DIVISION OF LOCAL GOVERNMENT AND SCHOOL ACCOUNTABILITY

2007 ANNUAL REPORT

ON LOCAL GOVERNMENTS

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli
State Comptroller

DECEMBER 2007

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OFFICE OF THE NEW YORK STATE COMPTROLLER

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

Recent economic developments at the national, state and regional levels make this year's annual report on the state of New York's local governments a cautionary tale. The softening of the real estate market, Wall Street's woes amidst the fallout from the subprime mortgage crisis, spiking energy costs, and reduced consumer demand have led to lower economic growth estimates and rising risks of a significant slowdown.

These signs point to slower revenue growth for local governments, potentially less State aid, and increased pressures on the revenue of last resort – the property tax – at a time when that revenue source is challenged both by fairness issues and by the overall high burden that already falls on New Yorkers.

This sobering news comes at a time when local governments already face a host of other fiscal pressures: growing debt burdens, new federal and state mandates, rising health care costs for active employees and retirees, and (particularly for schools) higher expectations for performance. Not surprisingly, there is heightened interest in pursuing consolidation, shared services and cost-cutting efficiencies, and rationalizing our outdated municipal structures.

My office will continue to help local governments cope with fiscal stress through our cost savings audits, budget and multiyear financial planning reviews, and new training and guidance. We are assisting the Governor's efforts to promote efficiency, shared services and functional consolidation where it makes sense to do so. I will also continue to advocate for meaningful policy changes at the state level through our policy reports and local government reform proposals that help local governments work better.

This report outlines major local government fiscal trends and highlights recent policy developments that affect their financial health. It also summarizes the services and activities of the Division of Local Government and School Accountability, where staff in Albany and eight regional offices across the State are committed to promoting taxpayers' interests by helping to improve the fiscal management of local governments and schools within New York.

Sincerely,

Thomas P. DiNapoli
State Comptroller

Executive Summary

New York's local governments continue to face fiscal challenges that could intensify in the coming year as a result of uncertainties in the economy brought about by the impact of the crisis in the subprime housing market. Hardest hit will be those governments that rely heavily on revenues that are particularly sensitive to economic fluctuations, such as sales taxes and mortgage recording taxes. Expectations of a weakening economic outlook could place even more pressure on New York's property tax burden, already one of the highest in the nation. Significant funding increases provided in the 2007-08 State Fiscal Year (SFY) Budget for revenue sharing and school aid helped stabilize local finances, but the fiscal impact of any economic downturn on State finances could make it difficult to continue future funding increases.

At the same time that local governments are likely to face slower growth in revenues, spending pressures continue to intensify, particularly those related to current employee and retiree benefits. While these trends are not new, they will increase the competition for scarce resources at the local level. For example, a change in governmental accounting rules now requires, for the first time, certain local governments to estimate and disclose the long-term cost of providing health benefits to their employees upon retirement. While governments are not required to fund this liability, their disclosure of what will likely be a substantial future cost could generate pressure to begin funding promises made to employees, or to modify or reduce those benefits.

Further, local governments have significantly increased their reliance on debt in the past decade. This debt burden may limit their financial flexibility amidst the economic slowdown, and will impact their ability to finance critical maintenance and other essential capital projects in the future.

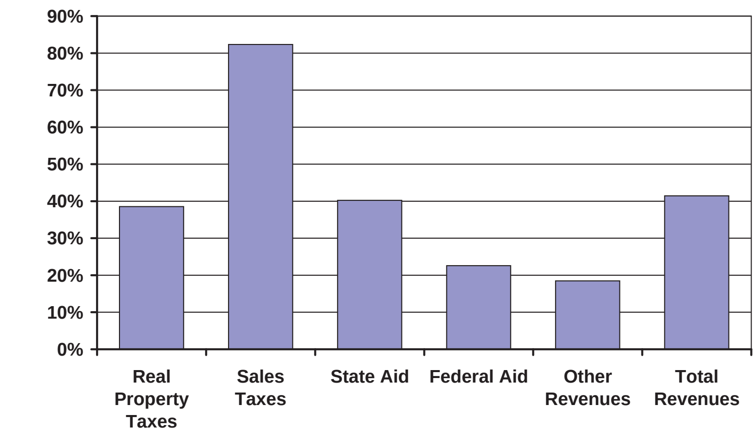
In light of the softening economy and the structural deficits facing the State, local governments will continue to face pressure to reduce costs, either by cuts in service or by maximizing efficiency in the delivery of those services. Rather than reducing services, many local governments are looking to share services to achieve efficiencies.

Major fiscal trends in New York's local governments, as well as recent policy developments and initiatives that affect their operations and fiscal health are highlighted in this report. The information presented is based on financial data that local governments submit to the Office of the State Comptroller (OSC) on a yearly basis, and supplemented by other sources.

Highlights of Fiscal Trends

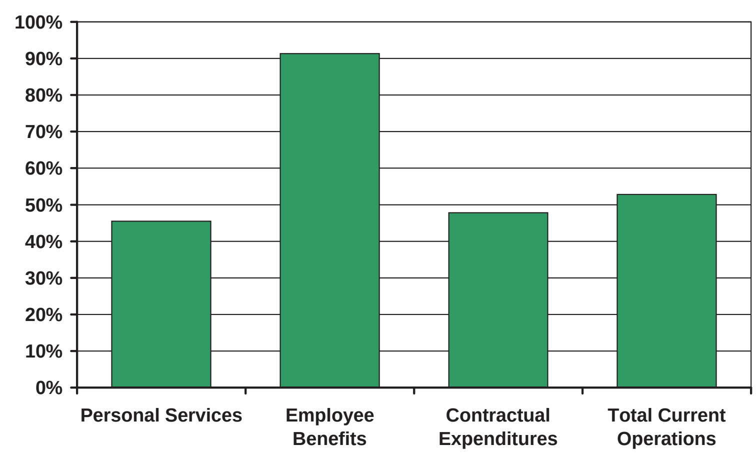
- **Increasing Reliance on Revenues Other than the Property Tax –** In an effort to minimize property tax increases and as a result of the surge in the housing market, local governments have increased their reliance on a variety of other revenue sources between 1995 and 2005. For counties, cities, towns and villages, sales taxes and state aid revenues have increased from about 30 percent of the revenue mix in 1995 to nearly 35 percent in 2005. Sales tax revenues were the fastest growing revenue source for counties over the last decade, and are now the largest revenue source for most counties.

Percent Change in Revenues for Counties
1995 – 2005



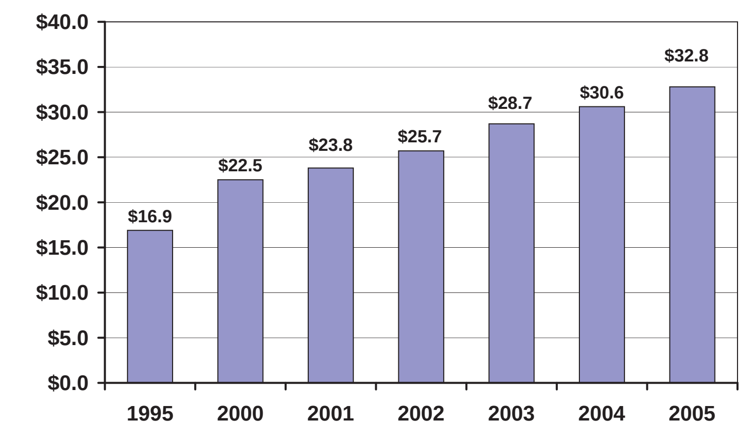
- **Cost of Doing Business Continues to Rise –** The cost of running government continues to increase despite the economic slowdown. In particular, fixed costs such as expenses related to retirees and debt service, will continue to rise in the foreseeable future, restricting local governments' ability to fund other essential, but discretionary, items. Total spending by all classes of local governments grew by 57 percent between 1995 and 2005, or by 4.6 percent on an average annual basis. This growth was nearly double the inflation rate of 2.5 percent for this period.

Percent Change in Current Operations
Local Governments (Excluding New York City)
1995 – 2005



- **Growing Debt Burden –** As spending pressures increase, local governments are increasingly relying on debt to finance capital projects and, in some cases, operating deficits. Between 1995 and 2005, total long-term outstanding debt (excluding New York City) increased by 94 percent, mostly driven by school district borrowing; outstanding debt for this class of government increased by 266 percent. The growth in school district borrowing is largely due to recent changes to the State building aid program. In addition, since 1994, the State Legislature has authorized 36 bond issuances to finance operating deficits totaling $296 million.

Total Long–Term Outstanding Debt for New York State's Local Government
(In Billions of Dollars)



- **Accountability –** Holding local governments accountable for increased aid was a central theme in the 2007-08 SFY Budget. In addition to tying new funding to fiscal accountability standards under the Aid and Incentives for Municipalities (AIM) program, new accountability measures were also put in place for numerous other programs. Most notably, certain school districts are now required to enter into "Contracts for Excellence," which will require these districts to use a significant portion of their State aid increase to fund specific strategies that have been proven to increase student achievement.

The State of Local Governments

The fiscal health of New York's local governments continues to be driven by two major forces: the inexorable demographic changes that are making New York older and more ethnically diverse; and the changing global economy that generally benefits downstate municipalities but is leaving many upstate communities behind. These changes are compelling local governments to rethink their fiscal and operational strategies.

Long-term demographic trends have hollowed out cities, increased costs for those left behind, and helped lead to uneven economic growth upstate. Between 1970 and 2006, upstate cities lost more than 21 percent of their population. When compared to surrounding towns, cities tend to have greater levels of poverty, higher levels of vacant housing, a greater percentage of female-headed households with children, and more adults lacking a high school diploma.

Large upstate cities experienced the heaviest losses in population, including Buffalo (40.3 percent), Rochester (29.7 percent) and Syracuse (28.7 percent). Socioeconomic indicators for these cities also reflect higher concentrations of poverty and, as a result, the mix of services required by those residents that remain tend to be more costly at the same time that the tax base is stagnating. These factors are now expanding to the so-called "inner ring" suburbs in these metropolitan areas.

The number of Americans age 65 or older will double in the coming decades. Coupled with rising life expectancies, this increase represents a significant challenge for governments who provide community care programs for seniors. Issues such as access to health care, housing, libraries and cultural resources, and transportation assistance will compete for resources and impact municipal budgets.

New York also continues to struggle with the effects of a shifting economy. As a whole, New York State lost 28.7 percent of its higher paying manufacturing jobs between 1996 and 2006. Once again, these losses have been concentrated in upstate regions.

