

Office of the NEW YORK STATE

COMPTROLLER

2017 Annual Report On Local Governments

New York State Comptroller
THOMAS P. DiNAPOLI

JANUARY 2018

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2017

Division of Local Government and School Accountability

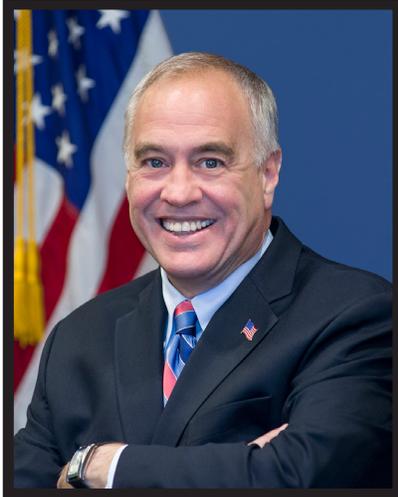
Mission and Goals

The Division of Local Government and School Accountability's mission is to serve taxpayers' interests by improving the fiscal management of local governments and schools in New York State.

To achieve our mission we have developed the following goals:

- Enable and encourage local government and school officials to maintain or improve fiscal health by increasing efficiency and effectiveness, managing costs, improving service delivery, and accounting for and protecting assets.
- Promote government reform and foster good governance in communities statewide by providing local government and school officials with up-to-date information and expert technical assistance.

A Message From New York State Comptroller Thomas P. DiNapoli



One of my biggest responsibilities as State Comptroller is to monitor the financial operations of the State's many local governments. To this end, our Division of Local Government and School Accountability conducts audits of local governments and school districts, gathers local government financial data, publishes reports on local finances, and provides training and accounting guidance to local officials.

This *2017 Annual Report on Local Governments* provides a summary analysis of the financial state of the local governments outside of New York City for local fiscal years ending in 2016. Overall, local governments have seen slow but steady growth in revenues in recent years, with slightly stronger receipts in 2016. The number of local governments and school districts in fiscal stress is the lowest it has been in the four years since the Office of the State Comptroller (OSC) introduced our Fiscal Stress Monitoring System. However, spending for employee benefits has continued to rise much faster than other expenditures during the past decade, and spending on equipment and capital projects has dropped in many places. This is worrisome, as it suggests that some local governments may be deferring making needed investments in infrastructure and other capital assets. At the same time, local governments are right to be cautious. The State's projected budget gaps and federal changes to taxes and other policy areas may signal more difficult financial terrain ahead. I recommend that local governments create multiyear financial plans to ensure that long-term needs are addressed even if times get tough.

Throughout this report you will find a series of “dashboards” – pages of summary charts and tables illustrating major trends in revenues, expenditures and indebtedness. More detailed information, including financial reports for individual local governments, is available on Open Book New York, an OSC website where the public can access account-level financial data for individual governments as well as other financial data.

This annual report also provides highlights from the Division's work during calendar 2017. Over the past year, attendance at OSC-led trainings totaled over 8,400. The Division issued 353 audits of local governments, school districts and local public authorities; this year also marked the completion of the most recent round of school district audits.

Better information leads to better understanding, which leads to informed decision-making. I am proud of the role the Division plays in helping fuel this process and enabling local governments to better serve their constituents. I hope you find this report useful, and I encourage you to visit our website and follow us on Facebook, Twitter and YouTube, where you can get the latest information about our work.

Sincerely,

Thomas P. DiNapoli
State Comptroller

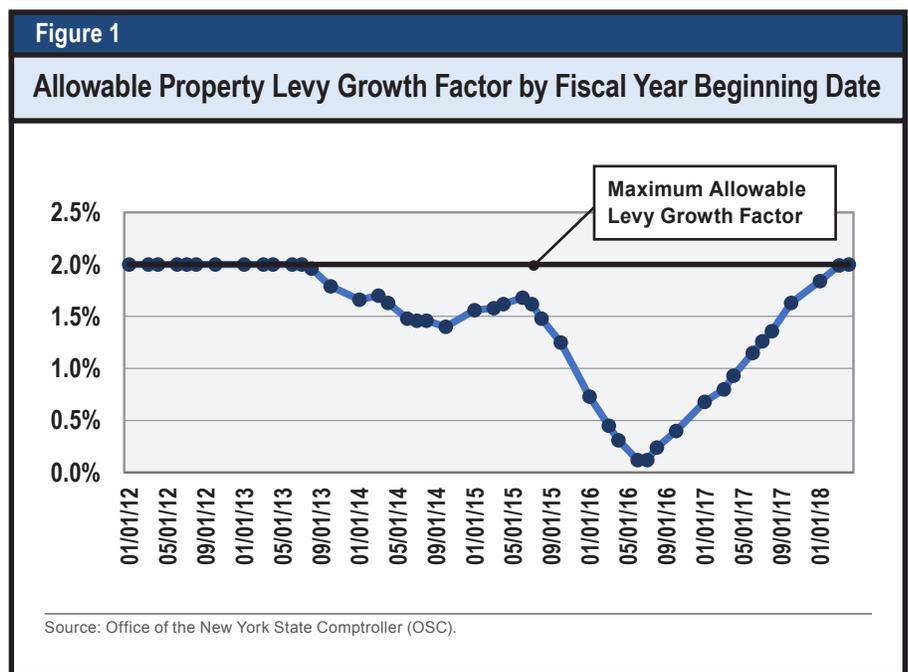
The State of Local Governments

Local government finances in New York State are complex and ever changing. This report begins with a summary of local government finances for the local fiscal year ending (FYE) in 2016 for counties, cities, towns, villages, school districts and fire districts in New York State and examines how revenues, expenditures and indebtedness have changed over time. Except where otherwise noted, New York City is excluded from the analyses.¹

For a quick overview of revenues, expenditures and debt, see the charts and tables in the dashboards accompanying the sections focusing on these three aspects of local government finances. A separate set of dashboards offers an overview of each type of local government, while detailed aggregate FYE 2016 revenue and expenditure figures are provided in a table at the end of the report.

Revenues

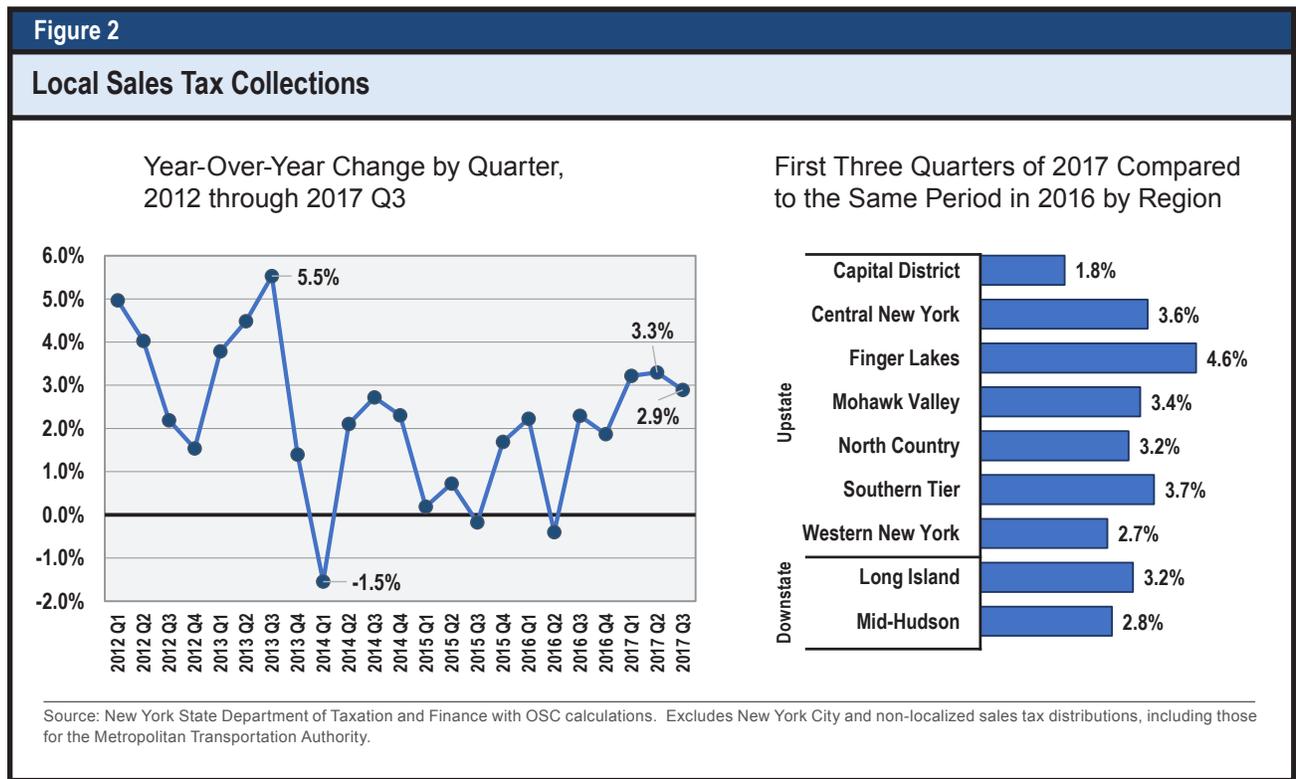
Total revenues for local governments reached \$79.1 billion for FYE 2016, an increase of 2.8 percent over 2015. This was slightly higher than recent growth rates, which had been hovering around 2 percent each year since FYE 2012. School districts received half of those revenues – \$39.6 billion – and counties collected another \$23.9 billion. The three biggest components of local government revenues are property taxes, State aid and sales taxes.



