



September 21, 2004

Richard Schubert, Chairman
Reading Board of Selectmen
16 Lowell Street
Reading, MA 01867

Carl McFadden, Chairman
Reading School Committee
62 Oakland Road
Reading, MA 01867

Dear Chairmen and Board and Committee Members:

I write to address an inquiry from a town resident, Mrs. Linda Phillips of 42 Willow Street, Reading, regarding transfers voted by the School Committee on June 15, 2004 from the FY04 school operating budget to capital projects for the High School, the Alice Barrows Elementary School and the Sunset Rock Elementary School.

We understand that each of the three capital projects was voted by the Town Meeting, subject to approval of a debt exclusion referendum in some cases. The Town Meeting vote was a requirement of submission of the project to the Department of Education (DOE) for placement of each project on the School Building Assistance funding list. The DOE criteria include certain standards of construction cost based on the application the Town submits for a project. We do not believe that the Town can modify the financing of a school construction project without the concurrence of the DOE.


We also consider the powers of the School Committee over the annual appropriation voted by the Town Meeting for the annual operating budget. Pursuant to provisions of General Laws Chapter 71 §34, the School Committee has the sole authority to allocate the annual appropriation between accounts. This provision has consistently been held to apply to the annual school budget voted by the Town Meeting, and not to apply to capital projects separately voted by the Town Meeting.

I therefore conclude that the three votes of June 15, 2004 transferring a total of \$550,000 are defective; such funds should have been closed from the FY04 school budget to fund balance as of June 30, 2004. I am aware that we provided certification of available funds as of June 30, 2004 ("free cash") on August 10, 2004, based on the Town's balance sheet which did not reflect closeout of such amounts. I would, however, on request of the Town, revise the certification to reflect these amounts. Following

certification of available funds pursuant to provisions of Ch. 59 §23, the Town Meeting could vote to appropriate funds to a capital project.

However, prior to such a vote, I would suggest consultation with the DOE or the newly created School Building Authority relative to amendment of the existing applications for the three school construction projects.

Sincerely,



James R. Johnson
Director of Accounts

Copy:

Mrs. Linda Phillips

Jeff Wulfson, Associate Commissioner, DOE

Executive Director, Mass. School Building Authority

Maura O'Neil, DOR-Boston