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March 31, 2014

Dr. Charles T. Russo
Superintendent of Schools
Members of the Board of Education
East Moriches Union Free School District
9 Adelaide Avenue
East Moriches, NY 11940

Report Number: B7-14-3

Dear Dr. Russo and Members of the Board of Education:

Pursuant to Chapter 354 of the Laws of 2006, the State Legislature authorized the East Moriches Union Free School District to issue debt totaling \$2 million to liquidate the accumulated deficit in the District's general fund as of June 30, 2006. Chapter 354 requires the District's chief fiscal officer to submit the District's tentative budget to the State Comptroller within five days after its preparation. Local Finance Law Section 10.10 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 tentative 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 its adoption or the last date on which the budget may be finally adopted, whichever is earlier. 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 District's estimates of revenues and expenditures.

Our Office has recently completed a review of the District's budget for the 2014-15 fiscal year. The objective of the review was to provide an independent evaluation of the tentative budget. Our review addressed the following question related to the District's budget for the 2014-15 fiscal year:

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

To accomplish our objective in this review, we requested your tentative 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 any 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 estimate was realistic and reasonable. We also evaluated the amount of fund balance appropriated in the tentative 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 tentative budget package submitted for review for the 2014-15 fiscal year consisted of the following:

- 2014-15 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	\$25,745,299	\$6,812,035	\$275,000	\$18,658,264

Based on the results of our review, we found that the significant revenue and expenditure projections in the tentative budget are reasonable.

Tax Cap Compliance

The State Legislature and the Governor 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, 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. A simple majority, or 50 percent of district voter approval is required if the proposed tax levy does not exceed the statutory limit.

The District’s proposed budget complies with the tax levy limit because it includes a tax levy of \$18,658,264, which increases the 2014-15 tax levy within the limits established by law. In adopting the 2014-15 budget, the District 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.

We hope that this information is useful as you adopt the upcoming budget for the District. If you have any questions on the scope of our work, please feel free to contact Ira McCracken, Chief Examiner of our Long Island Office, at (631) 952-6534.

Sincerely,

Gabriel F. Deyo

cc: Dr. George Chesterton, Interim Assistant Superintendent for Business
Jacqueline Franke, District Clerk
Julie Davis Lutz, Chief Operating Officer, Eastern Suffolk BOCES
Hon. John A. DeFrancisco, Chair, Senate Finance Committee
Hon. Herman D. Farrell, Chair, Assembly Ways and Means Committee
Hon. Fred W. Thiele, Jr., NYS Assembly
Hon. Kenneth LaValle, NYS Senate
Robert L. Megna, Director, Division of the Budget
Dr. John B. King Jr, Commissioner, State Education Department
Maria C. Guzman, Director, Office of Audit Services, State Education Department
Ira McCracken, Chief Examiner