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April 17, 2006

Mr. Vito P. DiCesare, Jr.  
Superintendent of Schools  
and Members of the Board of Education  
Beacon City School District  
10 Education Drive  
Beacon, New York 12508-4066

Dear Mr. DiCesare and Members of the Board of Education:

Pursuant to Chapter 308 of the Laws of 2005, the State Legislature authorized the Beacon City School District (District) to issue debt up to a maximum amount of \$5,288,000 to liquidate a deficit as of June 30, 2005. Chapter 308 requires the District's chief fiscal officer to submit the District's tentative budget to the State Comptroller within five days after its preparation. The State Comptroller must examine the tentative budget and make recommendations for any changes that are needed to bring the proposed budget into balance. Such recommendations are made after the examination into the estimates of revenue and expenditures of the District and prior to the approval of the budget.

Our office has recently completed an audit of the District's tentative budget for the 2006-07 fiscal year. The objective of the audit was to provide an independent evaluation of the tentative budget. Our audit addressed the following questions related to the District's tentative budget for the 2006-07 fiscal year:

Are the District's revenue and expenditure projections in the tentative 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 we did not solicit 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 require 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 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 tentative budget package for the fiscal year ended June 30, 2006 submitted for audit consisted of the following:

- Cover Letter
- 2006-07 Tentative Budget
- Supplementary Information

The tentative budget submitted to our office is summarized as follows:

<b>Fund</b>	<b>Appropriations</b>	<b>Estimated Revenues</b>	<b>Real Property Taxes</b>
General	\$48,706,000	\$21,818,488	\$26,887,512

The observations and recommendations resulting from our audit are, to a great 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 for as noted below, we found the significant revenue and expenditure projects in the tentative budget to be reasonable, and the District's budget to be structurally balanced.

Our audit disclosed the following finding that should be reviewed by the Board of Education for appropriate action. Good management practices require that District officials take prompt action concerning our recommendation. We believe that prompt action by District officials will help improve the District's financial condition.

### **State Aid**

The District's proposed budget for 2006-07 includes the fiscal year estimates of State aid revenue of \$20,968,488. We note that the Legislative budget includes proposed State aid of \$21,173,252 for the District. Therefore, the District's proposed budget is based on a conservative estimate of State aid. 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 known before the adoption of the District's budget.

The Board of Education has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, the Board of Education should prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days. We encourage the Board of Education 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 the District. If you have any questions on the scope of our work, please feel free to contact our Albany Regional Office at (518) 438-0093.

Very truly yours,

Mark P. Pattison  
Deputy Comptroller

cc: Ms. Deborah Sheers, President, Board of Education  
Ms. Margie Flynn, Clerk of the Board of Education  
Ms. Ann Marie Quartironi, Assistant Superintendent for Business  
Hon. Owen H. Johnson, Chairman, Senate Finance Committee  
Hon. Herman D. Farrell, Jr., Chairman, Assembly Ways and Means Committee  
Mr. John F. Cape, Director, Division of the Budget  
Hon. Stephen M. Saland, State Senator  
Hon. Thomas Kirwan, State Assemblyman  
Members of the Board of Education