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November 7, 2014

Oscar Oberkircher  
37 Brook Street  
Laurens, NY 13796

Report Number: B4-14-21

Dear Supervisor Oberkircher and Members of the Board:

Our Office has recently completed a review of the Town of Lauren's (Town) budget for the 2015 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's budget for the 2015 fiscal year:

- Are the significant revenue and expenditure projections in the Town's tentative budget reasonable?

To accomplish our objective 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 unrealistic increases or decreases. We analyzed, verified and 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 tentative 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 tentative budget package submitted for review for the fiscal year ending December 31, 2015 consisted of the following:

- 2015 Tentative Budget
- Supplementary Information

The tentative 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 (Town-Wide)	\$256,353	\$56,530	\$0	\$199,823
General (Town-Outside-Village)	\$9,298	\$350	\$0	\$8,948
Highway (Town-Wide)	\$668,880	\$65,000	\$16,905	\$586,975
Highway (Town-Outside-Village)	\$372,879	\$249,000	\$100,000	\$23,879
Lighting District	\$4,000	\$0	\$0	\$4,000
<b>Total</b>	<b>\$1,311,410</b>	<b>\$370,880</b>	<b>\$116,905</b>	<b>\$823,625</b>

We performed this budget review because the Town was categorized as being “susceptible to fiscal stress” in a report issued in September 2014 as part of the Comptroller’s Fiscal Stress Monitoring System (FSMS). Fiscal stress designations of the FSMS are based solely on the annual financial statements (AUD) filed by the Town at year end. Based on the results of our review, except for the matters described below, we found that the significant revenue and expenditure projections in the tentative budget are reasonable.

To address fiscal concerns, the Board has proposed real property tax levy increases in the general<sup>1</sup> and highway town-wide funds. However, these increases alone may not fully address the Town’s potential for fiscal stress. If current spending trends continue, we project that the general town-wide fund will end the current fiscal year with a deficit fund balance of up to \$21,000. Town officials did not consider this when developing the 2015 budget.

In addition, while we found that the payroll appropriations budgeted for both highway funds are reasonable in the aggregate, the allocation between the two funds may not be appropriate. Currently, 80 percent of the appropriation is budgeted in the highway town-wide fund for snow removal labor costs, and 20 percent is budgeted in the highway town-outside-village fund. It seems unreasonable that 80 percent of the Highway Department employees’ time is expected to be spent on snow removal. Therefore, this skewing of the allocation towards the highway town-wide fund, as budgeted, would not be equitable to the taxpayers as more than one tax basis is involved. Town officials should consider changing the allocation between funds.

### **Tax Cap Compliance**

The State Legislature and the Governor enacted Chapter 97 of the Laws of 2011 that established a tax levy limit on all local governments, which is 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.

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<sup>1</sup> Additionally, the highway town-wide fund is projected to end this current fiscal year with over \$124,000 in total fund balance, allowing a greater portion of real property taxes to be allocated to the general town-wide fund.

The Town's tentative budget complies with the tax levy limit because it includes a tax levy of \$823,625, which increases the 2015 tax levy within the amounts allowable by the law. In adopting the 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 adopts a local law to override the cap.

The Board has the responsibility to initiate corrective action. 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 H. Todd Eames, Chief Examiner of the Binghamton Regional Office, at (607) 721-8306.

Very truly yours,

Gabriel F. Deyo

cc: Donna Raphaelson, Clerk of the Board  
Andrew A. SanFilippo, Executive Deputy Comptroller