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April 12, 2013

Mr. Edward J. Mehrhof, Superintendent  
Members of the Board of Education  
Monroe-Woodbury Central School District  
Education Center, 278 Route 32  
Central Valley, NY 10917

Report Number: B6-13-9

Dear Superintendent Mehrhof 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. Local Finance Law Section 10.1 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 proposed 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 proposed 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 a review of the District's budget for the 2013-14 fiscal year. The objective of the review was to provide an independent evaluation of the proposed budget. Our review addressed the following question related to the District's budget for the 2013-2014 fiscal year:

- Are the significant revenue and expenditure estimates in the District's proposed budget reasonable?

To accomplish our objective in this review, we requested your proposed budget, salary schedules, debt payment schedules and other pertinent information. We identified and examined significant estimated revenues and expenditures for reasonableness with emphasis on significant and/or unrealistic increases or decreases. We analyzed, verified and/or corroborated trend data

and estimates, where appropriate. We identified significant, new, or unusually high revenue or expenditure estimates, made appropriate inquiries and reviewed supporting documentation to determine the nature of the items and to assess whether the estimates were realistic and reasonable. We also evaluated the amount of fund balance appropriated in the proposed budget to be used as a financing source and determined if the amount of fund balance was available and sufficient for that purpose.

The scope of our review does not constitute an audit under generally accepted government auditing standards (GAGAS). We do not offer comments or make specific recommendations on public policy decisions, such as the type and level of services under consideration to be provided.

The proposed budget package submitted for review for the 2013-14 fiscal year consisted of the following:

- Proposed Budget
- Supplementary Information

The proposed budget submitted to our Office is summarized as follows:

	<b>Appropriations and Provisions for Other Uses</b>	<b>Estimated Revenues</b>	<b>Appropriated Fund Balance</b>	<b>Real Property Taxes</b>
<b>General Fund</b>	\$153,536,304	\$46,152,848	\$1,097,845	\$106,285,611

Based on the results of our review, we found the significant revenue and expenditure estimates in the proposed budget to be reasonable.

### **Tax Cap Compliance**

The State Legislature enacted Chapter 97 of the Laws of 2011 that established a tax levy limit on all local governments and school districts which was effective beginning in the 2012 fiscal year. The law precludes a school district from adopting a budget that requires a tax levy that exceeds the prior year’s tax levy by more than 2 percent or the rate of inflation, whichever is less,<sup>1</sup> and certain exclusions permitted by law, unless 60 percent of district voters approve a budget that requires a tax levy that exceeds the statutory limit.

The District’s proposed budget complies with the law because it includes a tax levy of \$106,285,611 which increases the 2013-14 tax levy by .99 percent over the 2012-13 tax levy of \$105,245,694. In adopting the 2013-14 budget, the Board of Education should be mindful of the legal requirement to maintain the tax levy increase to no more than the calculated limit, unless 60 percent of District residents vote to exceed this statutory limit. We request that you provide us with a copy of the adopted budget.

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<sup>1</sup> Our Office has previously determined that the rate of inflation applicable to school districts with a fiscal year beginning July 1, 2013, is greater than 2 percent. Therefore, the property tax levy is capped at 2 percent.

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 Tenneh Blamah, Chief Examiner of our Newburgh Regional Office, at (845) 567-0858.

Very truly yours,

Steven J. Hancox  
Deputy Comptroller

cc: Jeff White, Assistant Superintendent for Business  
John C. Pennoyer, District Superintendent, BOCES  
John DeFranciso, Chair, NYS Senate Finance Committee  
Herman D. Farrell, Jr., Chair, NYS Assembly Ways and Means Committee  
Nancy Calhoun, NYS Assembly  
William J. Larkin, Jr., NYS Senate  
Robert L. Megna, Director, Division of the Budget  
Dr. John B. King, Commissioner, State Education Department  
James Conway, Director, Office of Audit Services, State Education Department  
Tenneh Blamah, Chief Examiner, Office of the State Comptroller