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October 30, 2013

Mr. William J. Wilkinson, Supervisor
Members of the Town Board
Town of East Hampton
Town Hall
159 Pantigo Road
East Hampton, NY 11937

Report Number: B7-13-17

Dear Mr. Wilkinson and Members of the Town Board:

Chapter 126 of the Laws of 2010 authorizes the Town of East Hampton (Town) to issue debt totaling \$30 million to liquidate the accumulated deficit in the District's general fund as of December 31, 2007, December 31, 2008, and December 31, 2009. 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 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 Town.

Our office has recently completed a review of the Town's budget for the 2014 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 Town budget for the 2014 fiscal year:

- Are the significant revenue and expenditure projections in the Town'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. 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 2014 fiscal year consisted of the following:

- Cover letter
- 2014 Tentative budget
- Supplementary information

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

| Fund | Appropriations | Estimated Revenues | Appropriated Fund Balance | Real Property Taxes |
|-----------------------------|-----------------------|---------------------------|----------------------------------|----------------------------|
| General, Whole Town | \$28,773,654 | \$9,735,091 | \$786,374 | \$18,252,189 |
| General, Part Town | \$24,207,298 | \$2,803,000 | \$250,000 | \$21,154,298 |
| Highway Fund | \$6,005,169 | \$843,500 | \$50,000 | \$5,111,669 |
| Solid Waste/ Recycling Fund | \$5,980,225 | \$2,603,200 | \$29,289 | \$3,347,736 |
| Scavenger Water/ Water Fund | \$861,584 | \$327,800 | \$0 | \$533,784 |
| Airport Fund | \$4,129,056 | \$4,129,056 | \$0 | \$0 |

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

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

Tax Cap Compliance

The State Legislature enacted Chapter 97 of the Laws of 2011 that established a tax levy limit on all local governments, effective beginning in the 2012 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, with certain exclusions permitted by law, unless the governing board adopts a local law to override the tax levy limitation.

The Town's 2014 tentative budget complies with the tax cap levy limit. The 2014 tentative budget includes a proposed tax levy¹ of 51,228,632, which increases the 2014 tax levy within the limits established by Law.

We hope that this information is useful as you adopt a budget for the Town. If you have any questions on the scope of our work, please feel free to contact Mr. Ira McCracken, Chief Examiner of our Long Island Office, at (631) 952-6534.

Very truly yours,

Andrew A. SanFilippo
Executive Deputy Comptroller
Office of State and Local Government
Accountability

cc: Len Bernard, Budget Officer
Fred Overton, Town Clerk
Robert L. Megna Director, Division of the Budget
Hon. John A. DeFrancisco, Chair, Senate Finance Committee
Hon. Herman Farrell, Jr., Chair, Assembly Ways and Means Committee
Hon. Fred W. Thiele, Jr., NYS Assembly
Hon. Kenneth P. LaValle, NYS Senator
Ira McCracken, Chief Examiner

¹ When calculating the tax levy limit, the Town must include the tax levy for the town-wide general fund, part-town general fund, highway, and all special districts.