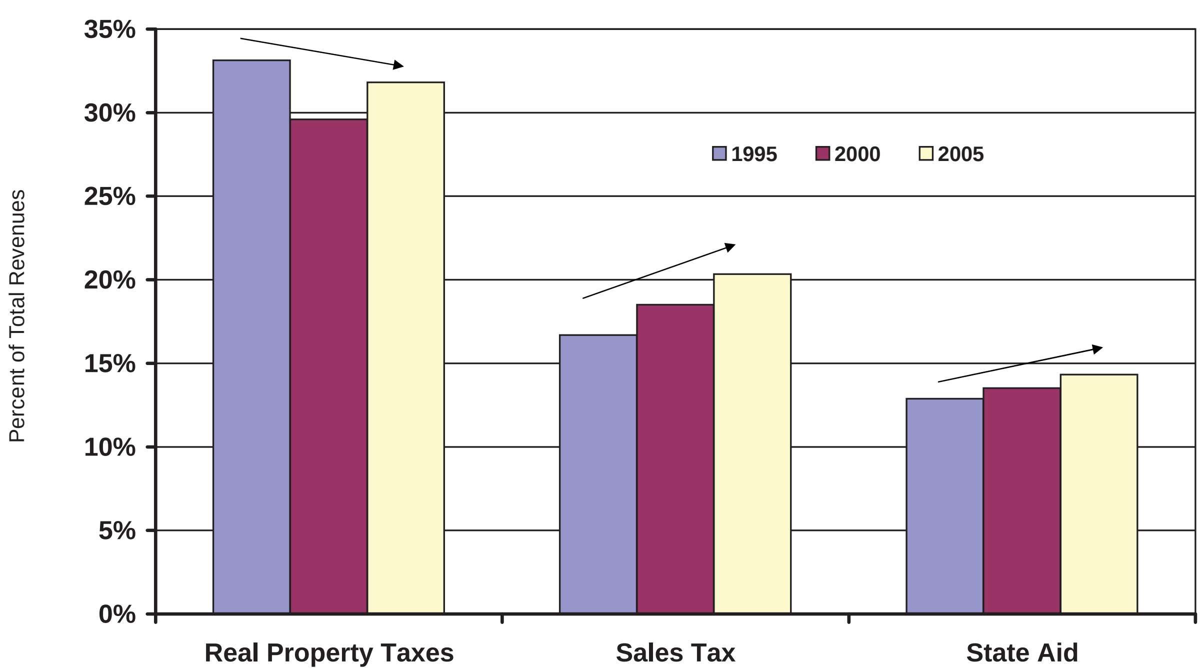
Shift in Reliance on Various Revenue Streams

As a result of a shifting economy, local governments are expected to face a corresponding slowdown in the growth in certain revenues, such as sales taxes and mortgage recording taxes, that are dependent on economic expansion.

The recent credit crunch in the financial markets and a weakening real estate market may have a significant impact on New York State's economy – particularly in downstate regions where local economies are connected to the financial services sector. Declining home values, rising energy prices and weakening labor markets all impact consumer behavior and could have a direct effect on the sales tax and real estate-related tax revenues on which many local governments rely.

At the State level, these factors may also having a negative effect on State revenues. Recent downward revisions to State revenue projections may make it more difficult for the State to follow through on planned aid increases.

Local governments are less reliant on property taxes and more reliant on economically sensitive revenues



Note: Includes counties, cities, towns and villages, excluding New York City

Over the last 10 years, in an effort to keep the property tax burden at more manageable levels, local governments have become more reliant on a variety of other revenue sources—sales taxes, mortgage taxes and State aid—that are sensitive to economic trends.

- **Counties -** Between 1995 and 2005, reliance on the real property tax decreased slightly, from 25.5 percent of total revenues to 25.0 percent. However, sales tax revenues as a percent of total revenues increased from 20.3 percent to 26.4 percent, and now exceed the real property tax as the largest contributor to total county revenues.

- **Cities –** As a result of increases in the State's revenue sharing program, State aid now represents a larger percentage of total city revenues (excluding New York City), increasing from 12.6 to 18.2 percent. The percentage of revenues generated through the sales tax increased slightly, from 17.0 percent to 17.4 percent during this time period. While real property taxes continue to represent the largest source of revenue for cities, the proportion of total revenues generated through the real property tax declined slightly from 28.8 percent to 27.2 percent between 1995 and 2005.

- **Towns –** As with cities, towns receive the majority of their revenues through property taxes. However, as a percentage of total revenues, real property taxes declined by nearly six points, from 56.1 percent to 50.4 percent between 1995 and 2005, while sales tax revenues and mortgage recording taxes, as a combined percentage of total revenues, increased by the same amount. The most dramatic shift occurred in mortgage recording tax revenues – considered to be State aid – which increased from 2.6 percent of total revenues to 7.3 percent.

- **Villages –** Although villages continue to be highly reliant on property taxes, the proportion this revenue source represents has declined from 47.5 percent in 1995 to 45.7 percent in 2005. Like towns, villages have benefited from the housing market boom and mortgage recording taxes represented nearly three percent of village revenues raised in 2005, as compared to one percent in 1995.

- **School Districts –** School districts (excluding New York City) receive 90 percent of their revenue through real property taxes (55 percent) and State school aid (35 percent). Unlike other governments, school districts have slightly increased their reliance on real property taxes between 1995 and 2005. Because school districts have little ability to diversify their revenue streams, this class of local government has been excluded from the chart on the previous page.

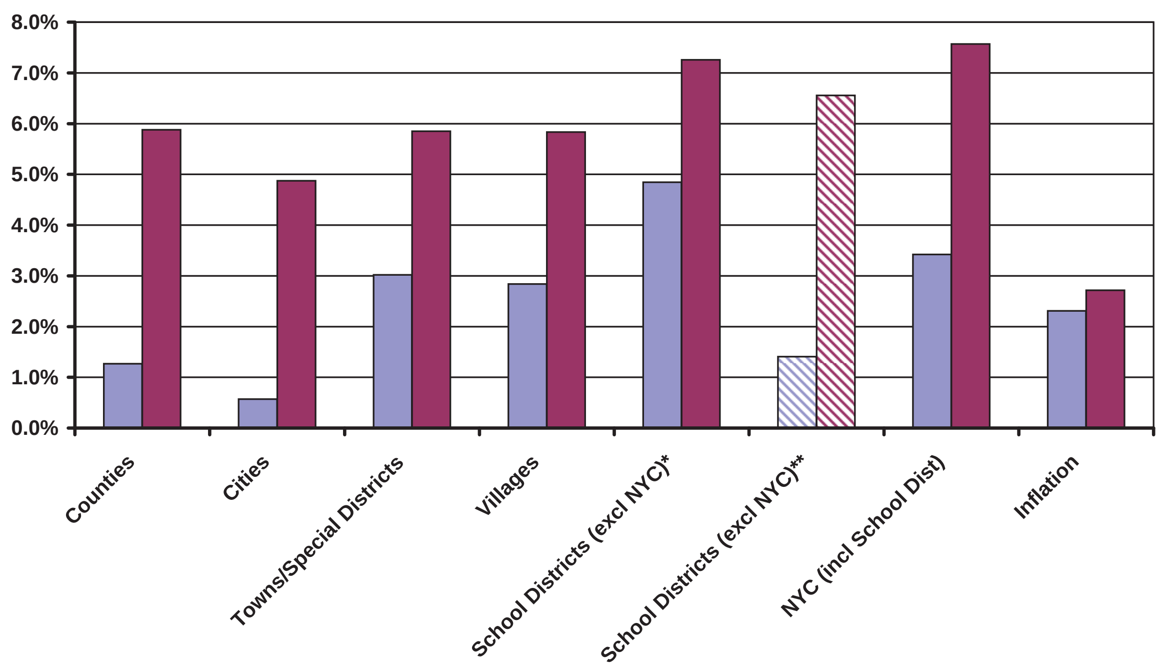
Property Taxes

New York State continues to have one of the highest property tax burdens in the nation, contributing to the State's overall high total tax burden. Of the typical homeowner's property tax bill, school districts account for more than 60 percent of property taxes paid.

- **Local Tax Burden –** New York's state and local taxes per capita were again the highest in the nation in 2005. One major reason for this is New York's high real property tax per capita, which ranked fourth in the nation in 2005 behind only Connecticut, New Hampshire and New Jersey. Real property taxes in New York were $1,768 per capita in 2005, or 56 percent above the national average of $1,132. New York's total state and local tax burden per capita was $5,752, 56 percent higher than the national average of $3,698.

- **Levy Growth –** Property tax levies by all classes of local government grew much faster than inflation between 2002 and 2007. During the period from 1997 to 2002, however, property tax levy increases for most levels of government were near or even below inflation. Across all classes of local government, school districts had the highest rate of levy growth on average. However, homeowners were largely protected from the impact of this growth by School Tax Relief (STAR) exemptions phased in from 1999 to 2002. After the STAR exemption was fully phased in, homeowners were once again subject to the full amount of school levy increases.

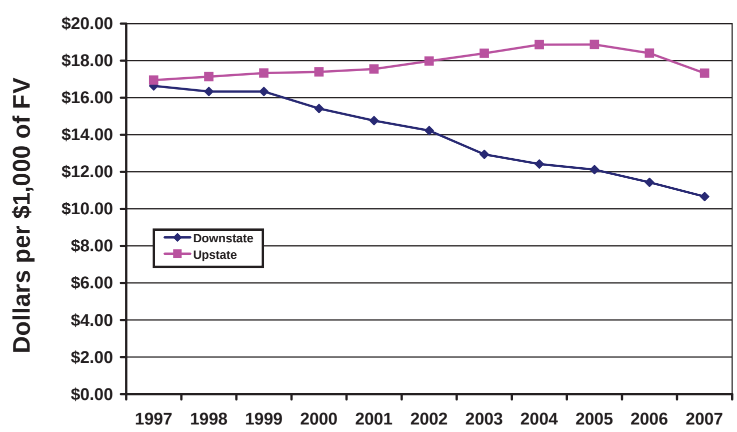
Annual Average Percent Change in Levy, 1997–2002 vs. 2002–2007



* STAR revenue included as part of levy
** No STAR revenue included

- **Tax Rates –** For the past few years, downstate full value tax rates have declined each year, despite rapid levy increases. This has been due to property value increases well above levy growth in the areas surrounding New York City (Long Island and the Mid-Hudson Valley). Until 2005, this was a downstate phenomenon, but in 2006 and 2007, increasing housing prices upstate also resulted in declining rates as well.

