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April 8, 2013

Mayor Anthony Leone
Members of the Board of Trustees
Village of Yorkville
30 Sixth Street
Yorkville, NY 13495

Report Number: B3-13-7

Dear Mayor Leone and Members of the Village Board of Trustees:

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 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.

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, 2014 consisted of the following:

- 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 Fund	\$1,888,812	\$967,530	\$0	\$921,282

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. However, the Village has very limited fund balance and has proposed a limited contingency account.

Our review disclosed the following finding which should be reviewed by the Village Board of Trustees for appropriate action. Good management practices require that Village officials take prompt action concerning our recommendation, which we believe will help improve the Village's financial condition.

Contingency Account

Contingency accounts are used by local governments as a means of providing funding for unexpected events. The Village has included a contingency appropriation of \$24,000 or 1 percent of appropriations in its 2013-14 tentative budget. It is important that the Board consider the general economic conditions and the potential need to fund significant unforeseen costs. This account is particularly important because the Village has limited fund balance to provide resources to fund unforeseen expenses, such as costs associated with adverse weather events, unexpected machinery breakdowns, unplanned overtime, litigation costs, and increases in health insurance, fuel, and utility costs. The Village should consider increasing the contingency appropriation in its adopted 2013-14 budget. A contingency account of 5 percent of appropriations (\$94,000) would give the Village some flexibility in dealing with unexpected events. Any amounts not needed during the year would help to rebuild the general fund balance.

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 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 Village's tentative budget complies with the tax levy limit because it includes a tax levy of \$921,282, which is less than the 2012-13 tax levy of \$932,277. In adopting the 2013-14 budget, the Board of Trustees 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 General Municipal Law, the Board should prepare a plan of action that addresses the recommendation 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-Treasurer'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 a budget for the Village. If you have any questions on the scope of our work, please feel free to contact Rebecca Wilcox, Chief Examiner of the Syracuse Regional Office, at (315) 428-4192.

Very truly yours,

Andrew A. SanFilippo
Executive Deputy Comptroller

cc: Jacqueline L. Garncarz, Clerk/Treasurer