

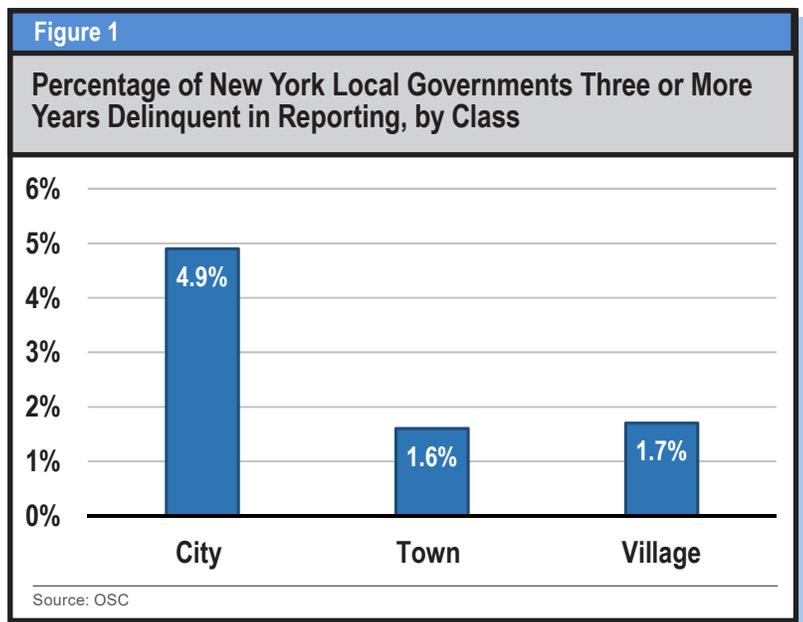


A Grade of Incomplete: Persistent Non-Filers of Legally Required Local Government Reports

Introduction

Local officials are statutorily required to file certain financial reports annually with the Office of the State Comptroller (OSC).¹ While most local governments file within required timeframes, some do not. A relatively small number of local governments are severely delinquent—failing to file for three or more years—which calls into question the financial standing of the locality as well as the effectiveness of the management of the local government in general.²

In addition to meeting legal requirements, local governments (and their residents) realize additional benefits of timely filing. In the short-term, the information reflected in these reports increases the transparency of the operations of local governments – state policy makers and the public can access this data through online databases to understand the recent and current financial condition. Used in multiyear financial planning, this data can help local government officials better handle difficult budget decisions they make year after year. In the longer-term, consistent filing creates a comprehensive historical financial picture for the diverse stakeholders who rely on this data: local officials, citizens, researchers, credit rating agencies, legislators and the media. For some local governments, failure to file these documents could affect their ability to issue debt.³ Additionally, a local government's accountability is undermined when it fails to keep these public records current and accessible.



Twenty-seven local governments are three or more years delinquent in meeting one or more of the following annual reporting requirements:

- Annual Financial Reports (AFRs), which are required from all local governments.
- Constitutional Tax Limit (CTL) forms, which are required from all counties, cities and villages.
- Property Tax Cap (PTC) reports, which are required from all taxing jurisdictions outside of New York City.

Annual Financial Reports

An AFR is required to be filed following the close of each fiscal year. Previously referred to as Annual Update Documents, these reports provide detailed information about the finances of each local government and include such items as debt, revenues, expenditures, cash reserves and fund balance.

There are 20 local governments – two cities (Mount Vernon and Rensselaer), 11 towns and seven villages – that have not submitted their AFR in at least three years, and the towns of Davenport and Morehouse have not filed for more than six years (See Figure 2).

When examined in total, the last-reported expenditures of these 20 AFR-delinquent local governments amount to \$164.5 million.

Constitutional Tax Limit

All cities, counties and villages in New York State are required to file Constitutional Tax Limit forms annually with OSC prior to adopting their budgets. The CTL restricts the amounts local governments may raise by taxing real property and it cannot be overridden.⁴ As shown in Figure 2, three local governments – two villages and the City of Poughkeepsie – have failed to file CTL forms for three or more years. The Village of Addison has not filed a CTL form in more than 10 years while the Village of Riverside has not filed in eight years. In these cases, little to no information is available about the proximity of these local governments to their CTL.

Real Property Tax Cap

The Property Tax Levy Limit, more commonly referred to as the Tax Cap, limits year-over-year growth in a local government's tax levy. All taxing jurisdictions outside of New York City are required to submit the elements of their Tax Cap calculation to OSC prior to budget adoption. Five towns and one village have failed to file their tax cap report for three or more years. Of these, one town and one village were also delinquent in one of the other two filings described above: the Town of Morehouse is also delinquent in filing its AFR, and the Village of Addison is severely delinquent in filing CTL reports.

