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April 3, 2025

Mr. Anthony DiCarlo, Interim Superintendent
Members of the Board of Education
East Ramapo Central School District
105 South Madison Avenue
Spring Valley, NY 10977

Report Number: B25-5-2

Dear Interim Superintendent DiCarlo and Members of the Board of Education:

Pursuant to Chapter 89 of the Laws of 2016, as amended, the New York State (NYS) Department of Education (SED) is required to appoint up to two monitors to the East Ramapo Central School District (District) to provide fiscal and academic oversight. SED appointed two monitors, one fiscal and one academic. The fiscal monitor's duties include, but are not limited to, monitoring financial condition and annually reviewing the District's proposed budget.¹

After voters approved a 1 percent tax levy increase in June 2024, multiple factors led SED to direct the District's Board of Education (Board) to adopt a budget providing for an additional 4.38 percent increase, or \$6.8 million, to the 2024-25 tax levy, which was ultimately approved by the Board in August 2024. SED's order noted that the District has faced challenges in meeting State educational requirements, including the provision of English Language Learners services and deficiencies in public school facilities due to lack of sufficient investment, including lack of access to clean drinking water, unsatisfactory ventilation systems, and unsatisfactory overall building quality.

Despite the monitors', the Board's and school officials' concerns of a potentially significant operating deficit, in November 2024, the District's financial statement audit for the 2023-24 fiscal year revealed \$31.3 million in unassigned fund balance resulting from an operating surplus. Due to concerns related to the District's significant unanticipated 2023-24 fiscal year operating surplus, we conducted a review of the District's adopted budget for the current 2024-25 fiscal year.

¹ See Appendix A for additional information on the monitors' duties.

Summary

Since our 2021-22 fiscal year budget review,² the District’s unassigned fund balance increased from \$4.4 million in 2021-22 to \$31.3 million in 2023-24.

The unassigned fund balance as a percentage of the ensuing fiscal year’s appropriations increased from 1.7 percent in 2021-22 to 9.2 percent in 2023-24, which exceeds the 4 percent statutory limitation³

(Figure 1). Current District officials indicated the District is anticipating another operating surplus for 2024-25.⁴ In addition to the significant increase in unassigned fund balance, the District also transferred additional surplus at fiscal year end 2022-23 to reserves that was not budgeted for. The amount in reserves increased from approximately \$103,000 at the end of 2021-22 to approximately \$22.7 million at the end of 2023-24 (Figure 2).

Description	Fiscal Year		
	2021-22	2022-23	2023-24
Ensuing Year’s Appropriation	\$256,421,500	\$295,605,762	\$338,648,658
Unassigned Fund Balance	\$4,426,168	\$18,020,841	\$31,283,161
Unassigned Fund Balance as a Percentage of Ensuing Year’s Appropriations	1.7%	6.1%	9.2%
Percentage Above Statutory Limit	0%	2.1%	5.2%

The significant increase in unassigned fund balance is due to District officials consistently appropriating funds that were not used. The significant increase in fund balance was largely due to budgeting for salary expenditures in the general fund and then paying them from the special aid fund with nonrecurring Federal pandemic aid funds (totaling over \$149 million over the last four years including the current 2024-25 fiscal year under the American Resue Plan Act (ARPA)). As a result of the overestimate in salary expenditures, the District did not use all the appropriations, which resulted in general fund operating surpluses. The deadline to obligate ARPA funds was September 30, 2024; therefore, they are no longer available to fund recurring expenditures in future years.

Reserve Description	Fiscal Year		
	2021-22	2022-23	2023-24
State and Local Retirement Contributions	\$0	\$12,000,000	\$12,777,417
Employee Benefits and Accrued Liabilities	0	3,000,000	3,194,354
Worker’s Compensation	0	3,000,000	3,194,354
Teachers Retirement System Contributions	0	2,174,136	2,314,987
Unemployment Insurance	0	1,000,000	1,064,785
Insurance	103,471	109,802	116,916
Total	\$103,471	\$21,283,938	\$22,662,813

