



# BROCKPORT CENTRAL SCHOOL DISTRICT

Sean C. Bruno, Superintendent of Schools

District Offices: 40 Allen Street, Brockport, NY 14420 | Phone: (585) 637-1810 | Fax: (585) 637-0165

March 6, 2024

Office of New York State Comptroller  
Division of Local Government and School Accountability  
PSU – Corrective Action Plan Submission  
110 State Street, 12<sup>th</sup> Floor  
Albany, NY 12236

The purpose of this correspondence is to provide your office with Brockport Central School District's corrective action plan to key findings for Audit Report number 2023M-107.

Although the District agreed with the comptroller regarding improved written reserve and multiyear plans, the District disagrees with the comptroller's opinion regarding unreasonably high reserve balances. This opinion misled some of our taxpayers to conclude that the District should have zero balances in our reserves, which is contrary to the Office of the New York State Comptroller – Local Government Management Guide – Reserve Funds, Pg. 1.

“Saving for future projects, acquisitions, and other allowable purposes is an important planning consideration for local governments and school districts. Reserve funds provide a mechanism for legally saving money to finance all or part of future infrastructure, equipment, and other requirements. Reserve funds can also provide a degree of financial stability by reducing reliance on indebtedness to finance capital projects and acquisitions. In uncertain economic times, reserve funds can also provide officials with a welcomed budgetary option that can help mitigate the need to cut services or to raise taxes. In good times, money not needed for current purposes can often be set aside in reserves for future use.”

The opinion also neglected to capture the worldwide pandemic and resulting financial landscape. During the COVID-19 pandemic, school districts faced uncertainty regarding their revenue streams. The governor's directive to school districts included preparation for a potential 20% reduction (\$8.7M) in state aid. This was compounded by expectations of reduced sales tax revenues due to the shutdown. However, contrary to projections, the anticipated loss of revenue did not materialize. Instead, revenue outcomes exceeded expectations, providing a more favorable financial outlook.

Furthermore, the addition of federal stimulus funds and reduced expenditures (such as staffing and school closures) amid the COVID-19 pandemic resulted in an increase in District reserve balances. The pandemic also underscored the urgent need to tackle academic learning gaps and bolster social-emotional learning resources to counteract the decline in student behavior and academic achievement stemming from the crisis. Strategic allocation of reserves facilitated staff recruitment and retention as well as the continuation of these supplementary student supports beyond the one-time federal stimulus funds, ensuring their sustainability past the 2023-24 school year.

It is important to note that no fraud or mismanagement was identified through this process. Additionally worth noting is the District has received unmodified external audits with no significant deficiencies or material weaknesses, which indicates the financial statements were fairly presented in accordance with Generally Accepted Accounting Principles and Governmental Auditing Standards.

**Audit recommendation:** *Develop and adopt budgets that include reasonable estimates for appropriations, revenues and the amount of fund balance and reserves that will be available to fund operations.*

**Implementation plan of action:** The Board of Education considers strong financial management an integral part of the District's well-being. Its ability to maintain appropriate staffing levels for suitable class sizes and to ensure exceptional academic offerings and experiences that our students deserve. This approach ensures the community's investment in our schools' infrastructure and guarantees the availability of resources to sustain the programs and services needed to meet the diverse needs of our student body. Financial decisions should not only focus on short-term benefits but also consider their implications for the future. Reserves play a crucial role in securing a stable and successful future for the District.

The District will reassess its budget process to ensure the development of a budget that incorporates reasonable estimates for appropriations, the amount of fund balance, and reserves to be appropriated while prioritizing the best interests of students and taxpayers. This includes preparing the District for potential volatility in state aid and/or future pandemic risks, as well as establishing contingencies for unforeseeable increases in the budget due to factors like changes in the number of special education students, fluctuations in utility and fuel prices, or increases in health insurance premiums, among others. The District has examined historical budgeted expenditures and appropriated fund balances and has made adjustments in both revenue and expenses. Moving forward, the District will continue to adopt a long-term financial perspective when budgeting.

**Implementation date:** March 2024 for the 2024-25 budget

**Person(s) responsible for implementation:** Superintendent, Assistant Superintendent for Business, Director of Finance, District Budget Committee

**Audit recommendation:** *Discontinue the practice of appropriating fund balance that is not needed or will not be used to fund operations.*

**Implementation plan of action:** The District will continue to use Appropriated Fund Balance as a budgeting tool but will strive to efficiently manage the Appropriated Fund Balance and explore as many revenue sources as possible to limit its use in any given year. The use of Appropriated Fund Balance and the use of reserve funds are all part of constructing a budget that helps to produce stability over the long term. Notably, the appropriated fund balance amount has been decreased in both 2023-24 and the 2024-25 budgets.

