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November 10, 2016

Gary Spears, Town Supervisor
Members of the Town Board
Town of Deerpark
420 Route 209
Huguenot, NY 12746

Report Number: B6-16-18

Dear Supervisor Spears and Members of the Town Board:

Chapter 270 of the Laws of 2008 authorizes the Town of Deerpark (Town) to issue debt totaling \$868,000 to liquidate the accumulated deficit in the Town's general fund as of December 31, 2008. 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 preliminary 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 preliminary budget and make recommendations for any changes that are needed to bring the preliminary budget into balance. Such recommendations are made after the examination into the estimates of revenues and expenditures of the Town.

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

- Are the significant revenue and expenditure projections in the Town's preliminary budget reasonable?

To accomplish our objective in this review, we requested your preliminary 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 preliminary 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 preliminary budget package submitted for review for the 2017 fiscal year consisted of the following:

- Cover Letter
- 2017 Preliminary Budget
- Supplementary Information

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

Fund	Appropriations and Provisions for Other Uses	Estimated Revenue	Appropriated Fund Balance	Real Property Taxes
General	\$3,030,215	\$1,297,218	\$400,000	\$1,332,997
Highway	\$1,799,630	\$554,592	\$130,500	\$1,114,538

Based on the results of our review, except for the matter described below, we found that the significant revenue and expenditure projections in the preliminary budget are reasonable.

Our review disclosed the following findings which should be reviewed by the Town for appropriate action. Good management practices require that Town officials take prompt action concerning our recommendations. We believe that prompt action by Town officials will help improve the Town’s financial condition.

Fund Balance

The Town has projected a general fund balance of \$1,430,988 and a highway fund balance of \$725,811 at the end of the 2016 fiscal year. The Town’s proposed budget appropriates \$400,000 or approximately 28 percent of the projected fund balance from the general fund in the 2017 budget. Additionally, the proposed budget appropriates \$130,500 or approximately 18 percent of the projected fund balance from the highway fund in the 2017 budget. While the appropriation of

fund balance is allowable, we caution Town officials that such appropriations will eventually deplete the fund balance and future budgets will have to replace this revenue with another revenue.

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, which was effective beginning in the 2012 fiscal year. The law precludes local governments from adopting a budget with a tax levy that exceeds the prior year tax levy by more than 2 percent or the rate of inflation, whichever is less, and certain exclusions permitted by law, unless the Board adopts a local law to override the tax levy limitation.

The Town's preliminary budget complies with the tax levy limit because it includes a tax levy of \$2,714,635, which is within the limits established by law. In adopting the 2017 budget, the Board should be mindful of the legal requirement to maintain the tax levy increase to no more than the tax levy limit as permitted by law, unless it obtains the proper voter approval to override the tax levy 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 Town. If you have any questions on the scope of our work, please feel free to contact Tenneh Blamah, Chief Examiner of the Newburgh Regional Office, at 845-567-0858.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

cc: Florence Santini, Town Clerk
Honorable Catharine Young, Chair, Senate Finance Committee
Honorable Herman Farrell, Jr, Chair, Assembly Ways and Means Committee
Honorable John J. Bonacic, NYS Senate
Honorable Karl Brabenec, NYS Assembly
Robert F. Mujica Jr., Director, Division of the Budget
Andrew A. SanFilippo, Executive Deputy Comptroller
Tenneh Blamah, Chief Examiner, Newburgh Regional Office