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November 6, 2015

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

Report Number: B6-15-23

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.

The Town 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 preliminary 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 Town's budget for the 2016 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 2016 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.

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 fiscal year ended 2016 consisted of the following:

- Cover letter
- 2016 Preliminary budget
- Supplementary information

The preliminary 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	\$2,990,517	\$1,284,610	\$277,500	\$1,428,407
Highway	\$1,808,744	\$532,896	\$270,000	\$1,005,848

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

Our review disclosed the following finding 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 fund balance of \$1.3 million for the general fund and \$535,000 for the highway fund for the 2015 fiscal year end. The Town appropriated \$277,500, or approximately 21 percent, of the general fund's projected fund balance in the 2016 budget. Additionally, the Town appropriated \$270,000, or approximately 50 percent, of the highway fund's projected fund balance in the 2016 budget. The Town had previously appropriated fund balance from the general and highway funds of approximately 33 and 32 percent, respectively, for the 2014 budget. Appropriating fund balance to balance the budget reduces

fund balance and increases the risk that the Town will not have enough funds to pay for unforeseen expenditures resulting from emergencies. The continued reliance on appropriated fund balance to fund Town operations will eventually deplete fund balance and adversely affect the Town's financial condition. In future years, Town officials will need to identify other revenue sources to replace fund balance or make corresponding reductions in expenditures.

Tax Cap Compliance

Chapter 97 of the Laws of 2011 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 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 Town's proposed budget complies with the tax levy limit because it includes a tax levy of \$2,699,780, which decreases the 2016 tax levy by 3.03 percent over the 2015 tax levy of \$2,784,085. In adopting the 2016 budget, the Town 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 adopts a local law to override the cap.

As noted previously, the Board has the responsibility to initiate corrective action to address the recommendations in this report. In addition, pursuant to Section 35 of New York State General Municipal Law, the Board should prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days. We encourage the Board to make this plan available for public review in the Town Clerk's office. For guidance in preparing your plan of action and filing this report, please refer to the attached documents.

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 Ms. Tenneh Blamah, Chief Examiner of the Newburgh Regional Office, at (845) 567-0858.

Very truly yours,

Gabriel F. Deyo
Deputy Comptroller

cc: Florence Santini, Town Clerk
Hon. John A. DeFrancisco, Chair, Senate Finance Committee
Hon. Herman D. Farrell, Jr, Chair, Assembly Ways and Means Committee
Hon. Karl Brabenec, NYS Assembly
Hon. John J. Bonacic, NYS Senate
Mary Beth Labate, Director, Division of the Budget
Andrew A. SanFilippo, Executive Deputy Comptroller
Tenneh Blamah, Chief Examiner, Newburgh Office