Trends in Full Value Tax Rate
Downstate (Excluding New York City) vs. Upstate
1997–2007

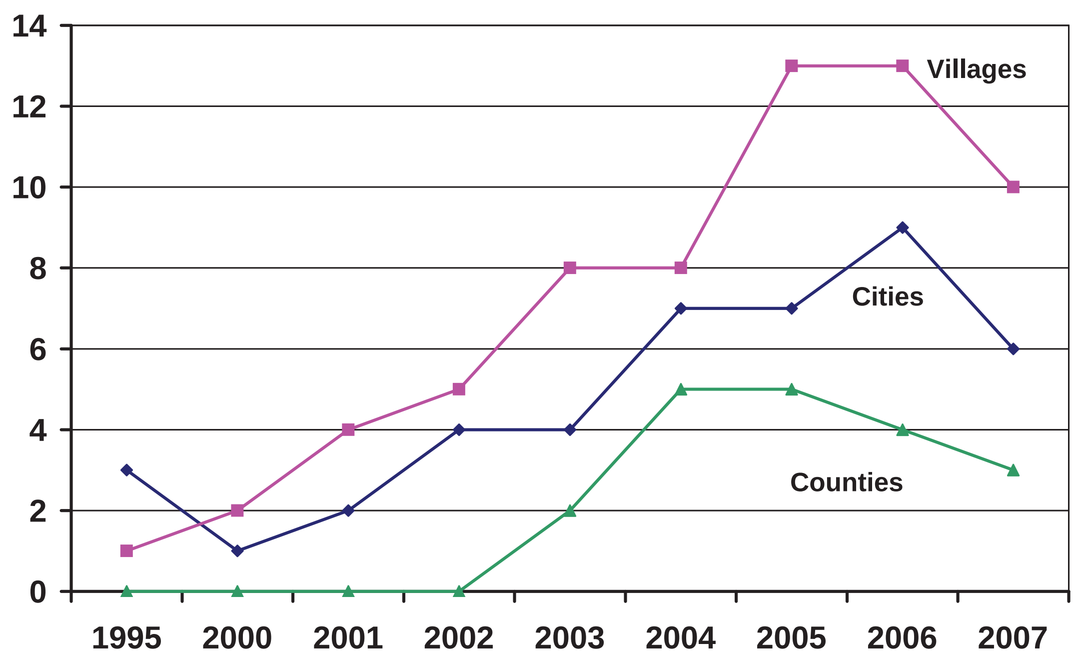


- **Tax Relief –** Property tax relief, particularly from school property taxes (which are the biggest portion of tax bills), continues to be a major focus for State and local officials. In 1997, the State created the STAR program, which generally exempts the first $30,000 of primary residence property value from taxation ($50,000 for seniors). The difference in school tax collections is reimbursed by the State. Renters and businesses receive no benefit from STAR. As STAR was phased in from 1998-99 to 2001-02, the impact of levy increases on homeowners was mitigated as increasing amounts of STAR relief helped offset levy growth. However, after the program was fully implemented, the full effect of levy increases returned. In response, the 2006-07 SFY Budget added a rebate for homeowners and increased the STAR exemption for seniors to adjust for inflation. The 2007-08 SFY Budget replaced that rebate with a new "middle-class" STAR rebate to be phased in over three years. According to the Division of the Budget, STAR now costs the State nearly $4 billion.[1]

[1] This includes $696,000 in City personal income tax rebates provided to residents of New York City, where property taxes are a much smaller share of the overall tax burden.

- **Tax Limits –** One indicator for determining a municipality's level of fiscal stress is to analyze how much of its constitutional tax limit has been exhausted. Typically, those municipalities taxing at 80 percent or more of their limit are flagged for possible distress. In 1995, there were only two cities and one village close to their constitutional tax limits. In contrast, 26 municipalities exceeded this threshold in 2005 and 2006. In 2007, the number of cities, counties and villages that were in this risk pool declined to 19, the first aggregate decrease since 2000. Rising property values and, to a lesser extent, increased exemptions under the calculation formula account for this change. The recent decline in the housing market could make this a temporary phenomenon.

Local Governments* with More Than 80 percent Tax Limit Exhausted

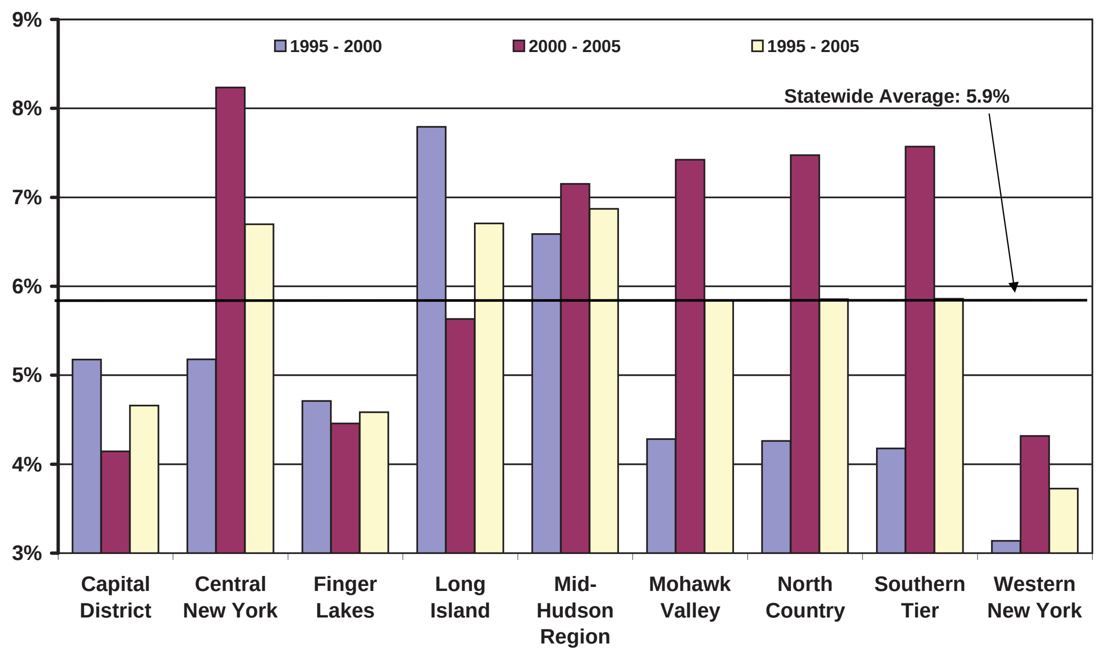


* Includes New York City

Sales Taxes

- **Growth Trends –** Statewide, local government sales tax revenues increased at an average annual rate of almost six percent between 1995 and 2005. From 1995 to 2000, sales tax revenues in counties, cities (excluding New York City), towns and villages grew twice as fast as property tax revenues during this period. Sales tax revenues also appeared to be strong between 2000 and 2005, growing at an average annual rate of 5.6 percent, despite an economic downturn corresponding with the terrorist attacks of 2001. However, much of this growth can be explained by local rate increases rather than increased economic activity, as 35 local rate increases occurred between 2000 and 2005. In 2006 and 2007, an additional eight rate changes occurred, three of which were rate reductions. Of the nine economic development regions statewide, the Mid-Hudson Region, Long Island and Central New York all increased sales tax revenues at an average annual rate that exceeded the statewide average, while three regions - the Capital District, the Finger Lakes and Western New York - experienced more sluggish growth. Again, rate changes played a factor in these regional trends.

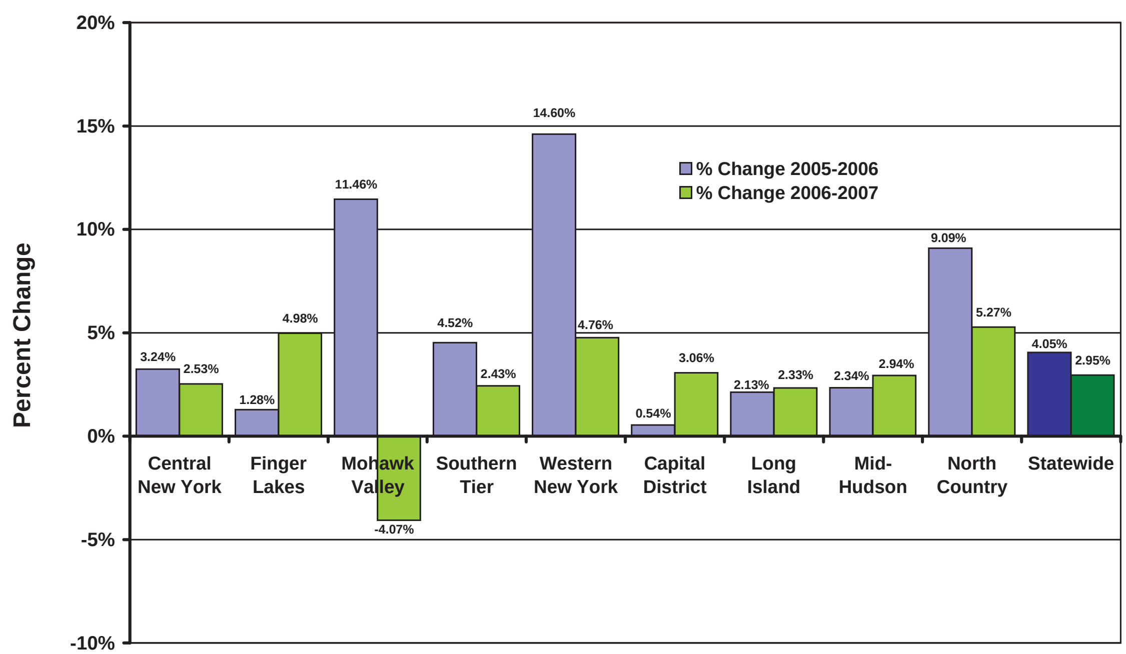
Regional Sales Tax Revenues: Average Annual Increase



	Capital District	Central New York	Finger Lakes	Long Island	Mid-Hudson Region	Mohawk Valley	North Country	Southern Tier	Western New York
Rate Increases 1995 – 2005:	2	3	4	2	7	4	4	7	4

- **Recent Collections Data –** Data through the third quarter of 2007, the latest data available, indicates that the rate of growth in sales tax collections is slowing. On a statewide basis, growth slowed to three percent as compared to four percent during the same time period in 2006. However, the trends vary widely between regions. For example, Western New York, Mohawk Valley, and the North Country went from double digit or near double digit increases in the first three quarters of 2006, well above the rate of inflation, to single digit increases or even decreases in 2007. Rate changes, as well as one-time adjustments to sales tax collections, also played a role in these trends.

County Sales Tax Collections
Quarter 1 – Quarter 3



2007–08 AIM Allocations (dollar amounts in millions)					
	2006–07 Total Aid	**2007–08 Total Aid**	**2007–08 $ change**	**2007–08 % change**	**2007–08 % Total**
Cities	$580.6	$628.4	$47.8	8.2%	87.4%
Towns	$48.3	$50.0	$1.7	3.6%	6.9%
Villages	$19.9	$20.7	$0.9	4.3%	2.9%
New York City	$327.9	$20.0	-$307.9	-93.9%	2.8%
Counties	$0.0	$0.0	$0.0	–	0.0%
Totals	**$976.6**	**$719.1**	**-$257.5**	**-26.4%**	**100.0%**

Revenue Sharing

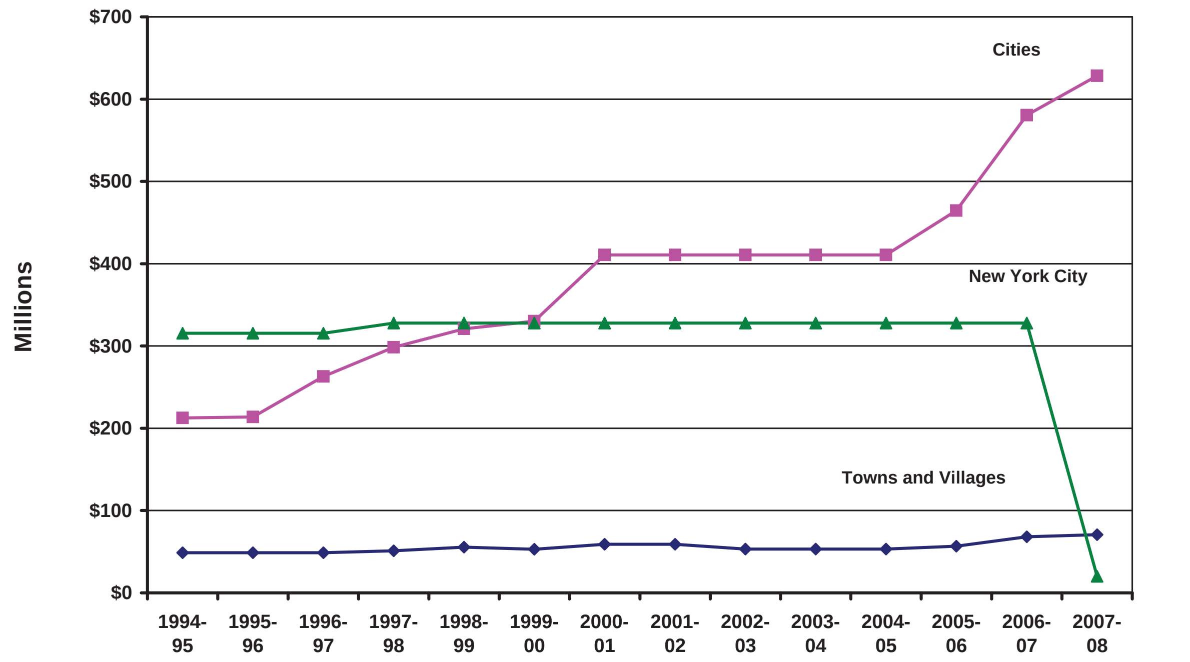
Unrestricted aid to local governments – known as revenue sharing – is State aid that can be used for any local government general purpose. The intended goal of this program is to redistribute tax dollars broadly to municipalities that do not have the tax base or taxing authority to generate this revenue on their own.

