



ALAN G. HEVESI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

MARK P. PATTISON
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT SERVICES
AND ECONOMIC DEVELOPMENT
Tel: (518) 474-4037 Fax: (518) 486-6479

April 6, 2006

Mr. Ronald E. Limoncelli
Superintendent of Schools and
Members of the Board of Education
Greater Amsterdam School District
11 Liberty Street
Amsterdam, NY 12010

Dear Superintendent Limoncelli and Members of the Board of Education:

Pursuant to Chapter 118 of the Laws of 2001, the State Legislature authorized the Greater Amsterdam School District (District) to issue debt not to exceed \$6 million to liquidate an accumulated deficit in the general fund and to redeem certain revenue anticipation notes outstanding as of June 30, 2001. Chapter 118 requires that, among other things, for each fiscal year during which such debt is outstanding, the District submit its tentative budget to the State Comptroller within five days after its preparation. The State Comptroller may examine the tentative budget and make recommendations for any changes that are needed to bring the tentative budget into balance. Such recommendations are made after examination into the District's estimates of revenues and expenditures.

Our office has recently completed an audit of the District's budget for the 2006-2007 fiscal year. The objective of the audit was to provide an independent evaluation of the tentative budget and address the following questions related to the District's budget for the 2006-2007 fiscal year:

- Are the District's significant revenue and expenditure projections in the budget reasonable?
- Is the District's budget structurally balanced so that recurring costs are financed with recurring revenues?

We conducted our audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) with the exception of reporting views of responsible officials which were not solicited for this report due to the necessity of providing the District with this time-sensitive information. However, the results of this audit were discussed with District officials and their comments have been considered in preparing this report. GAGAS requires that we plan and perform our audit to adequately assess the estimates in the tentative budget. Further, those standards require that we understand the District's management controls and those laws, rules and regulations that are relevant to preparing estimates for the tentative budget.

To accomplish our objectives in this audit, we requested your tentative budget along with other pertinent information. We analyzed the composition of revenues and expenditures in order to determine if the revenue and expenditure estimates are reasonable and if the budget is structurally balanced so that recurring costs are financed with recurring revenues. It was not our intent and we do not offer comments on public policy decisions, such as, the type and level of services to be provided.

The budget package for the 2006-2007 fiscal year, submitted for audit consisted of the following:

- Tentative Budget
- Supplementary Information

The general fund budget submitted to our office included a total appropriation of reserved and planned fund balance of \$618,000 (\$300,000 from an employee liability reserve and \$318,000 from the “planned balance”) as sources to finance 2006-2007 appropriations. The following details the 2006-2007 budget:

Appropriations and Provisions for Other Uses	Estimated Revenues other than Real Property Taxes	Appropriated Fund Balance	Real Property Taxes
\$44,613,207	\$24,531,126	\$618,000	\$19,464,081

The observations and recommendations resulting from our audit are, to a large extent, influenced by the quality and quantity of materials submitted, and the time between submission and budget adoption.

Based on the results of our audit, except as noted below, we found the significant revenue and expenditure projections in the tentative budget to be reasonable and the District’s budget structurally balanced. The following findings should be reviewed by the Board of Education (Board) for appropriate action. Furthermore, pursuant to Chapter 118, the Board should review any recommendations and may make adjustments to the budget consistent with these recommendations. Any recommendations that the Board rejects shall be explained in writing.

State Aid

The District’s tentative budget for the 2006-2007 fiscal year estimates State Aid revenue of \$22,382,126. However, the New York State budget proposed by the State Legislature includes State Aid of \$23,606,487 for the District. Therefore, the District’s tentative budget is based on a conservative estimate. We urge the District to monitor State budget proceedings, including the status of proposed education aid, and be prepared to take action if final State Aid appropriations are significantly different from the amounts budgeted.

Appropriation of Fund Balance and Planned Balance

School districts may generally retain, at the end of each fiscal year, an unreserved fund balance in the general fund of up to 2 percent of the district budget for the ensuing year. These monies may be used to meet ordinary contingent expenses. Any unreserved funds in excess of the limit

are to be used to reduce the amount of taxes levied for the upcoming year. Based on the District's tentative budget for 2006-2007, the District could retain 2 percent of \$44,613,207, or \$892,264, as unreserved fund balance at the end of the 2005-2006 fiscal year.

The District's tentative budget does not include an appropriation of unreserved fund balance to finance 2006-2007 appropriations. We note that the District's independent audit report for fiscal year 2004-2005 reported a total unreserved fund balance of approximately \$2.6 million. District officials indicated that they will use between \$500,000 and \$1 million of fund balance during the current year. Even if the District incurs a deficit of approximately \$1 million, the unreserved fund balance will remain approximately \$1.6 million, approximately \$700,000 in excess of what the law allows. The amount actually available will be more readily determinable as the District nears the end of its fiscal year. The District should monitor their year end fund balance and develop plans for using or reserving fund balance in excess of the 2 percent limitation. We generally recommend that the use of one-shot revenue such as fund balance be used for one time expenditures such as reducing debt or capital expenditures.

Furthermore, the tentative 2006-2007 budget includes the appropriation of \$318,000 of "planned balance" as a funding source for the estimated expenditures. We again express our opinion that the "deferred revenue – planned balance" account established pursuant to Chapter 118 does not become part of the District's fund balance available for reduction of the tax levy. Rather, it remains a source to provide monies for cash flow for the beginning of each fiscal year. If it is determined that the District has an amount of unreserved fund balance in excess of 2 percent of the 2006-2007 appropriations, we recommend that the District appropriate unreserved fund balance rather than the "planned balance."

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, the Board should prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within ninety days. We encourage the Board to make this plan available for public review in the District Clerk's office. For guidance in preparing your plan of action and filing this report, please refer to the attached documents. We also request that you provide us with a copy of the adopted budget.

We hope that this information is useful as you adopt a budget for your District. If you have any questions on the scope of our work, please feel free to contact the Glens Falls Regional Office at 518-793-0057.

Very truly yours,

Mark P. Pattison
Deputy Comptroller

cc: Dorothy M. Phoenix, Clerk of the Board
Roger J. Seward, Business Manager

Hon. Owen H. Johnson, Chair, Senate Finance Committee
Hon. Herman D. Farrell, Jr., Chair, Assembly Ways and Means Committee
Hon. Hugh T. Farley, State Senator
Hon. Paul Tonko, State Assembly Representative
Mr. John F. Cape, Director, Division of the Budget
Mr. Michael Abbott, Director, Office of Audit Services, State Education Department
Mr. Karl M. Smoczynski, Chief Examiner