Property taxes, important to all types of local governments, have been subject to a tax levy limit law (“tax cap”) since 2012. Generally, the tax cap limits levy growth to 2 percent or the inflation rate, whichever is lower. Since 2013, an allowable levy growth factor of less than 2 percent has applied. In 2016, the growth factor approached zero by mid-year. Inflation has been increasing somewhat since then, and for entities with a fiscal year beginning on April 1, 2018, the inflation factor reached 2.05 percent, which means the allowable levy growth factor has returned to its maximum of 2.00 percent. (See Figure 1.)

State aid revenue growth has varied by type of government. Aid to school districts has been generally increasing since FYE 2011, and the most recent State budget included an aid increase of \$1 billion for the 2017-18 school year, representing a 4 percent increase over the previous year. Counties, however, have seen minimal increases, and towns saw decreases in State aid over the decade.

The sales tax, which is a major revenue source for counties and cities in particular, had shown fairly strong growth for several years after the recession, before slowing in FYEs 2015 and 2016. Collections growth during those two years was also uneven regionally, with many counties outside of New York City seeing little growth or even decreases on a year-over-year basis.² However, year-over-year collections growth was both stronger and more evenly distributed in the first three quarters of calendar year 2017. (See Figure 2.)



Revenues - All Major Classes

Fiscal Year Ending in 2016

Total revenues grew at an annual rate of

2.5%

over 10 years

School districts received

63.0%

of real property tax revenues

State aid grew at an annual rate of

2.6%

over 10 years

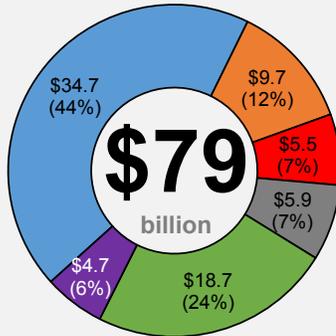
Federal aid totaled

\$4.7

billion

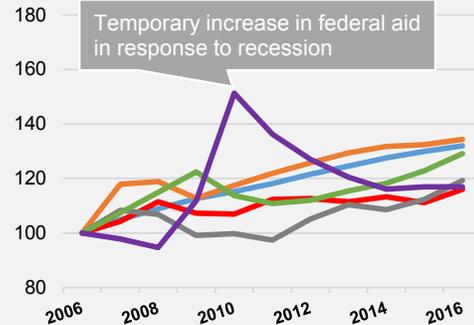
Revenues by Source

Total Dollars (in billions)



- Real Property Taxes
- Sales and Use Taxes
- Charges for Services
- Other Local Taxes and Revenues
- State Aid
- Federal Aid

Trend (Indexed FYE 2006 = 100)

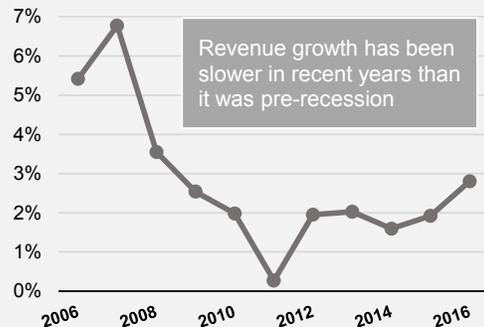


Percentage of Total for Each Class

Revenue Sources	County	City	Town	Village	School District	Fire District
Real Property Taxes	23.2%	26.1%	54.1%	49.2%	55.2%	94.1%
Sales and Use Taxes	32.2%	18.6%	9.2%	5.7%	0.7%	0.0%
Charges for Services	9.8%	19.6%	14.8%	27.2%	0.9%	<0.1%
Other Local Taxes and Revenues	12.0%	12.6%	12.5%	10.2%	2.9%	5.4%
State Aid	12.0%	17.9%	6.9%	4.9%	36.1%	0.2%
Federal Aid	10.7%	5.1%	2.4%	2.7%	4.1%	0.4%

Revenue Trends

Year-Over-Year



Annual Growth Rate

	2006 to 2011	2011 to 2016
County	2.7%	1.7%
City	2.1%	2.5%
Town	1.7%	1.9%
Village	2.4%	2.4%
School District	3.6%	2.2%
Fire District	2.9%	2.5%
Overall	3.0%	2.1%

Source: OSC

Notes: Includes New York State counties, cities, towns, villages, school districts and fire districts, except New York City. The annual rate is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTs) and school tax relief (STAR).

Expenditures

Local governments spent \$81 billion in FYE 2016. Expenditures typically exceed revenues because of the way debt proceeds are accounted for in financial reporting. School districts accounted for just about half of this spending, and counties had the next highest level of expenditures. (See Figure 3.)

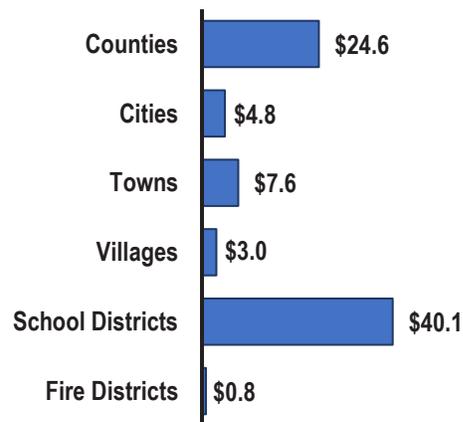
Added together, salaries and employee benefits accounted for over half of expenditures by local governments. These “people costs” were biggest – both in dollar and percentage terms – for school districts, where they accounted for nearly 70 percent of expenditures. At the other end of the spectrum are counties, where these costs accounted for 35 percent of all spending.

Employee benefits were the fastest growing item of expenditures for all classes of government. Expenditures on employee benefits increased at a compound annual growth rate of more than 4 percent from 2006 to 2016, with cities and fire districts seeing the largest increases.

Spending on equipment and capital outlay was by far the slowest growing item of expenditure, increasing by only 8 percent in total over the last ten years. Capital spending rose from 2006 through 2010, and then decreased through 2014 before rebounding over the last two years. School districts largely accounted for this uneven growth pattern, while other classes of local government have seen less dramatic variation. (See Figure 4.) Spending cuts in this area are potentially of concern as they suggest that some local governments may be deferring necessary investments in infrastructure and capital assets.

Figure 3

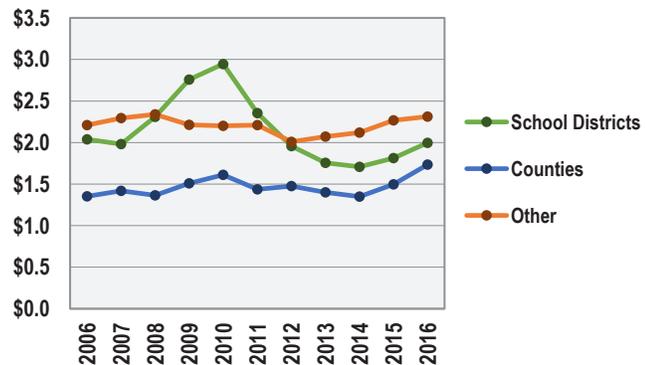
Total Expenditures by Type of Local Government
FYE 2016 (Billions)



Source: OSC. Based on local fiscal year end. Excludes entities that had not filed their financial reports by October 31, 2017.

Figure 4

Expenditures on Equipment and Capital Outlay (Billions)



Source: OSC. Based on local fiscal year end. "Other" includes cities, towns, villages and fire districts.