Over the past three years, the State has restructured the program, significantly increased the level of aid that cities receive and introduced new accountability requirements. Under the new Aid and Incentives to Municipalities (AIM) program, the Executive and the Legislature committed to providing an additional $200 million in AIM over four years, beginning with a $50 million increase in SFY 2007-08. In all, 93 percent of municipalities will receive either a three or five percent increase in AIM in SFY 2007-08. However, the revenue sharing program and the new AIM increases are targeted primarily to cities, which receive 87 percent of all revenue sharing funds. Towns and villages received only seven and three percent of AIM funding, respectively. Counties are not eligible to participate in the AIM program. New York City, after many years of receiving approximately $328 million in aid, had its allocation reduced drastically in the current fiscal year.

Cities continue to receive the majority of AIM funding because the distribution of funds is based on historical allocations that do not recognize that many other types of government provide the same services as cities. A more equitable distribution of the aid would take into consideration that these traditional classifications are becoming meaningless in many instances. Consideration should be given to the fact that, in terms of population, population density and services provided, many villages and towns function like cities.

Accountability Measures – Since SFY 2005-06, as a condition for receiving additional AIM payments, cities have been responsible for developing and certifying completion of multiyear financial plans.
In addition, legislation enacted as part of the 2007-08 SFY Budget requires 41 fiscally stressed cities receiving AIM increases of more than $100,000 to complete a fiscal performance plan (FPP). Fiscal performance plans are required to be submitted to OSC within 60 days of the adoption of a city's most recent budget for a compliance review. All other cities and three villages are responsible for developing and certifying completion of multiyear financial plans. To assist local governments in complying with these new requirements, OSC updated its guidance documents on multiyear planning and sample templates and held training at local government conferences in 2007.

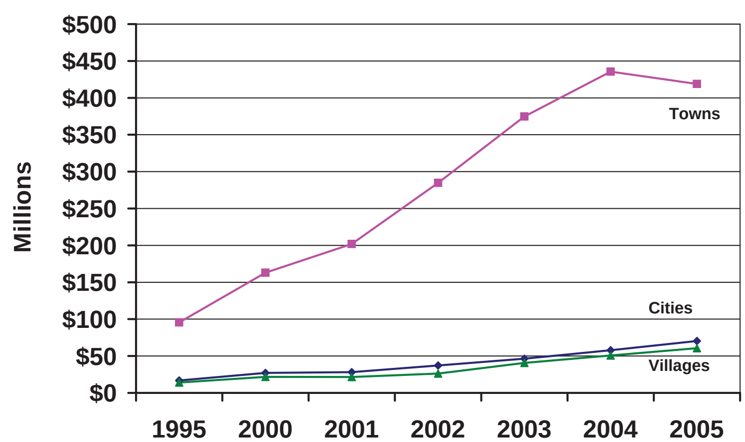
Unrestricted Aid to Cities, Towns and Villages



Mortgage Recording Tax

The mortgage recording tax is levied by the State on debt secured on real property. After a portion is retained by the State, the rest is distributed to cities, towns and villages.

Mortgage Tax Revenues for Cities, Towns and Villages



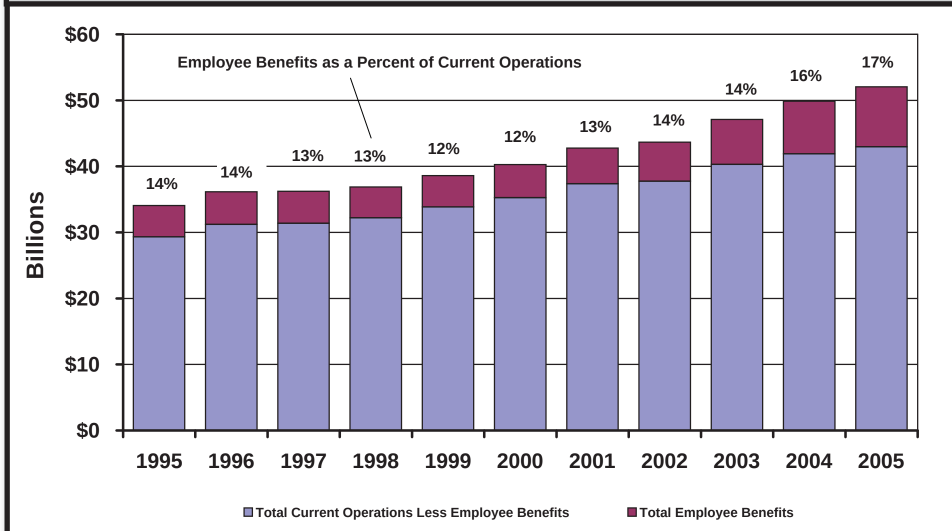
From 2000 to 2004, mortgage tax revenues in cities, towns and villages increased over 157 percent, at an average annual rate of over 25 percent. As the housing market cooled in 2004 and 2005, mortgage tax revenues also slowed, increasing only one percent during that time. Towns, which relied on mortgage taxes for 65 percent ($419 million) of their State aid revenues in 2005 and which have experienced consistent growth in this revenue stream over the past 10 years, actually saw a year-over-year reduction between 2004 and 2005. With the recent decline of the housing market and the increase in foreclosures on subprime mortgages, these revenues may continue to decline in the near future.

Increasing Spending Pressures

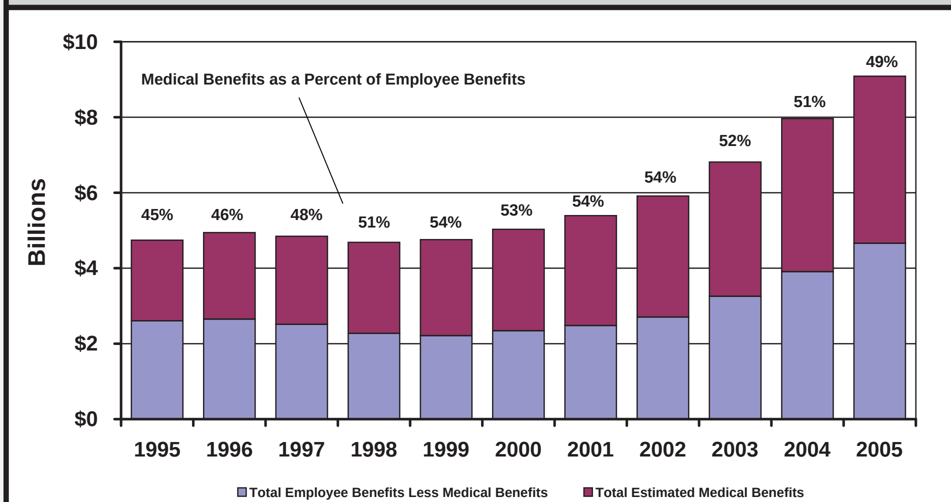
Increasing costs, some of which governments have little or no control over, continue to place pressure on local governments' operating capacity. These types of costs include employee salaries and benefits, debt service costs and, for counties, Medicaid payments.

From 1995 to 2005, spending for current operations (excluding New York City), which include employee salaries, benefits and contractual expenses, increased by 53 percent from $34.0 billion to $52.0 billion, an average annual rate of 4.3 percent. One component driving this increase is employee benefits, which grew by 92 percent over the time period, an average annual rate of 6.2 percent.

Total Current Operations
(Counties, Cities, Towns, Villages and School Districts)



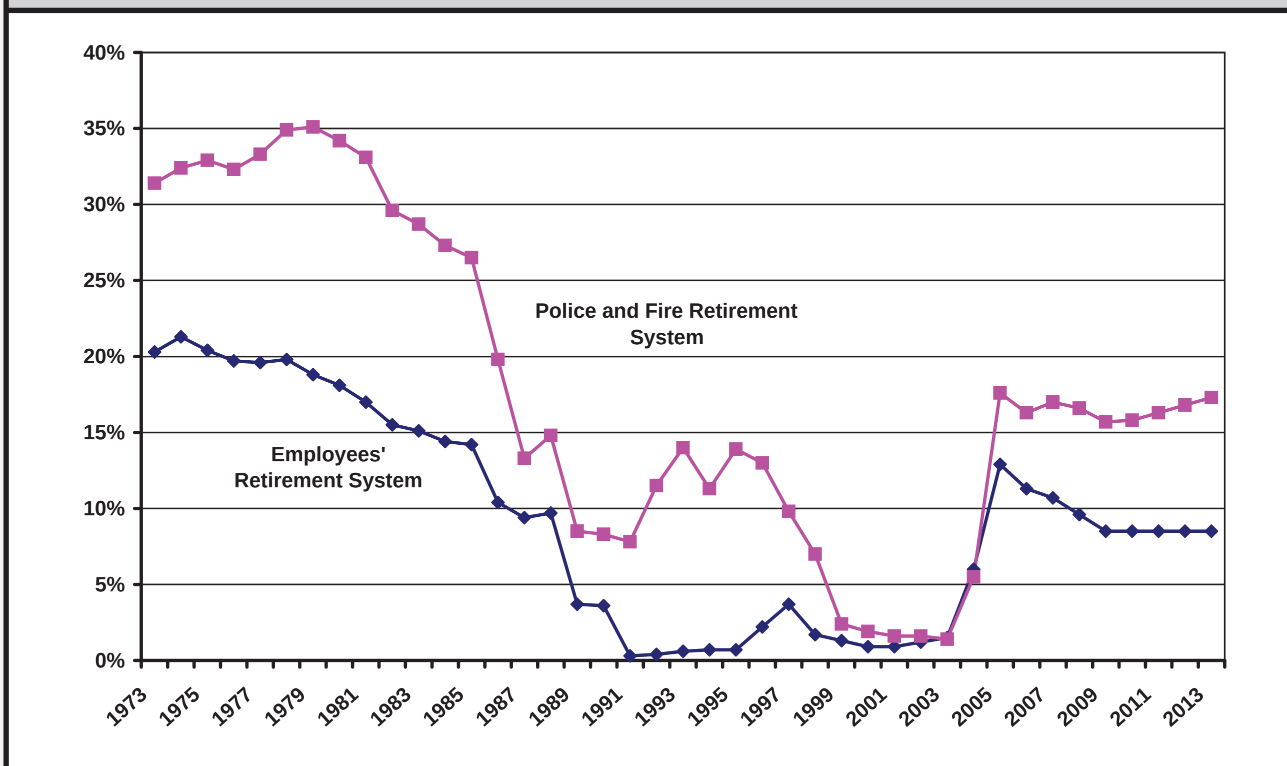
Total Employee Benefits for Local Governments



- **Health Insurance –** Health insurance represents approximately 50 percent of spending on employee benefits and is one of the fastest growing components of this category of expense. Between 1995 and 2005, employee health insurance costs grew from $2.1 billion to $4.4 billion, an increase of 107 percent, or 7.5 percent on an average annual basis. The most rapid growth occurred during the five year period from 2000 to 2005 when health insurance costs grew at an average annual rate of 10.5 percent.

