



THOMAS P. DiNAPOLI
STATE COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

110 STATE STREET
ALBANY, NEW YORK 12236

April 10, 2007

Mr. Michael Mostow, Superintendent of Schools and
Members of the Board of Education
Patchogue-Medford Union Free School District
241 South Ocean Avenue
Patchogue, New York 11772

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

Chapter 109 of the Laws of 2006 authorized Patchogue-Medford Union Free School District (District) to issue debt totaling \$6 million to liquidate the accumulated deficit in the District's general fund as of June 30, 2006. Chapter 109 requires the District's chief fiscal officer to submit the District's tentative budget to the State Comptroller within five days after its preparation. 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 prior to the approval of the budget.

Our office has recently completed an audit of the District's budget for the 2007-08 fiscal year. The objective of the audit was to provide an independent evaluation of the tentative budget. Our audit addressed the following question related to the District's budget for the 2007-08 fiscal year:

- Are the significant revenue and expenditure projections in the District's tentative budget reasonable?

We conducted our audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) with the exception of reporting views of responsible officials which 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's officials and their comments have been considered in preparing this report. GAGAS requires that we plan and perform our audit to adequately assess the estimates in the tentative budget. Further, those standards require that we understand the District's management controls and those laws, rules and regulations that are relevant to preparing estimates for the tentative budget.

To accomplish our objectives in this audit, we requested your tentative 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. It was not our intent and we do not offer comments on public policy decisions, such as the type and level of services to be provided.

The tentative budget package for the fiscal year ended June 30, 2008 submitted for audit consisted of the following:

- 2007-08 Tentative Budget
- Supplementary Information

The tentative 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	\$151,473,731	\$68,192,125	\$0	\$83,281,606

The observations and recommendations resulting from our audit are, to a great extent, influenced by the quality and quantity of materials submitted, and the time between submission and budget adoption.

Based on the results of our audit, except for as noted below, we found the significant revenue and expenditure projections in the proposed budget to be reasonable.

Our audit disclosed the following issue which should be reviewed by the Board of Education (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.

Interfund Transfer

The District had a general fund deficit of \$6,395,344 at June 30, 2006, which was almost \$400,000 more than the \$6 million in deficit financing authorized by the State Legislature. District officials informed us that they plan to eliminate the remaining general fund deficit of \$400,000 from projected 2006-07 operating surplus and by transferring \$300,000 of available fund balance from the school lunch fund at June 30, 2007. Revenue from the school lunch fund can only be used for the operations or improvement of the food services operation¹. Therefore, unless the transfer is directly related to the food services operation, the school lunch fund should not be used to finance the general fund deficit.

We recommend that the Board consult with the State Education Department and the USDA FNS regulations prior to authorizing and implementing such a transfer. If the transfer is not permissible, the Board should develop an alternative plan to eliminate the general fund deficit.

¹ Food and Nutrition Service, United States Department of Agriculture (FNS) Section 210.2.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, the Board should prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within ninety days. We encourage the Board to make this 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 also 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 your District. If you have any questions on the scope of our work, please contact the Hauppauge regional office at (631) 952-6534.

Very truly yours,

Mark P. Pattison
Deputy Comptroller
Division of Local Government Services
and Economic Development

Attachments

cc: Gene Levenstien, Interim Assistant Superintendent for Business
Dennis Logan, District Clerk
Hon. Owen H. Johnson, Chair, Senate Finance Committee
Hon. Herman D. Farrell Jr., Chair, Assembly Ways and Means Committee
Hon. Patricia A. Eddington, Assemblywoman
Hon. Caesar Trunzo, State Senator
Paul E. Francis, Director, Division of the Budget
Richard P. Mills, Commissioner, NYS Education Department
Edward J. Zero, Superintendent, Eastern Suffolk BOCES
Richard Rennard, Chief Examiner of Local Government Services and Economic Development