New York State Comptroller
THOMAS P. DiNAPOLI

Brockport Central School District

Financial Management

2023M-107 | January 2024

Division of Local Government and School Accountability

Contents

Report Highlights

Brockport Central School District

Audit Objective

Determine whether the Brockport Central School District (District) Board of Education (Board) and District officials effectively managed fund balance and reserves.

Key Findings

The Board and District officials were not transparent with taxpayers and did not effectively manage fund balance and reserves. From the 2017-18 through 2021-22 fiscal years:

- The approved budgets made it appear as though the Board needed to appropriate fund balance and reserves and increase real property taxes by 13 percent to close projected budget gaps. However, the District incurred operating surpluses in each of those five years, totaling $20.9 million.
- The Board overestimated appropriations by more than $30 million (8 percent) and underestimated revenues by a total of $8.7 million (4 percent).
- Five reserves had unreasonably high balances totaling $24.5 million that were not needed or used in many years, and the debt reserve in the debt service fund had $700,000 in unidentified money that should be returned to the general fund.
- The District did not have comprehensive written reserve reports or plans, or written multiyear financial and capital plans, inhibiting effective financial management.

Key Recommendations

- Adopt budgets that include reasonable estimates and reduce overfunded reserves.
- Provide an adequate annual reserve report and adopt written multiyear financial and capital plans.

District officials generally agreed with our recommendations and indicated they will take corrective action.

Background

The District serves the Towns of Clarkson, Hamlin, Ogden, Parma and Sweden in Monroe County, the Town of Bergen in Genesee County and the Town of Clarendon in Orleans County.

The elected seven-member Board is responsible for managing and controlling the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer and is responsible for the District's day-to-day management under the Board's direction.

The Assistant Superintendent for Business (Assistant Superintendent) is responsible for the administration and supervision of financial activities, including working with the Board and Superintendent to develop and administer the budget.

Quick Facts	
2022-23 Appropriations	$89.4 million
Total Reserves as of June 30, 2022	$38.2 million

Audit Period

July 1, 2020 – September 1, 2022

We extended the audit period back to July 1, 2017 to analyze financial trends. We also reviewed 2022-23 preliminary and final financial reports and the adopted 2023-24 budget to include an updated financial perspective.

Financial Management

How Should a School Board and School District Officials Effectively Manage Fund Balance?

To effectively manage fund balance, a school board and school district officials should develop and adopt reasonably estimated and structurally balanced budgets based on historical data or known trends in which recurring revenues finance recurring expenditures. In preparing the budget, a school board must estimate the amounts a school district will spend and receive, the amount of fund balance that will be available at fiscal year-end to use toward the next year's budget and the expected real property tax levy. Accurate estimates help ensure that the tax levy is not greater than necessary, and that surplus fund balance does not exceed the legal limit.

Fund balance represents the cumulative residual resources from prior fiscal years. A school board must comply with New York State Real Property Tax Law Section 1318 that permits a school district to retain surplus fund balance totaling up to 4 percent of the next year's budget for cash flow needs or unexpected expenditures. A school board may also retain fund balance in reserves, restricted for other identified and planned needs, in accordance with various New York State statutes. A board must use any surplus fund balance that exceeds the statutory limit to reduce the upcoming fiscal year's real property tax levy or to fund needed reserves. When a board appropriates fund balance for the next year's budget, the school district is budgeting for a planned operating deficit (expenditures exceeding revenues to decrease fund balance) approximately equal to the amount of fund balance that is appropriated.

The Board and District Officials Adopted Overly Conservative Budgets

We compared estimated revenues and appropriations with actual operating results for fiscal years 2017-18 through 2021-22. District officials overestimated appropriations by more than $30 million or 8 percent during the five-year period, as shown in Figure 1.