**Implementation date:** March 2024 for the 2024-25 Budget

**Person(s) responsible for implementation:** Superintendent, Assistant Superintendent for Business, Director of Finance, District Budget Committee

**Audit recommendation:** *Review and amend the reserve policy to address circumstances under which reserve funds will be used or replenished.*

**Implementation plan of action:** The District has revised a comprehensive reserve fund plan outlining the purpose, funding sources, expenditures, duration, targeted balances, and rationale for all reserve funds, including the financial management philosophy.

**Implementation date:** March 2024

**Person(s) responsible for implementation:** Superintendent, Assistant Superintendent for Business, Director of Finance

**Audit recommendation:** *Review reserve fund balances to determine whether the amounts are necessary and reasonable. To the extent that they are not, transfers should be made to surplus fund balance, where allowed by law, or to other reserves established and maintained in compliance with statute.*

**Implementation plan of action:** As referenced by the Office of the New York State Comptroller – Local Government Management Guide – Reserve Funds, Pg. 1) “Saving for future projects, acquisitions, and other allowable purposes is an important planning consideration for local governments and school districts. Reserve funds provide a mechanism for legally saving money to finance all or part of future infrastructure, equipment, and other requirements. Reserve funds can also provide a degree of financial stability by reducing reliance on indebtedness to finance capital projects and acquisitions. In uncertain economic times, reserve funds can also provide officials with a welcomed budgetary option that can help mitigate the need to cut services or to raise taxes. In good times, money not needed for current purposes can often be set aside in reserves for future use”.

The administration and Board of Education will evaluate reserve fund balances annually to determine appropriate levels through their review of the District’s reserve plan. During the annual review of the plan, the District will explore options to utilize reserves as revenue for the General Fund, transfer to other reserves (for instance the Building Capital Reserves and Bus Capital Reserves which mitigates interest and issuance costs for bonds resulting in savings for local taxpayers). These reserves are especially important with rising construction costs and the uncertainty and costs with zero-emission buses. These transfers can be through board resolution or voter referendum.

It is worth noting that by offsetting borrowing with reserve funds, the District saves local taxpayers between \$303,000 in interest expenses (assuming 3.5% interest rate) and \$446,000 (assuming 5% interest rate) over 15 years per \$1,000,000 of capital project work not financed. District voters approved the use of \$5,745,000 from the 2021 Capital Reserve Fund to offset the local share in December 2023 for the 2023 Capital Improvement Project.

**Implementation date:** June 2024

**Person(s) responsible for implementation:** Superintendent, Assistant Superintendent for Business, Director of Finance

**Audit recommendation:** *Transfer funds improperly held in the debt reserve in the debt service fund to the general fund surplus fund balance.*

**Implementation plan of action:** For the benefit of local taxpayers the District is already using \$451,750 for the current year 2023-24 budget and will use \$350,000 for the 2024-25 budget, which reduces the reliance on the local tax levy.

**Implementation date:** March 2023 and March 2024

**Person(s) responsible for implementation:** Superintendent, Assistant Superintendent for Business, Director of Finance

**Audit recommendation:** *Develop, adopt and periodically update comprehensive written multiyear financial and capital plans to be used in conjunction with the annual budget process.*

**Implementation plan of action:** The District will create a multiyear financial plan to assist with budgeting. For its long-term capital project planning, the District relies on the State-required Building Condition Survey (BCS). The last survey was conducted in 2015. However, there was a shift in the BCS cycle for school districts by NYSED in 2019, which altered Brockport CSD's next BCS cycle from the calendar year 2020 to 2024. While the District agrees with the methodology for BCS assignments, this change extended the interval between Brockport's Building Condition Surveys from five (5) to nine (9) years. The detailed Building Condition Survey involves the assessment of district facilities by Architects and Engineers to determine capital project needs and associated costs, aiding in the development of a multiyear capital plan. This multiyear capital plan will include input from staff, students, families, and community members.

**Implementation date:** April 2024 and July/Aug 2024 for the Building Condition Survey field work and January 2025 for submission to State Education Department as required.

**Person(s) responsible for implementation:** Superintendent, Assistant Superintendent for Business, Director of Finance

**Audit recommendation:** *The Board should ensure that District officials provide it with a comprehensive annual reserve report, with all components provided for in the District's reserve policy, and review and approve the report and use it to make informed and documented decisions related to the funding and use of reserves to finance operations or portions of capital projects or acquisitions.*

**Implementation plan of action:** The administration provides the Board of Education with reserve fund information and has detailed discussions to support the funding of year-end resolutions and proposed budgets, particularly when the use of reserve funds is proposed to support the annual budget. Additionally, the District will continue to submit the property tax report card to the Board of Education for annual adoption, as required by law. This report card outlines reserve levels and proposed utilization for the upcoming year.

The District has completed an improved comprehensive reserve fund plan, which will be presented to and adopted by the Board of Education annually. This reserve plan will serve as the framework for both the administration and the Board of Education in making decisions regarding the allocation and utilization of reserves.

**Implementation date:** April 2024

**Person(s) responsible for implementation:** Superintendent, Assistant Superintendent for Business, Director of Finance, Board of Education

Sincerely,



Sean C. Bruno