

**Hermon Dekalb Central School District
Corrective Action Plan
External Audit for Fiscal Year Ending June 30, 2020**

For each condition included in the audit report, the following is the auditors' recommendation and the district's corrective action plan proposed or taken.

Condition 1:

Real Property Tax Law 1318 states that the tax rate must reflect the return of all unexpended funds to the taxpayers except for an amount equal to 4% of the current budget, which may be retained as surplus. The District's unreserved, undesignated fund balance was in excess of the 4% limit for the year ended June 30, 2020.

Audit Recommendation:

We recommend District officials review fund balance during the budget process to ensure compliance with Real Property Tax Law.

Corrective Action:

District officials, including the Superintendent and Board of Education, review the fund balance frequently during the budget process. The application of fund balance towards the next year's tax levy is determined by the Board of Education. With the COVID-19 pandemic, the increased expenses that were anticipated for 2020-2021 for PPE and other expenses to counter the pandemic, as well as the uncertainty of State Aid; it was decided that an increased unreserved Fund Balance was justified.

Condition 2:

It is the responsibility of management to prepare and maintain capital assets schedules and to ensure that appropriate capital asset accounting and financial reporting policies are in place that conform to Generally Accepted Accounting Policies(GAAP).

Audit Recommendation:

We recommend that the District considers reviewing the need for appraisals and consider using an external party(Bowers) to maintain the capital asset schedules.

Corrective Action:

The District has decided to use an external party(Bowers) to maintain the capital asset schedules. Anticipated completed is expected by June 1, 2021.