

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. Eric Ely
Superintendent of Schools
And Members of the Board of Education
Schenectady City School District
108 Education Drive
Schenectady, N.Y. 12303

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

Pursuant to Chapters 375 and 376 of the Laws of 2000, the State Legislature authorized the Schenectady City School District (District) to issue debt totaling \$5,432,550 to liquidate the accumulated deficit in the District's general fund as of June 30, 2000. Chapter 375 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 2007-08 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 2007-08 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 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 ended June 30, 2008, submitted for audit consisted of the following:

- Cover Letter
- 2007-08 Tentative Budget
- Supplementary Information

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

Fund	Appropriations and Provisions for Other Uses	Estimated Revenues	Appropriated Fund Balance	Real Property Taxes
General	\$137,654,921	\$85,481,549	\$3,995,350	\$48,178,022

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 2007-08 tentative budget includes the appropriation of almost \$4 million of fund balance to help finance 2007-08 operations. District officials project that approximately \$6.7 million in unreserved fund balance may be available; after the budgeted appropriation, the unreserved fund balance would be \$2.7 million. We recognize that the District is required to appropriate the \$4 million 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: Mr. Jeff Janiszewski, President, Board of Education
Dr. Michael San Angelo, Assistant Superintendent for Business
Richard E. Yager, Clerk of the Board of Education
Hon. Owen H. Johnson, Chair, Senate Finance Committee
Hon. Herman D. Farrell, Jr., Chair, Assembly Ways and Means Committee
Hon. Paul D. Tonko, State Assembly Representative
Hon. Hugh T. Farley, State Senator
Mr. Paul E. Francis, Director, Division of the Budget
Mr. Kenneth Madej, Chief Examiner of Local Government Services and Economic
Development
Ms. Theresa Savo, Deputy Commissioner for Operations and Management Services