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FOR MORE INFORMATION, contact Superintendent David Richards at 607-988-5038

Unatego faces fiscal challenges as it prepares for the 2017-18 school budget year

A review of finances at the Unatego Central School District released last night found that as a result of a non-cash accounting error in 2010, compounded by expenditures made following that error which assumed the funding was available, has left the school district with a \$1.484 million shortfall as it prepares to develop the 2017-18 school budget.

This shortfall came to light as the district's new Shared Business Official was closing out paperwork related to the district's \$15.8 million capital project from 2010. She discovered that there was a significant amount of funding shown as due to the General Fund from Debt Service in the both the current year's budget as well as in previously audited financial statements. However, there were no corresponding funds in Debt Service available to repay the General Fund. Subsequent investigation by the District determined that an accounting error, dating back to 2010, had been the initial cause of the problem. No money has ever gone missing and all funds received by the District have been accounted for.

As a result of these recent findings, this fall the Unatego Board of Education contracted with D'Arcangelo & Co. of Syracuse, an independent auditor not affiliated with the District's external auditing firm, to determine the extent of the error and the true financial condition of the school district. Last night, District Administrators and members of the Board of Education were briefed on the true extent of the error.

"Now that we are aware of the situation, we will be working to implement the accounting firm's recommendations and begin developing a sustainable financial plan for the district," said Unatego Superintendent David Richards. "We have to look carefully at all our options as we begin to develop the district's 2017-18 school budget."

Following years of fiscal stress, District officials thought they had turned the corner during the past two years by sharing with other school districts, reducing staff, and negotiating changes to employee's health insurance plans. They had been able to replenish the fund balance to 4% of the budget and establish a Capital Reserve and an Employee's Retirement System Reserve. However, the District learned that, as a result of the error, these reserves had never been funded and their unrestricted fund balance is now significantly reduced.

The accounting firm's report was presented last night to the audit committee and Board of Education with recommendations and consideration for further action. In light of the situation, the district will be working to implement the recommendations in the report, which includes developing procedures to track inter-fund loans more closely, establishing procedures to review all journal entries by another authorized individual, and developing procedures to more

accurately track capital projects. Based on these recommendations and work already begun, the District will develop a sustainable long-range financial plan.

The Unatego Central School District, as do 12 other area school districts, uses services from a Central Business Office (CBO) through the Delaware-Chenango-Madison-Otsego (DCMO) BOCES. The CBO maintains payroll, accounts payable and claims records for Unatego's day-to-day and general budget operations. The CBO has been in operation for more than 20 years and is widely viewed as a way for school districts to save money by sharing common services.

The CBO oversaw and processed the paperwork and filings associated with Unatego's \$15.8 million capital project in 2010.

Unatego officials thought they had been monitoring their finances in a responsible manner, since their financial statements had been audited seven times since 2010 by an independent external auditor, as required by law, and by the New York State Comptroller's office twice in that time period. None of those audits uncovered the accounting error.

The full report prepared by the auditors is available on the District website at www.unatego.org.