We also noted the budget-to-actual reports were not provided to the Board in a timely manner, as the reports were two months old by the time the monitors and the Board received them. However, while they received the reports, there is no evidence the reports were discussed during the monthly Board meetings. Had the budget-to-actual reports been reviewed, the monitors and the Board would have known that starting in February 2024 (for budget-to-actual reports through December 31, 2023), there was a clear indication that the District would have a significant operating surplus at fiscal year-end (June 30, 2024). As of December 31, 2023, the budgeted revenues were anticipated to be received and the available or excess expenditure lines had over

² OSC Budget Review Letter B21-5-4: <https://www.osc.ny.gov/files/local-government/audits/2021/pdf/east-ramapo-budget-review-b21-5-4.pdf>

³ New York State Real Property Tax Law Section 1318

⁴ As of January 31, 2025, District records indicate the District will not use the \$19.2 million appropriated fund balance and reserves and, in addition, is projected to have a \$25.8 million operating surplus for fiscal year ending 2024-25.

\$30 million available. Further, the monthly Treasurer’s report (included with the Budget to Actual report provided to the Board), showed that as of December 31, 2023, the general fund had \$104.5 million in cash on hand.

We also reviewed the budget-to-actual reports for the remaining months and approximately the same amount continued to show as available in the budget-to-actual reports. Therefore, the Board, monitors and District administration should have been aware of the surplus prior to the 2023-24 financial statement audit being completed and provided to the Board at its November 2024 meeting when it was reported that the District ended the 2023-24 fiscal year with a general fund operating surplus of \$40,302,863 and an increase in fund balance of \$32,752,518.⁵ Additionally, the District ended the 2023-24 fiscal year with a cash balance of \$67.6 million in the general fund.

The fiscal monitor used a cash flow projection report prepared by the prior Assistant Superintendent for Business and provided to the Board at its February 15, 2024 meeting. The cash flow projection report estimated the District would end the 2024-25 fiscal year with a projected cash deficit of \$18.5 million. As a result, both monitors wrote a recommendation to the Commissioner of Education on April 11, 2024, expressing concerns about the District’s fiscal instability and over-reliance on unrestricted fund balance. However, our review of the cash flow projection report, the monthly Treasurer’s reports (Budget to Actuals and Cash Accounts Summary) provided to the Board and discussions with the current Assistant Superintendent for Business revealed that the cash flow projections in the report provided to the monitors were inaccurate. We determined this occurred because the report showed a July 1, 2024 starting cash balance that was significantly underestimated by \$43.3 million. The District actually began the subsequent, 2024-25 fiscal year (July 1, 2024) with \$45 million in unrestricted cash and \$22.7 million in restricted cash in the general fund, according to the audited financial statements.⁶

It is unclear why the fiscal monitor and the Board did not reconcile the Treasurer’s report with the cash flow projections, which would have allowed them to anticipate a 2023-24 year-end operating surplus. These Treasurer’s reports indicated that the District would end the 2023-24 fiscal year with an operating surplus and sufficient cash on-hand. For example, the monthly Treasurer’s report showed total general fund cash balance (restricted and unrestricted) of approximately \$110.6 million as of March 31, 2024 and \$69 million as of June 30, 2024. Also, the cash flow projection report showed expenditures for all the District’s salary appropriations even though there were known vacancies that were not being filled. According to Board minutes and discussions with District officials, the District had over 100 vacancies and had not planned to fill all of them. However, the budget included salary and benefit appropriations for all positions.

2024-25 Adopted Budget

Our Office completed an independent evaluation (review) of the District’s adopted budget for the 2024-25 fiscal year. The review addressed the following question:

- Are the significant revenue and expenditure projections in the District’s adopted 2024-25 budget reasonable?

To accomplish the review’s objective, we requested your adopted budget, salary schedules, debt payment schedules, as well as other pertinent information. We identified and examined significant estimated revenues and expenditures for reasonableness with emphasis on significant

⁵ [EastRamapoCSDFinalFS2024.pdf](#)

⁶ [EastRamapoCSDFinalFS2024.pdf](#), p 21

and/or unrealistic increases or decreases. We analyzed, verified and/or corroborated trend data and estimates, made appropriate inquiries and reviewed supporting documentation to determine the nature of the items and assess whether the estimates were realistic and reasonable. We also evaluated the amount of fund balance appropriated in the adopted budget to be used as a financing source and determined whether 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. In addition, this review did not examine capital project expenditures.

Our review disclosed the following findings which should be reviewed by District officials for appropriate action. District officials should consider our recommendations in addressing the District's current financial condition and modify the adopted budget as necessary.