- **Other Post–Employment Benefits –** Local governments have for decades promised health care and other non-pension benefits to employees when they retire. As more government employees begin to enter retirement, the expenses associated with their other post-employment benefits (OPEB) are another rapidly growing cost facing local governments. Most municipalities currently fund these costs on a pay-as-you-go basis without accounting for the future liability in their financial statements. A recent change in accounting standards for governmental accounting and reporting, known as GASB 45, now will require certain local governments to report and account for the accrued liability associated with OPEB, although no requirement exists to fund this liability. Nationally, public sector retiree health liabilities have been estimated between $600 billion and $1.3 trillion.

Retirement System Payment Rates: 1973 to 2013
(as a Percent of Salary)



To assist local governments in complying with the new accounting standards related to OPEB, the Office of the State Comptroller has assembled a working group comprised of representatives from organizations representing local governments, including the New York State Association of Counties, New York State Conference of Mayors and Municipal Officials, New York State Association of Towns, New York State School Boards Association, New York State School Superintendents, New York State School Business Officials and the New York State Government Finance Officers' Association. As a result of issues and concerns raised by the working group, the Division issued answers to frequently asked questions, available at http://www.osc.state.ny.us/localgov/pubs/opeb45faqs.htm, and worked with the State Office of General Services to put in place State contracts to provide actuarial services that local governments could utilize to help them calculate the costs of OPEB.

- **Pensions –** During the 1990's and into the early 2000's, local governments benefited from low pension contribution rates because of robust stock market growth. However, in recent years contribution rates have returned to historic norms. Current rates remain well below those of the 1970's. In 1972, Employee Retirement System (ERS) contribution rates reached 21.9 percent of payroll, and in 1979, Police and Fire Retirement System (PFRS) rates reached 35.1 percent of payroll. After a steep increase in rates in 2005, the rates have declined. Rates for 2009 will be 8.5 percent of payroll (down from 9.6 percent in 2008 and 10.7 percent in 2007) for the ERS and 15.7 percent of payroll (down from 16.6 percent in 2008 and 17.0 percent in 2007) for the PFRS.

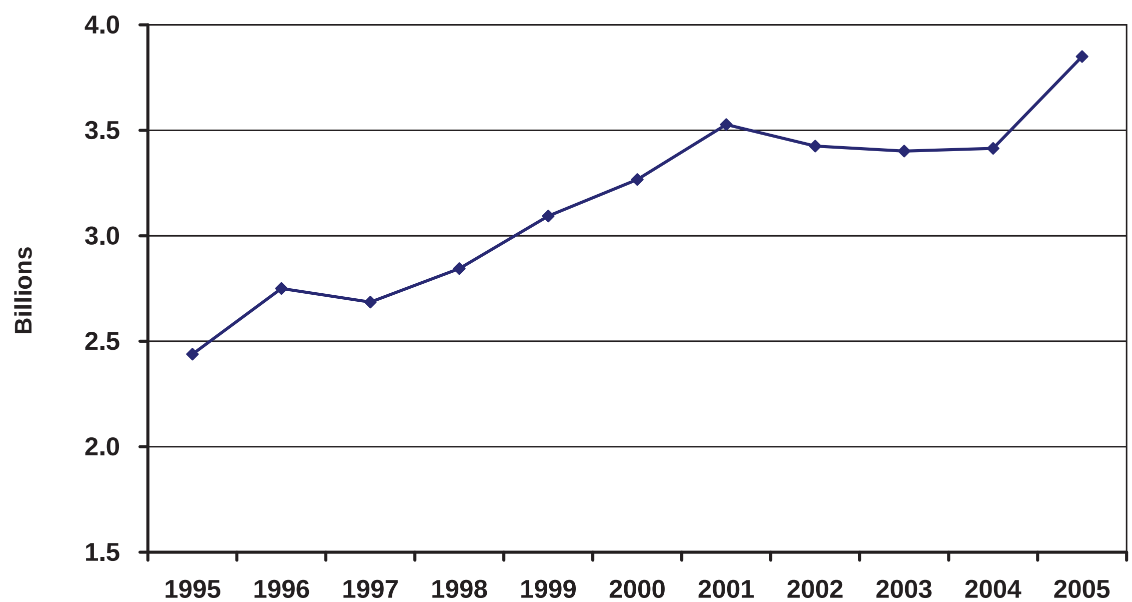
- **Employee Salaries –** Wages and salaries paid to local government employees constituted 44 percent of local government spending on operations in 2005. Between 1995 and 2005, spending for salaries and wages increased at an average annual rate of 3.8 percent, from nearly $16 billion to $23 billion. This rate of growth exceeded the inflation rate of 2.5 percent for this period. The largest growth occurred in fire districts (7.1 percent on average annually) and school districts (4.2 percent growth on average annually), followed by towns and villages where growth exceeded four percent. Spending for employee compensation grew more slowly in counties (2.8 percent) and cities (2.7 percent). Employee compensation is generally driven by collective bargaining agreements governed by State laws, leaving local governments with little flexibility to reduce these expenses.

- **Medicaid –** Under legislation enacted in 2005, the growth in the share of Medicaid costs that counties are responsible for was capped at an annual inflation factor of 3.5 percent of 2005 local expenditures in 2006, an additional 3.25 percent of 2005 local expenditures in 2007 and an additional 3 percent annually in 2008 and thereafter. The State must assume any costs in Medicaid growth above those amounts. While the Medicaid cap has helped relieve pressure on county budgets, the expenditures for Medicaid continue to increase annually, with total expenditures for Medicaid totaling $2.12 billion in 2005, or 11.5 percent of total county expenditures.

The same legislation that capped Medicaid cost increases also allowed counties to swap a portion of their sales tax revenues, beginning in 2008, in lieu of capped Medicaid payments. Monroe County was the only county to opt for the sales tax swap by the September 2007 deadline. However, under its current sales tax sharing agreement, the amount of sales tax revenues that the County retains after distributing funds based on its sharing agreement is less than the amount that will be intercepted by the State. The County proposed to reduce the sales tax revenues shared with school districts by 50 percent in order to implement the swap, but school districts have filed a lawsuit to block the County from implementing its plan. At the time of publication, the State Supreme Court had just rendered a decision upholding the county plan.

- **Debt Service –** Debt continues to become a more significant financial burden for local governments. From 1995 to 2005, growth in local government outstanding debt outpaced growth in the various economic measures that reflect the ability to repay that debt. Between 1995 and 2005, total outstanding debt for all classes of local government (excluding New York City) almost doubled, from \$17.6 billion to \$33.5 billion (an average annual increase of 6.7 percent). Between 1995 and 2005 the associated debt service costs for local governments also increased from \$2.4 billion to \$3.9 billion (an average annual increase of 4.7 percent). Fifty-eight percent of the growth in debt service is attributable to school districts, where debt service expenditures increased at an average annual rate of 7.4 percent. The rate of growth in debt service payments for other classes of government was more moderate.

Total Debt Service for All Classes of Local Government
(1995–2005)



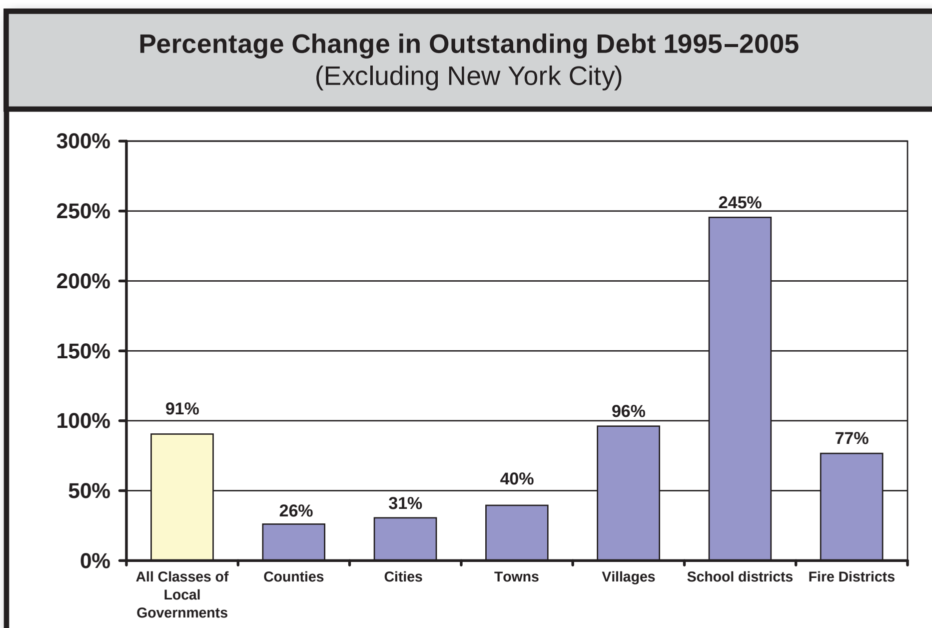
Increased Reliance on Debt

Local governments maintain an extensive infrastructure critical to the economy, including roads, bridges, educational facilities, and water and sewer systems. When used prudently, debt is vital to maintaining and improving the economic health of communities. However, when governments rely excessively on debt, especially to pay for current operating expenses, the long term costs of supporting the debt will impact operating budgets by limiting financial flexibility and the ability to finance essential capital projects in the future.

- **Statewide Trends –** From 1995 to 2005, total outstanding debt, including short term cash flow borrowings, for all levels of local government (excluding New York City) increased by 91 percent, from $17.6 billion to $33.5 billion. In contrast, revenues accruing to local governments increased by only 54 percent.

- **Debt Limits**[2] **–** In 2005, only three villages and two cities exceeded 80 percent of their constitutional debt limits, even though recent evidence suggests that many local governments are increasingly relying on debt and concurrently exhausting their debt capacities. These findings underscore the need for a reevaluation of the effectiveness of constitutional debt limits and the need for other debt affordability measures to ensure that local governments are managing their debt burdens effectively.

- **Debt Outstanding –** The most dramatic increases in debt occurred in school districts and villages between 1995 and 2005. Total outstanding debt for villages doubled, from $840 million to nearly $1.7 billion and more than tripled for school districts, from $4.6 billion to nearly $16 billion. The increase in school district debt was driven largely by State reimbursement formulas that encourage schools to borrow for capital projects and stretch out debt. In 2005, 47 percent of total outstanding debt for all classes of local governments belonged to school districts. Between 1995 and 2005, cities and towns also experienced increases in total outstanding debt, although this growth was much more moderate, ranging from 3.2 percent for cities, 2.3 percent for counties, to 3.4 percent for towns.