Expenditures - All Major Classes

Fiscal Year Ending in 2016

Total expenditures grew at an annual rate of

2.4%

over 10 years

School districts accounted for

49.5%

of total spending

Employee benefits grew at an annual rate of

4.4%

over 10 years

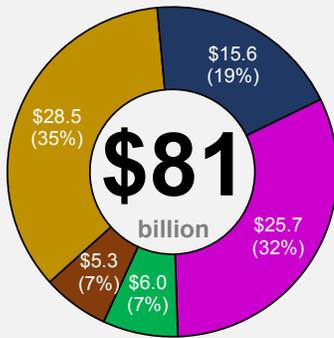
Salaries and benefits accounted for

54.4%

of total spending

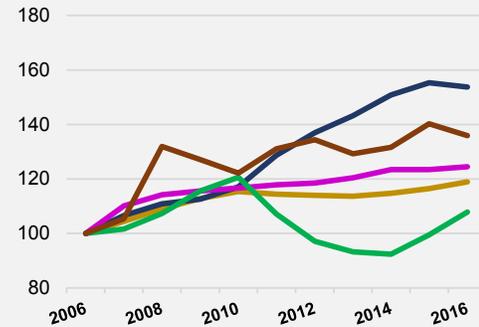
Total Expenditures by Item

Total Dollars (in billions)



- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2006 = 100)

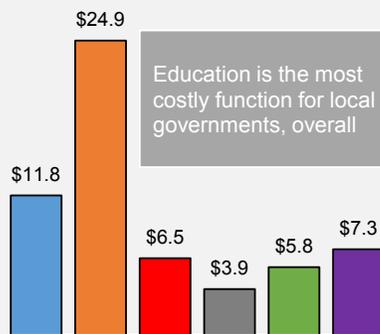


Percentage of Total for Each Class

Items of Expenditure	County	City	Town	Village	School District	Fire District
Personal Services	20.9%	35.1%	28.7%	29.4%	46.0%	18.3%
Employee Benefits	14.5%	25.2%	17.1%	17.7%	21.9%	20.4%
Contractual Items	51.9%	20.4%	31.4%	29.6%	21.0%	27.9%
Equipment and Capital Outlay	7.0%	11.7%	13.5%	14.2%	5.0%	26.7%
Debt Principal	3.7%	5.3%	7.3%	7.2%	4.6%	5.4%
Debt Interest	2.0%	2.2%	2.1%	1.8%	1.5%	1.4%

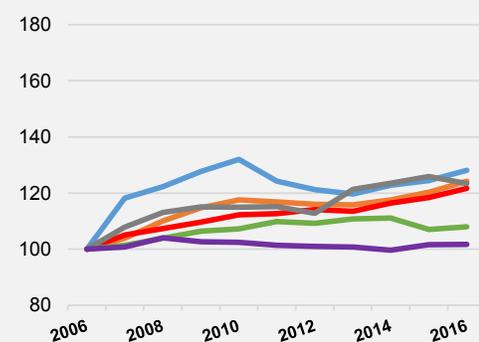
Selected Expenditures by Function

Total Dollars (in billions)



- General Government
- Education
- Public Safety
- Transportation
- Social Services
- Other

Trend (Indexed FYE 2006 = 100)



Source: OSC

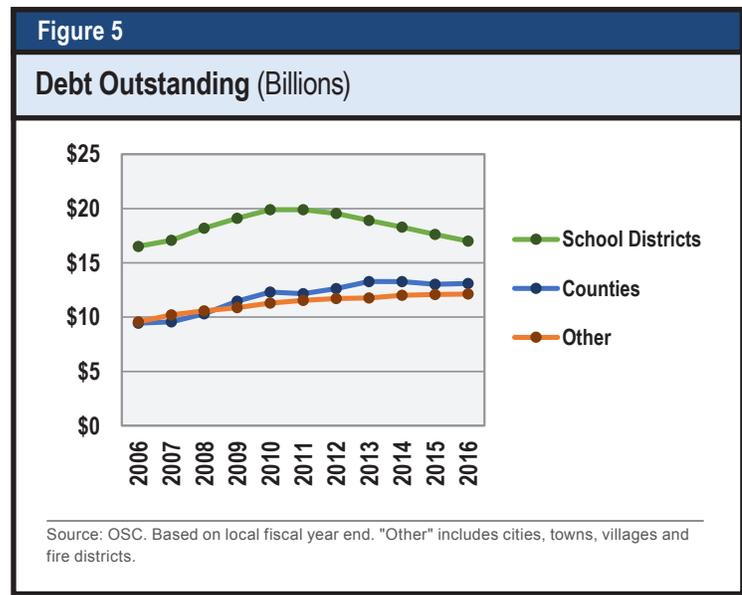
Notes: Includes New York State counties, cities, towns, villages, school districts and fire districts, except New York City. The annual rate is the compound annual growth rate. The "Other" category of selected expenditures by function includes health, sanitation, economic development, culture and recreation, community services and utilities.

Indebtedness

Local governments often issue debt to purchase equipment with a long expected useful life or to fund capital projects, for example to build or maintain infrastructure that will last for generations. However, issuing debt can be problematic if total outstanding debt gets so high as to call into question a local government's ability to repay it or if debt service begins to consume a major portion of its revenues.

Local governments had \$42.0 billion in debt outstanding in 2016. School district debt actually decreased from \$19.9 billion in FYE 2011 to \$17.0 billion in FYE 2016. However, total outstanding debt for most types of local government did not drop, and even increased slightly over the period. (See Figure 5.)

Debt service payments have been trending modestly upward over the past decade for most classes of local government, but the share of debt service applied to principal has been increasing as well. School districts had the largest increase in the share of debt service applied to principal: it increased from 59 percent in FYE 2006 to 75 percent in FYE 2016. This trend may be a positive development, as over time outstanding debt could be fully retired more rapidly. This would eventually reduce debt service, which is a fixed cost that can constrain a local government's financial flexibility.



Sometimes local governments incur unexpected expenses that exceed their budget appropriations. For example, unpredictable events, such as unusually harsh winters or equipment failures, can lead to costs that exceed available funds. In those cases, local governments sometimes need to issue short-term debt, such as budget notes, to pay for unanticipated expenditures. Short-term cash-flow borrowing may also be used to address timing issues (such as when the fiscal year begins before tax revenues are collected), or to start projects that will be funded by State or federal aid.³ In other cases, however, short-term borrowing can indicate that a local government is not managing its budget effectively, and chronic reliance on short-term borrowing can be a sign of fiscal stress. In FYE 2016, 5 percent of local governments issued short-term debt. Cities, school districts and counties were much more likely than other types of local governments to use short-term debt.

Indebtedness - All Major Classes

Fiscal Year Ending in 2016

Total debt outstanding is down

\$1.7

billion from FYE 2013

Local governments paid

\$5.3

billion in debt service

School districts account for

40.5%

of debt outstanding

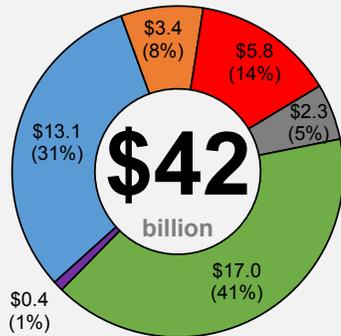
Short-term debt was issued by

4.8%

of local governments

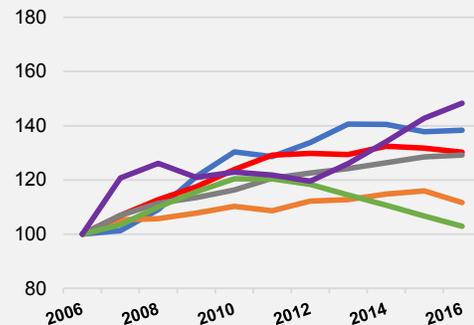
Debt Outstanding

Total Dollars (in billions)



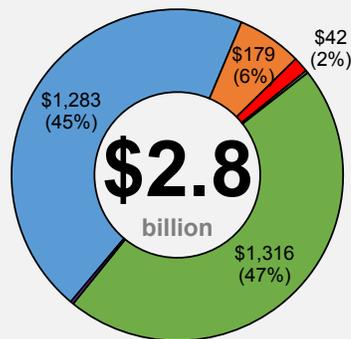
- Counties
- Cities
- Towns
- Villages
- School Districts
- Fire Districts

Trend (Indexed FYE 2006 = 100)



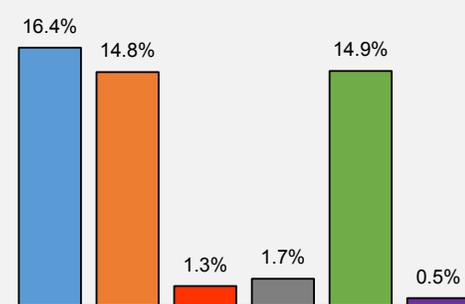
Short-Term Debt Issued

Total Dollars (in millions)



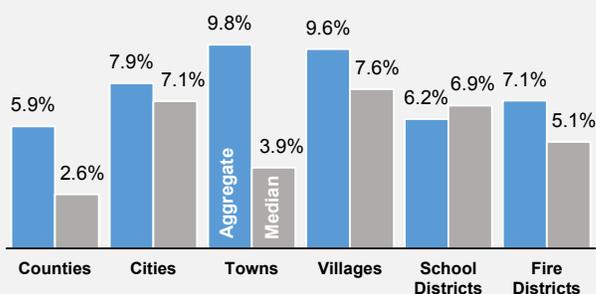
- Counties
- Cities
- Towns
- Villages
- School Districts
- Fire Districts

Percentage of Entities in Each Class That Issued Short-Term Debt

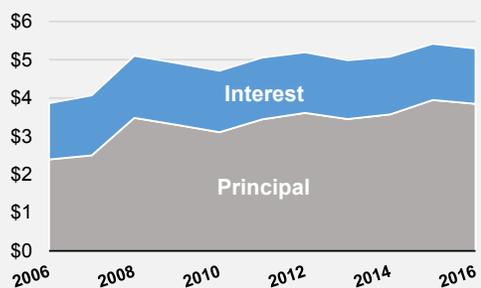


Debt Service

As a Share of Total Revenue



Trend (in billions)



