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November 10, 2017

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

Report Number: B17-6-17

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 not to exceed \$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 municipalities 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 municipality is authorized to issue the deficit 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 on the preliminary budget as deemed appropriate. Recommendations, if any, are made after the examination into the Town's estimates of revenues and expenditures.

Our Office has recently completed a review of the Town's budget for the 2018 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 estimates were 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 2018 fiscal year consisted of the following:

- Cover Letter
- 2018 Preliminary Budget
- Supplementary Information

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

<b>Fund</b>	<b>Appropriations and Provisions for Other Uses</b>	<b>Estimated Revenue</b>	<b>Appropriated Fund Balance</b>	<b>Real Property Taxes</b>
General	\$3,220,916	\$1,473,210	\$400,000	\$1,347,706
Other Funds	\$1,842,374	\$579,349	\$150,000	\$1,113,025

Based on the results of our review, we found that the significant revenue and expenditure projections in the preliminary budget are reasonable. However, we note that the Town’s general fund balance has continued to increase for the past five years, from \$898,669 to \$1,459,107 (62 percent). This is a result of overestimating expenditures that can be more accurately projected due to contractual agreements and underestimating revenues that the Town knows it will receive. Overestimating expenditures and underestimating revenues results in tax levies that are higher than necessary. We recommend that the Board closely review budgeted revenues and appropriations compared to prior years, and adjust the budget as necessary.

### **Tax Cap Compliance**

The State Legislature and the Governor enacted Chapter 97 of the Laws of 2011 that established a tax levy limit on local governments, which was effective beginning in the 2012 fiscal year. The law generally 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, unless the Board adopts a local law to override the tax levy limit.

The Town's preliminary budget complies with the tax levy limit because it includes a tax levy of \$2,733,036, which is within the limits established by law. In adopting the 2018 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 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 Helene E. Weinstein, 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