Nonrecurring Funding Sources

The adopted 2024-25 budget relies on the use of nonrecurring funding of \$20.7 million to finance operating expenditures. Additionally, the District's adopted budget relies on approximately \$5 million of ARPA funding that will no longer be available to fund recurring expenditures. The risks associated with this practice are detailed below.

Fund Balance – The District appropriated \$18 million (approximately 37 percent) of the actual unrestricted fund balance available as of June 30, 2024 totaling \$49.5 million, in the 2024-25 adopted budget. However, at the time the District was developing the 2024-25 budget, officials did not have accurate fund balance projections for 2023-24 that would have been necessary to determine how much was available to appropriate in the ensuing fiscal year. By not preparing reasonable estimates of projected year-end available fund balance, the District could have been at risk of appropriating more fund balance than was available to fund appropriations in the ensuing year. However, our review indicates the Board budgeted significantly more than projected to be used for personal services, transportation and materials and supplies per our projection and likely will not use the available appropriated fund balance.

American Rescue Plan Act – The District's 2024-25 adopted budget relies on the use of \$5 million of its remaining ARPA funding in the special aid fund for covered expenditures such as salaries, transportation, materials and supplies. Although the aid may provide relief in the 2024-25 budget, this funding source will not be available in future years and the related expenditures will become necessary general fund operating expenditures. Therefore, the District's reliance on ARPA funding to finance the District's operating expenditures may cause funding gaps in the future.

Although the District may not use the appropriated fund balance in fiscal year 2024-25, allowing for the use of these funds in a subsequent year, the \$5 million of special aid revenue providing relief in the 2024-25 budget will not be available in future years. Therefore, a potentially significant funding gap may occur in the 2025-26 fiscal year that the District must address by finding an alternate source of revenue or by reducing appropriations.

Revenues

The 2024-25 adopted budget submitted to our Office for the District's general fund revenues is summarized in Figure 3.

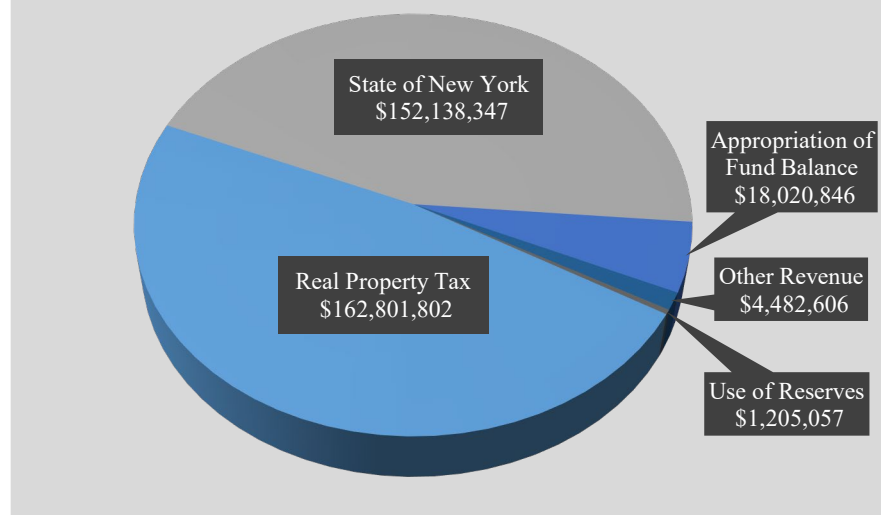
Interest and Earnings – The 2024-25 adopted budget did not include any revenue for interest and earnings. In the 2022-23 fiscal year, the District received approximately \$3.3 million and in the 2023-24 fiscal year, the District received approximately \$4.4 million.

Our revenue projection of \$4.7 million for 2024-25 is based on 2023-24 actuals. Therefore, the District could potentially receive \$4.7 million in unbudgeted revenue.

Rental of Property – The 2024-25 adopted budget included the rental of property revenues of approximately \$181,000. In the 2022-23 fiscal year, the District received approximately \$263,000 and in the 2023-24 fiscal year, the District received approximately \$320,000. Our projection of approximately \$347,000 for 2024-25 is based on 2022-23 and 2023-24 actuals. The District continues to budget for two types of rental of property despite receiving five types for the last two fiscal years. As a result, the District could potentially receive approximately \$166,000 in additional revenue that was not budgeted.