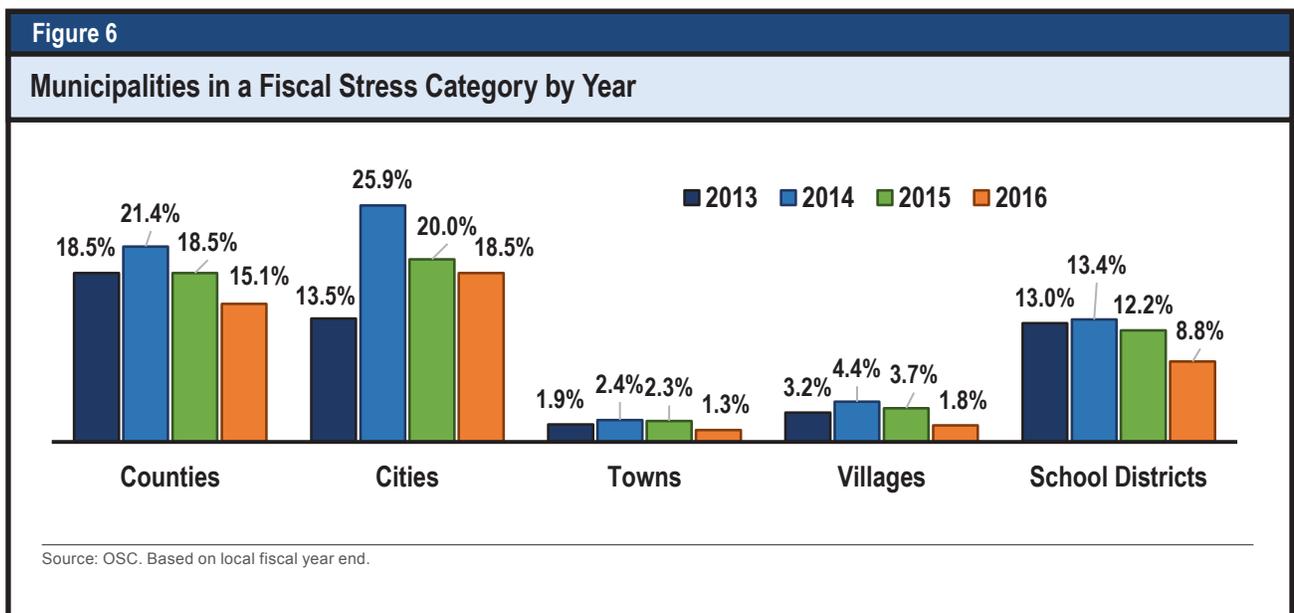
Source: OSC

Notes: Includes New York State counties, cities, towns, villages, school districts and fire districts, except New York City. Data labels that are less than 1 percent are not shown in the pie charts above. Short-term debt includes revenue anticipation notes, tax anticipation notes, budget notes and deficiency notes.

Fiscal Stress

According to the Comptroller’s Fiscal Stress Monitoring System (FSMS), the number of local governments in fiscal stress has been decreasing. Only 97 local governments and school districts were designated in some level of fiscal stress for FYE 2016, compared to 141 the year before.⁴ Across all types of local governments, the percentage experiencing fiscal stress has declined over the past three years. (See Figure 6.) Cities are more likely to experience fiscal stress than other types of local governments: 18.5 percent were in a fiscal stress category for FYE 2016, down from 25.9 percent two years earlier.

In late 2017, the Comptroller announced enhancements to FSMS. The changes, which will take effect for FYE 2017 reporting, are designed to streamline the indicators while advancing the system’s reliability.



Risks

Despite signs of decreasing fiscal stress, local governments and school districts continue to face financial pressures on many fronts. While pension contribution rates have leveled off recently, health care costs continue to rise rapidly, and many local governments need to make substantial investments in infrastructure.⁵ Billions are needed for local bridges; roads and other transportation systems also need attention.⁶ Problems with contaminated drinking water – such as those experienced in Hoosick Falls, Petersburg and Newburgh – are difficult and costly to address. Yet prevention of such issues is a challenge, since municipal water systems are often well over a century old. Waste water treatment challenges range from separating combined storm and sewer systems to replacing aging septic systems with municipal sewer systems.

Even as these needs become more urgent, the budgetary outlook for the State, a key source of aid for local governments, appears increasingly challenging. The Division of the Budget's most recent Financial Plan update projected a budget gap of \$4 billion for the 2018-19 fiscal year, with larger projected gaps in succeeding years.⁷ Such gaps could grow if tax receipts continue to come in below projections. Unresolved questions regarding future federal assistance for the State and its local governments add to the uncertainty.

\$7 Billion
Estimated cost of
work needed on
locally owned bridges

This uncertainty over the future of federal programs and funding levels reinforces the need for caution. A recent OSC report noted that direct federal aid constitutes a significant share of local government revenues, especially for counties.⁸ In 2016, local governments and school districts outside of New York City received \$4.7 billion in such direct aid. Substantial cuts to this would be difficult for many municipalities and school districts to absorb. Federal tax changes may also affect local governments. For example, changes to certain mechanisms for funding public infrastructure projects could increase costs for local governments, and the new limitations on the deductibility of local taxes may constrain property tax collections and erode property values.

Given the many areas of fiscal uncertainty, local governments and school districts must continue to budget conservatively and seek out and implement innovative ways to contain costs while continuing to provide needed services. The State encourages local governments to find new ways to reduce spending – and ultimately property taxes – by sharing services and taking other steps to increase efficiency. The enacted 2017-18 State budget requires counties to lead intergovernmental planning efforts to identify cost savings from sharing and coordination of services.⁹

Financial Data for Counties (57 Total)

Fiscal Year Ending in 2016

Total revenues grew at an annual rate of

2.2%

over 10 years

Real property taxes accounted for

23.2%

of total revenues

Employee benefits grew at an annual rate of

3.6%

over 10 years

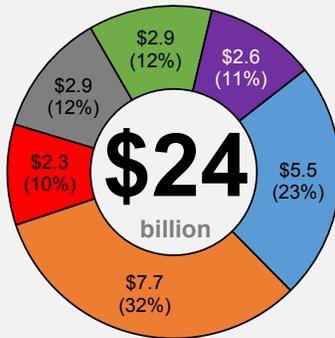
Total debt outstanding amounted to

\$13.1

billion

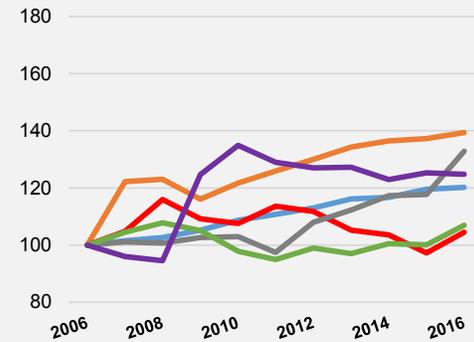
Revenues by Source

Total Dollars (in billions)



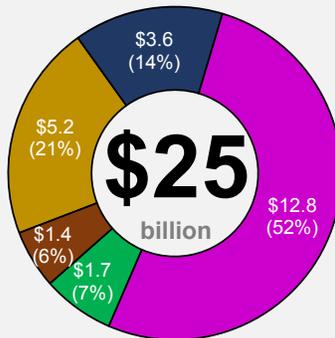
- Real Property Taxes
- Sales and Use Taxes
- Charges for Services
- Other Local Taxes and Revenues
- State Aid
- Federal Aid

Trend (Indexed FYE 2006 = 100)



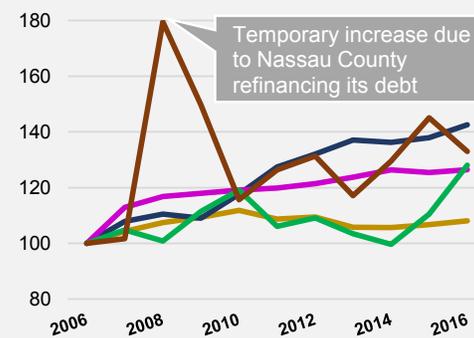
Expenditures by Item

Total Dollars (in billions)



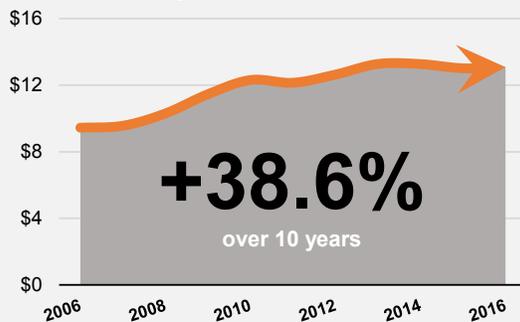
- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2006 = 100)

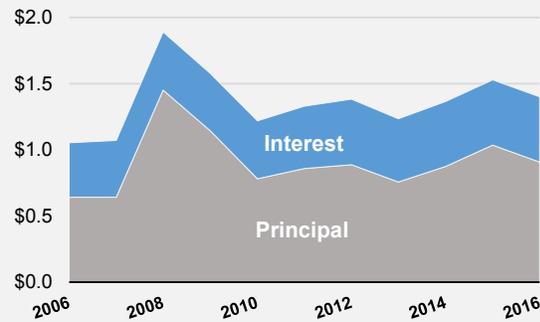


Indebtedness Trends

Debt Outstanding (in billions)



Debt Service (in billions)



Source: OSC.

