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March 9, 2017

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

Report Number: B17-7-2

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

Chapter 109 of the Laws of 2006 authorizes the Patchogue-Medford Union Free School District (District) to issue debt in an aggregate principal amount not to exceed \$6 million to liquidate the accumulated deficit in the District's general fund as of June 30, 2006. New York State Local Finance Law (LFL) Section 10.10 requires all municipalities and school districts 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 proposed 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 proposed 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.

Our Office has recently completed a review of the District's budget for the 2017-18 fiscal year. The objective of the review was to provide an independent evaluation of the proposed budget. Our review addressed the following question related to the District's budget for the upcoming fiscal year:

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

To accomplish our objective in this review, we requested your proposed 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.

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 proposed budget package submitted for review for the fiscal year ended June 30, 2018 consisted of the following:

- 2017-18 Proposed Budget
- Supplementary Information

The proposed 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	\$183,826,484	\$74,906,170	\$0	\$108,920,314

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

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 local government or 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,¹ and certain exclusions permitted by law, unless at least 60 percent of district voters approve a budget that requires a tax levy that exceeds the statutory limit.

We reviewed the District’s proposed budget for compliance with the tax levy limit. District officials have reviewed their tax levy limit calculation to ensure that the District’s proposed tax levy increases the 2017-18 tax levy within the limits established by law. In adopting the 2017-18 budget, the District should be mindful of the legal requirement to maintain the tax levy increase to no more than the calculated limit, unless at least 60 percent of District residents vote to exceed this statutory limit. Furthermore, due to how early the District adopts its budget, it is imperative that District officials pay careful attention to school aid estimates and other guidance, and make the

¹ Our Office has previously determined that the rate of inflation applicable to school districts with a fiscal year beginning July 1, 2017 is no greater than 1.26 percent.

appropriate changes to its budget and/or tax levy limit calculation as more information becomes available.

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 our Long Island office, at (631) 952-6534.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

cc: Donna Jones, Assistant Superintendent for Business
Dennis M. Logan, 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. Dean Murray, NYS Assembly
Hon. Thomas D. Croci, 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 SanFilippo, Executive Deputy Comptroller
Ira McCracken, Chief Examiner, Local Government and School Accountability