Non-Resident Tuition – The 2024-25 adopted budget included non-resident tuition revenues of \$1.4 million. In the 2022-23 fiscal year, the District received approximately \$6,000 and in the 2023-24 fiscal year, the District received approximately \$41,000. Based on historical trends, we project the District will continue to receive the same revenue as 2023-24 in 2024-25. Therefore, if revenue estimates are not realized, the District could potentially face a shortfall of approximately \$1.4 million.

Figure 3: District's Revenue Summary - \$338,648,658



Expenditures

The 2024-25 adopted budget submitted to our Office for the District's general fund expenditures is summarized in Figure 4.

Personal Services (Salaries) –

The District spent \$89.9 million in 2021-22, \$95.1 million in 2022-23 and \$102.6 million in 2023-24 on salaries expensed in the general fund.

While the 2024-25 adopted budget included approximately \$136.2 million for personal services, the District's salary schedule

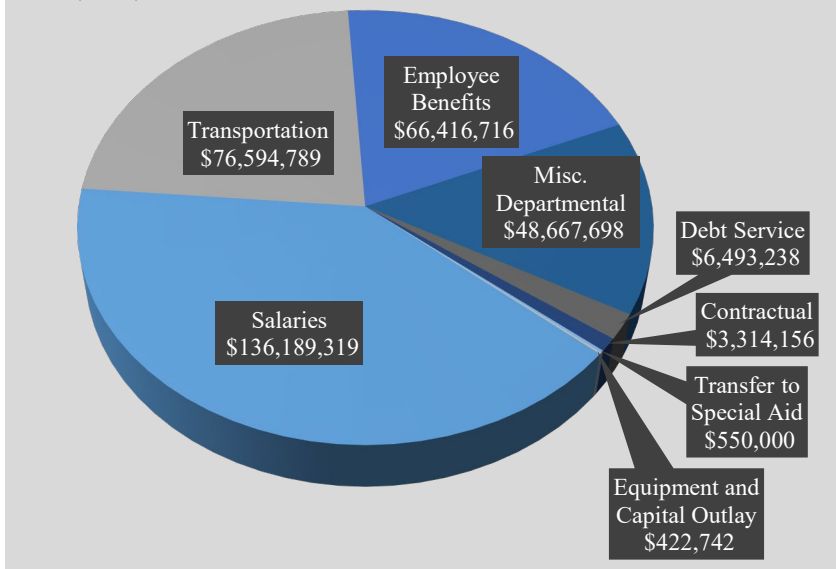
calculation was approximately \$112.6 million. Officials cannot support their overestimated personal service appropriations totaling \$23.6 million. While the District overestimated personal service appropriations, several of the District's collective bargaining agreements are expired and in the process of negotiations, and the outcome of the negotiations may impact the District's budget.

According to District officials, prior human resource officials did not provide salary schedules to the business department to make accurate salary appropriations. Additionally, the District has had a significant turnover in the human resources department which caused personnel files and records to be inaccurate or incomplete. Current Business officials have acknowledged the deficiencies in their staffing records. For example, officials could not identify which facilities staff were located at. To address these deficiencies, they have scheduled meetings with each building to review the employee listing to determine whether it is accurate and will update it for the 2025-26 fiscal year.

Transportation – The District's 2024-25 adopted budget includes an appropriation of approximately \$76.6 million for transportation. The District spent approximately \$59.8 million in 2023-24, \$53.5 million in 2022-23 and \$45.6 million in 2021-22 on transportation. Based on historical trends in transportation, we project the District will spend approximately \$65.7 million in 2024-25. Therefore, the District likely overestimated transportation costs by as much as \$10.9 million.

Materials and Supplies – The District's 2024-25 adopted budget includes an appropriation of approximately \$7.9 million for materials and supplies. Included in the \$7.9 million appropriation, the District allocated the \$6.8 million tax levy increase directed by SED into one materials and supplies budget line. The District spent approximately \$1.2 million on materials and supplies in 2023-24. Based on historical trends in materials and supplies and a small growth factor, we project the District will spend approximately \$1.4 million in 2024-25. However, without sufficient supporting calculations or Board-approved plans for the use of the additional appropriations, we are unable to determine whether the District may have overestimated materials and supplies by as much as \$6.5 million.