Notes: Includes New York State counties except the five boroughs of New York City. The annual rate is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTs).

Financial Data for Cities (61 Total)

Fiscal Year Ending in 2016

Total revenues grew at an annual rate of

2.3%

over 10 years

Real property taxes accounted for

26.1%

of total revenues

Employee benefits grew at an annual rate of

5.1%

over 10 years

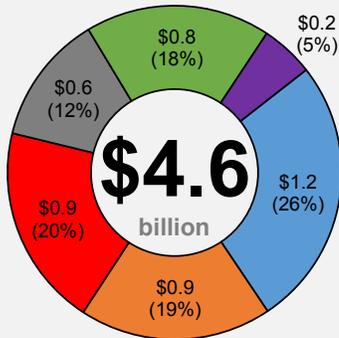
Total debt outstanding amounted to

\$3.4

billion

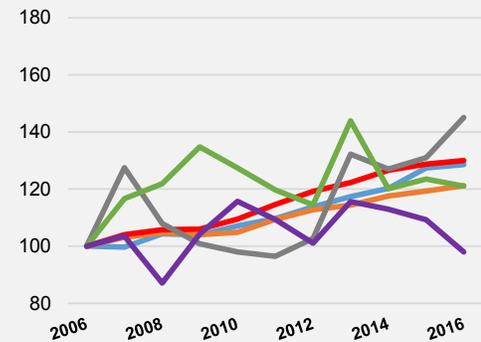
Revenues by Source

Total Dollars (in billions)



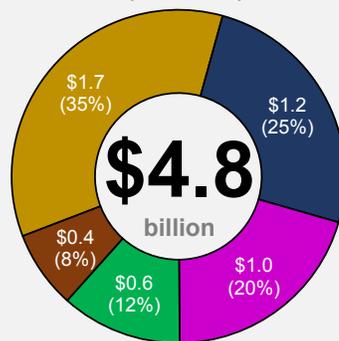
- Real Property Taxes
- Sales and Use Taxes
- Charges for Services
- Other Local Taxes and Revenues
- State Aid
- Federal Aid

Trend (Indexed FYE 2006 = 100)



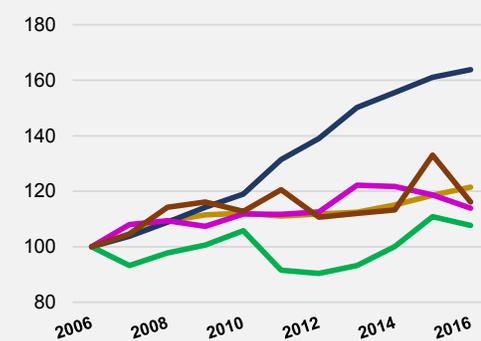
Expenditures by Item

Total Dollars (in billions)



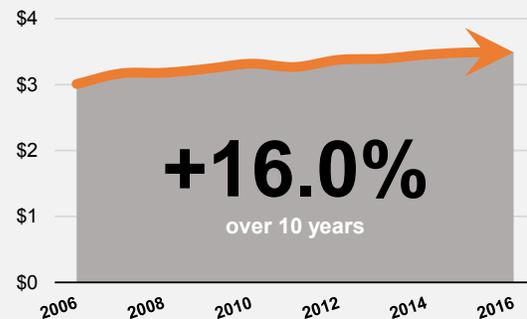
- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2006 = 100)

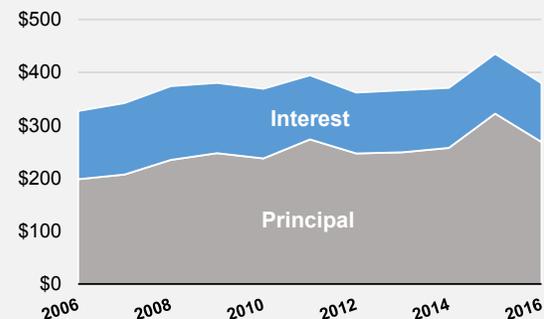


Indebtedness Trends

Debt Outstanding (in billions)



Debt Service (in millions)



Source: OSC.

Notes: Includes New York State cities except New York City. The annual rate is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTs).

Financial Data for Towns (932 Total)

Fiscal Year Ending in 2016

Total revenues grew at an annual rate of

1.8%

over 10 years

Real property taxes accounted for

54.1%

of total revenues

Employee benefits grew at an annual rate of

4.3%

over 10 years

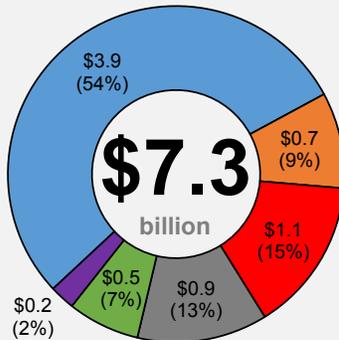
Total debt outstanding amounted to

\$5.8

billion

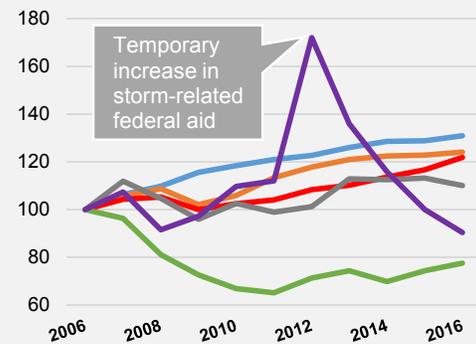
Revenues by Source

Total Dollars (in billions)



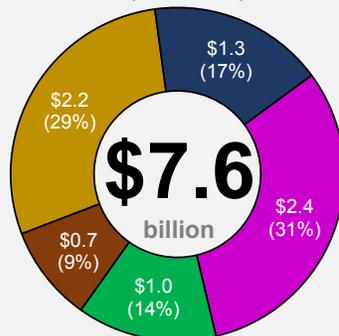
- Real Property Taxes
- Sales and Use Taxes
- Charges for Services
- Other Local Taxes and Revenues
- State Aid
- Federal Aid

Trend (Indexed FYE 2006 = 100)



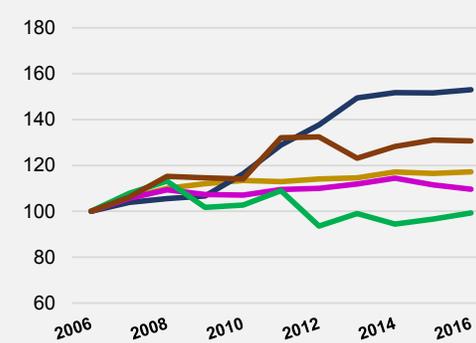
Expenditures by Item

Total Dollars (in billions)



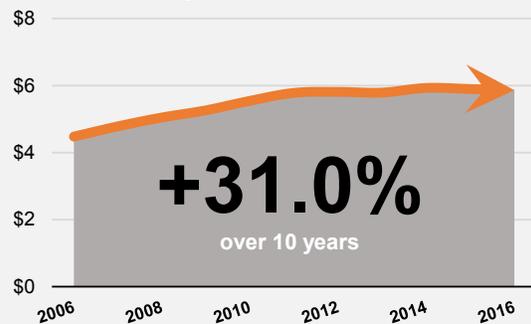
- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2006 = 100)

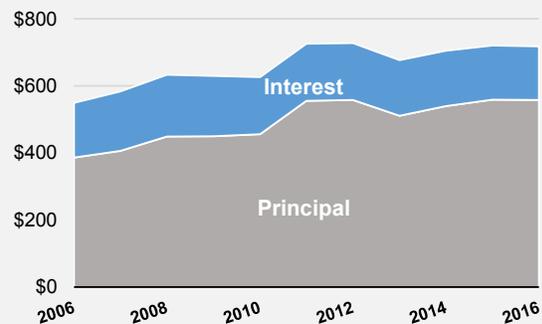


Indebtedness Trends

Debt Outstanding (in billions)



Debt Service (in millions)



Source: OSC.

Notes: Includes New York State towns. The annual rate is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTS).

