

Village of Spencerport



27 West Avenue
Spencerport, NY 14559

Tel. 585-352-4771
Fax 585-352-3484

E-Mail: villageoffice@vil.spencerport.ny.us

JOYCE A. LOBENE, *Mayor*
RICHARD J. OLSON, *Attorney*
OWEN McINTEE, *Electric Supt.*

THOMAS WEST, *Supt. of Public Works*
JACQUELINE SULLIVAN, *Village Clerk*
KAREN KIMBLER, *Treasurer*

TRUSTEES

GLENN C. GRANGER
GARY PENDERS

CAROL J. NELLIS-EWELL
CHARLES R. HOPSON

November 14, 2013

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

RE: Unit Name: Village of Spencerport
Audit Report Title: Financial Management,
Period Covered: June 1, 2011 – April 25, 2013
Audit Report Number: 2013M-134

To Whom it May Concern:

The following is submitted as the Corrective Action Plan for the above referenced OSC audit of the Village of Spencerport, NY. The completion of all actions will be the responsibility of the Village Board (Board), with the detailed activities supported by the Department Heads and the Treasurer.

Audit Recommendations and Responses

1. **Recommendation:** The Board should adopt policies or procedures to govern budgeting practices and the level of fund balance to be maintained for each fund.

Corrective actions planned and completed: The Board will develop a policy for targeting fund balance levels by fund for the General and Sewer Funds, and will build strategies to reach the targeted levels in a reasonable period of time. The policies and strategies have been/will be developed on the schedule that follows (see Attachment A).

2. **Recommendation:** The Board should adopt budgets with realistic estimates of revenues and expenditures and the amount of fund balance to be used to fund operations.

Corrective actions planned and completed: In the 2014-15 budgeting process, and in the future, the Board will continue to make efforts to fine tune budgeting to more closely reflect historical actuals, and will fine tune use of fund balances to match budget adjustments. The 2014-15 budgeting process timeline is identified on the schedule that follows. (See Attachment A.)

3. **Recommendation:** The Board should develop and implement a long-term financial plan to guide its budgeting decisions and effectively use and reduce fund balances in the general and sewer funds in a manner that benefits taxpayers. Such uses could include, but are not limited to, paying off debt,

increasing necessary reserves, financing onetime expenditures, or reducing property taxes. The Board should monitor and update any long-term financial plan on an ongoing basis.

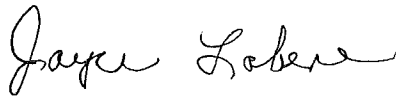
Corrective actions planned and completed: In the past years the Board has used excess fund balances in the General and Sewer Funds to pay off debt, increase necessary reserves, finance onetime expenditures, and reduce property taxes. These uses are documented on the attached listing (See Attachment B).

In addition, the Board has developed many components of a long term strategic plan, (including five year strategic capital plan, vehicle replacement schedule, reserve sourcing and usage plan, and Sewer Fund debt service pay down plan) which have been in use to develop budgets. These documents have never been consolidated or approved as an official plan. Current versions of these documents are attached as Attachments C-F, some of which were provided to OSC auditors during the various phases of the audit process.

The Board has collected previous versions of the long term plan and will meet on the following schedule (See Attachment A) to update, approve by Board action, and publish these as a consolidated financial strategic plan.

We believe that these actions, along with those that we have already implemented over the past few years, will continue to move us toward fiscal stability while responsibly minimizing the risk and the cost impact to our residents. We also believe that they should satisfactorily address the concerns and recommendations expressed by the auditors in your recent report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Joyce Lobene".

Joyce Lobene
Mayor, Village of Spencerport

Attachments

Attachment A

Schedule of Village Board Corrective Actions

2014-2019 Strategic Planning Workshop: Develop Fund Balance Policies Work Five Year Strategic Plan Work Capital Plan	November 13, 2013
Village Board Meeting: Approve Fund Balance Policies Approve Five Year Strategic Plan Approve Capital Plan for 2014-15	no later than December 18, 2013
Village Board Workshops: Review Budget submissions and results Work Tentative Budget	March 8, 2014 and March 15, 2014
Village Board Meeting: Approve Tentative Budget Publish Tentative Budget	March 19, 2014
Village Board Meeting: Public Hearing on Tentative Budget Approve Tentative Budget as Adopted Budget, including Five Year Strategic Plan	April 2, 2014
Publish Adopted Budget & Five Year Strategic Plan	April 7, 2014
2015-20 Strategic Planning Workshop: Review & monitor results of 2014-15 strategies, plans and budgets Begin process again for new year	November 2014

Attachment B

Recent History of Unreserved Fund Balance Usage

	<u>GENERAL FUND</u>	<u>SEWER FUND</u>
2008-2009	Used \$90,934	Used \$191,261
2009-2010	Used \$51,867	Gained \$70,874
2010-2011	Gained \$375,021 – See notes * and **	Used \$193,933
2011-2012	Used \$252,677	Used \$35,164
2012-2013	Used \$114,385	Gained \$38,894
Overall past 5 years:	Used 136,842	Used \$310,590

- Notes:** * The Board pursued a onetime revenue opportunity in 2011 to sell long-term rights to a Village-owned cell tower. The amount received was \$325K.
- ** In 2010-11 roads improvement projects in the amount of \$85K (net of State aid) were paid out of the capital fund using BAN debt, rather than out of the General Fund.

Recent History of Uses of Excess Fund Balance

To pay off debt

In 2011-12 BAN debt for roads improvement projects in 2010-11 ** was repaid in full out of the General Fund. In addition, in 2012, BAN debt for past recycle truck purchases was paid off in full. The total 2012 BAN debt payment budgeted out of Unreserved Fund Balance was \$153,176.

To increase necessary reserves

Deposits were made into General Fund Reserved Fund Balances in the amounts of \$34K in 2009-10, \$140K in 2011-12, and \$75K in 2012-13, with deposits of \$85K budgeted in 2013-14. Included in these amounts are deposits made into a new General Equipment Reserve Fund Balance which was created by Board action in 2010 to even out the large expenses needed for occasional replacement of vehicles and major equipment in concert with the Vehicle Replacement Schedule, and into a new Recycle Reserve Fund Balance which was created by Board action in 2012.

Deposits were made into Sewer Fund Reserved Fund Balances in the amounts of \$23K in 2009-10, with additional deposits of \$50K budgeted in 2013-14. These amounts are deposits made into a new Sewer Equipment Reserve Fund Balance which was created by Board action in 2010.

To finance onetime expenditures

The Village has been able to fund opportunities for matching state grants for docks (2011-12) and trails (East Avenue Heritage Trail Phase 2 in 2013-14) out of General Fund balances.

To reduce property taxes

The Board understands that budgeted appropriations have been overstated each year compared to actual expenditures, with the overstatement a built-in contingency in each account for rising prices and other unexpected situations. Budgeted use of fund balance has also been overstated to counter the expenditures' built-in contingency and keep tax rates down. This was done as an intentional policy of the Board. It is understood that if the Village really used \$500K of fund balance in each year it would put the Village into severe fiscal stress within two to three years.

In the Sewer Fund, excess unreserved fund balance has been scheduled to be used in future years to reduce the cost of the debt service. Funds leftover from the capital project, which were generated initially by the Sewer Fund and which could have been returned to Sewer Unreserved Fund Balance, have been moved to Debt Service and have been used in 2013 and 2014 budgets to lower the Capital Sewer charge on the tax bill. When this amount runs out in 2015, the Board has planned to use Sewer Unreserved Fund Balance to continue to lower the Capital Sewer charge.