



BROCKPORT

CENTRAL SCHOOL DISTRICT

Sean C. Bruno, Superintendent of Schools

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January 2, 2024

Office of the State Comptroller (OSC)
Rochester Regional Office
Edward V. Grant Jr., Chief Examiner
The Powers Building
16 West Main Street – Suite 522
Rochester, NY 14614-1608

Dear Mr. Grant:

The Brockport Central School District expresses gratitude for the draft examination report titled "Financial Management," spanning the period from July 1, 2020, to September 1, 2022. On behalf of the Board of Education and District Administration, we extend our sincere appreciation to the Comptroller's Office staff, whose courtesy and professionalism were evident throughout the audit process.

The District and Board of Education value the constructive insights provided by the OSC, recognizing them as opportunities for enhancing operations and governance. Moving forward, we commit to considering OSC's opinions on the District's financial management as we make decisions that prioritize the best interests of our students, staff, families and community.

We have conducted a comprehensive review of the report provided by your office. It is crucial to highlight that a substantial portion of the audit timeframe coincided with the COVID-19 pandemic. Throughout this period, New York State posed the threat of mid-year state aid cuts amounting to 20% as part of the pandemic response.

Key Recommendations

The first of the audit report's two key recommendations is that the District adopt budgets that include reasonable estimates and reduce overfunded reserves. The Board of Education has always been fiscally prudent in protecting against the financial difficulties of past years while also looking into the future. Therefore, the District budgets conservatively to ensure stability.

The unforeseen COVID-19 pandemic had a substantial impact. Despite its unpredictability, the District successfully allocated funds for unexpected considerable expenses of pandemic related essential supplies, technology, furniture, equipment, and services to not only safely sustain instruction. In doing so, the District was able to adhere to Federal, State, and Local guidelines, eventually resuming safe full-time, in-person instruction. However, the pandemic significantly disrupted the District's ability to hire staff, significantly reducing budgeted expenses.

The District's approach to revenue budgeting mirrors its conservative principles. With over 50% of the budget dependent on State Aid, Brockport is susceptible to significant revenue fluctuations, especially during challenging fiscal periods, such as the Gap Elimination Adjustments (GEA) experienced over multiple fiscal years. These adjustments amounted to millions of dollars each year, accumulating to a total exceeding \$28 million.

Additionally, the District reasonably anticipated decreases in Sales Tax revenue due to the COVID-19 shutdown, but the outcome was the opposite – a noteworthy increase occurred.

The state's 2% tax cap places constraints on school districts' capacity to generate funds through property taxes, and any reductions have lasting compounding effects. Throughout the audit period and in preceding years, the District consistently operated at or below the tax cap. Over the past seventeen budget years, there has been an average levy increase of 1.97%, with two years (2010-11 and 2016-17) experiencing no tax levy increase.

In instances where revenues surpass expenditures for the year and appropriated fund balance and reserves are unnecessary, these funds become available for future use. If revenues exceed expenditures during the year and appropriated fund balance and reserves are not needed, those funds are available for a future year. Depleting one-time revenues makes the District susceptible to fiscal stress and/or could negatively impact the District's credit rating. A strong credit rating has a positive effect/reduces district financing cost.

The second of the audit report's two key recommendations is that the District emphasizes the need to present a comprehensive annual reserve report and adopt written multiyear financial and capital plans. The audit affirms that reserve funds were appropriately established, and the District consistently provided annual reserve updates to the Board of Education. The District acknowledges there is room for improvement in the information and format of the reserve report and multiyear financial plans.

For long-term capital project planning, the District relies on the State-required Building Condition Survey (BCS), last completed in 2015. A shift in the BCS cycle for school districts in 2019 altered Brockport CSD's next BCS cycle from calendar year 2020 to 2024. While agreeing with the methodology for BCS assignments, this change extended the interval between Brockport's Building Condition Surveys to nine (9) years.

It's noteworthy that the District utilized the 2015 BCS for creating capital projects, approved by voters in 2017, 2021, and 2023, all utilizing Capital Reserve funds. Looking ahead, the District is actively developing future capital plans and intends to use the upcoming 2024 BCS to formulate a comprehensive multiyear capital plan.

Conclusion

The District recognizes the audit and insights from the OSC as opportunities to reassess current budgeting practices, reserve funds, and funding levels. It underscores the importance of evaluating the effectiveness of various reserves, particularly those designated for capital purposes such as buses and building projects. This strategic assessment aims to enhance the long-term sustainability of both operating and capital planning budgets, especially in light of emerging necessities like the new electric bus requirements and the substantial rise in construction costs.

Sincerely,



Sean C. Bruno
Superintendent of Schools



Jeffrey J. Harradine
Board of Education President