Sweet Home Central School District
of Amherst and Tonawanda

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Donald Feldmann,
Asst. Superintendent for Finance & Plant Services

Sweet Home Central School District
CORRECTIVE ACTION PLAN
New York State Comptroller's Office Audit
Audit #: 2022M-166

April 27, 2023

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

Recommendation #1:

The District should comply with the surplus fund balance statutory limit. Report indicates recalculated surplus fund balance exceeded the statutory limit by $7.2 million including $2.8 million which was improperly restricted in a debt reserve as of June 30, 2021.

Implementation Plan of Actions:

The District will continue to use Appropriated Fund Balance as a budgeting tool but will strive to efficiently manage the budget and access as many revenue sources as possible so as to limit its use in any given year.

The District maintains the position it had following our 2016 State Comptroller Audit that it is necessary to fund the Reserve for Debt for future debt resulting from a mismatch between the amortized length of payments on capital improvement bonds (20 years) and the revenue generated from state building aid (15 years). The Reserve for Debt is prudently being used to accumulate district funds equivalent to yearly state aid applicable to debt service that the district is receiving over the initial 15-year period for payment. These Reserve funds are being used to supplant the missing state aid in the remaining five years of debt payment due 2020-2025. This strategy was recommended by our financial and legal advisors and is supported by the Office of the State Comptroller in Opinion 95-24.

Additionally, the District provided a detailed plan to use the remaining $2.8 million in the reserve by the end of the 2025-26 fiscal year to help offset local taxpayer share with regard to debt service payments.

Implementation Date:

Immediately

Person Responsible for Implementation:

Superintendent of Schools/Board of Education/Assistant Superintendent for Finance & Plant Services

Recommendation #2:

The Board and District officials should adopt realistic budgets and ensure encumbrances are valid. Report indicates appropriations were overestimated by $13.4 million and sales tax revenue was underestimated by $3.4 million from 2018-19 to 2021-22.

Implementation Plan of Actions:

The District will continue to use Appropriated Fund Balance as a budgeting tool but will strive to efficiently manage the budget and access as many revenue sources as possible so as to limit its use in any given year. Conservative budgeting, the use of Appropriated Fund Balance, and the use of reserve funds are all part of constructing a budget that helps to produce stability over the long term.

The District will take into consideration the recommendation that 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. Carry-over encumbrances will be reviewed on or around September 1 every year to ensure we meet the recommendation.

The District did increase its sales tax projection $600,000 for the 2023-24 budget cycle. The District projected $3,900,000 in sales tax revenue in 2022-23 and increased projections to $4,500,000 for the 2023-24 budget year.

Implementation Date:

Immediately

Person Responsible for Implementation:

Superintendent of Schools/Board of Education/Assistant Superintendent for Finance & Plant Services/District Treasurer