Figure 2

New York Local Governments That Are Three or More Years Past Due in Filing Required Reports

Municipality	Class	County	Years Since Last Filing			Last-Reported Expenditures (For Annual Financial Report Non-filers)
			Annual Financial Report	Constitutional Tax Limit	Property Tax Cap	
Davenport	Town	Delaware	9			\$1,559,552
Morehouse	Town	Hamilton	7		4	\$571,312
Urbana	Town	Steuben	5			\$1,910,789
Ephratah	Town	Fulton	4			\$1,090,435
Exeter	Town	Otsego	4			\$632,784
Bemus Point	Village	Chautauqua	4			\$1,041,405
Remsen	Village	Oneida	4			\$636,357
Mount Vernon	City	Westchester	3			\$117,674,088
Rensselaer	City	Rensselaer	3			\$26,365,105
Baldwin	Town	Chemung	3			\$496,585
Dresden	Town	Washington	3			\$933,962
Lyndon	Town	Cattaraugus	3			\$657,775
Otselic	Town	Chenango	3			\$550,930
Troupsburg	Town	Steuben	3			\$1,147,340
Willing	Town	Allegany	3			\$877,715
Almond	Village	Allegany	3			\$168,098
Bloomington	Village	Sullivan	3			\$523,304
Cuba	Village	Allegany	3			\$1,224,784
Piermont	Village	Rockland	3			\$5,797,283
Windsor	Village	Broome	3			\$606,571
Addison	Village	Steuben		15	3	
Riverside	Village	Steuben		8		
Poughkeepsie	City	Dutchess		5		
Freetown	Town	Cortland			5	
Harford	Town	Cortland			5	
Antwerp	Town	Jefferson			3	
Waverly	Town	Franklin			3	
Total Last-Reported Expenditures for AFR Non-Filers						\$164,466,173

Source: OSC
Data as of March 5, 2020.

Conclusion

Local officials face a complex set of responsibilities. They must comply with a multitude of laws while working to provide services to meet the needs of their residents. When local governments fail to file reports required by law, they deprive taxpayers and other users of this data of the ability to assess the financial standing of the municipality. These financial reports represent part of a local government's history; a multi-year gap in filing obscures the official record. Additionally, these reports are important tools used in fulfilling OSC's local government oversight responsibilities.⁵ They provide a basis for an assessment of financial condition and reported data are made available to the public through Open Book New York⁶ and the Fiscal Stress Monitoring System,⁷ promoting greater transparency in government. The documents, once filed, also become available for Freedom of Information Act requests and judicial discovery procedures.

There are currently 27 local governments that are severely delinquent in filing one or more required reports with OSC, and many other local governments are delinquent but for shorter periods of time. Through a variety of training and outreach services, including seminars, webinars, accounting schools, online tutorials and technical support via a toll-free helpline, the Office of the State Comptroller stands ready to assist all local officials in complying with filing requirements.

Required Reporting:

<https://www.osc.state.ny.us/localgov/finreporting/index.htm>

View your local government's data described in this report:

<https://www.openbooknewyork.com/>

View your local government's fiscal stress score:

<http://www1.osc.state.ny.us/localgov/fiscalmonitoring/fsms.cfm>

View interactive local government data:

<http://www1.osc.state.ny.us/localgov/nys-local-government-interactive-data.htm>

Notes

- ¹ The following laws require local governments and school districts to file information with the Office of the State Comptroller (OSC): General Municipal Law Section 30 (Annual Financial Report); State Finance Law Section 54-a(3) (Constitutional Tax Limit); General Municipal Law Section 3-c(7) (Property Tax Levy Limit).
- ² OSC attempted to contact all local governments with three or more years of non-filed annual financial reports, constitutional tax limits forms or real property tax cap forms in advance of publishing this report. Outreach efforts included written correspondence and telephone contact.
- ³ Municipalities without audited financial statements often use data submitted as part of their Annual Financial Report (AFR) to support their issuance of debt. For example, the New York State Environmental Facilities Corporation (EFC), which provides low-cost financing to municipalities for water quality infrastructure projects, reserves the right to use recent AFR data to help assess an applicant's ability to repay debt. See EFC, *New York State Revolving Fund Municipal Application Form Instructions and Guidance*, page 9 at: <https://nysefc.app.box.com/s/3adnjjkf5v8oxqcgsmeeccqwv8613iith>.
- ⁴ For more information on the Constitutional Tax Limit (CTL), see OSC's CTL website at: www.osc.state.ny.us/localgov/finreporting/ctl.htm and OSC, *Hitting the Limit: The Constitutional Tax Limit and Its Implications for Local Governments*, August 2019 at www.osc.state.ny.us/localgov/pubs/research/ctl-implications-for-local-governments.pdf.
- ⁵ OSC is responsible for monitoring the financial operations of the State's local governments through conducting audits, gathering and reporting on local financial data and providing training and accounting guidance to local officials.
- ⁶ Find local government data in Open Book New York at www.openbooknewyork.com.
- ⁷ OSC's Fiscal Stress Monitoring System assesses each of the State's counties, cities (other than New York City), towns, villages and school districts each year, identifying those entities which are experiencing notable levels of fiscal stress. More information can be found at www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm.



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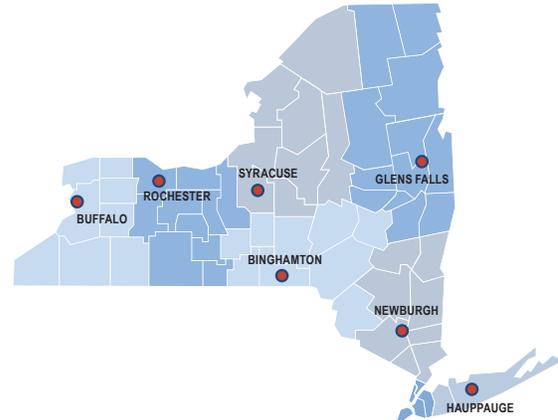
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