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April 9, 2013

Mayor John R. Bertoni
Members of the Board of Trustees
1009 East Main St.
Endicott, NY 13760

Report Number: B4-13-2

Dear Mayor Bertoni and Members of the Board of Trustees:

Chapter 91 of the Laws of 2004 authorizes the Village of Endicott (Village) to issue debt totaling \$2 million to liquidate the accumulated deficit in the Village's general fund as of May 31, 2004. 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 tentative 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 tentative budget and make recommendations for any changes that are needed to bring the tentative budget into balance. Such recommendations are made after the examination into the Village's estimates of revenues and expenditures.

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 tentative budget. Our review addressed the following question related to the Village budget for the 2013-14 fiscal year:

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

To accomplish our objectives 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 an 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 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 May 31, 2014, consisted of the following:

- Cover letter
- 2013-14 Tentative budget
- Supplementary information

The tentative 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	\$13,744,634	\$5,802,810	\$125,000	\$7,816,824
Electric	\$3,637,716	\$3,401,499	\$236,217	\$0
Water	\$2,978,446	\$2,725,169	\$50,000	\$0
Sewer	\$3,368,783	\$3,148,640	\$0	\$0
Library ^a	\$1,066,845	\$1,004,075	\$62,770	\$0
Parking	\$28,600	\$28,600	\$0	\$0

^a The Library is run by a separate Board of Trustees.

Based on the results of our review, we found that the significant revenue and expenditure projections in the tentative budget for the general, electric, library, and parking funds are reasonable. The water and sewer funds' tentative budgets are not balanced and include a deficit of more than \$203,000 and \$220,000, respectively, or approximately 7 percent in each fund. Village officials told us they recognized the deficits and planned to raise water and sewer rates to make up the difference. We recommend that the Board address these deficits prior to adopting the budget to avoid adopting unbalanced budgets that include appropriations without sufficient financing sources.

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 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 limitation.

The Village's tentative budget complies with the tax levy limit because it includes a tax levy of \$7,816,824, which decreases the 2013-14 tax levy by 15.7 percent from the 2012-13 tax levy of \$9,268,781. Although the Village tax levy increase is below 2 percent, the Board has adopted a local law on February 26, 2013, that would allow it to override the tax cap if necessary.

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 Todd Eames, Chief Examiner of the Binghamton Regional Office, at (607) 721-8306.

Very truly yours,

Steven J. Hancox
Deputy Comptroller

CC: Anthony Bates, Clerk-Treasurer
Hon. John A. DeFrancisco, Chair, Senate Finance Committee
Hon. Herman D. Farrell, Jr., Chair, Assembly Ways and Means Committee
Donna Lupardo, State Assembly
Thomas Libous, State Senate
Robert L. Megna, Director, Division of the Budget
H. Todd Eames, Chief Examiner