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April 4, 2006

Mr. Joseph DiLorenzo, Superintendent of Schools
And Members of the Board of Education
Monroe-Woodbury Central School District
Education Center
278 Route 32
Central Valley, New York 10917

Dear Mr. DiLorenzo and Members of the Board of Education:

Pursuant to Chapter 158 of the Laws of 2003, the State Legislature authorized the Monroe-Woodbury Central School District (District) to issue debt totaling approximately \$6,000,000 to liquidate the accumulated deficit in the District's general fund as of June 30, 2003. Chapter 158 requires the District's chief fiscal officer to submit the District's tentative budget to the State Comptroller within five days after its presentation. 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 revenue 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 2006-07 fiscal year. The objective of the audit was to provide an independent evaluation of the tentative budget. Our audit addressed the following questions related to the District's budget for the 2006-07 fiscal year:

- Are the District's revenue and expenditure projections in the tentative budget reasonable?
- Is the District's budget structurally balanced so that recurring costs are financed with recurring revenues?

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 were 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 revenue and expenditures in order to determine if the revenue and expenditure estimates are reasonable and if the budget is structurally balanced so that recurring costs are financed with recurring revenues. 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, 2007 submitted for audit consisted of the following:

- Cover Letter
- 2006-2007 Tentative Budget
- Supplementary Information

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

Fund	Appropriations and Provisions for Other Uses	Estimated Revenue Other Than RPT	Appropriated Fund Balance	Real Property Taxes (RPT)
General	\$126,474,474	\$45,338,443	\$1,400,000	\$79,736,031

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 as noted below, we found the significant revenue and expenditure projections in the tentative budget to be reasonable and the District's budget structurally balanced.

Our audit disclosed the following findings that should be reviewed by the Board of Education for appropriate action. Good management practices require that District officials take prompt action concerning our recommendations. We believe that prompt action by District officials will help improve the District's financial condition.

Appropriated Fund Balance

The 2006-07 tentative budget includes the appropriation of \$1.4 million of fund balance to help finance 2006-07 operations. District officials project that approximately \$2.9 million in fund balance may be available. We recognize that the District is required to appropriate about \$400,000 of that fund balance to ensure that the remaining unreserved undesignated amount of fund balance would remain below the statutory limit of two percent of the 2006-07 budget or approximately \$2.5 million. However, we caution District officials about their decision to use an additional \$1

million finance operating expenditures. When fund balance is eventually exhausted, a new revenue source must be determined to fund operating expenditures.

We recommend that District officials closely monitor its 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.

State Aid

The tentative budget for 2006-07 fiscal year estimates State aid revenue of \$33,314,598. We note that the Governor's budget includes proposed State aid of \$36,161,586 for the District. Therefore the District's tentative budget is based on a conservative estimate of State aid. We urge the District to monitor State budget proceedings, including the status of proposed education aid, and be prepared to take action if final State aid appropriations are known before the adoption of the District's budget.

The Board of Education has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, the Board of Education 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 of Education to make this plan available for public review in the 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 the District. If you have any questions on the scope of our work, please feel free to contact our Albany Regional Office at (845) 567-0858.

Very truly yours,

Mark P. Pattison
Deputy Comptroller

cc: Claire Perez, President, Board of Education
Eleanor Varian, Clerk of the Board of Education
John J. Staiger, Jr., Assistant Superintendent for Business and Management Services
Hon. Owen H. Johnson, Chair, Senate Finance Committee
Hon. Herman D. Farrell, Jr., Chair, Assembly Ways and Means Committee
John Cape, Director, Division of Budget
Hon. William Larkin, State Senator
Hon. Nancy Calhoun, State Assembly Representative