

Falconer Central School District

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Dir. of Instruction & District Data Coord.: Judith Roach

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Director of Technology and STEM: Mary Plumb

The District and Board of Education value the constructive insights provided by the Office of the State Comptroller and recognize them as opportunities for enhancing operations and governance. Moving forward, we commit to considering the opinions on the District's financial management as we prioritize the best interests of our students, staff, families, and the community. Our Board of Education and administration will review the guidance offered in the Report of Examination.

While the District acknowledges the finding of the financial audit, we would like to take this time to address the report. In regards to the recommendation to develop and adopt budgets that include reasonable estimates for appropriations and the amount of fund balance that will be appropriated and used to fund operations and to discontinue the practice of appropriating fund balance that is not needed or used to fund operations. In accordance with District Board Policy #5511 which states, "the District will develop and adopt budgets that, to the extent possible, reflect the anticipated revenues and expenditures." The Board of Education has always been fiscally prudent in protecting against the financial difficulties of past years' while also looking into the future. Our District has consistently ranked in the top fifteen percent of NYS Public Schools for fiscal responsibility and per-pupil spending while still maintaining the highest quality of educational opportunities for our students. Therefore, the District budgets conservatively to ensure stability. Public schools are affected by the financial constraints imposed by both the property tax cap and Foundation Aid. The property tax cap limits the District's capacity to generate funds through property taxes, in addition to not increasing or providing reductions have lasting compounding effects on future tax cap calculations. Falconer Central School's tax levy has been at a 0% increase on our community and remained the same for the last five years and has increased by \$125,000 over the last ten years. In addition, the Board of Education has consistently proposed District construction projects that have provided a 0% tax increase impact on our community.

Throughout the audit period and in preceding years, the District consistently operated below the tax cap having no tax levy increase and creating those compounding effects. Foundation Aid received by the District had not been fully funded according to the State formula until this past year, 2023-2024. Over the last 14 years, the District has not received over \$32 million in Foundation Aid due to the District based on the current Foundation Aid formula. The District requests an equitable and predictable Foundation Aid formula that is sustainable. We also request that when legislation is passed in Albany funding sources are established prior to passing mandates. In recent years, legislation has been passed to mandate Zero Emission Buses at a significant increase in costs that have been passed on to our local communities. In addition to this mandate, recent legislation has been proposed that could require NYS Public Schools to control the temperature in our buildings during warm periods. In response, the District has committed itself to conservative budgeting practices given these uncertain forms of planned revenues. The report suggests the practice of appropriating fund balance that is not needed artificially reduces the amount of surplus fund balance subject to the statutory limit. In reality, the expectation is that the District will not fully expend the budget since we are not allowed to spend more than we appropriate. It is easy to look back on completed fiscal years and determine exactly how much was needed and how much variance was produced by budgeted appropriations. However, it is a different story when budgets are being created prior to expenditures taking place. A budget is an estimated spending plan. The District will continue to use appropriated fund balance as a budgeting tool but will continue to access as many

revenue sources as possible to limit the use of fund balance in any given year. Conservative budgeting, the use of appropriated fund balance, and the use of reserve funds are all part of constructing a budget that helps to produce stability for the District over the long term.

In addition, the District provides full transparency prior to each budget development cycle when it comes to reviewing fund balance and reserve appropriation with our community. However, if fund balance or reserve appropriations are removed from the revenue budget, similar reductions are required to be removed from the expense budget. These changes eliminate the ability to respond to unknown expenses or a duration in reduction such as mid-year state aid reductions, lower revenues in other categories, instruction program changes, utility increases, and special education student placements.

The District always reviews each of the Comptroller's recommendations and will do so with each item in this report. We will review our revenue and appropriation budget practices. Our appropriated fund balance allocation will continue to be adjusted based on short-term and long-term financial factors. During the audit period, the appropriated fund balance decreased from \$1,500,000 in the 2020-2021 school year to \$1,285,000 in the 2024-2025 budget. This was done before this audit was received. This financial action shows the integrity and plans the District has been trying to implement. We will review our reserve plan document against our District Reserve Policy and make necessary adjustments to show that our District is transparent and complies with all funding requirements for fund balance and reserves.

Once again, the District recognizes the audit and insight from the Office of the State Comptroller as opportunities to reassess current budgeting practices, reserve funds, and funding levels. The District is committed to maintaining excellent instructional programs for all students while understanding the resource capacity of the community and economic condition of the state. The most important district goal is to provide students with programs and opportunities that fit their needs. These programs are reviewed on an annual basis. Student needs change as do program offerings. Program expenses also change. It is important that the District maintains a reasonable budget appropriation to support student needs.

While respectfully acknowledging that the comptroller has, from a policy perspective, taken issue with certain aspects of the District's fiscal approach, the District maintains that its primary financial objective is to minimize the cost of delivering a high-quality education to our students. The District's current budgeting practice and management of its fund balance and reserves is conducted in furtherance of this objective and has resulted in one of the lowest per-pupil costs in Chautauqua County. The District has proven they can provide this high-quality education while remaining comparable to districts with enrollments ranging from 501-1,000 (slightly smaller than Falconer's enrollment).

Sincerely,

Stephen M. Penhollow
Superintendent