Financial Data for Villages (545 Total)

Fiscal Year Ending in 2016

Total revenues grew at an annual rate of

2.4%

over 10 years

Real property taxes accounted for

49.2%

of total revenues

Employee benefits grew at an annual rate of

4.8%

over 10 years

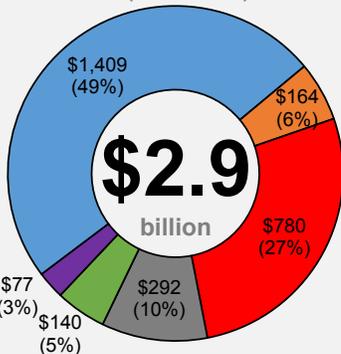
Total debt outstanding amounted to

\$2.3

billion

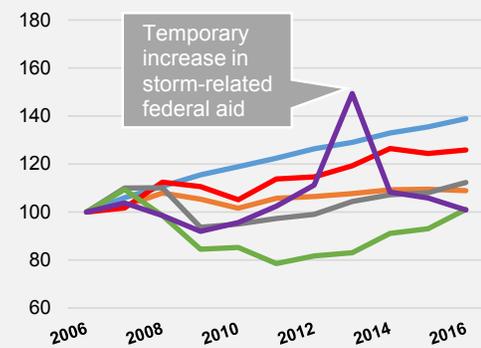
Revenues by Source

Total Dollars (in millions)



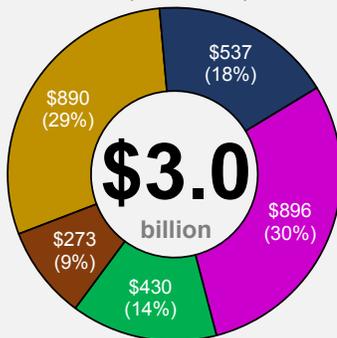
- Real Property Taxes
- Sales and Use Taxes
- Charges for Services
- Other Local Taxes and Revenues
- State Aid
- Federal Aid

Trend (Indexed FYE 2006 = 100)



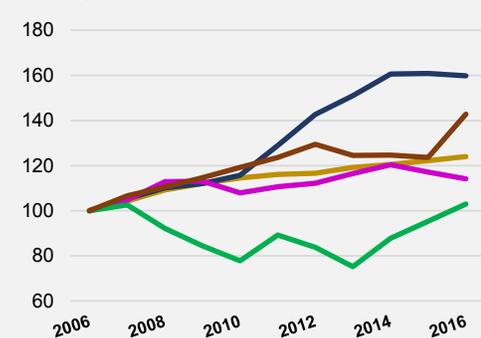
Expenditures by Item

Total Dollars (in millions)



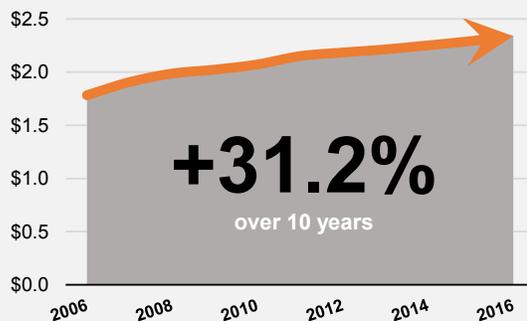
- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2006 = 100)

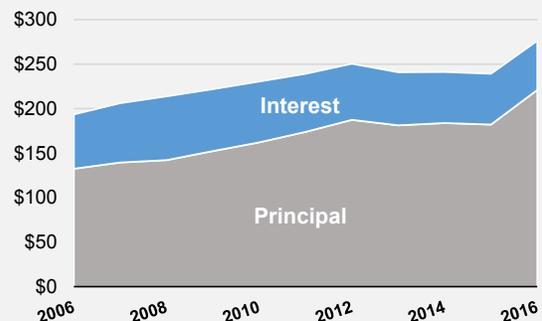


Indebtedness Trends

Debt Outstanding (in billions)



Debt Service (in millions)



Source: OSC.

Notes: Includes New York State villages. The annual rate is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTs).

Financial Data for School Districts (693 Total)

Fiscal Year Ending in 2016

Total revenues grew at an annual rate of

2.9%

over 10 years

Real property taxes accounted for

55.2%

of total revenues

Employee benefits grew at an annual rate of

4.6%

over 10 years

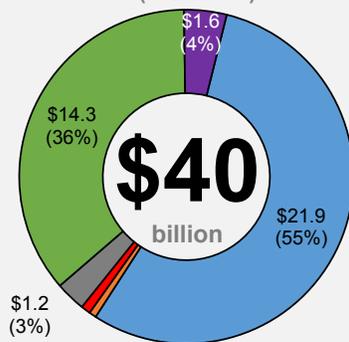
Total debt outstanding amounted to

\$17.0

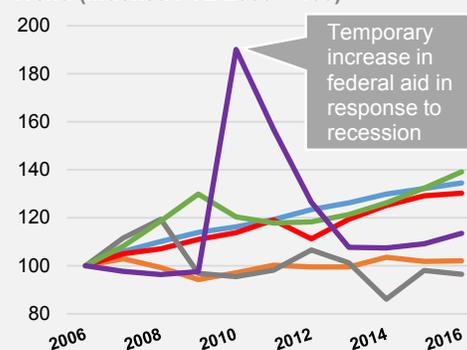
billion

Revenues by Source

Total Dollars (in billions)

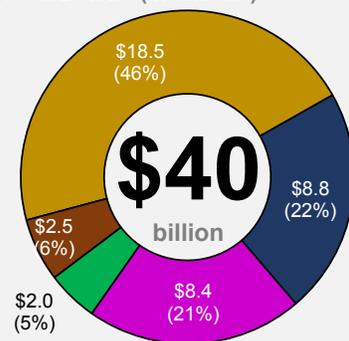


Trend (Indexed FYE 2006 = 100)

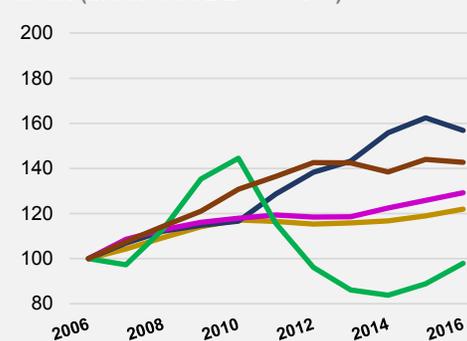


Expenditures by Item

Total Dollars (in billions)



Trend (Indexed FYE 2006 = 100)

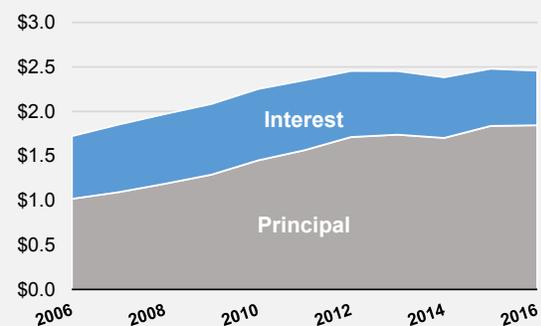


Indebtedness Trends

Debt Outstanding (in billions)



Debt Service (in billions)



Source: OSC.

Notes: Includes New York State school districts outside of New York City. The annual rate is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTs) and school tax relief (STAR). Data labels that are less than 1 percent are not shown in the charts above.

Financial Data for Fire Districts (891 Total)

Fiscal Year Ending in 2016

Total revenues grew at an annual rate of

2.7%

over 10 years

Real property taxes accounted for

94.1%

of total revenues

Employee benefits grew at an annual rate of

5.3%

over 10 years

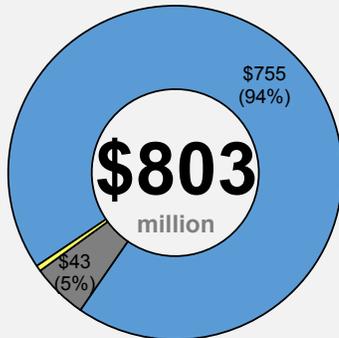
Total debt outstanding amounted to

\$414

million

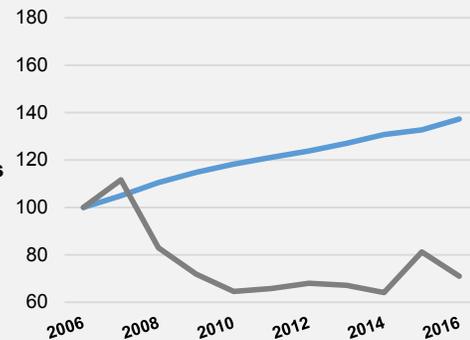
Revenues by Source

Total Dollars (in millions)



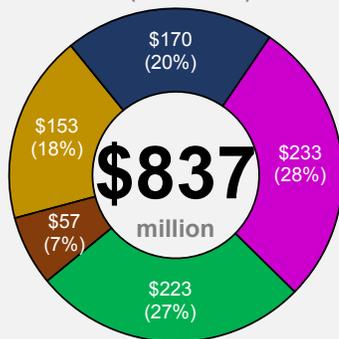
- Real Property Taxes
- Other Local Revenues
- State and Federal Aid

Trend (Indexed FYE 2006 = 100)



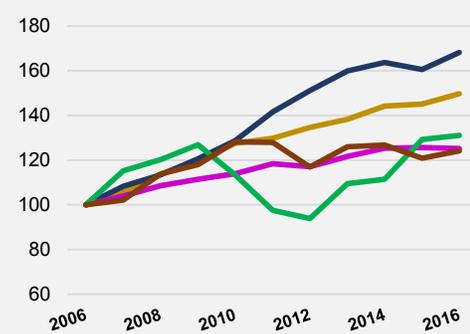
Expenditures by Item

Total Dollars (in millions)



- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2006 = 100)

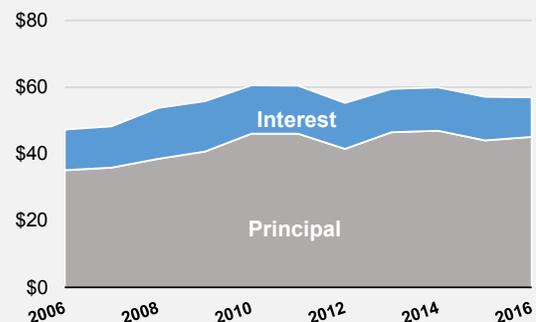


Indebtedness Trends

Debt Outstanding (in millions)



Debt Service (in millions)



Source: OSC.