Figure 1: General Fund Budget-to-Actual Comparison

	2017-18	2018-19	2019-20	2020-21	2021-22
Appropriations[a]	$78,847,223	$80,248,343	$82,496,416	$84,197,910	$86,288,688
Actual Expenditures[a]	$75,815,929	$75,169,730	$75,655,318	$76,462,366	$78,181,735
Overestimated Appropriations	$3,031,294	$5,078,613	$6,841,098	$7,735,544	$8,106,953
Percentage Overestimated[b]	4.0%	6.8%	9.0%	10.1%	10.4%
Estimated non-RPT Revenues[c]	$45,185,572	$45,183,793	$46,359,093	$46,596,774	$47,599,771
Actual non-RPT Revenues[c]	$46,641,437	$46,326,758	$47,131,945	$49,117,829	$50,366,211
Underestimated Revenues	$1,455,865	$1,142,965	$772,852	$2,521,055	$2,766,440
Percentage Underestimated[d]	3.1%	2.5%	1.6%	5.1%	5.5%
Total Budget Variance	**$4,487,159**	**$6,221,578**	**$7,613,950**	**$10,256,599**	**$10,873,393**

a) Excludes unbudgeted interfund transfer activity

b) Overestimated appropriations divided by actual expenditures

c) Excludes real property taxes (RPT) because the entire levy is generally received as budgeted.

d) Underestimated revenues divided by actual revenues

The most significant overestimated appropriations for the five-year period included:

- Employee Health Insurance Benefits – Annual variances totaled more than $11 million (14 percent) and averaged more than $2.2 million.
- Instructional Computers – Annual variances totaled more than $4 million (61 percent) and averaged more than $800,000.
- Transportation Services – Annual variances totaled $3.3 million (15 percent) and averaged more than $650,000.
- Program for Students with Disabilities Personnel Costs – Annual variances totaled more than $3.2 million (13 percent) and increased each year from more than $270,000 in 2017-18 to nearly $1.2 million in 2021-22.
- Operation of Plant – Annual variances totaled $2.7 million (15 percent) and averaged nearly $536,000.

The Assistant Superintendent and Director of Finance told us the large health insurance variances occurred because they estimated 8 to 10 percent rate increases for midyear rate changes but the changes were often much lower. In addition, the District was unable to fill several insurance-eligible positions and an increased number of staff opted out of health insurance. However, officials should have used historical information – which showed annually increasing variances – to develop future budgets, but instead did not reduce estimates to more closely reflect previous actual expenditures.

They also told us they budgeted for instructional computer purchases in the equipment line items to leave flexibility to make direct purchases, but then transferred funds to the Board of Cooperative Educational Services (BOCES) computer purchases line after confirmation that all purchases were made through BOCES. However, the computers were purchased through BOCES each year and the Board and District officials should have transparently budgeted for them in the BOCES computer purchases line.

In addition, District officials consistently underestimated certain revenues by $8.7 million over the five-year period, which averaged 4 percent annually. The revenues with the largest variances over the five-year period were:

- Sales Tax – Annual variances totaled more than $3 million, with the largest variances being more than $1 million for the last two fiscal years. After decreasing the sales tax budget for 2020-21 and realizing a large variance over the previous year's budget, the Board reinstated the previous annual budget of $3.1 million for 2021-22, but still had more than a $1 million variance.
- Total State Aid – Variances for four of the five fiscal years totaled nearly $2.3 million, with the greatest variance ($1.2 million) in 2021-22.
- Total Refund of Prior Year Expenditures (BOCES-aided and other expenditures) – Annual variances totaled more than $1.8 million over the five-year period and 107 percent of budgeted amounts. While officials did not budget for non BOCES-aided expenditure refunds, the District received refunds averaging more than $200,000 the last four years. The District also received substantial refunds of BOCES-aided expenditures, in excess of budgeted amounts, for four out of five years.

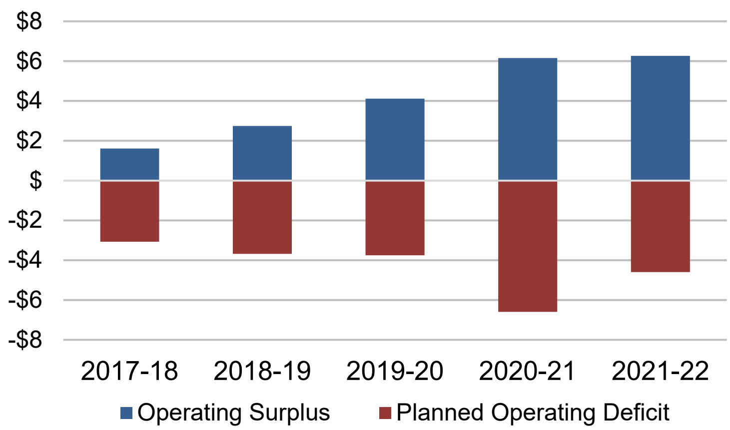
By using budgeting practices that are not based on historical data, known trends and anticipated needs, the Board and District officials did not present the District's spending plan in a transparent and meaningful manner to taxpayers. These practices generated operating surpluses and the accumulation of additional surplus fund balance.

