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October 26, 2015

Mr. Eugene Pigford, Supervisor  
Members of the Town Board  
Town of Sidney  
21 Liberty Street  
Sidney, NY 13838

Report Number: B4-15-18

Dear Supervisor Pigford 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 that ended December 31, 2005. 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 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 its adoption of the budget or the last date on which the budget may be finally adopted, whichever is earlier. 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.

Our Office has recently completed a review of the Town's preliminary budget for the 2016 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 upcoming 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 2014?

To accomplish our objectives in this review, we requested the Town’s 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, 2016 consisted of the following:

- 2016 Preliminary budget
- Supplementary information

The preliminary 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)	\$886,665	\$254,882	\$0	\$631,783
General (Town-Outside-Village)	\$20,155	\$6,620	\$1,370	\$12,165
Highway (Town-Wide)	\$383,616	\$46,767	\$4,051	\$332,798
Highway (Town-Outside-Village)	\$307,397	\$31,233	\$0	\$276,164
Hospital	\$508,610	\$473,076	\$35,534	\$0
Fire Protection Districts	\$61,154	\$0	\$0	\$61,154
Consolidated Health	\$6,000	\$2,600	\$0	\$3,400
Lighting District	\$5,400	\$0	\$1,400	\$4,000

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

The Town took appropriate action to implement or resolve recommendations contained in the 2014 budget review report issued in November 2014. In that report, we noted that Town officials did not budget for an additional \$95,000 in nonrecurring rental income, included \$30,000 of lease payments for which no lease agreement existed in the 2015 budget and reported accounts payable of \$1.9 million in the Hospital Fund which may have not been valid. The Town took corrective action by reasonably budgeting for all rental income in 2016 and properly liquidating the \$1.9 million liability in the Hospital Fund.

We request that you provide us with a copy of the adopted budget.

### **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.

The Town's proposed budget complies with the tax levy limit because it includes a tax levy of \$1,321,464, which is within the limits established by law. In adopting the 2016 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.

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.

Sincerely,

Gabriel F. Deyo

cc: Gretchen Gage, 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  
Mary Beth Labate, Director, Division of the Budget  
Andrew A. SanFilippo, Executive Deputy Comptroller  
H. Todd Eames, Chief Examiner