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May 24, 2016

Ms. Ann C. Singer
Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Dear Ms. Singer;

Please accept this letter as notification that the New York Mills Union Free School district has received and reviewed the preliminary draft findings of the recent examination of our school district's financial management conducted by the New York State Comptroller's Office. We understand that the Report of Examination, 2016M-107, included the period between July 1, 2014 and November 30, 2015.

Based on the preliminary report, we have developed a Corrective Action Plan, which is enclosed. Please inform the district if additional information is required by the Division of Local Government and School Accountability.

Thank you.

Sincerely,

A handwritten signature in blue ink that reads "Kathy Houghton".

Kathy Houghton
Superintendent of Schools

Enclosure

Plan of Corrective Action – New York Mills Union Free School District

Recommendation #1 – The Board should develop realistic estimates of expenditures and the use of fund balance in the annual budget

Response - We have historically carried and appropriated fund balance in order to offset any tax increase implications for our school district residents and we will continue to do so.

Recommendation #2 – Ensure that the amount of the District's unrestricted fund balance is in compliance with the limit established by Real Property Tax Law (RPTL).

Response - The District will insure that our fund balance remains within the guidelines set forth by the New York State Comptroller's Office.

Recommendation #3 – Develop a plan to reduce the amount of unrestricted fund balance in a manner that benefits District residents. Such uses could include, but are not limited to, using surplus funds as a financing source, funding one-time expenditures, funding reserves to finance future capital needs or reducing property taxes

Response - Before the Comptroller's Audit began, the district was in the process of developing a plan for the systemic use of unrestricted fund balance in the manner that best benefits our district residents and our K-12 students.

Recommendation #4 – Return moneys improperly residing in the Debt Services Fund to the General Fund.

Response - The returning of monies in the Debt Service Fund was an integral component of the district's planned use of unrestricted fund balance. Examples of this plan include our newly created Building Capital Reserve Fund and Transportation & Vehicle Reserve Fund, as well our plan to have no tax impact to taxpayers during the 2016-17 school year.

Recommendation #5 – Develop and adopt a multiyear financial plan for a three- to five-year period that addresses the District's use of fund balance and economic or environmental factors.

Response - We have enlisted the assistance of Bernie P. Donegan Associates, our financial advisors for the development of a 3-5 year financial plan that addresses our use of fund balance and economic and environmental factors of the school district.

Plan of Corrective Action – New York Mills Union Free School District Cont'd

Recommendation #6 – The Business Official should only report those encumbrances that remain outstanding that the end of the fiscal year.

Response - The Board of Education initiated a Capital Outlay Project cycle, beginning with the 2015-16 school year. It is properly budgeted and accounted for per the New York State Education Department. All other encumbrances are reported in accordance with Generally Accepted Accounting Practices (GAAP) at the end of each fiscal year.