[2] Debt limits for counties, cities, towns, villages and school districts in cities (except for the dependent school districts in New York City, Buffalo, Rochester, Syracuse and Yonkers) are percentages of the five-year average full valuation of taxable property within a municipality. The limit for school districts outside cities is a percentage of the current full valuation. Debt issued by cities with dependent school districts for educational purposes is chargeable to the respective city's constitutional debt limit.

2007 State Legislation Affecting Local Governments

Several bills were enacted during the 2007 legislative session that affect New York State's local governments, some of which were priorities of the State Comptroller. In addition, more than 50 bills authorizing counties to continue imposing local sales tax rates that exceed the current three percent allowed in State statute passed both houses. Some other measures that were enacted will ease reporting and purchasing procedures for certain classes of local governments, enable school districts to increase reserves and ease implementation of fire district reform legislation enacted in 2006. While not an exhaustive list, the following are recently enacted laws that will affect local governments:

- **State Budget Reform (Chapter 1) –** Recent budget reform legislation provides for improved accountability and timeliness in enacting the State Budget. Included in this legislation is a requirement that the State Division of the Budget provide an estimate of the Budget's impact on local governments. This provision was suggested by OSC and is intended to help local governments obtain better information about State aid and actions.

- **Shared Municipal Services Incentive Program (Chapter 50) –** Established in the 2005-2006 State Budget, the Shared Municipal Services Incentive (SMSI) program provides grants to two or more units of local government for the development of projects that will achieve savings and improve municipal efficiency through shared services, cooperative agreements, mergers, consolidations or dissolutions. The 2005-06 SFY Budget provided funding of $2.75 million; the 2006-07 and 2007-08 SFY Budgets increased funding to $25 million for each of those years.

- **Uniform Deficit Financing (Chapter 341) –** This bill, a priority for the Comptroller, provides for a uniform process under which municipalities and school districts incur debt for the purposes of liquidating operating deficits, otherwise known as deficit financing. The legislation establishes a statutory template for such authorizations that will ensure consistent fiscal oversight and reporting procedures for local governments. In addition, the legislation provides OSC adequate time to review documents and make recommendations before action is taken on local budgets.

- **Procurement Reform (Chapter 343) –** This law amends the General Municipal Law to allow counties to "piggyback" on the contracts of other counties and expand the purchasing options available to them. Previously, only political subdivisions located within a county had the authority to piggyback on a contract of the county in which they were located.

- **Allowable Reserves for School Districts (Chapter 238) –** This measure increases the allowable amount of unappropriated unreserved fund balance which may be retained by a board of education from two percent to three percent in 2007-08, and four percent in 2008-09 and thereafter.

- **Fire District Reform (Chapter 555) –** This OSC-recommended legislation makes a series of technical and clarifying amendments in connection with a number of reforms enacted in 2006 to improve the financial administration of fire districts and accountability of fire companies, including:

  - Clarifies the timing and nature of various steps in the fire district budget process, including specifying the dates on which fire district budgets must be adopted and submitted to their respective town boards.

  - Clarifies that the new fire company audit requirement does not apply to municipalities that contract to provide fire protection services to other municipalities and fire districts.

  - Clarifies that actual and necessary expenses incurred by fire commissioners in complying with mandatory training requirements are a fire district charge when approved in advance by the board of fire commissioners.

- **Rochester Joint Schools Construction Board (Chapter 416) –** The bill establishes the Rochester Joint Schools Construction Board and authorizes up to $325 million for 13 school building projects in the City of Rochester. The legislation requires OSC to approve the terms and conditions of the financing plan.

- **Justice Court Assistance Program (Chapter 127) –** This legislation increases the annual grant ceiling for justice courts from $20,000 to $30,000, consistent with the Office of Court Administration's 2006 Action Plan for the Justice Courts. These grants are primarily used to purchase equipment needed to facilitate court operations.

- **Statewide Wireless Network Reporting (Chapter 56) –** New legislation requires local governments to report on costs associated with the Statewide Wireless Network (SWN) in order to help ensure the transparency of all SWN-related costs and help assess the financial impact of SWN on local governments. The law requires the chief executive officer of each county, city, town, village or fire district that had SWN-related expenditures (or anticipates having such expenditures in its next fiscal year) to submit an itemized list of those expenditures in January. No reporting requirements are mandated for local governments who had no expenditures incurred or anticipated during the reporting period. OSC is required to coordinate this effort and publish a statewide report in March. In an effort to assist with compliance, reporting instructions were sent to all local governments in November 2007.

Audits and Oversight

OSC has the constitutional and statutory responsibility to oversee the fiscal affairs of more than 4,200 government entities in New York State. OSC's Division of Local Government and School Accountability works closely with local governments and performs periodic audits on municipalities and schools throughout the State.

Accountability Audits

The Division's accountability audits ensure that control systems are in place to safeguard the assets of local governments. A subset of accountability audits – fraud audits – reveals how the lack of adequate controls can lead to criminal abuse of local government assets. In 2006, the Division found nearly $5 million in local government assets that had been misappropriated through fraud.

- **Monroe County Water Authority –** The Division's audit found that the authority paid six employees nearly $500,000 in unearned pay and benefits due to the board's lax oversight, the authority management's abuse of power, and the absence of written policies and procedures to control the salaries and benefits paid to non–union authority employees. In response to the audit, the authority implemented policies and procedures designed to ensure that non–union authority employees are paid appropriate amounts of salary and benefits. The authority board later repudiated the agreements that authorized these payments, but it had already paid out $420,000 and spent another $75,000 to get out of one of the agreements. As a result of the audit, the authority recovered approximately $91,000 from its former executive director.

- **City of Rochester –** OSC's audit of the City's purchase and operation of its fast ferry service found that City officials ignored many clear warnings that the project had a high potential for failure and made several missteps that hindered the City's ability to protect itself when the project went awry. The City also spent nearly $1 million on the project, a fact that appears to have been hidden from the public. Some of these expenditures were not approved by the City council. This spending included payments for equipment to operate the ferry, payment for a fuel storage system, and payments funneled to the ferry contractor and operator through a third-party contractor.

- **Town of Copake –** The Division's audit found that the town assessor took advantage of his independently elected status as an assessor to provide himself with financial and other benefits to which he was not entitled totaling $11,495. As town assessor, he was able to change his personally owned property's assessed value and underpay his property tax. In addition, he used his wife's social security number during 2002 and 2004, which incorrectly reported his salary for tax withholding purposes.

- **Town of Constantia –** The Division's audit found that the town's former bookkeeper inappropriately paid herself nearly $7,400 and attempted to hide her actions by altering computer records and falsifying vouchers. Auditors found that she was able to disguise these inappropriate payments because of poor oversight by the town board, the total and unsupervised control that the bookkeeper had over the town's accounting system, and the failure of the town board to perform an annual audit of the town's financial records since 2002, even though State law requires it to do so annually.

- **Yonkers City School District –** The Division's auditors found that the City and school district of Yonkers were billed $669,455 twice by the Yonkers Industrial Development Agency (YIDA) for the same costs. YIDA then used the second, duplicate payment by the school district to make an inappropriate loan to Yonkers Baseball Development, a for-profit corporation established by the YIDA to develop a baseball stadium in Yonkers. It was easy for City officials to shuffle money between legally separate entities because city officials controlled all the entities involved. For example, the City's mayor was the chairman of the YIDA, and the City's finance officer maintained the school district's bank accounts. However, auditors stated that each entity is governed by a set of rules, and the movement of funds between entities must follow those rules even if the entities have common leadership. In this case, failure to adhere to established controls created an opportunity for misuse of funds.

- **Public Authorities –** To support the goal of making public authorities more accountable, the Division increased its audit oversight of local public authorities. In addition to the audit of the Monroe County Water Authority, the Division audited the Lackawanna Municipal Housing Authority (LMHA) and found that its internal controls over claims processing were not designed appropriately or operating effectively. Vendor claims were paid without being reviewed by the board of commissioners. The executive director, who was responsible for procuring LMHA's goods and services, also had the authority to approve claims for payment. Due to these internal control weaknesses, auditors reviewed claims paid during the audit period and found that sufficient documentation was not attached to credit card invoices.

  An audit of the Catskill Regional Off-Track Betting Corporation found that the corporation had not distributed all the funds that were due to its member counties. As a result, $2.5 million had been inappropriately retained by the corporation. In addition, the audit found that the corporation authorized an advance payment of $80,000 to a vendor that was awarded a public work contract without obtaining a performance bond or other form of security for protection. Also, the corporation failed to institute procedures requiring that cash remaining in automatic teller machines be counted when the machines were replenished so that amounts remaining could be reconciled to book balances.

Internal Control Audits

Government officials entrusted with public resources are responsible for complying with laws and regulations, meeting goals and objectives, and safeguarding assets. A good internal control system is an important element of a local government's financial and operating structure and is intended to assist local officials in meeting these responsibilities. In 2006, the Division identified a number of opportunities to improve internal control systems.

- **William Floyd Union Free School District –** The Division's audit found that the district's internal control structure was inadequate to detect and prevent fraud. OSC's audit also found $6.4 million in inappropriate and unapproved spending at the district. This included $3.2 million for seven administrators' contracts and salaries that were not approved in advance by the board; $2.1 million of questionable or poorly controlled payments, including no-bid contracts and payments made without contracts; and $1.1 million in apparent misappropriations by district managers for their own personal benefit. Auditors attributed this widespread abuse of funds to the district's poor control environment, which undermined the control structure, often to the benefit of district officials themselves.

- **Justice Courts –** To strengthen justice court accountability, the Division audited 12 justices in six justice courts located in Otsego, Delaware, Broome, and Sullivan counties. OSC's audit found deficiencies in the justice courts ranging from inadequate policies regarding recordkeeping, reconciliations, deposits, and reporting, to weak internal controls over duty segregation among court personnel. To improve oversight and accountability of justice courts, OSC is currently working with the Office of Court Administration (OCA) on the implementation of their comprehensive Action Plan for the Justice Courts, an effort to enhance the operations of New York's justice courts.

- **Wyandanch Union Free School District –** The Division's audit found many instances where the board had not established critical internal controls, or had not ensured that controls operated effectively. For example, the district could not present proof that some employees hired after July 2002 had received necessary fingerprint clearance or background checks to have State Education Department approval to work with children. In addition, the district awarded two contracts totaling $130,000 to a former board member after he had been removed from the board for official misconduct. Further, recordkeeping errors resulted in the district overpaying 17 employees by $10,717 and underpaying 14 by $18,873.

Efficiency Audits

As local governments continue to face growing fiscal pressures, the ability to save taxpayer dollars through efficiency improvements is critical. In 2006, Division audits of individual units of government contained myriad recommendations for cost savings and revenue enhancements. Examples of audits of individual units of government include:

- **Statewide School District Medicaid Reimbursements –** The Division's statewide audit disclosed that eight school districts audited failed to claim at least $2.7 million in Medicaid reimbursements. Because these eight districts failed to claim Medicaid reimbursement for related services and ongoing service coordination provided to special education students, the districts did not receive at least $675,000 in Medicaid reimbursement revenues, which was their share (25 percent) of the eligible services that district officials could have claimed. Based on OSC's audit, staff found that, if similar conditions exist statewide, these missed reimbursements could result in districts and the State collectively having received $140 million less than they were eligible to receive in Medicaid reimbursements over a two-year period.

