



# Stamford Central School

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*Our mission is to build a partnership of students, families, staff, and community members in order to create an educational community dedicated to excellence.*

May 27, 2016

H. Todd Eames, Chief Examiner  
Office of the State Comptroller  
44 Hawley Street – 3<sup>rd</sup> Floor  
Binghamton, NY 13901-4417

Dear Mr. Eames:

The Stamford Central School District is in receipt of the draft audit report for Fund Balance for the period of July 1, 2014 – January 20, 2016. The Board of Education and the District Administration would like to thank the examiners from the Office of the State Comptroller Division of Local Government and School Accountability for their efforts and findings in our audit.

Please see our **Audit Response** and **Corrective Action Plan** below.

We are pleased to note that *no fraud or mismanagement* was identified through this process. In addition, we are also pleased that the District has received unmodified external audits with no significant deficiencies or material weaknesses. The report noted that the "*District officials must develop reasonable, structurally balanced budgets that balance recurring expenditure needs with recurring revenue sources.*" We are pleased that we share the same philosophy with the Comptroller's office. In addition, the Comptroller's Local Government Management Guide, Financial Condition Analysis, defines the financial condition on page 2, as the ability of a school district to balance recurring expenditure needs with recurring revenue sources, while providing services on a continuing basis. It goes on to state that a community in good financial condition generally maintains adequate service levels during fiscal downturns, identifies and adjusts to long-term economic or demographic changes, and develops resources to meet future needs. The district takes this responsibility seriously.

The Board of Education and the District Administration work diligently to plan budgets, to estimate actual expenditures and revenues, to anticipate future drastic cuts in school aid, to establish reserves to meet long-term obligations, to balance recurring expenditures with recurring revenue sources as well as decreases in those revenues, to maintain all programs that benefit children and to anticipate long-term economic changes.

We also agree with the Comptroller's definition of financial condition and are proud that we have taken these roles seriously and have continued to offer a high quality educational experience to the students of the Stamford Central School District while remaining good stewards of the taxpayer's money.

The largest revenue stream for the district is Foundation Aid. That revenue stream is problematic and unpredictable as cited in the Comptroller's report *New York State School Aid: Two Perspectives-Office of the State Comptroller; Division of Local Government and School Accountability: March 2016* "Overall, while state school aid has grown since SY 2011–12, most of the growth has taken place outside of the Foundation Aid formula. And, even though GEA Restoration Aid has provided more assistance to school districts during the period, it has also made school aid distribution that much more complex. As a result State school aid funding is increasingly difficult for school officials and citizens to understand or predict." (p. 6)

To make state aid predictability more complicated, the Gap Elimination Adjustment (GEA) has been problematic. Since 2011-2012 to the present the district's GEA has totaled -\$1,882,593 (that is, -\$434,972, -\$557,410, -\$481,764, -\$274,606, -\$122,895 and -\$10,946 respectively). These reductions have a particularly negative impact on this district compared to wealthier counterparts as evidence by the Comptroller's remarks in *New York State School Aid: Two Perspectives-Office of the State Comptroller; Division of Local Government and School Accountability: March 2016.* The district's Free and Reduced Price Lunch count three year average for grades K-6 is 49.6%; basically half of the district's K-6 population is entitled to a free or reduced lunch under Federal poverty guidelines.

Additionally, state aid to our district, not counting building aid, has only increased on average over the last eight years under 1% per year (.89%). Thus, over the past five years many changes have taken place in education, none more dramatic than the substantial, volatile and largely unpredictable cuts in school aid. Equally discouraging, to date the Stamford Central School District has had only a few thousand dollars in annual increases in Foundation Aid since 2011-12. The revenue situation is more precarious due to the unpredictability of the tax cap. In SY 2015-16, a 1% increase in the tax levy, for instance, would raise a modest \$34,575; among the 9% lowest in New York State.

Therefore the district is in agreement with the Comptroller's findings in his report-*New York State School Aid: Two Perspectives Office of the State Comptroller; Division of Local Government and School Accountability: March 2016: Local Revenues: The Property Tax and Use of Fund Balances.* "One potential response to lower-than-anticipated growth in total revenue is to use fund balance in order to avoid cutting programs."

Despite the district's continuous concern over the significant and volatile revenue streams and expense fluctuations the Comptroller correctly points out that an adjustment to the district's budget development practices and long range approach are in order. Important to note, there has been considerable superintendent turn over at the district for many years, which has resulted in wide-ranging budget strategies which have not provided consistency. As a result, in addition to needing a financial plan, the district needs to prioritize long-term building condition and repair needs. The district will make every reasonable effort to comply with the recommendations contained in the report as practicable.

### CORRECTIVE ACTION PLAN

Specifically the district will:

1. Institute a long range fiscal and educational planning process to ensure appropriate local course for the districts desired educational and fiscal program with consideration of state fiscal support and regional economic realities.
  - a. Examine the relationship between the tax levy and current and projected budgetary needs to support a robust educational program and a continuation of sound fiscal long range planning. **Complete.**
  - b. Reassess expenditure exposure and liabilities due to unforeseen but periodic costs that may be due to demographic and educational program enrollment situations. **Complete.**
  - c. Reassess its budget development process to develop budgets that closely align to recent expenditure and revenue patterns and yet secure the district against unforeseen circumstances. **Complete.**
  - d. Reassess the potential revenue shortfalls created by state aid patterns and other revenue sources insofar as possible and reliable. **Complete.**
2. Reassess its use of appropriated fund balance as a part of the budget development process. **Complete.**
3. Review and adjust a reserve plan with an annual reserve report component.
  - a. Included but not limited to the reassessment and development of a practice and procedure to the determination of appropriate reserves by category and their use to support the district's educational plan, fiscal plan and secure financial safety against liabilities. **In process with auditor (should be completed by August 30, 2016).**
  - b. Develop and Implement a long range plan to appropriately use the debt service funds to pay debt service principal and interest payments. **In process with auditor (should be completed by August 30, 2016).**
4. Work with the district's auditors to ensure fiscal compliance. **Ongoing annually forward.**

The Board of Education and District Administration appreciate the recommendations in this audit and have already spoken with their External Auditor and an independent financial advisor about them. The financial advisor has agreed to work with the district in developing a five year fiscal plan.

Once again, we thank you for your professionalism and for the suggestions. We will use this as an opportunity to reexamine our long range fiscal plan and to continue to plan for future unanticipated needs and proper maintenance of funds.

Thank you.

Respectfully,

Dr. Glen A. Huot  
Superintendent