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April 3, 2008

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

Report Number: B8-8-2

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

Chapter 158 of the Laws of 2003 authorizes Monroe-Woodbury Central School District (District) to issue debt totaling \$6 million 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. 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.

The District's Board of Education (Board), no later than five days prior to the adoption of the budget, shall review all recommendations and may make adjustments to its proposed budget consistent with those recommendations contained in this report. All recommendations that the board rejects shall be explained in writing to our Office.

Our Office has recently completed an audit of the District's budget for the 2008-2009 fiscal year. The objective of the audit was to provide an independent evaluation of the tentative/proposed budget. Our audit addressed the following question related to the District's budget for the 2008-2009 fiscal year:

- Are the significant revenue and expenditure projections in the District's tentative/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 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 in order 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 2008-2009 consisted of the following:

- Cover Letter
- 2008-2009 Tentative Budget
- Supplementary Information

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

Fund	Appropriations and Provisions for Other Uses	Real Property Taxes (RPT)	Estimated Revenue Other Than RPT	Appropriated Fund Balance
General	\$141,728,321	\$85,249,107	\$54,379,214	\$2,100,000

Based on the results of our audit, except for the District’s appropriation of fund balance to finance ongoing operations, we found the significant revenue and expenditure projections in the proposed budget to be reasonable.

Our audit disclosed the following issues that should be reviewed by the Board 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 2008-09 tentative budget includes the appropriation of \$2.1 million of fund balance to help finance 2008-09 operations. We recognize that the District is required to appropriate the \$2.1 million to ensure the remaining unreserved undesignated amount of fund balance remains below the statutory limit of 4 percent of the 2008-09 budget. District officials should recognize that using excess fund balance to finance ongoing costs can result in future budget gaps, since this source of funds may not then be available in the event of future unexpected expenditures or revenue shortfalls.

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 2116-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 findings 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 as you adopt a budget for the District. If you have any questions on the scope of our work, please contact Christopher J. Ellis at (845) 567-0858.

Very truly yours,

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

cc: Jon Hubert, President, Board of Education, Monroe-Woodbury CSD
Leah Schifano, District Clerk, Monroe-Woodbury CSD
John J. Staiger, Jr., Assistant Superintendent for Business and Management Services
Owen H. Johnson, Chair, Senate Finance Committee
Herman D. Farrell, Jr., Assemblyman, Chair, Ways and Means Committee
Nancy Calhoun, State Assembly Representative
William J. Larkin, Jr., State Senator
Laura Anglin, Director, NYS Division of Budget
James Conway, Director, Office of Audit Services, State Education Department
Christopher J. Ellis, Chief Examiner, Newburgh Regional Office