Notes: Includes New York State fire districts. The annual rate is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTs). Data labels that are less than 1 percent are not shown in the charts above.

Legislation Affecting Local Governments

Recently Enacted Legislation

State Reimbursement to Counties for Certain Costs of Providing Indigent Legal Services

(Part VVV of Chapter 59 of the Laws of 2017)

This legislation amends the Executive Law to provide, among other things, that the New York State Office of Indigent Legal Services (OILS) develop written plans to ensure counsel at arraignment for criminal defendants who are eligible for publicly funded legal representation, establish caseload standards for providers of such representation, and establish initiatives, such as training for attorneys, to improve the quality of indigent defense. Counties, in consultation with OILS, must make good faith efforts to fully implement these plans by April 1, 2023. The State is to reimburse counties for costs they incur in implementing the plans.

Land Banks Exempt from Sewer Rents and Other User Charges

(Chapter 349 of the Laws of 2017)

An amendment to the Not-for-Profit Corporation Law, Section 1608 makes real property of land banks exempt from sewer rents and other user charges imposed by municipal corporations and special districts. However, land bank property for which the land bank receives rent, fees or other charges for the use of property is not exempt. Land banks were already exempt from real property taxes and certain ad valorem levies and special assessments.

OSC Enacted Legislation

Comptroller DiNapoli regularly advances legislative proposals to increase local government transparency and accountability. In 2017, the following legislation was enacted:

Fire Protection Contracts with Incorporated Fire Companies

(Chapter 294 of the Laws of 2017)

This new law amends the Town Law and the Village Law to increase transparency in the contract negotiation process for fire protection contracts between incorporated fire companies and fire districts, towns on behalf of fire protection districts, and villages.

Under the new law, prior to commencing the negotiation process for a fire protection contract, the incorporated fire company must submit to the fire district board of commissioners, town board or village board of trustees (as the case may be) a statement itemizing the estimated costs of providing services under the prospective contract.

The requirement applies to contracts commencing after March 1, 2018.

General Municipal Law and Local Finance Law “Sunset” Date Extenders

The following provisions have been extended:

- Local governments may, with the approval of the State Comptroller, temporarily invest in tax anticipation notes and revenue anticipation notes issued by any municipality, school district or district corporation other than the one investing the moneys. (Extended until July 1, 2020; Chapter 65 of the Laws of 2017)
- Municipalities may contract with the Environmental Facilities Corporation (EFC) to receive advances of loans from the Clean Water State Revolving Fund or the Drinking Water State Revolving Fund up to a stated maximum principal sum and to issue bonds or notes to the EFC evidencing the obligation to repay the advances. (Extended until September 30, 2020; Chapter 46 of the Laws of 2017)
- The expiration date of the authorization for municipalities to issue statutory installment bonds to the EFC in a principal amount not to exceed \$20 million has been extended until September 30, 2020. (Chapter 139 of the Laws of 2017)

OSC Legislative Proposals

Comptroller DiNapoli’s current legislative proposals affecting local governments include:

- **Granting OSC authority to audit local development corporations (LDCs)** and certain other organizations controlled by municipal corporations and certain other governmental entities. (A.3047/S.4827)
- **Strengthening the ethics law covering local governments** to (among other things) prohibit municipal officers and employees from acting in relation to certain matters in which they or their relatives have an interest and expanding the issues required to be addressed in local codes of ethics to include nepotism. (A. 7317)

More information about these proposals is available on the OSC website at:
www.osc.state.ny.us/legislation/index.htm

Services and Resources

Audits and Oversight

The Division helps to advance government reform and transparency throughout the State through its audit and technical assistance functions. Through these efforts, the Division is able to provide local officials and taxpayers with an independent analysis of their local governments' financial condition, as well as recommending ways to achieve cost savings and efficiencies, strategies for revenue enhancements and methods to improve controls over operations and assets.

353 The Division issued **353** audits of local governments, school districts and local public authorities in 2017.¹⁰

63 financial condition audits found ineffective budgeting practices, excessive fund balance, and inadequate policies, records and reports.

63

8 accountability audits identified more than **\$119,000** of misappropriated local government assets.

508 property tax cap calculation reviews were conducted to help local governments comply with the tax cap law.

508

Our Audit Work

21 audits identified school districts that had retained excess or improper reserves.

In **47** audits we found school districts and local governments had retained excess fund balance.

Poor budgeting practices were cited in **53** audits of school districts and local governments.

37 Information Technology (IT) Security Audits and **28** confidential IT letters revealed weaknesses potentially allowing for unauthorized access to confidential information, inappropriate use and/or exposure to ransomware threats.

55 audits recommended cost saving and revenue enhancement measures worth more than **\$22.2** million, cumulatively.

26 local governments and school districts exceeded their tax levy limits without a proper override.

Financial Condition Audit Highlights

One school district overfunded several reserves by a total of \$30.5 million, causing its tax levies to be higher than necessary.

\$30.5 million
in overfunded
reserves

A city drew down its general fund balance by about \$2.3 million over three years to pay for city operations. It also experienced unanticipated expenditures totaling \$2.2 million, causing a deficit totaling \$1.6 million.

Unbalanced budgets
\$1.6 million
deficit

One town used one-time financing sources to fund recurring expenditures and adopted budgets that were not structurally balanced. As a result, the town's four major operating funds experienced combined operating deficits totaling more than \$310,000 over three years.

Use of one-shots
\$310,000
deficit

Statewide Audits and Regional Projects

The Division undertakes audits and projects involving several local governments in a region or statewide. In 2017, the Division audited six industrial development agencies and examined their oversight of operations and project monitoring.

Accountability Audit Highlights

One fire company's treasurer made \$69,084 in unauthorized withdrawals and disbursements from company funds. This occurred because the company did not have adequate controls over bank withdrawals and credit card usage and the board of trustees did not review bills before they were paid.

\$69,084
misappropriation

A housing authority maintained a consistently high vacancy rate, resulting in lost estimated potential revenue of between \$72,000 and \$117,000. This occurred because the board did not provide clear guidance and oversight to employees. In addition, authority employees did not treat tenants and tenant applicants in a consistently fair and equitable manner.

\$72,000 -
\$117,000
in forgone rent

A school district's payroll and procurement systems were rife with errors. Forty-one out of 45 employees whose salary and wage payments were reviewed had received incorrect or unsupported payments. In total, more than \$356,600 in incorrect or unsupported payroll payments were found. Ninety-seven percent of procurement card purchases reviewed had deficiencies. In addition, the district sometimes failed to comply with competitive bidding requirements and to seek competition for professional service contracts.

\$356,600
in incorrect
payroll payments

Local Official Training

The Division provides a comprehensive array of training opportunities, including accounting schools, statewide and regional conferences, leadership institutes, workshops and webinars through the Academy for New York State's Local Officials. These programs allow Division staff to develop and maintain strong relationships with local officials across the State and to share critical knowledge that aids them in successfully fulfilling their responsibilities.

Research on Local Governments

The Division produces a wide range of research that informs OSC's legislative policy agenda, helps local officials understand the factors affecting the fiscal condition of municipalities and aids the public in making sense of available local government data.¹¹

In 2017, the Division published reports on a variety of topics, including:

- Regional economic profiles
- Local bridges
- The impact of federal aid on local governments
- Fire protection entities
- Drinking water and municipal water systems
- Regional snapshots of education spending, student characteristics and student safety
- Sales tax collection updates
- Fiscal Stress Monitoring System results

Division publications are available at:
www.osc.state.ny.us/localgov/researchpubs/index.htm

Training Highlights and Resources

In 2017, the Division conducted **136** training sessions for local officials and staff at statewide, regional and online events with total attendance of over **8,400**.

136
Training
Sessions

Over
8,400
Attendees



The Academy for New York State's Local Officials delivers a focused curriculum to help local officials carry out their duties. Local officials can search for training by both job role and topic. A calendar of upcoming events is also available:

www.osc.state.ny.us/localgov/academy/index.htm

Resources for Local Government Data

Open Book New York

OSC provides extensive data available for downloading so that local officials, researchers and others interested in local governments and public finance can conduct their own research and analyses.

The Comptroller's online resource for data on local governments and school districts, State contracts, public authorities and State spending and payments.

www.openbooknewyork.com/index.htm

Fiscal Stress Monitoring System

Full results for all municipalities and school districts on all of the fiscal stress indicators, plus the ability to download all of the underlying data along with reports and interactive tools to explore and understand the results.

