



SPENCERPORT CENTRAL SCHOOL DISTRICT

Office of the Superintendent

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Superintendent of Schools

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Mr. Jeffrey D. Mazula
Chief Examiner
Buffalo Regional Office
Office of State Comptroller
295 Main St. Suite 1032
Buffalo, NY 14203

Dear Mr. Mazula,

The Spencerport Central School District has acknowledged receipt of the draft audit report of our financial condition for the period of July 1, 2012 through May 27, 2016 prepared by the Office of the State Comptroller (OSC).

During the audit, we found the OSC representatives to be extremely professional, collaborative, and knowledgeable and we appreciate the dedication and countless hours they devoted to our district. The OSC last audited our district in 2009, and much like seven years ago, we value the perspectives and recommendations of the OSC, and our intent is to review their report and adjust our practices where appropriate based on the advisement of our audit committee members, internal and external auditors, and financial advisors.

As indicated in the exit conference attended by Board of Education President Gary Bracken, Superintendent of Schools Michael Crumb, and Executive Director of Business Operations Rick Wood, we appreciate the opportunity to evaluate the district's conservative management of finances in order to secure sound, long-term stability for our taxpayers, and achieve our mission to provide quality instructional programs for students. This conservative philosophy has insulated our community from drastic financial swings outside our control, whether related to operational costs or the variability in state aid funding.

Budget estimates

The Spencerport superintendent, business director, treasurer, cabinet, and board of education closely examine expenditures throughout the year, and during the months of budget development, intensify this process by collaborating with administrators, principals and directors to determine actual costs, identify potential efficiencies, then align estimates for the coming year.

Our Mission is to educate and inspire each student to love learning, pursue excellence and use knowledge, skills and attitudes to contribute respectfully and confidently to an ever-changing global community.

Using trend-line data, consumer price index (CPI), anticipated contractual costs (salaries), and projected revenues (federal and state aid) every effort is made to develop a budget with informed accuracy, and we engage our community budget focus group and board of education for feedback at critical checkpoints during this process. The OSC assertions should have acknowledged that there are expenditures which influence our bottom line and have no method to predict, such as:

- the fluctuation of fuel prices;
- utility usage, based on either mild or harsh weather;
- variation of overtime costs for such needs as snowplowing;
- employer contributions for mandated pension systems; and the
- costs of health insurance premiums; While we benefit from membership in a consortium, premiums remain unpredictable from year to year.

Appropriation of reserves and fund balance

Another focus in the audit was the appropriation of reserves and fund balance. The OSC recommended that we establish a more formal mechanism to document and identify the use and replenishment of reserves. We found this suggestion to be beneficial since we do have protocols and procedures in place, but not a formal policy. We have enlisted the auditors' guidance on such policy and best practices toward ultimately enhancing our operations and governance procedures.

The OSC also recommended that our district review all reserves at least annually to determine if the amounts reserved are necessary and reasonable. This is a process we have followed for years with the guidance of our financial advisors, audit committee, internal or external auditors, and business office prior to presenting it for decision by the board of education.

Further, any pending action is posted in advance through our agendas and discussed thoroughly during open session of our board meetings. As a superintendent and board of education, we value this open and transparent discussion prior to any approval, since public hearings on these appropriations are not required by law. The board's decisions on these matters are also clearly communicated as a follow-up in the meeting minutes.

Since the audit in 2009, when the OSC recommended more rigorous use of our reserves, we have incorporated this suggestion into our short and long term financial planning. Our fund balance and reserves have decreased about \$4.5 million since 2012 alone, and we have applied this funding to:

- appropriate operating expenditures in our budget (e.g., unemployment expenses);
- our capital projects for 2012 and 2015 and mitigating the local share of taxes after state aid;
- the ongoing replacement of our school buses and facilities vehicles, again mitigating the local share of taxes after state aid; and the
- purchase of classroom furniture aligning to our initiative to transform teaching and learning for the 21st century.

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The use of reserves afforded us the ability to consistently balance the tax burden on our community, while enhancing our educational programs and maintaining operations and infrastructure. The use of these reserves has also been critical during a time when the state did not meet their financial obligation to our district with the Gap Elimination Adjustment (GEA) program and the withholding of \$22.6 million of state aid since 2009.

Moreover, with voter authorization, we eliminated the property loss reserve, of which the balance was returned to our residents to offset the tax levy. The board of education also approved the dissolution of the insurance reserve, the impact of which allowed us to fund the first year of our required financial obligation to the Monroe 2 BOCES capital project without the need to borrow money and incur interest expenses.

The perspective of OSC in relation to an excessive surplus did come as a surprise to our district. During the time period analyzed, we meticulously worked to ensure sustainable management of the reserves – prudently, not excessively – to compensate for unforeseen circumstances (GEA, emergencies, economic stressors) while maintaining quality instructional programs. Since 2013, our district also made it a priority to apply fund balance to the overall tax levy, resulting in minimal or no increase to the tax rate.

In conclusion, we respect the OSC for their efforts and acknowledge their findings. The review and examination of our financial condition only serves to validate our lawful procedures and strengthen our budgeting practices, policy and governance. We intend to comply with the recommendations provided by the OSC, and continue to engage the community on our progress.

Respectfully,

Gary E. Bracken
Board of Education President
Spencerport Central School District

Michael. S. Crumb
Superintendent of Schools
Spencerport Central School District