

THOMAS P. DiNAPOLI  
STATE COMPTROLLER



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

April 12, 2007

Mr. Edward Rhine  
Superintendent of Schools and  
Members of the Board of Education  
Liberty Central School District  
Office of the Superintendent  
115 Buckley Street  
Liberty, NY 12754

Dear Superintendent Rhine and Members of the Board of Education:

Chapter 380 of the Laws of 2003 authorized the Liberty Central School District (District) to issue debt totaling approximately \$1.3 million to liquidate the accumulated deficit in the District's general and food service funds as of June 30, 2002. Chapter 380 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 and 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 District's revenue and expenditure projections in the proposed 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 to provide 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, 2008, submitted for audit consisted of the following:

- 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>Estimated Revenues Other Than Real Property Taxes</b>	<b>Appropriated Fund Balance</b>	<b>Real Property Taxes</b>
General	\$35,438,232 <sup>1</sup>	\$17,996,102	\$0	\$17,442,130
Food Service	\$836,804	\$856,800 <sup>2</sup>	(\$19,996) <sup>3</sup>	\$0

<sup>1</sup> This amount includes a \$200,000 inter-fund transfer to the food service fund.

<sup>2</sup> This amount includes a \$200,000 inter-fund transfer from the general fund.

<sup>3</sup> District officials are budgeting for an operating surplus of \$19,996 in order to reduce the accumulated deficit in the food service fund, which was \$45,919 as of February 28, 2007.

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 our finding below, we found the significant revenue and expenditure projections in the proposed budget to be reasonable.

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

### **Food Service Fund**

The food service fund should be self-sustaining so that sufficient revenues are generated to finance recurring costs without the need for subsidies from the general fund. As of February 28, 2007, the food service fund had a deficit fund balance of \$45,919. The 2007-2008 tentative budget includes an interfund transfer of \$200,000 from the general fund to the food service fund to help finance operational costs and reduce the fund's accumulated deficit. District officials should consider alternative ways to enhance revenues or reduce costs in food service fund operations to help ensure it operates without the need for future general fund subsidies.

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 contact the Binghamton Regional Office at 607-721-8306.

Very truly yours,

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

cc: David L. Burke, Board President  
Joyce Burnett, Board Member  
Joyce Teed, Board Member  
Cathie Smith, Board Member  
Norma McAndrew, Board Member  
Michael F. McGuire, Board Member  
John Milano, Board Member  
Philip Olsen, Board Member  
Daniel Parkhurst, Board Member  
Michael Vanyo, Assistant Superintendent for Business  
Linda Etes, District Clerk  
Hon. Owen H. Johnson, Chair, Senate Finance Committee  
Hon. John J. Bonacic, State Senator  
Hon. Herman D. Farrell, Jr., Chair, Assembly Ways and Means Committee  
Hon. Aileen M. Gunther, Assemblywoman  
James Conway, Director, Office of Audit Services, State Education Department  
Paul E. Francis, Director, Division of Budget  
Patrick Carbone, Regional Chief Examiner