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April 11, 2008

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

Report Number: B6-8-9

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. Local Finance Law Section 10.10 requires all local governments that have been authorized to issue obligations to fund operating deficits to submit to the State Comptroller each year, starting with the fiscal year during which the local government is authorized to issue obligations and for each subsequent fiscal year during which the deficit obligations are outstanding, their tentative or preliminary budget for the next succeeding fiscal year.

The budget must be submitted no later than 30 days before the date scheduled for the governing board's vote on the adoption of the budget or the last date on which the budget may be finally adopted, whichever is sooner. 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.

Our office has recently completed an audit of the District's budget for the 2008-09 fiscal year. The objective of the audit was to provide an independent evaluation of the proposed budget. Our audit addressed the following question related to the District's budget for the 2008-09 fiscal year:

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

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS), with the exception of reporting views of responsible officials.

Officials' views 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 the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions regarding the estimates in the tentative/proposed budget.

To accomplish our objectives in this audit, we requested your tentative/proposed budget along with other pertinent information. We analyzed the composition of revenues and expenditures to determine if the revenue and expenditure estimates are reasonable. We do not offer comments on public policy decisions, such as the type and level of services to be provided.

The tentative budget package submitted for audit for the fiscal year ended June 30, 2009, consisted of the following:

- Cover letter
- 2008-09 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</b>	<b>Appropriated Fund Balance</b>	<b>Real Property Taxes</b>
General	\$55,250,000	\$26,211,448	\$1,000,000	\$28,038,552

Based on the results of our audit, we found the significant revenue and expenditure projections in the proposed budget to be reasonable. Our audit disclosed the following issue that should be reviewed by the Board of Education (Board) for appropriate action.

### **Appropriated Fund Balance**

For school districts, the amount of unreserved and unappropriated fund balance for the 2008-09 fiscal year cannot exceed 4 percent of their budget. Therefore, the District's unappropriated fund balance cannot exceed approximately \$2.2 million. The District projects that its fund balance at June 30, 2008, will be approximately \$4.26 million, which is more than the legal limit. The District's 2008-09 proposed budget includes the appropriation of \$1,000,000 of projected fund balance to help finance 2008-09 operations. The appropriation of this amount of fund balance would still result in a fund balance (\$3.26 million) that exceeds the 4 percent limit. We recommend that the District take appropriate action to ensure that unappropriated fund balance does not exceed the 4 percent limit.

The Board has the responsibility to initiate corrective action. Pursuant to Section 10.10 of Local Finance Law, the Board shall review the recommendations in this report and may make adjustments to its proposed budget. The Board must explain in writing to our office any

recommendations that it has rejected. In addition, pursuant to Section 35 of the General Municipal Law, Section 21 16-a (3)(c) of the Education Law and Section 170.12 of the Regulations of the Commissioner of Education, the Board must approve a corrective action plan that addresses the finding in this report, forward the plan to our office within 90 days, forward a copy of the plan to the Commissioner of Education, and make the 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 request that you provide us with a copy of the adopted budget.

We hope that this information is useful to you as you adopt a budget for the District. If you have any questions on the scope of our work, please feel free to contact Ken Madej at (518) 438-0093.

Very truly yours,

Steven J. Hancox  
Deputy Comptroller  
Division of Local Government  
and School Accountability

#### 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  
Ms. Laura L. Anglin, Director, New York State Division of the Budget  
Hon. Stephen M. Saland, State Senator  
Hon. Thomas Kirwan, State Assembly Representative  
Mr. Richard P. Mills, Commissioner, State Education Department  
Mr. James Conway, Director, Office of Audit Services, State Education Department  
Mr. Kenneth Madej, Chief Examiner, Office of the State Comptroller, Local Government  
and School Accountability