



# MONROE-WOODBURY

## CENTRAL SCHOOL DISTRICT

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**Elsie Rodriguez**

Superintendent of Schools

### External Audit - Corrective Action Plan For the year ended June 30, 2020

#### Comment/Recommendation 1:

We reviewed the District's compliance with New York State Real Property Tax Law § 1318 which limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the next year's budgetary appropriations. We found that the District retained fund balance in excess of the 4% New York State Real Property Tax Law § 1318 limit. The portion of fund balance subject to the limit was approximately 4.57% as of June 30, 2020.

We recommend that the District not retain unexpended surplus funds in excess of the 4% limitation required by New York State Real Property Tax Law § 1318. This can be accomplished by funding reserves prior to year-end in accordance with New York State general municipal and education law. This can also be accomplished by appropriating additional funds to the budget when, in the Board of Education's judgement, taking such action is in the best interest of the District and its taxpayers.

#### Implementation Plan of Action:

District administration has decided to retain unexpended surplus funds in excess of the 4% limitation required by State Law, as this will allow the District more flexibility to operate amidst the unprecedented uncertainty of the 2020-21 school year due to the COVID-19 pandemic and associated economic crisis. The Board of Education is aware of this decision.

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#### Comment/Recommendation 2:

Our review of the results of operations of the School Lunch Fund for the year ended June 30, 2020 noted that expenditures exceeded revenues and other sources by \$419,450, due in large part to the District's closure of schools in response to the COVID-19 pandemic. The School Lunch Fund ended the year with a fund balance of \$288,830. If this trend continues in the upcoming school year, the School Lunch Fund fund balance will not be sufficient to absorb the loss. Any negative balance in the account at the end of the year must be cleared by funds from non-federal sources, such as the General Fund. A school food authority cannot carry a negative fund balance into the next school year.

We recommend that the District closely monitor the results of operations and fund balance of the School Lunch Fund throughout the upcoming school year. If management determines that the General Fund must subsidize the School Lunch Fund to prevent a negative fund balance, General Fund appropriations will be necessary to provide for an interfund transfer to the School Lunch Fund.

#### Implementation Plan of Action:

The District will closely monitor the results of operation and fund balance of the School Lunch Fund throughout the 2020-21 school year. The District is pursuing various efforts to maximize state and federal aid while minimizing expenditures. These include promoting federally-reimbursable meals to students and families as well as partial furloughs of staff.

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**Comment/Recommendation 3:**

During our audit of fund balances and reserves, we noted that the District's budget included appropriations of reserves (\$25,000 from the unemployment insurance reserve and \$200,000 from the employee benefit accrued liability reserve). We noted that as of June 30, 2020, the amounts appropriated to the 2019-2020 budget were still held in these reserves. We also noted that the District received state aid of \$925,000 for a project that was temporarily funded by a transfer from the Capital Reserve. The District planned to refund this amount to the Capital Reserve. However, the funds have not been deposited into the Capital Reserve as of June 30, 2020.

We recommend that the District transfer the budgetary appropriations referred to above out of the reserves and into the General Fund's operating account. We also recommend that the District refund the \$925,000 of temporary capital project funding to the Capital Reserve. This will help to ensure that the funds held in the District's reserve accounts are appropriately restricted.

**Implementation Plan of Action:**

The District acknowledges the timing issue of this finding and has since made the recommended transfer between funds and properly funded the Capital Reserve.

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**Comment/Recommendation 4:**

As part of planning our audit and assessing audit risk, we requested the results of the internal audit procedures performed for the year ended June 30, 2019. Management informed us that no such audit was performed for the year.

Pursuant to New York State law and regulations, every BOCES and school district must establish and maintain an internal audit function, except for those with fewer than eight teachers, less than \$5 million in general fund expenditures in the previous school year, or fewer than 1,500 enrolled students in the previous year. We recommend that the District maintain an internal audit function to comply with New York State law.

**Implementation Plan of Action:**

Subsequent to the external audit for the year ended June 30, 2020, the District Board of Education has accepted the internal audit reports for the year ended June 30, 2019 and the reports have been filed with the State Department of Education. The District is engaged with an independent audit firm to conduct an internal audit for the year ended June 30, 2020 in December of 2020 and the District will be in compliance in 2020-2021.

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The Monroe-Woodbury CSD appreciates the recommendations of the independent audit firm and will take appropriate action, as described above, to further safeguard and account for the funds of the District.