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January 8, 2021

Joanne Randall, Supervisor
Town of Orange
899 Hornby Rd.
Beaver Dams, NY 14812

Report Number: B20-2-14

Dear Supervisor Randall and Members of the Town Board:

Our Office has recently completed a review of the Town's budget for the 2021 fiscal year. The objective of the review was to provide an independent evaluation of the 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 adopted budget reasonable?

Based on the results of our review, except for the items discussed below, we found that the significant revenue and expenditure estimates contained in the adopted budget appear reasonable. However the minimal amount of unappropriated general fund balance and an anticipated deficit fund balance in the highway fund magnify the importance of the variances we identified.

To accomplish our objective in this review, we requested your adopted budget, salary schedules, debt payment schedules and other pertinent information. Although we requested these documents in October, Town officials did not provide us with the information in time to allow us to complete the review prior to the budget's adoption. 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 adopted budget to be used as a financing source and determined whether 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 budget package submitted for review for the 2021 fiscal year consisted of the following:

- 2021 Adopted Budget
- Supplementary Information

The adopted budget for 2021 submitted to our Office is summarized as follows:

Figure 1: 2021 Adopted Budget				
Fund	Appropriations and Provisions for Other Uses	Estimated Revenue	Appropriated Fund Balance	Real Property Taxes
General	\$280,550	\$80,080	\$16,552	\$183,918
Highway	803,953	302,455	(8,036)	509,534
Fire Protection Districts	125,332			125,332
Total	\$1,209,835	\$382,535	\$8,516	\$818,784

Our review disclosed the following findings which should be reviewed by the Board for appropriate action.

Effects of COVID-19 Pandemic

Our review took into consideration the potential impact the COVID-19 pandemic (pandemic) may have on the Town’s finances. However, due to the continuously evolving circumstances caused by the pandemic, Town officials should carefully monitor revenues and expenditures and adjust the budget as needed throughout the year as more information becomes available.

General and Highway Fund Revenue

The Town’s 2021 adopted budget for the general and highway funds includes total estimated sales tax revenue of \$145,000. The County Treasurer expects 2021 sales tax revenue to remain consistent with 2020 revenue, of which the Town received \$120,000. This results in revenue being overestimated by \$25,000 potentially.¹

Highway Fund Appropriations

The appropriation for contractual street maintenance and machinery in the Town’s 2021 adopted budget is underestimated by at least \$41,000 when compared to the last four years’ (2015-2019) average spending. In addition, the appropriation for workmen’s compensation and medical

¹ Changes made to New York State Tax Law have changed how sales tax revenue is distributed, but these changes will not materially affected the amount received by the Town.

insurance is overestimated by \$23,100 based on our review of annual employee contracts and vendor estimates. The net effect results in appropriations being underestimated by at least \$17,900.

Fund Balance

We estimated that general fund balance would total \$64,000 as of December 31, 2020, which is sufficient for the \$16,552 of appropriated fund balance to balance the 2021 budget. However, with an anticipated 2021 sales tax revenue shortage of \$25,000, more fund balance may be needed as an additional financing source to replace this shortfall. Also, the general fund may need to provide resources to the highway fund due to the highway fund's financial stress.

We estimate a deficit highway fund balance of \$27,000 as of December 31, 2020. In addition to the fund deficit to start the year, appropriations are underestimated by at least \$17,900. The Board did include a negative fund balance of \$8,036 when calculating the real property taxes required to finance the highway fund budget. This will result in reducing, but not eliminating, the deficit at December 31, 2020. Therefore, although the Board did not actually appropriate highway fund balance, additional potential resources or spending cuts should be identified as soon as possible to mitigate any 2021 shortfalls in appropriations.

The minimal amount of fund balance in the general fund and the anticipated deficit in the highway fund leave the Town's financial condition extremely vulnerable to unforeseen risks and cash flow difficulties. Based on the conditions we have identified, we urge Town officials to monitor financial results carefully against budget estimates throughout the year.

Tax Cap Compliance

New York State General Municipal Law Section 3-c establishes a tax levy limit on local governments. 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 2021 adopted budget includes a tax levy of \$818,784, which complies with the tax cap limit.

If you have any questions on the scope of our work, please feel free to contact Edward V. Grant, Chief Examiner of the Rochester Regional Office, at 585-454-2460.

Sincerely,

Elliott Auerbach
Deputy Comptroller

cc: Thomas Peer, Town Clerk
Edward Grant, Chief Examiner, Rochester Regional Office