Figure 4: District's Expenditure Summary - \$338,648,658



Tuition – The District’s 2024-25 adopted budget includes an appropriation of approximately \$7 million for tuition payments for District students enrolled in private schools or other districts. The District spent approximately \$3.7 million on tuition payments in 2023-24. Based on historical trends in tuition, we project the District will spend approximately \$3.6 million in 2024-25. Therefore, the District likely overestimated tuition costs by as much as \$3.4 million.

Social Security – The District’s 2024-25 adopted budget includes an appropriation of approximately \$10.5 million for the District’s share of Social Security payments. The employer’s share of the Social Security tax consists of 6.2 percent of wages up to a certain limit for Social Security and an additional 1.45 percent of all wages for Medicare. We based our calculation of Social Security payments of \$8.6 million based on the District’s salary schedule amounts. Therefore, we project the District may have overestimated the amount of its share of the Social Security tax by approximately \$1.9 million.

Teachers’ Retirement – The District’s 2024-25 adopted budget includes an appropriation of approximately \$12.6 million for payments of teachers’ retirement. The District spent approximately \$8.6 million in 2023-24. We project the District will spend \$11.5 million in 2024-25 based on New York State Teachers’ Retirement projections. Therefore, the appropriation for teachers’ retirement is likely overestimated by approximately \$1 million.

Medical Insurance – The District’s 2024-25 adopted budget includes an appropriation of approximately \$36 million for health insurance. The District spent approximately \$30 million in 2023-24. Based on historical trends of health insurance costs, we project the District will spend approximately \$38.3 million in 2024-25. Therefore, the District likely underestimated medical insurance costs by as much as \$2.3 million.

Substitute Teachers – The District’s 2024-25 adopted budget includes an appropriation of approximately \$1.2 million for substitute teachers. The District spent approximately \$1.7 million on substitute teachers in 2023-24. Based on historical trends in substitute teachers, we project the District will spend approximately \$1.8 million in 2024-25. Therefore, the District likely underestimated substitute teachers costs by as much as \$613,000.

Employee Retirement – The District’s 2024-25 adopted budget includes an appropriation of approximately \$1.8 million for payments due to the New York State Local Retirement System (NYSLRS). NYSLRS allows municipalities to amortize certain pension costs as part of a stabilization program, which spreads payments over several years, and the District elected to participate in the program. Based on our review of prior year’s bills, we calculated the District’s payment is \$2.5 million for 2024-25. Therefore, the District likely underestimated employee retirement costs by as much as \$606,000.

Maintenance Overtime – The District’s 2024-25 adopted budget includes an appropriation of approximately \$357,000 for maintenance overtime. The District spent approximately \$704,000 in 2022-23 and \$0 in 2023-24. Based on historical trends in maintenance overtime, we project the District will spend approximately \$704,000 in 2024-25. Therefore, the District likely underestimated maintenance overtime costs by as much as \$347,000.

Custodian Substitutes – The District’s 2024-25 adopted budget includes an appropriation of approximately \$255,000 for custodian substitutes. The District spent approximately \$295,000 on custodian substitutes in 2023-24. Based on historical trends in custodian substitutes, we project the District will spend approximately \$434,000 in 2024-25. Therefore, the District likely underestimated custodian substitute costs by as much as \$179,000.

Contractual Settlements – The District’s 2024-25 adopted budget did not include an appropriation for contractual settlements. Six of the District’s 11 collective bargaining agreements (CBAs) have expired or will expire soon, and three CBAs were settled during fiscal year 2024-25 (Figure 5).

The District faced additional expenditures when the three contracts were settled (District officials estimated an additional \$10 million) and could face potential additional expenditures when the others are settled. Therefore, the District should be mindful to ensure appropriations are sufficient for these potential liabilities when the contract agreements are reached.

Projected Operating Surplus

Our review of District records, as of January 31, 2025, indicates the District will not use the \$19.2 million appropriated fund balance and reserves. In

addition, the District is projected to have a \$25.8 million operating surplus for fiscal year ending 2024-25. When considering the amount of the projected surplus funds, the Board should take into consideration the utilization of such funds to finance capital reserves and future projects to be undertaken. To make the most effective and efficient use of the District’s resources, the Board should review and update its multiyear financial and capital plans, as necessary.