The Board and District Officials Appropriated Fund Balance That Was Not Needed

The Board's budgets made it appear as though it needed to appropriate fund balance and increase real property taxes to close projected budget gaps. In the 2017-18 through 2021-22 fiscal year budgets, the Board appropriated a total of $13.6 million of fund balance and $7.4 million in reserves and increased real property taxes by a total of $3.9 million or 13 percent. However, the District incurred operating surpluses in each of those five years, totaling $20.9 million, and the appropriated fund balance and reserves were not used to finance expenditures (Figure 2).

FIGURE 2

Planned Deficits vs. Operating Surpluses (in Millions)



Annually appropriating fund balance that is not needed to fund operations is, in effect, a reservation of fund balance that is not provided for by statute and circumvents the statutory limit imposed on the level of surplus fund balance.

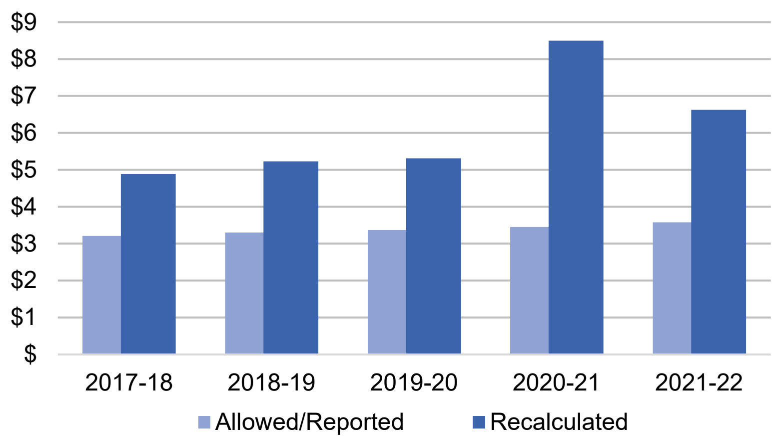
We reviewed the District's year-end surplus fund balance levels for fiscal years 2017-18 through 2021-22. The District reported surplus fund balance at 4 percent of the next year's budget by appropriating fund balance that was not needed and funding reserves.[1]

When adding back the unused appropriated fund balance, the recalculated year-end surplus fund balance exceeded the statutory limit – at 6 percent of the next year's budget for the 2017-18 through 2019-20 fiscal years, and 10 percent and 7 percent for the 2020-21 and 2021-22 fiscal years, respectively (Figure 3).

1 See Reserve Funds Were Overfunded and Not Used.

FIGURE 3

Surplus Fund Balance (in Millions)



As of June 30, 2022, recalculated surplus fund balance of $6.6 million exceeded the 4 percent statutory limit by more than 3 percentage points.

By continually appropriating fund balance that is not needed and overestimating budgeted appropriations, the District is not presenting its surplus fund balance or budget in a transparent manner.

In addition, officials are withholding funds from productive use, which results in real property taxes that are higher than necessary. While fund balance and reserves continued to increase, the Board also continued to increase the tax levy by an average of 2.5 percent each year. Had the Board and District officials developed and adopted more reasonable budgets, they could have considered using these excess funds to fund one-time expenditures and/or needed reserves, pay off debt or reduce the tax levy.

After we had completed our audit fieldwork, we reviewed the District's 2022-23 annual financial report and verified that the District's 2022-23 budget, with revenue and expenditure estimates consistent with prior years, generated an even larger operating surplus of $7.7 million. Therefore, the District did not need to use the $3 million in surplus fund balance or the $2 million from reserve funds appropriated in that budget; fund balance and unneeded reserves instead increased by nearly $8 million, and the 3 percent real property tax increase for 2022-23 was higher than necessary. For updated perspective, in its adopted 2023-24 budget, the Board further increased the tax levy by 2 percent and appropriated another $5 million in fund balance and reserves.

How Should the Board Manage Reserve Funds?

School districts are legally allowed to establish reserves and accumulate and restrict funds for certain future purposes (e.g., retirement expenditures, capital projects). While school districts are generally not limited as to the amount of funds that can be held in reserves, the balances should be reasonable. A school board should balance the desire to accumulate funds for identified future needs with the obligation to make sure real property taxes are not higher than necessary.

