

Hoosic Valley Central School District

CENTRAL OFFICES
2 Pleasant Avenue
Schaghticoke, New York 12154

Amy V. Goodell
Superintendent of Schools

Telephone: (518) 753-4458
Fax: (518) 753-7665

Unit Name: Hoosic Valley Central School District

Audit Report Title: Financial Management

Audit Report Number: 2014M-006

Corrective Action Plan (CAP) August 18, 2014

The current administration cannot substitute our judgment over that of our predecessors, however, this report now provides Hoosic Valley CSD an opportunity to improve its financial management into the future. The Board of Education understands their fiduciary responsibilities as guardian of public funds and together working with the administrative team, Hoosic Valley CSD will provide the State Comptroller's office with a corrective action plan to maintain the trust and confidence of our residents, staff and students. For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed.

Audit Recommendation:

1. The Board and District officials should ensure that the amount of the District's unexpended surplus fund balance is in compliance with the Real Property Tax Law statutory limits.

Implementation Plan of Action(s):

In response to recommendation 1: The Board of Education will strive to work with in the Real Property Tax Law statutory limits and ensure the District's unexpended surplus fund balance is within the 4% compliance of the overall budget. After the 3rd quarter of each fiscal year the Board of Education will review expenditures and appropriations to ensure compliance with the Real Property Tax Law statutory limits.

Audit Recommendation:

2. The Board should develop and adopt budgets that include realistic estimates for appropriations.

Implementation Plan of Action(s):

In response to recommendation 2: The 2014-2015 Budget brought before voters was based on the district's expense history ensuring projections for realistic estimates of appropriations for 2014-15 fiscal year. This budget was scrutinized, revised, publicly presented, and voted on as required by Law. The community overwhelmingly supported and approved the budget with a super-majority result. This process will continue with the development of future budgets.

Audit Recommendation:

3. The Board should discontinue the practice of adopting budgets that result in appropriating unexpended surplus funds and reserves that will not be used to sustain District operations.

Implementation Plan of Action(s):

In response to recommendation 3: The District Administration and Board of Education has discontinued the practice of adopting budgets that result in appropriating unexpended surplus funds and reserves that will not be used to sustain District operations.

Audit Recommendation:

4. The Board should ensure all reserves are maintained in accordance with applicable laws.

Implementation Plan of Action(s):

In response to recommendation 4: With the advisement of the school district attorney, Girvin & Ferlazzo, P.C. and the district's independent auditor, Stark & Basila CPA, P.C. Hoosic Valley Central School District reserve funds are authorized and will be maintained pursuant to either Education Law or General Municipal Law.

Audit Recommendation:

5. District officials should prepare a plan for reserves which includes the projected use and need of reserve funds.

Implementation Plan of Action(s):

In response to recommendation 5: The district developed a plan for the use of six reserves and the development of the Insurance Reserve Fund. In order to lower property and casualty insurance expenses in the 2014-15 fiscal year, the district will experience a decrease in premiums with an increase in the deductibles paid on claims. An Insurance Reserve Fund will set aside enough money to cover these higher deductibles should a claim arise. The Retirement Contributions Reserve is available to help finance the employer's share of the State Employees Retirement System. The district plans to transfer \$75,000 each year for the next ten years to offset the increasing cost for the District share of ERS expenses. The Unemployment Insurance Reserve is available to pay for the cost of reimbursing the State Unemployment Insurance Fund for payments made to unemployed claimants. The District averaged \$10,000 to \$15,000 of expenses over the last few years. The district plans to transfer annually to this reserve the amount that was paid to the State. The Debt Service Reserve will be used to offset the

payments of principal and interest on bonds. The district plans to transfer \$200,000 each year for the next ten years to offset the \$17 million construction bond, which will be paid in full during the 2023-24 school year. On June 16th the Board of Education reviewed and approved the activity of these reserves. The Board of Education will review the status and appropriate use of the reserves on an annual basis.

Audit Recommendation:

6. The Board and District officials should review reserves and determine if the amounts reserved are necessary and reasonable. Those amounts determined to be excessive must be transferred out of the reserves in compliance with statutory requirements.

Implementation Plan of Action(s):

In response to recommendation 6: The district administration has reviewed reserves with the school district's independent auditor, Stark & Basila CPA, P.C. The reserves reviewed by the independent auditors were deemed to be legal and necessary. The District Administration will meet with the Finance and Audit Committee and Board of Education on a regular basis to review the status of each reserve.

Audit Recommendation:

7. District officials should attempt to identify the source of the money remaining in the debt service reserve. If it is attributable Multiyear Financial Plan to outstanding debt or State aid related to a capital improvement, it must be used to pay that outstanding debt associated with the source of funding. If it is not attributable to either, it must be returned to the general fund.

Implementation Plan of Action(s):

In response to recommendation 7: The District Administration and Board of Education has reviewed the purpose, status, and required use of the Debt Service Reserve. The Debt Service Reserve will be used in accordance within acceptable law to offset the payments of principal and interest on bonds. After a transfer of \$180,000 this year the current balance of the reserve is \$2,481,347. The administration and Board of Education have planned to transfer \$200,000 each year for the next ten years to offset the \$17 million construction bond, which will be paid in full during the 2023-24 school year.

Audit Recommendation:

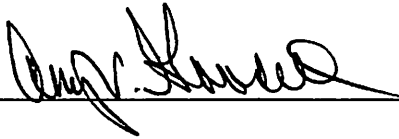
8. The Board and District officials should develop a multiyear financial plan that addresses the use of unexpended surplus funds in a manner that benefits District taxpayers. Such uses could include but are not limited to:

- Reducing real property taxes,
- Increasing necessary reserves,
- Paying off debt and

- Financing one-time expenditures.

Implementation Plan of Action(s):

In response to recommendation 8: A three year budget forecast was developed assuming reasonable increases to expenditures. The three year financial plan was developed as a method to forecast and ensure that the amount of the District's unexpended surplus fund balance is in compliance with the Real Property Tax Law statutory limits. The three year financial plan will be reviewed and updated on an annual basis by the District Administration, Finance and Audit Committee, and Board of Education to assist in the development of reasonable budgets on an annual basis.

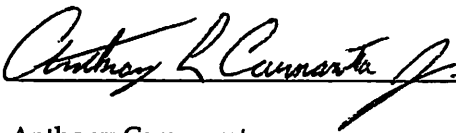


Amy V. Goodell

Superintendent of Schools

8-19-14

Date



Anthony Cammarata

School Business Administrator

8/19/14

Date