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April 13, 2015

John R. Bertoni, Mayor  
Members of the Board of Trustees  
1009 East Main Street  
Endicott, New York 13760

Report Number: B4-15-11

Dear Mayor Bertoni and Members of the Board of Trustees:

Chapter 91 of the Laws of 2004 authorized 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. New York State 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 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 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 estimates of revenues and expenditures of the Village.

The Board of Trustees (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 tentative budget consistent with those recommendations contained in this report. All recommendations that the Board rejects must be explained in writing to our Office.

Our Office has recently completed a review of the Village's tentative budget for the 2015-16 fiscal year. The objective of the review was to provide an independent evaluation of the tentative budget. Our review addressed the following questions related to the Village's tentative budget for the 2015-16 fiscal year:

- Are the significant revenue and expenditure projections in the Village’s tentative budget reasonable?
- Did the Village take appropriate action to implement or resolve recommendations contained in the budget review report issued in April 2014?

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 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 tentative 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 tentative budget package submitted for review for the fiscal year ended May 31, 2016 consisted of the following:

- 2015-16 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	\$14,249,457	\$5,874,830	\$100,000	\$8,274,627
Electric	\$3,991,982	\$3,834,065	\$157,917	\$0
Water	\$3,145,686	\$2,888,400	\$0	\$0
Sewer	\$3,437,663	\$3,282,684	\$0	\$0
Library <sup>a</sup>	\$1,088,700	\$1,057,758	\$30,942	\$0
Parking	\$31,250	\$31,250	\$0	\$0
<sup>a</sup> The Library is run by a separate Board of Trustees.				

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 for the general, electric, library and parking funds are reasonable. However, the water and sewer funds' tentative budgets are not balanced and include a deficit of approximately \$257,000 (9 percent of the fund's estimated revenues) in the water fund and \$155,000 (5 percent of the fund's estimated revenues) in the sewer fund. Village officials told us they recognized the deficit and planned to raise water and sewer rates and reduce some expenditures in May 2015 to make up the difference. We recommend the Board address these deficits in order to avoid adopting budgets that include appropriations without sufficient financing sources. We had a similar finding in last year's budget review; the Board did adjust the rate structure in both funds and as a result of the actions taken by the Board, the funds are not projected to incur deficits for the current fiscal year.

### **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 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,<sup>1</sup> whichever is less, and certain exclusions permitted by law, unless the Board adopts a local law to override the tax levy limitation.

The Village's tentative budget does not comply with the tax levy limit because it includes a tax levy of \$8,274,627, which, at the time of our review, exceeds the tax levy limit allowed by law by approximately \$268,000. In adopting the 2015-16 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. Village officials are aware that they are not in compliance with the tax levy limit and told us they plan to decrease expenditure estimates in May 2015 to lessen the tax levy amount. We recommend the Board take necessary actions, such as decreasing expenditure estimates or passing an override local law, in order to avoid adopting a budget that is not in compliance with the law; otherwise, the Board would be required to place the excess amount in a reserve. We had a similar finding in last year's budget review; the Board passed a local law to override the limit in case they were unable to reduce the tax levy within the legal limit. Subsequently, the Board reduced expenditures in the 2014-15 adopted budget, which resulted in a tax levy that was within the limit established by law.

The Board has the responsibility to initiate corrective action to address the recommendations in this report. In addition, 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 Village Clerk's office. For guidance in preparing your plan of action and filing this report, please refer to the attached documents.

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<sup>1</sup> Our Office has proposed a rate of inflation applicable to villages with a fiscal year beginning June 1, 2015 at 1.68 percent. Therefore, the property tax levy is capped at 1.68 percent.

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 Village. 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.

Sincerely,

Gabriel F. Deyo  
Deputy Comptroller

cc: Anthony Bates, Clerk-Treasurer  
Hon. John A. DeFrancisco, Chair, NYS Senate Finance Committee  
Hon. Herman D. Farrell, Jr., Chair, NYS Assembly Ways and Means Committee  
Hon. Donna Lupardo, NYS Assembly  
Hon. Thomas Libous, NYS Senate  
Mary Beth Labate, Director, Division of the Budget  
Andrew A. SanFilippo, Executive Deputy Comptroller  
H. Todd Eames, Chief Examiner of the Binghamton Regional Office