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April 22, 2013

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

Report Number: B7-13-13

Dear Mayor Hall and Members of the Board:

Chapter 646 of the Laws of 2006 authorizes 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 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 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 2013-14 fiscal year. The objective of the review was to provide an independent evaluation of the proposed budget. Our review addressed the following questions related to the Village budget for the 2013-14 fiscal year:

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

- Did the Village take appropriate action to implement or resolve recommendations contained in the budget review report issued in April 2012?

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. 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 proposed budget package submitted for review for the 2013-14 fiscal year consisted of the following:

- 2013-14 Proposed Budget
- Supplementary Information

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

<b>Fund</b>	<b>Appropriations and Provisions for Other Uses</b>	<b>Estimated Revenues</b>	<b>Appropriated Fund Balance</b>	<b>Real Property Taxes</b>
General	\$ 72,874,542	\$ 13,715,807	\$2,100,000	\$ 57,058,735
Water	\$ 7,632,169	\$ 7,632,169		
Library	\$ 3,123,402	\$ 3,123,402		
Debt Service	\$ 5,998,007	\$ 5,998,007		
Self Insurance	\$ 3,676,078	\$ 3,676,078		

Based on the results of our review, we found that the significant revenue and expenditure projections in the proposed budget are reasonable. In addition, Village officials appropriately monitored the revenues and expenditures in the water fund to ensure the continued improvement of the water fund's financial condition as was recommended in the budget review report issued in April 2012.

## **Tax Cap Compliance**

The State Legislature enacted Chapter 97 of the Laws of 2011 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 complies with the tax levy limit because it includes a tax levy of \$57,058,735, which increases the 2013-14 tax levy within the limits established by law. In adopting the 2013-14 budget, the Village 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.

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 Village. If you have any questions on the scope of our work, please feel free to contact Ira McCracken, Chief Examiner of the Hauppauge Regional Office, at (631) 952-6534.

Very truly yours,

Steven J. Hancox  
Deputy Comptroller  
Division of Local Government and  
School Accountability

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