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April 1, 2016

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: B7-16-3

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. New York State 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 tentative budget into balance. Such recommendations are made after the examination into the estimates of the District's revenues and expenditures.

Our Office has recently completed a review of the District's budget for the 2016-17 fiscal year. The objective of the review was to provide an independent evaluation of the tentative budget. Our review addressed the following questions related to the District's budget for the upcoming fiscal year:

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

- Did the District take appropriate action to implement or resolve recommendations contained in the budget review report issued in April 2015?

To accomplish our objectives 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. In addition, we inquired and checked whether written recommendations from the prior year’s budget review were implemented or resolved and, therefore, incorporated as part of the current year’s budget.

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 2016-17 fiscal year consisted of the following:

- 2016-17 Tentative Budget
- Supplementary Information

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

<b>Fund</b>	<b>Appropriations and Provisions for Other Uses</b>	<b>Estimated Revenues</b>	<b>Appropriated Fund Balance</b>	<b>Real Property Taxes</b>
General	\$26,874,825	\$7,139,279	\$218,942	\$19,516,604

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

### **Prior Budget Review Recommendations**

During this budget review, we also assessed the extent to which District officials acted to implement the recommendations contained in our prior budget review letter, which was issued April 9, 2015. District officials generally implemented our recommendations. District officials chose to raise appropriations for tuition payments for high school students, Social Security and Medicare taxes and charter school tuition fees. They also chose to reduce the revenue for tuition payments received from other districts, as recommended.

## **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 \$19,516,604, which increases the 2016-17 tax levy within the limits established by law. In adopting the 2016-17 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.

Very truly yours,

Gabriel F. Deyo  
Deputy Comptroller

cc: Dr. George Chesterton, Interim Assistant Superintendent for Business  
Jacqueline Franke, District Clerk  
Julie Davis Lutz, Chief Operating Officer, Eastern Suffolk BOCES  
Hon. Catharine Young, Chair, Senate Finance Committee  
Hon. Herman D. Farrell, Jr., Chair, Assembly Ways and Means Committee  
Hon. Fred W. Thiele, Jr., NYS Assembly  
Hon. Kenneth P. LaValle, NYS Senate  
Robert F. Mujica, Jr., Director, Division of the Budget  
MaryEllen Elia, Commissioner, State Education Department  
Thalia Melendez, Director, Office of Audit Services, State Education Department  
Andrew A. SanFilippo, Executive Deputy Comptroller  
Ira McCracken, Chief Examiner