

Lancaster Central School District

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Michael J. Vallely, Ph.D.
Superintendent of Schools

October 3, 2016

VIA EMAIL

Office of the State Comptroller
Division of Local Government & School Accountability
PSU-CAP Submission
110 State Street, 12th floor
Albany, NY 12236

**REF: Lancaster Central School District
Financial Condition Report of Examination
Report number 2016M-101**

Dear Office of the State Comptroller Division of Local Government & School Accountability:

The Lancaster Central School District offers the following corrective actions to the recommendations set forth in the Financial Condition Report of Examination dated July 2016:

Recommendation #1:

Develop realistic estimates of appropriations and the use of fund balance and reserves in the annual budget.

Implementation Plan of Action: The District will review past expenditures, current expenditure trends, and future expenditure liabilities and make adjustments in its estimates in future budgets as it deems to be appropriate and fiscally responsible.

Implementation Date: Beginning with 2017-18 budget building process

Person Responsible for Implementation: Administration and Board of Education

Recommendation #2:

Ensure that the amount of unrestricted fund balance is in compliance with the statutory limit and develop a plan to use excess funds in a manner that benefits taxpayers. Such uses could include, but are not limited to:

- Paying off debt
- Financing one-time expenditures
- Funding needed reserves
- Reducing District property taxes

Implementation Plan of Action: The District will remain in compliance with the statutory limit of unrestricted fund balance. The District will create a fund balance and reserve plan which will dictate the allocation of fund balance and funding, use, and balances of reserves. The plan will be referenced in making budgeting, fund balance allocation, and long term financial decisions. The plan will be updated annually and made available to the public on the District's website. Allocation of excess funds, use of reserves, and funding of needed reserves will occur according to the plan.

Implementation Date: June 30, 2017

Person Responsible for Implementation: Administration and Board of Education

Recommendation #3:

Continue to review all reserves at least annually to determine if the amounts reserved are necessary and reasonable. Any excess funds should be transferred to unrestricted fund balance (where allowed by law) or to other reserves established and maintained in compliance with statutory directives.

Implementation Plan of Action: The District will review reserve balances and future obligations annually each June and make a determination regarding the necessity and reasonableness of year end balances. Excess funds will be transferred in accordance with the District's fund balance and reserve plan (referenced in plan of action for recommendation #2 and #5). The Board of Education will annually approve the reserve transactions at one of their regular meetings.

Implementation Date: Beginning in June 2017

Person Responsible for Implementation: Assistant Superintendent for Business

Recommendation #4:

Ensure that the debt reserve is used to pay related debt as required.

Implementation Plan of Action: The District will develop a long term plan that will utilize the debt service funds to the best benefit of our taxpayers. As building aid related to this debt begins to decline, the District will utilize the debt service reserve to offset some or all of the impact of the debt premium and interest payments on the budget. The District will work collaboratively with our financial advisors on this long term plan and will use the reserve funds according to the plan.

Implementation Date: June 30, 2017

Person Responsible for Implementation: Assistant Superintendent for Business

Recommendation #5:

Update the existing reserve policy by indicating the amount of reserve funds to be reserved, how each reserve will be funded and when the balances will be used and replenished to finance related costs.

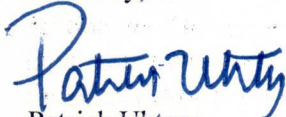
Implementation Plan of Action: The Board of Education will review the existing reserve policy and update as it deems to be appropriate or necessary. The District will create a fund balance and reserve plan which will dictate the allocation of fund balance and funding, use, and balances of reserves. The plan will be referenced in making budgeting and long term financial decisions. The plan will be updated annually and made available to the public on the District's website.

Implementation Date: February 28, 2017

Person Responsible for Implementation: Administration and Board of Education

The District is committed to taking appropriate corrective action to correct, clarify, and/or strengthen our operating procedures in these areas of concern and to fully comply with State guidelines.

Sincerely,



Patrick Uhteg
Board of Education President



Michael Sage
Audit Committee Chair



Michael J. Vallely
Superintendent of Schools

Cc: Jeffrey Mazula, OSC Chief Examiner, Buffalo Regional Office
NYSED Office of Audit Services