



Waterloo Central School District

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September 5, 2019

Edward V. Grant, Chief Examiner
The Powers Building
16 Main St., Suite 522
Rochester, N.Y. 13614-1608

Dear Mr. Grant;

The Waterloo Central School District has received and reviewed the draft Financial Condition Report Examination (2019M-137) for the audit period July 1, 2015 to May 31, 2019. On behalf of WCSD's Board of Education and administrative team, we sincerely appreciate the hard work and professionalism exhibited by the audit team while they were in Waterloo. This letter includes both the district's response to the report and the corrective action plan. The action plan was reviewed by the Board of Education Finance Committee on September 4, 2019 and as anticipated to be approved by our Board of Education on September 16, 2019.

WCSD's Board of Education always seeks to balance its ongoing commitment to be fiscally responsible stewards of our stakeholders' tax dollars, while simultaneously continuing to provide a strong educational program for our students. Concurrently, the district must abide by evolving financial constraints from state and federal laws, regulations, mandates and requirements. The Waterloo Board of Education spends many months developing sound budgets and fiscal practices that balance the priorities of the school district community.

We were pleased to receive your comments that overall District officials budgeted reasonably in most years for revenues. The district also appreciates the auditor's understanding that it is prudent to plan and provide for unseen circumstances. We wholly agree with this statement.

Please allow this letter to serve as the District's response to the Draft Audit's findings.

Based on the Comptroller's recommendations, WCSD will execute the following action plan:

1. Continue to provide transparent budgets that include reasonable estimates for appropriations. The Waterloo Central School District has annually developed and shared the budget process in open session. When the final budget for the next school year is developed in February and March there are many contingencies and unknowns for which the Board of Education must plan. Some of these contingencies may not be known until well into the budget year. These contingencies may occur at any time and may be significant. To be fiscally responsible, we must plan for the potential unknown. The district plans for as many contingencies as possible, with the realization that many increases will not only be for the current year, but may impact the district many years into the future based on student needs unknown to us at the time the budget is developed. Additionally, revenues can also be potentially unknown at the time of budget adoption. State aid, BOCES aid and PILOTS are not always known when working through the budget development process.

2. The district will continue to comply with the statutory limit of unrestricted balance funds, appropriately use surplus funds for one-time expenditures, continue to fund needed reserves, continue to pay off debt and when possible, as in the 2019-20 budget, to reduce district property taxes. The District and WCSD Board will continue to review all balances for reasonableness and ensure continued compliance with the law. District property taxes were reduced by 0.8% in the 2019-20 WCSD Budget. In the past years the district has conservatively kept the tax levy increase low to slowly decrease the unrestricted fund balance. In 2017-2018 the increase was .36%, 2018-2019 .99% and in 2019-2020 the tax levy was decreased by .80%. The WCSD Board of Education Finance Committee has longitudinally analyzed the impact of a tax levy decrease in conjunction with the tax cap restriction, to avoid the need for the public to approve a budget the is above the tax cap calculation. The Waterloo School District understands and is sympathetic to the hardship that increased taxes cause for our community. The interest of the WCSD Board is to keep tax rates consistent in the future. Thoughtfully planned budgets allow for building strong reserves.
3. The Board is very responsible in monitoring the district spending and reserves. The Board of Education and Board Finance Committee will continue to enhance our current documents, creating a more comprehensive reserve plan. We feel we have handled our reserve funds properly and carefully in the past, resulting in an A1 Bond rating from Moody's Investor's Service. This enables us to borrow, when needed, at favorable interest rates, which is a benefit to our taxpayers. The Board of Education and Board Finance Committee will work collaboratively with our financial advisors to continue to plan for future utilization of funds.
4. The Board of Education and the Board Finance Committee will use the debt service fund to support the debt service payments based on a written plan, spanning the next ten years. The use of this debt service will minimize the impact to the tax cap calculation and maximize the long-term financial health of the district.
5. The district will continue to develop, adopt and update comprehensive multiyear financial and capital plans for three, five, and ten-year periods to be considered in the annual budget development process. We are currently in the process of developing a ten-year plan for funding capital projects and incorporating the use of the debt service fund to finance these projects. This will provide us with the opportunity of a zero impact to the community when undertaking capital project work.

We appreciate the Office of the Comptroller's review of the District's financial condition management. We continue to look for ways to maintain the quality of our educational programs and to continually improve our budget and financial processes, which allows us to be fiscally responsible to our community.

Sincerely,



Ellen Hughes
Board of Education



Terri Bavis
Superintendent