

TULLY CENTRAL SCHOOLS
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January 27, 2017

Dear District Residents:

In the fall of 2016, the Office of the State Comptroller completed an audit of the Tully Central School District, during which the Comptroller analyzed budgets for the 2012-13, 2013-14, and 2014-15 school years. In their summary report the Comptroller's auditors accuse the District of over-taxing the local community, and they recommend that we make some changes to our budgeting practices. While I appreciate the auditors' feedback, I believe that the conclusions they draw are flawed, because these conclusions are based upon an inaccurate and incomplete assessment of the school district's financial situation. Specifically, the Comptroller's auditors fail to recognize four important pieces of information.

First, in their report the Comptroller's auditors failed to acknowledge that at the conclusion of the 2012-13 school year, the State Comptroller officially designated Tully Central School District as a school district "Susceptible to Fiscal Stress". This designation led the Tully Board of Education and district administrators to make immediate changes in order to reduce the school district's "Fiscal Stress". Specifically, in 2013-14 we began implementing our bus leasing program and we initiated our Energy Performance Contract (EPC). These changes succeeded in reducing expenses, and thus helped remove Tully Schools from the Comptroller's "Fiscal Stress" list. These changes also helped to create the budget surpluses at the end of the 2013-14 and 2014-15 school years.

Second, in their report the Comptroller's auditors failed to acknowledge a significant financial obligation, which required the school district to increase reserves, beginning in the 2014-15 school year. Specifically, in the summer of 2014, we became aware that ALDI was contesting its' local property tax assessment. We also became aware that if ALDI was successful in reducing their local property tax assessment, Tully Schools could owe ALDI a refund of more than \$1 million. In order to meet this liability, in 2014-15 we began putting money in a reserve fund. When this dispute was finally settled, in August of 2016, Tully Schools refunded to ALDI a total of \$560,168.

Third, in their report the Comptroller's auditors failed to acknowledge that in the spring of 2015 we began constructing our long-term Capital Improvement Plan. This process started when we received the results from our New York State mandated Building Condition Survey

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(BCS). Our BCS identified \$28.4 million worth of work we needed to complete on our school campus, over the next 10 years. Not only were we obligated to conduct the BCS, we were also obligated to figure out how to pay for the \$28.4 million worth of capital improvements identified in the BCS. In order to do so, we created a long-term Capital Improvement Plan, and began the process of building up our Capital Project and Repair reserves. Our long-term Capital Improvement Plan calls for using \$4.3 million of reserve funds over the next ten years, to offset future borrowing.

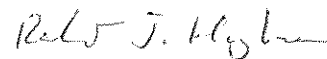
Fourth, in their report the Comptroller's auditors failed to acknowledge that we routinely use surplus and reserve funds to offset or reduce current expenses. Specifically, we have used these funds to replace worn out maintenance vehicles and aging kitchen equipment. We have used these funds to offset annual operating expenses, such as our annual unemployment costs and our annual payment to the New York State Employee Retirement System. We have used these funds to avoid short-term borrowing during the summer months, thus reducing our annual operating costs.

Because it fails to include the four pieces of information outlined above, the State Comptroller's audit report is an inaccurate and an incomplete portrayal of the District's financial situation and budgeting practices. I am proud of the forward-thinking work done over the past several years by the Tully Board of Education, administration, faculty and staff. This forward-thinking approach has allowed Tully Schools to emerge from the recent financial crisis on a firm financial foundation, and with our academic, co-curricular, and athletic programs intact.

For your review, copies of the Comptroller's Audit, our Fund Balance Management Plan, and our Long-Term Capital Improvement Plan are posted in the announcements section, at the top right-hand corner of the District's homepage (www.tullyschools.org). Hard copies of these documents are also available at the District Office. I encourage all community members to read these documents.

As always, please feel free to contact me with any questions or concerns (rhughes@tullyschools.org or 696-6204).

Sincerely,



Robert J. Hughes
Superintendent of Schools