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Financial Data for Local Governments

Detailed financial data sets covering up to 21 years for local governments, school districts, fire districts, industrial development corporations and other local government entities.

www.osc.state.ny.us/localgov/datanstat/finddata/index_choice.htm

Real Property Tax Rates and Levies

Local government real property tax levies, taxable full value and full value tax rates from 2013 on.

www.osc.state.ny.us/localgov/orptbook/index.htm

Local Entities List

OSC maintains a list of active local governments. The list is available for downloading in both .pdf and spreadsheet formats.

www.osc.state.ny.us/localgov/datanstat/entitytable.htm

Summary of Finances for Major Classes of New York State Local Government – Fiscal Year Ending in 2016

(Excluding New York City)

(All dollar amounts in millions)	County	City	Town	Village	School District	Fire District	Total
Population - Census Estimates	11,207,616	2,212,060	8,985,803	1,912,608			
Full Value of Real Property	\$1,156,620.6	\$116,589.7	\$1,040,702.6	\$245,701.9	\$1,170,677.4		
Debt Issued:							
Bonds	\$1,968.1	\$567.5	\$666.3	\$313.7	\$1,958.9	\$67.5	\$5,542.1
Other Debt	\$1,762.9	\$350.1	\$368.9	\$175.2	\$2,825.3	\$50.8	\$5,533.3
Outstanding Debt:							
Bonds (Gross)	\$11,176.0	\$2,707.8	\$4,834.9	\$1,868.8	\$14,081.0	\$337.5	\$35,006.0
Other Debt	\$1,882.0	\$653.7	\$994.8	\$434.2	\$2,910.5	\$76.6	\$6,951.8
Total Outstanding Debt	\$13,058.0	\$3,361.6	\$5,829.7	\$2,303.0	\$16,991.5	\$414.1	\$41,957.9
Revenues:							
Real Property Taxes and Assessments	\$5,158.4	\$1,052.8	\$3,839.3	\$1,374.9	\$18,917.1	\$745.3	\$31,087.9
Other Real Property Tax Items	\$367.7	\$150.9	\$107.9	\$34.5	\$2,984.7	\$9.9	\$3,655.7
Sales and Use Tax	\$7,692.1	\$857.3	\$674.3	\$164.3	\$276.3	\$0.0	\$9,664.3
Other Non-Property Taxes	\$73.7	\$78.7	\$197.1	\$26.8	\$0.0	\$0.0	\$376.2
Charges for Services	\$2,340.6	\$901.7	\$1,081.3	\$779.9	\$364.8	\$0.0	\$5,468.3
Charges to Other Governments	\$501.7	\$92.7	\$167.9	\$90.1	\$133.7	\$14.7	\$1,000.8
Use and Sale of Property	\$458.5	\$101.7	\$133.9	\$47.8	\$486.6	\$14.8	\$1,243.3
Other Local Revenues	\$1,835.7	\$306.1	\$417.1	\$127.7	\$537.7	\$13.8	\$3,238.1
Total Local Revenues	\$18,428.4	\$3,541.9	\$6,618.9	\$2,645.9	\$23,700.9	\$798.5	\$55,734.6
State Aid	\$2,866.2	\$825.3	\$506.1	\$140.1	\$14,313.0	\$1.5	\$18,652.1
Federal Aid	\$2,563.9	\$236.5	\$177.0	\$76.6	\$1,630.3	\$2.9	\$4,687.1
Total State and Federal Revenues	\$5,430.1	\$1,061.8	\$683.0	\$216.7	\$15,943.2	\$4.5	\$23,339.2
Total Revenues	\$23,858.5	\$4,603.7	\$7,301.9	\$2,862.6	\$39,644.2	\$802.9	\$79,073.8
Expenditures:							
Personal Services	\$5,152.0	\$1,693.7	\$2,188.9	\$690.0	\$18,451.4	\$153.4	\$28,529.6
Employee Benefits	\$3,566.5	\$1,213.8	\$1,302.2	\$537.2	\$8,800.7	\$170.4	\$15,590.9
Contractual	\$12,758.7	\$984.4	\$2,395.2	\$896.2	\$8,425.9	\$233.2	\$25,693.6
Total Current Operations	\$21,477.2	\$3,892.0	\$5,886.3	\$2,323.4	\$35,678.0	\$557.1	\$69,814.0
Equipment and Capital Outlay	\$1,719.9	\$566.6	\$1,034.1	\$429.8	\$1,997.0	\$223.3	\$5,970.7
Debt Service	\$1,396.7	\$364.7	\$713.1	\$273.4	\$2,458.0	\$56.9	\$5,262.9
Principal	\$904.0	\$257.2	\$553.8	\$218.6	\$1,844.8	\$45.1	\$3,823.5
Interest	\$492.8	\$107.5	\$159.3	\$54.8	\$613.2	\$11.8	\$1,439.4
Total Expenditures	\$24,593.9	\$4,823.3	\$7,633.5	\$3,026.6	\$40,133.0	\$637.3	\$81,047.6

Sources: OSC and U.S. Census Bureau, 2016 Population Estimates.

Notes

- ¹ This report presents information and analysis of financial data on local governments in New York State. It uses data from local fiscal years ending in 2016, which is the most recent data available for all local governments, as well as historical data to study trends over time. Throughout this report, the term “local government” refers to counties, cities, towns, villages, school districts and fire districts. Except when otherwise noted, New York City and the New York City school district are excluded from the report and all analyses are based on local fiscal year end dates (FYE). New York City’s finances are overseen by another department within OSC, the Office of the State Deputy Comptroller for New York City. To view that office’s publications, please visit: www.osc.state.ny.us/osdc. Analyses for FYE 2016 exclude a small number of local governments that had not filed their annual financial reports with OSC in time for inclusion in this report. However, for most trend analyses, this report interpolates FYE 2015 data for entities that are missing data for FYE 2016 in order to avoid understating revenues and expenditures when looking at change over time.
- ² Figure 2 uses sales tax collections data from the Department of Taxation and Finance. These figures will not exactly match the sales tax revenue amounts used elsewhere in this report. The revenue amounts come from data local governments report to OSC in their annual financial reports.
- ³ The terms “short-term debt” and “cash-flow debt” in this report both refer to revenue anticipation notes, tax anticipation notes, budget notes and deficiency notes.
- ⁴ OSC, *Fiscal Stress Monitoring System Results for Municipalities: Four-Year Review, 2013-2016* (September 2017), available at: www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/four-years-munis.pdf; and *Fiscal Stress Monitoring System Results for School Districts: Four-Year Review* (January 2017), available at: www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/fouryearschools.pdf.
- ⁵ For employer pension contribution rates, see OSC, *Annual Report to the Comptroller on Actuarial Assumptions* (August 2017), p. 11; and U.S. Bureau of Economic Analysis, “Health Care Satellite Account,” available at: www.bea.gov/national/health_care_satellite_account.htm. On healthcare costs, see, “BEA Releases New Health Care Statistics for 2014,” available at: blog.bea.gov/category/health-care/.
- ⁶ According to data from the 2016 National Bridge Inventory, the amount needed for local bridges outside of New York City totals over \$7 billion. The data are available from the Federal Highway Administration at: www.fhwa.dot.gov/bridge/nbi/ascii.cfm. See also OSC, *Local Bridges by the Numbers* (October 2017), available at: www.osc.state.ny.us/localgov/pubs/research/local-bridges-by-the-numbers.pdf.
- ⁷ New York State Division of the Budget, FY 2018 *Executive Budget Financial Plan – Updated for Governor’s Amendments and Forecast Revisions* (February 2017), p. 27.
- ⁸ OSC, *The Impact of Federal Aid on New York’s Local Governments* (July 2017), available at: www.osc.state.ny.us/localgov/pubs/research/federal-aid-impact.pdf.
- ⁹ OSC, *Report on the State Fiscal Year 2017-18 Enacted Budget* (May 2017), p. 43.
- ¹⁰ All numbers current as of December 31, 2017. The audits highlighted include: *Hewlett-Woodmere Union Free School District, Financial Condition* (2016M-402); *City of Elmira, Financial Condition* (2017M-90); *Town of Bainbridge, Financial Management* (2016M-332); *West Ghent Volunteer Fire Company, Treasurer’s Activities* (2016M-48); *Tonawanda Housing Authority, Housing Occupancy and Information Technology* (2016M-381); *Rochester City School District, Payroll and Procurement* (2016M-435); and *Industrial Development Agency, Board Governance* (2017MS-1).
- ¹¹ For links to the Division’s research reports, see, www.osc.state.ny.us/localgov/researchpubs/index.htm.

Division of Local Government and School Accountability

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(Area code for the following is 518 unless otherwise specified)

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Gabriel F. Deyo, Deputy Comptroller
Tracey Hitchen Boyd, Assistant Comptroller

Audits, Local Government Services and Professional Standards..... 474-5404

(Audits, Technical Assistance, Accounting and Audit Standards)

Local Government and School Accountability Help Line(866) 321-8503 or 408-4934

(Electronic Filing, Financial Reporting, Justice Courts, Training)

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Monthly Reporting Inquiries 474-1080

Audits and Plan Changes.....474-0167

All Other Employer Inquiries.....474-6535

Division of Legal Services

Municipal Law Section474-5586

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Bureau of State Contracts..... 474-4622

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Division of Local Government and School Accountability

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