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November 4, 2013

Mr. Robert McCarthy, Supervisor
Members of the Town Board
Town of Sidney
21 Liberty Street
Sidney, NY 13838

Report Number: B4-13-19

Dear Supervisor McCarthy and Members of the Town Board:

Chapter 109 of the Laws of 2006 authorizes the Town of Sidney (Town) to issue debt totaling \$2.5 million to liquidate a portion of the cumulative deficit incurred by the Town due to expenses related to the Town-owned hospital for the fiscal year ended December 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 preliminary budget for the next succeeding fiscal year.

The preliminary 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 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 preliminary budget for the 2014 fiscal year. The objective of the review was to provide an independent evaluation of the preliminary budget. Our review addressed the following questions related to the Town's budget for the 2014 fiscal year:

- Are the significant revenue and expenditure projections in the Town’s preliminary budget reasonable?
- Did the Town take appropriate action to implement or resolve recommendations contained in the budget review report issued in November 2012?

To accomplish our objectives 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 fiscal year ending December 31, 2014 consisted of the following:

- 2014 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 (Town-Wide)	\$879,738	\$245,500	\$19,768	\$614,470
General (Town-Outside-Village)	\$18,250	\$6,356	\$0	\$11,894
Highway (Town-Wide)	\$365,312	\$40,000	\$0	\$325,312
Highway (Town-Outside-Village)	\$312,447	\$40,000	\$0	\$272,447
Hospital Fund	\$445,780	\$445,780	\$0	\$0
Fire Protection Districts	\$58,255	\$0	\$0	\$58,255
Lighting District	\$4,400	\$0	\$0	\$4,400
Consolidated Health	\$6,000	\$2,600	\$0	\$3,400

Based on the results of our review, we found that the significant revenue and expenditure projections in the preliminary budget are reasonable. However, the Town is currently reporting

accounts payable in the Hospital fund that are related to the hospital which closed in 2005. While the Hospital fund is primarily responsible for the \$1.9 million payable, the fund only has approximately \$536,000 in current resources available to liquidate the liability. The Town's total current resources are approximately \$1.9 million. Thus, the full liquidation of the liability could significantly impact the Town's real property tax levy or the current level of services provided. Because the Town has been reporting the same liability for several years without any changes, we recommend Town officials determine if these payables are legitimate liabilities and, if not, remove them from the balance sheet. This issue remains uncorrected from previous years' budget review letters.

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 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 has adopted a local law to override the tax levy limit in 2014. This local law allows the Town's preliminary budget to include a tax levy of \$1,290,177, which increases the 2014 tax levy by 4 percent over the 2013 tax levy of \$1,240,555.

The Board has the responsibility to initiate corrective action. Pursuant to Section 10.10 of Local Finance Law, the Board shall review the recommendations in this report and may make adjustments to its preliminary budget. The Board must explain in writing to our office any recommendations that it has rejected. In addition, pursuant to Section 35 of 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 a budget for the Town. If you have any questions on the scope of our work, please feel free to contact H. Todd Eames, Chief Examiner of the Binghamton Regional Office, at (607) 721-8306.

Very truly yours,

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

cc: Nancy Roberts, Bookkeeper
Lisa French, Town Clerk
Hon. John A. DeFrancisco, NYS Senate, Finance Committee
Hon. Herman D. Farrell, Jr., NYS Assembly, Ways and Means Committee
Hon. Clifford W. Crouch, NYS Assembly
Hon. James L. Seward, NYS Senate
Robert L. Megna, Director, Division of the Budget
H. Todd Eames, Chief Examiner, Binghamton Regional Chief Examiner