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April 1, 2014

Hon. Wayne J. Hall Sr., Mayor
Members of the Board of Trustees
Village of Hempstead
99 Nichols Court
Hempstead, New York 11550

Report Number: B7-14-4

Dear Mayor Hall and Members of the Board:

Chapter 646 of the Laws of 2006 authorized the Village of Hempstead (Village) to issue debt totaling \$4.2 million to liquidate the accumulated deficit in the Village's general and water funds as of May 31, 2005. 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 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 Village.

The Village Board, no later than five days prior to the adoption of the budget, must review all recommendations made by the State Comptroller and may make adjustments to its proposed budget consistent with those recommendations contained in this report. All recommendations that the governing board rejects must be explained in writing to our Office.

Our Office has recently completed a review of the Village's budget for the 2014-15 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 Village budget for the 2014-15 fiscal year:

- Are the significant revenue and expenditure projections in the Village’s proposed budget reasonable?

To accomplish our objectives 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. We also evaluated the amount of fund balance appropriated in the proposed 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 proposed budget package submitted for review for the 2014-15 fiscal year consisted of the following:

- 2014-15 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	\$ 75,809,748	\$ 14,036,774	\$2,400,000	\$59,372,974
Water	\$ 7,547,854	\$ 7,547,854		
Library	\$ 3,107,133	\$ 3,107,133		
Debt Service	\$ 6,589,351	\$ 6,589,351		
Self Insurance	\$ 3,885,100	\$ 3,885,100		

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 and the Governor enacted Chapter 97 of the Laws of 2011 (Law) that established a tax levy limit on all local governments, which was effective beginning in the Village’s 2012-13 fiscal year. The Law precludes local governments from adopting a budget that requires a tax levy that exceeds the prior year tax levy by more than 2 percent or the rate of inflation, whichever is less, unless the governing board adopts a local law to override the tax levy limitation.

The Village's proposed budget includes a tax levy of \$59,372,974, which exceeds the allowable tax levy limit. Therefore, to comply with the Law, the Board must adopt a local law overriding the tax levy limit before they adopt the proposed budget.

We request that you provide us with a copy of the adopted budget.

We hope this information is helpful to you as you adopt the upcoming budget for the Village. If you have any questions on the scope of our work, please contact Mr. Ira McCracken, Chief Examiner of our Hauppauge Office at (631) 952-6534.

Sincerely,

Gabriel F. Deyo

cc: Raymond Calame, Village Treasurer/Comptroller
Patricia Perez, Village Clerk
Hon. John A DeFrancisco, Chair, Senate Finance Committee
Hon. Herman D. Farrell, Chair, Assembly Ways and Means Committee
Hon. Earlene Hooper, NYS Assembly
Hon. Kemp Hannon, NYS Senate
Robert L. Megna, Budget Director, Division of Budget
Ira McCracken, Chief Examiner, Hauppauge Regional Office