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April 23, 2008

Mr. Carmen A. Cuillo, Superintendent of Schools
Members of the Board of Education
Chenango Valley Central School District
1160 Chenango St.
Binghamton, NY 13901

Report Number: B4-8-14

Dear Superintendent Cuillo and Members of the Board of Education:

The Chenango Valley Central School District's (District's) independent auditor's report for the fiscal year ended June 30, 2007, indicated that the general and school lunch funds were in fiscal stress. Specifically, the general fund had a fund balance deficit of more than \$3 million and the school lunch fund had a fund balance deficit of more than \$125,000 as of June 30, 2007. In addition, the school lunch fund owed the general fund more than \$177,000. To help address these deficits, District officials told us that they have requested special legislation from the State legislature to authorize the District to issue deficit financing bonds.

The objective of this 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 proposed 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 objective. 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 objective in this audit, we requested your 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 proposed budget package submitted for audit for the fiscal year ended June 30, 2009, consisted of the following:

- 2008-2009 Proposed general fund budget
- Supplementary information

The proposed 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	\$31,760,376	\$15,390,508	\$0	\$16,369,868

Based on the results of our audit, except as noted below, we found the significant revenue and expenditure estimates in the proposed budget appear to be reasonable. However, District officials did not provide us with a proposed school lunch fund budget for the 2008-09 fiscal year.

An annual school lunch fund budget is necessary to ensure that anticipated expenditures and related funding sources are realistic, especially considering the District's fiscal position as of June 30, 2007. We found that the school lunch fund had deficit fund balances for the last six years. A comparison of fund balances over this period indicate that the fund balance deficit was approximately \$95,000 on June 30, 2002, decreased slightly to a deficit of \$74,000 on June 30, 2006, but then increased significantly during the 2006-07 fiscal year to a deficit of more than \$125,000. The Superintendent told us that a budget for the school lunch fund will be prepared in early May 2008. District officials should prepare and adopt a realistic school lunch fund budget immediately and closely monitor actual results of operations throughout the 2008-09 fiscal year. This monitoring will enable District officials to identify and address any budgetary shortfalls in a timely manner.

We request that you provide us with a copy of the adopted general fund budget, and, when prepared and adopted, the school lunch fund 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 Patrick A. Carbone at (607) 721-8306.

Very truly yours,

Steven J. Hancox
Deputy Comptroller

cc: Susan M. Cirba, District Clerk
Dr. Joseph R. Busch, District Superintendent, Broome-Tioga BOCES
Richard P. Mills, Commissioner, State Education Department
James Conway, Director, State Education Department