Figure 5: CBA Expiration Dates

Description	CBA Expiration Date
East Ramapo Association of Occupational Therapy Assistants	June 30, 2020
East Ramapo Teachers’ Association	June 30, 2022 ^a
Supervisor of Business Services Staff Unit	June 30, 2022 ^b
East Ramapo Association of Substitute Teachers	June 30, 2022
Family Resource Coordinators	June 30, 2022 ^b
Association of Educational Secretaries	June 30, 2024
Teaching Assistants & Aides of East Ramapo	June 30, 2024
New York State Nurses Association	June 30, 2025
Certified Occupational Therapists	June 30, 2025
a) Contract settled, new Expiration Date of June 30, 2026	
b) Contract settled, new Expiration Date of June 30, 2027	

Recommendations

The Board and District officials should:

1. Provide timely financial information to the monitors throughout the year and work with them to develop structurally balanced budgets that include realistic revenue estimates and appropriations.
2. Develop a plan to fund operations and discontinue the practice of relying on one-time revenues to finance recurring expenditures, with consideration that the District will no longer receive the ARPA funding they have relied on to fund salaries.
3. Closely monitor revenues and expenditures and make budget modifications as necessary in a timely manner to ensure a balanced budget.
4. Ensure supporting documentation and calculations for budgeted revenues and expenditures are maintained when developing future budgets.
5. Review and update the District’s multiyear financial and capital plans, as necessary.

We hope that this information is useful as you review the current adopted budget and for the upcoming budget for the District. If you have any questions on the scope of our work, please feel free to contact Gary Gifford, Chief of Municipal Audits, Glens Falls Regional office, at (518) 793-0057.

Sincerely,

Robin L. Lois, CPA
Deputy Comptroller

cc: Eric Stark, Assistant Superintendent of Business
Kathi Kivi, District Clerk
Shawn Farr, SED Monitor
Dr. Shelley Jallow, SED Monitor
Christopher D'Ambrese, District Superintendent, Rockland BOCES
Betty A. Rosa, Commissioner, State Education Department
Hon. Carl E. Heastie, Speaker of the House, NYS Assembly
Hon. Crystal D. Peoples-Stokes, Majority Leader, NYS Assembly
Hon. William A. Barclay, Minority Leader, NYS Assembly
Hon. J. Gary Pretlow, Chair, NYS Assembly Ways and Means Committee
Hon. Andrea Stewart-Cousins, President Pro Tempore and Majority Leader, NYS Senate
Hon. Robert Ortt, Minority Leader, NYS Senate
Hon. Liz Krueger, Chair, NYS Senate Finance Committee
Blake G. Washington, Director, NYS Division of the Budget
Gary Gifford, Chief of Municipal Audits, Glens Falls Regional Office

Appendix A

Monitors' Duties as Summarized by SED⁷

The monitors are contracted employees whose reasonable and necessary expenses are paid by the school district.

The monitors' responsibilities include:

- Working with the Board of Education to develop a long-term strategic academic and fiscal improvement plan that shall be updated annually by October 1;
- Approving or disapproving the appointment of a superintendent;
- Overriding proposed or adopted resolutions or submitting a resolution for adoption by the Board of Education in those instances where the school district is operating in violation of law or regulation or inconsistently with the long-term strategic academic and fiscal improvement plan;
- Mandating that Board of Education members, the superintendent, and/or other school district officers undergo up to 15 hours of training per year;
- Providing semi-annual reports to the Commissioner, the Board of Regents, the Governor and Legislature on the academic, fiscal, and operational status of the district, which includes all the contracts that the district enters throughout the year;
- Reviewing annually the proposed district budget to ensure that it is balanced and, to the greatest extent possible, consistent with the district's approved long-term strategic academic and fiscal improvement plan;
- Assisting in resolving disputes and conflicts, including those between the superintendent and the Board of Education;
- Recommending cost-saving measures, including shared service agreements;
- Serving as an ex-officio member of the Board of Education who is entitled to attend all meetings of the Board of Education, including executive sessions, and to access any necessary documents and records of the district; and
- Notifying the Board and Commissioner in writing regarding violations of the academic or financial plan.

⁷ [East Ramapo CSD | New York State Education Department](#)