To help ensure that reserve balances do not exceed amounts necessary to address long-term obligations or planned expenditures, a school board should adopt a comprehensive written policy or plan that states its rationale for establishing reserve funds, objectives for each reserve, maximum targeted funding levels, conditions under which reserves will be used or replenished and a periodic review of reserve balances to assess reasonableness.

School district money cannot be restricted in a debt reserve unless required by statute. New York State Local Finance Law, Section 165.00 and New York State General Municipal Law, Section 6-l require a debt reserve to be established if unexpended bond proceeds remain on a capital improvement or when a capital improvement has outstanding debt remaining at the time of the sale. These funds must be restricted and used for related debt principal and interest payments.

The Board Did Not Adopt an Adequate Written Reserve Fund Policy

The Board adopted a written reserve policy in 2011 and revised it in 2018. The policy requires District officials to provide an annual reserve report to the Board for its use to make decisions and manage reserve fund balances. The report must include a description of each reserve fund, the date of establishment, interest earned, amount and date of all deposits to or withdrawals from the reserves, ending balances and an analysis of projected needs for the reserve funds in the upcoming fiscal year with a recommendation regarding funding those needs. However, the policy does not address circumstances under which reserve funds would be used or replenished. Such information is necessary for officials when determining how and when to use reserve funds.

District officials did not provide the Board with the policy-required annual report to help the Board make necessary and informed decisions to adequately manage reserve funds. The Assistant Superintendent prepared a one-page spreadsheet (called “BCSD Reserve Funds Scenario”) which did not include the detailed information required by the policy. It also did not include any reserve funding, which is not realistic given the District’s history of annually funding reserves with excess surplus funds. The Board did not enforce its policy and require officials to provide the prescribed detailed reserve report.

District officials do not generally prepare budgets in accordance with the spreadsheet. For example, the spreadsheet showed plans to use more than $4 million of appropriated fund balance in 2022-23, while the 2022-23 budget only appropriated $3 million of fund balance. The Assistant Superintendent told us that he created the current plan/spreadsheet in October 2021 and did not include funding because he does not know what funds will be available. He also indicated that they budget conservatively and make adjustments to the reserve balances when they know the District's fiscal year-end position.

The reserve spreadsheet shows the planned use of the workers' compensation and employees' retirement contribution reserves, as well as appropriated fund balance. However, the appropriated fund balance and reserves generally do not actually get used. At the end of each fiscal year, officials record a journal entry to show the budgeted decrease in the reserves, as well as a same-day second entry that replenishes that amount and generally further increases the reserve balance.

…[T]he appropriated fund balance and reserves generally do not actually get used.

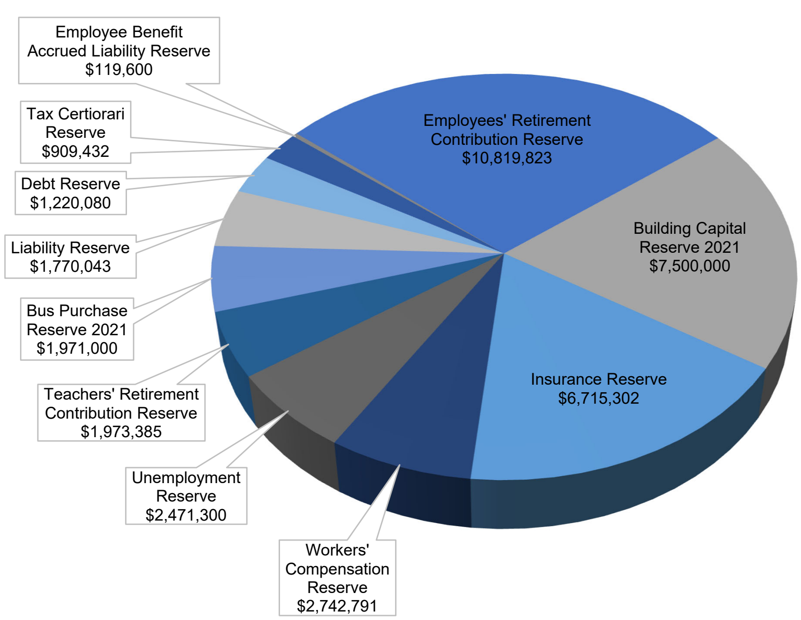
The lack of an adequate reserve policy and plan and comprehensive annual reports to the Board contributed to numerous potentially unneeded and overfunded reserves.