- **Ulster County Law Enforcement Center –** The Division's audit found that the county failed to institute adequate controls over the construction of its law enforcement/jail facility, resulting in unnecessary and inappropriate costs to taxpayers. OSC identified $12.9 million in unnecessary costs as a result of deficiencies in construction contracts, design errors and payments for work that should have been covered in original contracts, the county's need to hire two separate special counsels for legal services and a consulting firm to manage problems that arose during construction, and operating costs that could have been avoided if the project had been completed on time.

- **Sullivan West Central School District –** The Division's audit disclosed that district officials failed to adopt a comprehensive strategic plan for the merger of three separate school districts into one, consequently mismanaged the merger, and wasted $12.5 million of taxpayer dollars. District officials did not adequately address declining building occupancy levels in their decision to renovate two school buildings, which they later closed due to declining pupil enrollment. In addition, although district officials knew that they would receive only 75 percent of the capital project costs in State building aid, they allowed taxpayers to think that this State funding would cover 95 percent of the costs of the district's capital projects. When total staffing levels increased after the merger, the district was unable to realize approximately $2.1 million in savings due to economies of scale that were identified in a merger study.

- **Health Insurance for Retirees –** The Division's audit of 20 local governments found that nine municipalities had inadequate systems for identifying when retirees die and, as a result, had paid $786,481 for health insurance for 65 retirees or dependent spouses of retirees who had died, some as many as 12 years ago. The nine local governments paid $311,957 for deceased retiree insurance coverage and an additional $474,524 for family health insurance coverage for dependent spouses who were ineligible for continued benefits due to a retiree's death. After learning of the findings of the audit, five municipalities recouped $592,042, or 75 percent of these funds, from insurance providers.

- **Statewide Efficiencies –** The Division also issued 11 audits covering multiple units of government during 2006. These performance audits involved working with several local governments or agencies in a particular region or across the State to look at issues or programs to determine if there are ways to improve efficiency and effectiveness. These audits allow us to highlight important operational issues and improvement opportunities of interest to a broad range of local governments. Topics included accounting and reporting for indigent legal defense services; Industrial Development Agency (IDA) billing accuracy for payments in lieu of taxes; IDA project approval, evaluation and monitoring efforts; municipal fuel purchasing practices and contracting for residential refuse; county child protective services efforts; county probation department cash accountability; and controlling hospital services costs provided to county inmates.

Budget Reviews

OSC budget reviews help local governments monitor structural balances in their budgets by evaluating the consistency and appropriateness of estimated revenues, appropriations, and appropriated fund balances. In 2006, Division staff performed 19 budget reviews for local governments, 13 of which were mandated by special deficit financing legislation.

- **Deficit Financing Reviews –** Budget reviews mandated under deficit financing legislation included the cities of Rome, Schenectady, Troy, and Yonkers; the village of Endicott; the towns of Stony Point and Babylon; and the Greater Amsterdam, Beacon, Fabius-Pompey, Liberty, Monroe-Woodbury, and Troy school districts. We also performed budget reviews in six other local governments.

- **City of Glen Cove –** The Division's review of the City's finances found that City officials had not taken appropriate action to address recurring deficits in the general, water and sewer, and recreation funds and to monitor revenues and expenditures. As a result, the City had experienced annual operating deficits and was in severe fiscal stress. Auditors found that the City was experiencing severe cash shortages and was likely to end the year with an accumulated deficit of almost $10 million.

- **City of Lackawanna –** A budget review found that the City was on the brink of a severe financial crisis. It had no flexibility in its revenue structure, as it had exhausted virtually all of its taxing power. The City's largest taxpayer was seeking a reduction in its assessment from approximately $40 million down to zero. Furthermore, auditors determined that expenditure estimates in the proposed 2006-07 budget were not reasonable. Faced with a negligible tax margin, the potential loss of a substantial amount of its taxable assessed valuation, and unreasonable expenditure estimates in the proposed 2006-07 budget, it was doubtful that the City would be able to sustain the current level of services provided to its citizens.

Environmental Studies

As the public has become more concerned about issues of sustainability, climate change, and the increasingly high prices of energy and fuels, New York State has set targets for energy efficiency, purchase requirements from renewable energy sources, and many other environmentally sensitive policies. Local governments are demanding information on cost savings and environmental benefits. In response, Division audit and research staff have been working together to highlight improvements that have already been implemented in counties, cities, towns, villages and school districts across the State.

Audits and research are currently being conducted to quantify the benefits of solar energy, to analyze the conversion of landfill methane for electric power generation, and to assess school district compliance with green cleaning-product purchasing regulations. Future research reports or audits could also focus on funding availability for environmentally-focused initiatives such as exploring the performance of municipal recycling programs, or grants for comprehensive energy audits and related capital improvements to facilities.

Policy Reports

Fiscal Challenges Ahead for New York's Cities

In March of 2006, cities had to certify completion of their first multiyear financial plans in exchange for increased revenue sharing funds from the State. The Division analyzed 48 of those plans to examine trends in city finances. Since many cities in the State are facing fiscal challenges driven by declining populations, stagnant property values and heightened demand for service delivery, the report found that many cities were projecting growing budgetary gaps in each year of their plans. Although the quality and methodologies of the plans varied so greatly that it was difficult to draw conclusions, those that appeared to use comparable methodologies showed average gaps approaching 10 percent of total revenues by the third year of their projections. Gaps of this magnitude are generally indicative of fiscal stress. Since financial planning is only useful when it reflects realistic assumptions, the report urged the State to adopt a more formal review and approval process for these plans. This recommendation was adopted in the 2007-08 SFY Budget, and the Division is now reviewing the 41 fiscal performance plans submitted under this new requirement.

Town Special Districts

Town special improvement districts have proliferated over the last 50 years. As of 2004, 6,927 special districts have been created throughout the State, each responsible for a wide variety of residential needs. Historically, districts were established to attend to common needs of people in specific geographic areas, with drainage, fire protection, lighting, park, refuse, sewer and water districts accounting for about 93 percent of all existing improvement districts. As suburbanization has occurred, however, special districts may no longer be the most efficient or equitable mechanism to provide services.

In March 2007 the Division released a research brief on town special improvement districts in New York. The report provided information on how town special districts are structured, how they operate and what fiscal burden they impose on property owners. The report noted that 24 percent of total town revenues now come from special districts, with two-thirds of all special district revenues collected in four major urban counties: Nassau, Suffolk, Erie and Westchester. With special districts now adding hundreds of dollars to property owners' tax bills, the report encouraged State and local officials to improve transparency of special district operations, utilize unit cost analyses to evaluate efficiency and equity issues, and consider consolidation where appropriate.

Medicaid Swap

The Division released *Decision 2007: Counties and the Medicaid Cap* in August 2007. This report offered guidance to counties as they considered whether or not to continue operating under the Medicaid cap (which would limit their cost increases to three percent each year) or to give up a portion of their sales tax revenue in exchange for eliminating Medicaid from their local budget. The decision to go with the swap depended heavily on how counties project future sales tax revenues.

The report examined sales tax histories for all 57 counties in New York State and attempted to isolate revenues generated as a result of economic activity versus local rate increases – which have become more common over the past few years. As a result of the analysis, OSC concluded that most counties would not realize a net benefit from the swap. A handful of counties were shown to potentially benefit but that was predicated on future revenues continuing to grow at slower rates. The report demonstrated that even slight variations in sales tax trends could result in a county giving up more sales tax revenue to the State than what they would owe under the cap. Given the permanent nature of this decision, OSC urged counties to proceed with caution and offered some guidance on predicting revenues and the implications of selecting the swap option. The report also urged State policy makers to modify the Medicaid cap legislation so that counties could change course down the road if the swap no longer presented a net benefit.

Subsequent to this report, only one county (Monroe) chose to opt into the Medicaid swap.

Local Government Debt

New York has one of the highest overall debt levels in the nation and the debt issued by local governments is becoming a more substantial part of this overall debt burden. In November 2007, the Division released a report, *Layers of Debt: Trends and Implications for New York's Local Governments*, which highlighted the growth in total outstanding debt among all classes of local government, and the impact of this increasing debt on taxpayers and on local government operating budgets.

The report examined trends in outstanding long–term debt between 1995 and 2005 and found that, while debt increased by 94 percent, from $16.9 billion to $32.8 billion over this time period, the most significant increases have occurred in school districts, most likely driven by changes in State reimbursement formulas that encourage schools to borrow for capital projects and stretch out debt.

Increases in local government debt have resulted in a deterioration in most accepted measures of debt affordability, particularly in upstate regions. The level of outstanding debt per capita, as a percent of real property value and as a percent of personal income have all increased for most regions between 1995 and 2005.

While the use of long-term debt is a necessary financing tool, all levels of government must be aware that debt is not a cost-free option. It imposes long-term obligations that can significantly limit a government's operating flexibility, and locks in long-term costs for taxpayers. The report urged local governments to adopt effective debt management policies, and asked State policy makers to reexamine programs that have encouraged the overuse of debt.

Other Division Activities

Electronic Filing

From 2003 to 2007, the percentage of local governments that used e-filing increased from 74 to 95 percent. During these five years, villages and towns achieved the most marked improvements in electronic filing practices. In 2003, 64 percent of villages submitted their financial data via electronic filing, and by 2007, this percentage increased to 94 percent. During the same period of time, the percentage of towns that utilized e-filing increased from 66 to 94 percent. Counties and cities have consistently used electronic filing, maintaining usage percentages between 95 and 100 percent during this period.

Training and Technical Assistance

During 2006, Division staff conducted 96 training sessions at more than 35 statewide and regional events including conferences, training schools, accounting schools, teleconferences and regional forums. Through these instructional outlets, the Division trained more than 12,900 local officials. These programs included three key initiatives spearheaded by the Comptroller:

- **Schools Accountability –** All school district and BOCES board members are required to receive training on the basics of financial accountability. In collaboration with the New York State School Boards Association and Hudson Valley Community College, the Division recently launched a low-cost, online training program to meet this requirement. Since June 2006, more than 200 board members have participated in this ongoing training initiative.

- **Fire Districts –** During 2006 and 2007, the focus on improving financial accountability for fire districts resulted in 11 new laws being enacted along with a cleanup bill to clarify ambiguities in previous legislation. The Division was required to develop and promulgate new training regulations, which were published in the State Registry. In addition, the Division created a standardized curriculum and an application process for fire district commissioner training providers who will be delivering 6 hours of required training. In an effort to increase understanding of this new legislation, the Division collaborated with the Association of Fire Districts of the State of New York to produce two teleconferences, which were viewed by approximately 2,400 fire personnel. In addition, the Division trained 900 people at one of the Association's major conferences. Finally, the Division continues to work with OSC's Division of Retirement Services on a new state-administered Length of Service Award Program (LOSAP) for volunteer firefighters that is now available to sponsoring local governments.

