on May 2, 2017 with the consulting firm R.G. Timbs, Inc. Prior to having an official adopted long range financial plan the BOE annually reviewed two- year financial and fund balance projections, and formally adopted a Reserve Plan in 2012.
- B) The District has been working on “right sizing” its budget over the last four (4) budget cycles. The District appropriations budget has decreased by an average of .39% over the past three years and the proposed 2018-19 budget includes a .17% decrease, resulting in a 4% decrease in the tax levy over the past three (3) years and a proposed 4% decrease for the 2018-19 school year.
- C) Page six (6), paragraph four (4) of the OSC report notes overestimating of Health Insurance expenditures. It is important to note that until recently final health insurance rate increases were not finalized until well into the budget process and also two collective bargaining agreements negotiated during this time period did not settle until after the budget process with one of those contracts spanning two budget cycles where a significant cost savings in health insurance plans was successfully negotiated.

### **OSC Audit Recommendation 4**

Ensure the money in the debt service for which there is no corresponding outstanding debt is transferred to the general fund and the remaining money in the debt service fund is used to make related debt service payments.

#### **District Action:**

- A) The District made the transfer to the general fund for which no outstanding debt existed due to a prepayment made from unassigned fund balance. Remaining funds in the debt service fund have been taken into account in the Long Range Financial Plan.

### **OSC Audit Recommendation 5**

Develop a multiyear financial plan and monitor and update the plan on an ongoing basis.

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#### **District Action:**

- A) As previously noted the Board of Education adopted a Long Range Financial Plan on February 26, 2018.

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**OSC Audit Recommendation 6**

The Board should adopt a written plan to reduce the excess amount of unrestricted fund balance. Such uses include financing sources for: Funding one-time expenditures, funding needed reserves, and reducing district property taxes.

**Board of Education Action:**

- A) The Board of Education has addressed all of these issues and will continue to monitor by utilizing the adopted Long Range Financial Plan, The Reserve Plan and considering one-time expenditures during the annual budget process (such as the current proposed 2018-19 budget, which includes purchasing a plow-truck, mini-van and a \$100,000 Capital Project for boiler room upgrades).
- B) The Board of Education adopted a spending plan in 2017-18 with a 4% decrease in the tax levy and the proposed 2018-19 spending plan includes a 4% decrease in the tax levy. This issue was addressed prior to the OSC Audit.
- C) The Board of Education recently funded two (2) large capital projects which replaced roofs and addressed other upgrades at both the Elementary and JR/SR High School Buildings with no increase to the tax levy by using Capital Reserve funds, and are currently in the process of beginning construction on an \$11.045 million project to address items identified in the 2015 Building Condition Survey at both the Elementary and JR/SR High School buildings with no increase to the tax levy by utilizing Capital Reserve funds.

**OSC Audit Recommendation 7**

The Board of Education should adopt a resolution to close out completed projects and develop procedures to ensure projects are closed in a timely manner and the Business Administrator properly distributes any unexpended funds.

**Board of Education Action:**

- A) The Board of Education closed all capital projects in question by BOE resolution transferring remaining funds appropriately. The BOE will continue this process for capital projects once a Final Cost Report for the project is completed and approved by SED.

The District takes this time to thank the auditors for their thorough audit and professional conduct while at our District.

Sincerely,

John Goralski  
Superintendent  
Warrensburg Central School District



## Appendix C: Audit Methodology and Standards

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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 reviewed the District's accounting records for the general fund and debt service fund for fiscal years 2014-15 through 2016-17 to determine whether they were accurate. Specifically, we reviewed balance sheet accounts to determine whether they were properly recorded and adequately supported and revenues and expenditures to determine whether they were adequately supported and recorded in the proper funds. We also reviewed all encumbrances recorded in the general fund at fiscal year-end 2014-15 through 2016-17 to determine whether they were for valid commitments for specific expenditures for the current year. We also recalculated the general funds' actual results of operations and fund balances at fiscal year-end 2014-15 through 2016-17.
- We interviewed the Superintendent and Business Administrator to gain an understanding of the District's financial management procedures. This included inquiries regarding the District's budgeting practices and preparation of a multiyear financial plan.
- We compared the adopted general fund budgets for fiscal years 2014-15 through 2016-17 with the actual results of operations to determine whether the budgets were realistic.
- We analyzed the District's general fund financial records for fiscal years 2014-15 through 2016-17 to determine whether the appropriation of fund balance resulted in planned operating deficits and a decline in fund balance.
- We calculated the general fund's unrestricted fund balances at fiscal year-end 2014-15, 2015-16 and 2016-17 and its percentage of the ensuing year's budgeted appropriations to determine whether the District was in compliance with Real Property Tax Law statutory limits.
- We reviewed the adopted general fund budget for the 2017-18 fiscal year to determine whether the budgeted revenues and appropriations were reasonable based on historical data and supporting source documents.
- We reviewed the Board minutes during the audit period to determine whether the Board adopted resolutions to close out completed projects.
- We reviewed all five completed projects accounted for in the capital projects fund as of June 30, 2017 to determine whether any unexpended funds were properly distributed. We also determined the effect on the District's financial condition.



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- We reviewed the cash balance in the debt service fund as of June 30, 2017 to determine its source and whether it was required to be accounted for in the debt service fund.

We conducted this performance audit in accordance with GAGAS, generally accepted government auditing standards. 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.

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 2116-1(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 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. We encourage the Board to make the CAP available for public review in the District Clerk's office.

## Appendix D: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://www.osc.state.ny.us/localgov/regional_directory.pdf)

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

[www.osc.state.ny.us/localgov/costsavings/index.htm](http://www.osc.state.ny.us/localgov/costsavings/index.htm)

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

[www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm](http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm)

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

[www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm)

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

[www.osc.state.ny.us/localgov/planbudget/index.htm](http://www.osc.state.ny.us/localgov/planbudget/index.htm)

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

[www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf](http://www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm](http://www.osc.state.ny.us/localgov/finreporting/index.htm)

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

[www.osc.state.ny.us/localgov/researchpubs/index.htm](http://www.osc.state.ny.us/localgov/researchpubs/index.htm)

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

[www.osc.state.ny.us/localgov/academy/index.htm](http://www.osc.state.ny.us/localgov/academy/index.htm)

## Contact

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

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

[www.osc.state.ny.us/localgov/index.htm](http://www.osc.state.ny.us/localgov/index.htm)

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

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