Reserve Funds Were Overfunded and Not Used

As of June 30, 2022, the District reported 10 general fund reserves totaling $37 million and a $1.2 million debt reserve in the debt service fund (Figure 4).

FIGURE 4

Reserve Fund Balances as of June 30, 2022



We reviewed reserve fund activity and determined that although reserve funds were properly established, the resolutions did not provide target funding levels or address how or when reserves would be funded, used or replenished. The Board did not budget to fund the reserves, but instead approved open-ended resolutions to fund various reserves with excess surplus fund balance at the end of each fiscal year. As a result, certain reserves were not reasonably funded or used.

The teachers' retirement contribution reserve was funded within the statutory limit and the tax certiorari reserve and employee benefit accrued liability reserve balances were adequately supported. The two capital reserves were funded within voter-authorized levels and were properly used. The remaining reserves may not be necessary or reasonably funded as follows:

Employees' Retirement Contribution Reserve – This reserve must be used to finance District contributions to the New York State and Local Retirement System. Annual retirement contribution expenditures during our audit period averaged $1.4 million. This reserve had a balance of $10.8 million as of June 30, 2022 which can cover approximately eight years of full retirement expenditures, if funded from the reserve. While officials budgeted to use a total of $7.2 million from this reserve over the last five years (2017-18 through 2021-22), they also replenished the reserve by more than the budgeted use amount, except for 2019-20, and funded it with a total of $7.4 million.

Insurance Reserve – This reserve can be used to cover any loss, claim, action or judgment for which the District can or must purchase insurance. The District has not used this reserve, and has maintained a balance of $6.7 million since 2009. The Assistant Superintendent acknowledged that this balance has existed for a long time and there is not much the District can spend it on in accordance with statute.

The District has not used this reserve, and has maintained a balance of $6.7 million since 2009.

Workers' Compensation Reserve – This reserve may be used to pay for workers' compensation benefits, and the expenses to administer a self-insurance program. Annual workers' compensation expenditures during our audit period averaged $414,124. This reserve had a balance of approximately $2.7 million as of June 30, 2022, which could fund average expenditures for approximately seven years. While officials budgeted to use $50,000 annually for the 2018-19 through 2021-22 fiscal years, they also posted a $500,000 funding entry for all five years, for a net increase of $450,000 for the last four years.

Unemployment Reserve – This reserve was established with the intent to reimburse the New York State Unemployment Insurance Fund for payments made to claimants. The annual unemployment expenditures during our audit period averaged $10,928. This reserve had a balance of approximately $2.5 million as of June 30, 2022 which would cover approximately 225 years based on average expenditures, or 189 employees for the maximum benefit. The reserve had a

$1.5 million balance at the beginning of our audit period and was allocated an additional $1 million of surplus fund balance at the end of the 2019-20 fiscal year.

Liability Reserve – This reserve must be used to cover property loss and liability claims. The balance was $1.8 million as of June 30, 2022, which was 3 percent of the budget – the maximum balance authorized by New York State Education Law Section 1709 [8-c]. However, the balance in this reserve has remained at its current level since 2014. Because there is no detailed plan or obvious need for this reserve, we question why it is maintained at this level. In discussions, the Assistant Superintendent acknowledged the limitations on their ability to use this money, with the statutory restrictions for this reserve.

Debt Reserve – The District accounts for and reports a debt reserve in the debt service fund, separate from the general fund. A debt service fund is used to account for the accumulation of resources designated for paying principal and interest on long-term debt. As of June 30, 2022, this reserve had a reported balance totaling $1.2 million. We were able to identify approximately $500,000 of these funds as attributable to specific completed capital projects. The Assistant Superintendent and Director of Finance told us they did not have records to show the source of the older outstanding balance of approximately $700,000 and did not have a plan to use this money.

District money should not be restricted in a debt reserve unless required by statute (e.g., unexpended bond proceeds associated with outstanding obligations). As a result, these funds should be returned to the general fund surplus fund balance. If these funds were returned to the general fund, recalculated surplus fund balance (including unused appropriated fund balance) as of June 30, 2022, would be higher, at $7.3 million, or 8 percent of the next year's appropriations.

