

THOMAS P. DiNAPOLI  
STATE COMPTROLLER



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ALBANY, NEW YORK 12236

STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**

April 9, 2007

Dr. Jean Parr  
Superintendent of Schools  
and Members of the Board of Education  
Beacon City School District  
10 Education Drive  
Beacon NY 12508-4066

Dear Dr. Parr and Members of the Board of Education:

Chapter 308 of the Laws of 2005 authorizes Beacon City School District (District) to issue debt totaling \$5,288,000 to liquidate the accumulated deficit in the District's general fund 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 revenues and expenditures of the District prior to the approval of the budget.

Our office has recently completed an audit of the District's tentative budget for the 2007-2008 fiscal year. The objective of the audit was to provide an independent evaluation of the tentative budget. Our audit addressed the following question related to the District's budget for the 2007-2008 fiscal year:

- Are the significant revenue and expenditure projections in the District's tentative budget reasonable?

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 have been 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. 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 ending June 30, 2008, submitted for audit consisted of the following:

- Cover Letter
- 2007-2008 Tentative Budget
- Supplementary Information

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

<b>Fund</b>	<b>Appropriations and Provisions for Other Uses</b>	<b>Real Property Taxes (RPT)</b>	<b>Estimated Revenues Other than RPT</b>	<b>Appropriated Fund Balance</b>
General	\$51,600,000	\$27,472,080	\$23,627,920	\$500,000

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, we found the significant revenue and expenditure projections in the tentative budget to be reasonable. Our audit disclosed the following issue that should be reviewed by the Board of Education for appropriate action.

**Appropriated Fund Balance**

The 2007-2008 tentative budget includes the appropriation of \$500,000 of fund balance to help finance 2007-2008 operations. District officials project that approximately \$1.7 million in unreserved fund balance may be available; after the budgeted appropriation, the unreserved fund balance would be \$1.2 million. We recognize that the District is required to appropriate the \$500,000 to ensure the remaining unreserved undesignated amount of fund balance complies with the statutory limit of 2 percent of the 2007-08 budget. However, we generally advise that excess fund balance be used to finance non-recurring expenses or to reduce outstanding debt. Using excess fund balance to finance ongoing costs can result in future budget gaps since this funding source will not necessarily be available in subsequent years.

We recommend that District officials closely monitor the use of fund balance to ensure that action is taken, if necessary, to identify other funding sources that can be used if fund balance is no longer available to fund District operations.

We hope that this information is useful as you adopt a budget for the District. We request that you provide us with a copy of the adopted budget.

If you have any questions on the scope of our work, please contact the Albany regional office at (518) 438-0093.

Very truly yours,

Mark P. Pattison  
Deputy Comptroller  
Division of Local Government Services  
and Economic Development

Attachments

cc: Ms. Ann Marie Quartironi, Assistant Superintendent for Business  
Ms. Margie Flynn, Clerk of the Board of Education  
Hon. Owen H. Johnson, Chairman, Senate Finance Committee  
Hon. Herman D. Farrell, Jr., Chairman, Assembly Ways and Means Committee  
Mr. Paul E. Francis, Director, New York State Division of the Budget  
Hon. Stephen M. Saland, State Senator  
Hon. Thomas Kirwan, State Assembly Representative  
Ms. Theresa Savo, Deputy Commissioner for Operations and Management Services,  
State Education Department  
Mr. Kenneth Madej, Chief Examiner, Office of the State Comptroller, Local Government  
Services and Economic Development