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March 7, 2013

Mr. Michael J. Locantore, Superintendent  
Members of the Board of Education  
Patchogue-Medford Union Free School District  
241 South Ocean Avenue  
Patchogue, NY 11772

Report Number: B7-13-1

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

Chapter 9 of the Laws of 2006 authorizes the 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. Local Finance Law (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 the adoption of the budget or the last date on which the budget may be finally adopted, whichever is sooner. 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 revenues and expenditures of the District.

Our Office has recently completed a review of the District's budget for the 2013-14 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 2013-14 fiscal year:

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

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.

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 fiscal year ended June 30, 2014 consisted of the following:

- 2013-14 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	\$167,462,471	\$61,657,292	\$5,055,179	\$100,750,000

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

The District's 2013-14 tentative budget includes the appropriation of \$5 million of fund balance to help finance 2013-14 operations. District officials project that approximately \$12.6 million in fund balance may be available. We generally advise against the use of fund balance to finance routine operating expenses. We recommend that District officials closely monitor its fund balance to ensure that action is taken, if necessary, to identify other funding sources that can be used if fund balance is no longer available to fund District operations.

### **Tax Cap Compliance**

The State Legislature 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,<sup>1</sup> 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.

The District's proposed budget complies with the tax levy limit because it includes a tax levy of \$100,750,000, which increases the 2013-14 tax levy within the limits established by law. In adopting the 2013-14 budget, the District should be mindful of the legal requirement to maintain the tax levy increase to no more than 2 percent, 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 a 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 the Hauppauge Regional Office, at (631) 952-6534.

Very truly yours,

Steven J. Hancox  
Deputy Comptroller  
Division of Local Government and  
School Accountability

cc: Donna Jones, Assistant Superintendent for Business  
Dennis Logan, District Clerk  
Gary Bixhorn, Chief Operating Officer, Eastern Suffolk BOCES  
Hon. John A. DeFrancisco, Chair, Senate Finance Committee  
Hon. Herman D. Farrell, Jr., Chair, Assembly Ways and Means Committee  
Hon. Al Graf, NYS Assembly  
Hon. Lee M. Zeldin, NYS State Senate  
Robert L. Megna, Director, Division of the Budget  
Dr. John B. King Jr., Commissioner, State Education Department  
James Conway, Director, Office of Audit Services, State Education Department  
Ira McCracken, Chief Examiner, Local Government and School Accountability

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<sup>1</sup> Our Office has previously determined that the rate of inflation applicable to school districts with a fiscal year beginning July 1, 2013 is greater than 2 percent. Therefore the property tax levy is capped at 2 percent.