By maintaining unneeded reserves, the Board and District officials may have missed opportunities to lower property taxes for District taxpayers and withheld funds from being used to meet District needs.

Why Is Multiyear Financial and Capital Planning Important?

Multiyear financial and capital planning enables school district officials to identify revenue and expenditure trends, establish long-term priorities and goals, consider the impact of near-term budgeting decisions on future fiscal years and assess the merits of alternative approaches (such as using surplus fund balance or establishing and using reserves) to finance operations. Any comprehensive written multiyear (long-term) financial and capital plan should be periodically reviewed and updated to provide a reliable framework for preparing budgets and ensure that information used to guide decisions is current and accurate.

The Board and District Officials Did Not Have Comprehensive Written Multiyear Financial and Capital Plans

District officials did not develop comprehensive written multiyear financial or capital plans. The Assistant Superintendent told us they used the 2015 building condition survey, which identified District-wide improvement needs for each school building, to plan and address capital improvement needs. The Assistant Superintendent provided a reserve spreadsheet[2] that showed they planned to use the workers' compensation and retirement contribution reserves and appropriated fund balance to help fund annual operations. However, the document did not include the necessary elements of comprehensive multiyear financial or capital plans, such as estimates for revenues, expenditures, reserves, fund balance and long-term capital needs.

The lack of long-term financial and capital plans inhibits the Board and District officials' ability to effectively manage finances and address future operating and capital needs and justify current levels of fund balance and reserves. As the District moves forward, well-designed written financial and capital plans can assist the Board in making timely and informed decisions about programs and operations and help them effectively manage and use fund balance and reserves in the best interest of taxpayers.

What Do We Recommend?

The Board and District officials should:

1. 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.

2. Discontinue the practice of appropriating fund balance that is not needed or will not be used to fund operations.

3. Review and amend the reserve policy to address circumstances under which reserve funds will be used or replenished.

4. 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.

5. Transfer funds improperly held in the debt reserve in the debt service fund to the general fund surplus fund balance.

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2 See The Board Did Not Adopt an Adequate Written Reserve Fund Policy.

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

The Board should:

7. 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.

Appendix A: Response From District Officials

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

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

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials and Board members and reviewed Board and audit committee meeting minutes, resolutions, policies and the reserve plan to gain an understanding of the District's financial management policies and procedures, budgeting practices and the monitoring of fund balance and reserves.
- We reviewed financial records to determine whether the District had operating surpluses or deficits during our audit period and compared the operating results to the appropriated fund balance to determine whether appropriated fund balance was used as budgeted.
- We reviewed the adopted general fund budgets from 2017-18 through 2021-22 to determine whether they were reasonable and structurally balanced by comparing adopted budgets with actual results of operations and analyzing significant expenditure and revenue budget-to-actual variances.
  - Because the Board and District officials consistently did not budget for certain State aid categories (including public excess cost aid) but included related amounts in its over-estimated Basic Formula Aid estimates, we combined budget and actual amounts for all State aid components for a more reasonable analysis.
  - After fieldwork, we obtained 2022-23 budget status reports, the Distict's Final Annual Financial Report and the adopted 2023-24 budget, to include an updated financial perspective.
- We analyzed the fiscal year-end fund balance for the general fund and calculated surplus fund balance as a percent of the next year's appropriations to determine whether the District was in compliance with statute.
- We recalculated surplus fund balance by adding the unused appropriated fund balance and improperly restricted debt reserve funds and compared the amount as a percentage of the next year's appropriations.
- We reviewed activity for all reserves to determine whether they were properly established and used, and whether balances were reasonable as of June 30, 2022.
- We discussed multiyear financial and capital plans with District officials.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The CAP should be posted on the District's website for public review.

Appendix C: Resources and Services

Regional Office Directory
www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas
www.osc.ny.gov/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems
www.osc.ny.gov/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management
www.osc.ny.gov/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans
www.osc.ny.gov/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders
www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller
www.osc.ny.gov/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers
www.osc.ny.gov/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics
www.osc.ny.gov/local-government/academy

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

https://www.osc.ny.gov/local-government

Local Government and School Accountability Help Line: (866) 321-8503

ROCHESTER REGIONAL OFFICE – Edward V. Grant Jr., Chief of Municipal Audits

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