- **Justice Courts –** The Division continued its emphasis on fiscal responsibility in Justice Courts by providing training workshops on reporting and accountability to more than 1,530 magistrates and court clerks. In collaboration with OCA, the Division produced two teleconferences on new legislation and fiscal accountability. Additionally, the Division collaborated with OCA on an online training program to promote fiscal accountability. The online training program began in September 2007.

- **Guidance and Technical Assistance –** The Division continues its efforts to provide helpful guidance and technical assistance to local governments. In 2007, several best practice guides were produced (the "Local Government Toolbox" series) to provide advice in the areas of health insurance, procurement, credit card use, and cash management. The Division also launched a major effort to update and streamline its Local Government Management Guides, with the first set of documents slated for release in early 2008. The Division actively monitors its local government "email box" and responded to hundreds of requests for information and technical assistance this year. Over 4,300 requests for technical assistance were also responded to from our eight regional offices.

Public Authorities Reporting Information System (PARIS)

To help minimize duplicative reporting requirements for public authorities, the Authority Budget Office (ABO) and OSC have developed an electronic reporting system and database that will allow authorities to submit information online to both the ABO and OSC. This system, known as the Public Authorities Reporting Information System (PARIS), establishes standard reporting formats and data fields to allow State and local authorities to meet various reporting requirements through a web-based application. PARIS became operational in November 2007.

Justice Court Fund

The Division is custodian of the Justice Court Fund (JCF), established to account for the revenues from fines and penalties collected by the State's 1,270 town and village justice courts; the Department of Motor Vehicles Administrative Adjudication Program; the Nassau County Traffic and Parking Violations Agency; and parking surcharges collected by the cities of New York, Buffalo, Rochester, Yonkers, Syracuse and Albany. In particular, the Division collects the State portion of these fines and penalties, and accounts for the local shares that are either retained by or refunded to the municipalities.

In the 2006-07 State fiscal year, JCF distributed $465.8 million in fines, fees and forfeitures derived from the adjudication of motor vehicle, criminal, civil and other cases at the local government level. Local governments received 46 percent of this distribution, or $214.7 million, and the State received 54 percent, or $251.1 million.

The JCF also received and distributed almost $510,000 from cities, towns and villages for the State's portion of license fees from bingo and games of chance.

The Division has also been working closely with OCA in the implementation of its comprehensive Action Plan for the Justice Courts to improve oversight of the operations and administration of New York's justice courts. For example, the Division assisted OCA in identifying a funding source to offset costs related to the acceptance of credit cards in all justice courts and provided training to facilitate compliance with monthly reporting of court activities.

Indigent Legal Services Fund

Indigent defendants have a constitutional right to legal counsel. In New York State, counties fulfill this obligation through public defenders' offices, legal aid societies, or an assigned counsel program pursuant to Article 18-B of the County Law. Legislation enacted in 2003 increased the hourly rates that must be paid to assigned counsel and created the Indigent Legal Services Fund (ILSF) to provide additional funding to counties to help offset these increased costs. OSC administers this fund. Aid distributions are made annually based upon the amount of local funds expended for provision of indigent legal defense services. However, State law requires each county to demonstrate compliance with certain maintenance of effort (MOE) requirements as a precondition for receiving this aid.

Because of confusion surrounding the MOE requirements, OSC worked closely with county officials to help them understand the law and the implications associated with failure to comply with it. In March 2007, $68 million was distributed to counties from the ILSF, but three counties did not receive a portion of this distribution because they did not comply with the MOE requirements. In response, OSC raised concerns with various aspects of the MOE and distribution requirements, and advanced a legislative proposal in 2007 that maintained fairness of distributions while providing for a smoother and more predictive determination of aid amounts.

Communications and Customer Service

The Division is committed to providing timely, effective communication to local governments on a wide-ranging set of issues. In 2007, the Division redesigned its internet site to improve navigation and content management, developing an interactive training calendar searchable by date and location. It also expanded collection of email addresses so that reports, newsletters and bulletins can now be transmitted electronically to most local government officials, reducing printing and mailing costs. Over 10,000 local officials can now be reached quickly and easily using electronic contact information. Going forward, the Division is now using innovative online survey technology to solicit input from local governments and respond more quickly to requests for information.

It was also during this period that the Division evaluated and redesigned its internal Intranet site, improving internal communications and business processes. This enables staff to stay informed and access resources quickly and conveniently.

Demographic and Fiscal Overview of New York's Local Governments

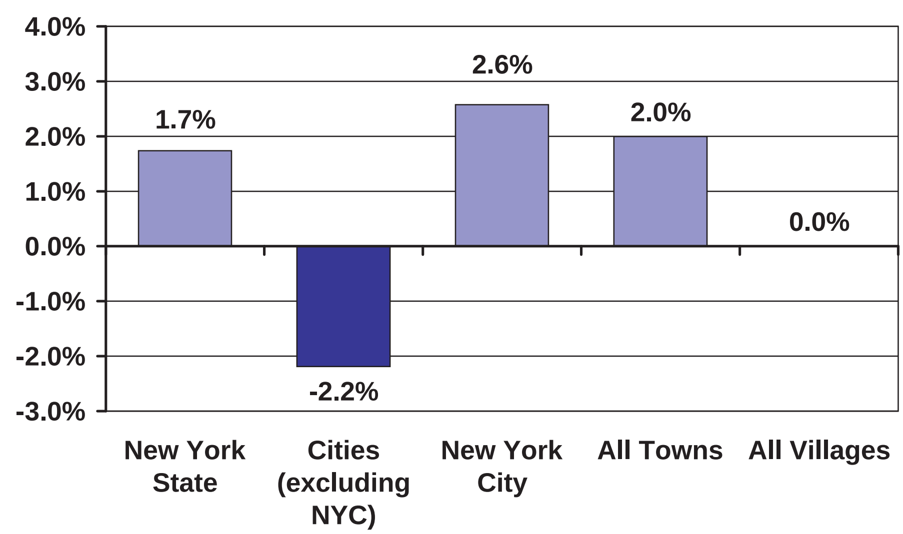
To expedite dissemination of local government financial data, the Division of Local Government and School Accountability began publishing separate financial reports for each major class of local government. In the past year, reports were issued on the financial condition of New York's counties, cities, towns, villages, fire districts and school districts. These reports are available on the Division's website and provide more detailed information on the finances of each class of government.

Population Trends

From 1970 to 2000, New York's population grew by 4.0 percent. More recently (from 2000 to 2006), the State's population has increased by another 1.7 percent. However, these increases mask significant diverging trends, distinguishing upstate from downstate and urban from suburban.

The State's net gain in population is largely explained by gains in New York City, which increased its population by 1.4 percent during the 30 year period (1970-2000). In the last six years, New York City has increased its population by an additional 2.6 percent. Immigration and economic vitality explain much of this growth.

Population Trends in Cities, Towns and Villages
(2000–2006)



In contrast, cities outside New York City have suffered population loss - 19.5 percent between 1970 and 2000. Over the past six years, population in upstate cities has continued to decline. The cities of Buffalo, Rochester, and Syracuse have been particularly hard hit: from 1970 to 2000, Buffalo lost 36.8 percent of its population, while Rochester and Syracuse lost 25.8 percent and 25.3 percent, respectively. Updated Census estimates show that the trend continues: from 2000-2006, Buffalo lost another 5.7 percent of its population, Rochester another 5.3 percent and Syracuse another 4.5 percent.

Like cities, upstate villages lost population from 1970-2000 (10.6 percent); that trend has continued through 2006. However, the trends are quite different in downstate villages which grew 12.7 percent from 1970 to 2000. This trend continues based on 2006 population estimates - downstate villages have gained another 1.7 percent.

To a large extent, losses in city and upstate village populations represent shifts to surrounding towns. As a class, town population has seen the greatest growth among all classes of government from 1970 to 2000 (15.5 percent) as well as from 2000 to 2006 (2.0 percent). This "sprawl without growth" has troubling implications for land use, transportation and tax policy within the State.

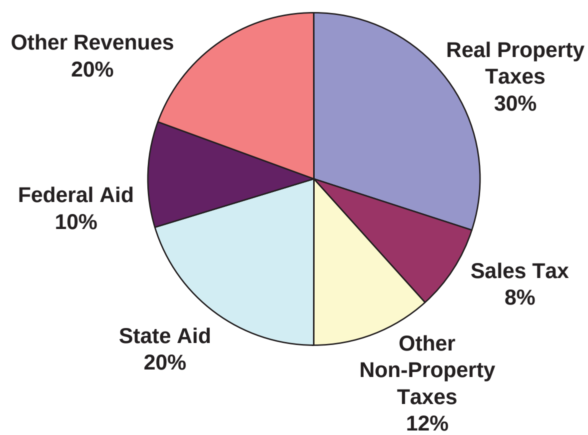
New York's population trends are indicative of the diverging economic fortunes of upstate and downstate regions. As population, business investment, job opportunities and tax bases diminish, so does the fiscal health of our local governments. The ability to slow or even reverse these trends will be important in the years ahead.

Revenue Trends: "Where the Money Comes From"

- **Revenue Mix –** In 2005, total revenue for all major classes of local government amounted to more than $124 billion, an increase of nearly 8 percent from 2004. Of this total, 30 percent was raised through property taxes and 20 percent was raised through non-property taxes, including sales tax. Intergovernmental aid represented another 30 percent of total revenues in 2005. Fine, fee and other revenues continue to increase their share of the total, accounting for the remaining 20 percent. As a share of total revenues, property taxes and State aid each declined slightly (-1 percent).

- **Revenues by Class –** New York City alone accounts for approximately 53 percent of total local government revenues. Outside New York City, total revenues equal $58 billion, of which school districts raise 49 percent, counties 30 percent, towns 10 percent, cities 6 percent, villages 4 percent and fire districts 1 percent.

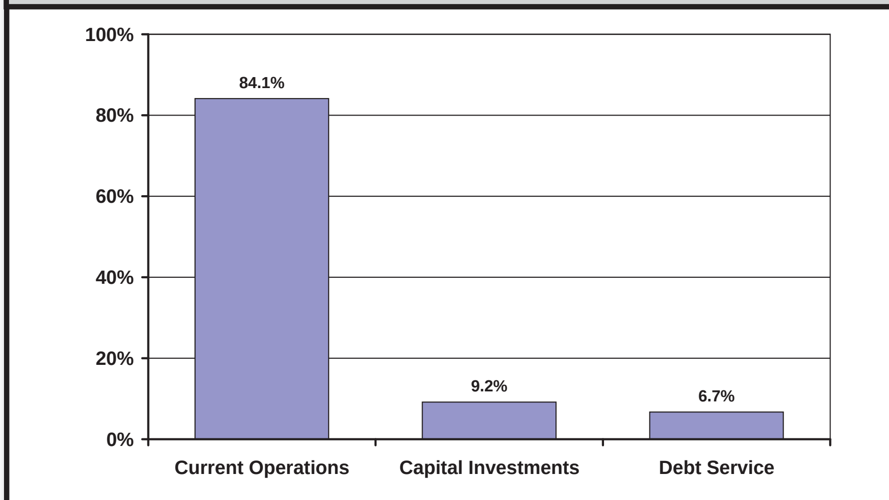
2005 Total Revenue
$124 Billion
(all major classes of local government including NYC)



Expenditure Trends: "Where the Money Goes"

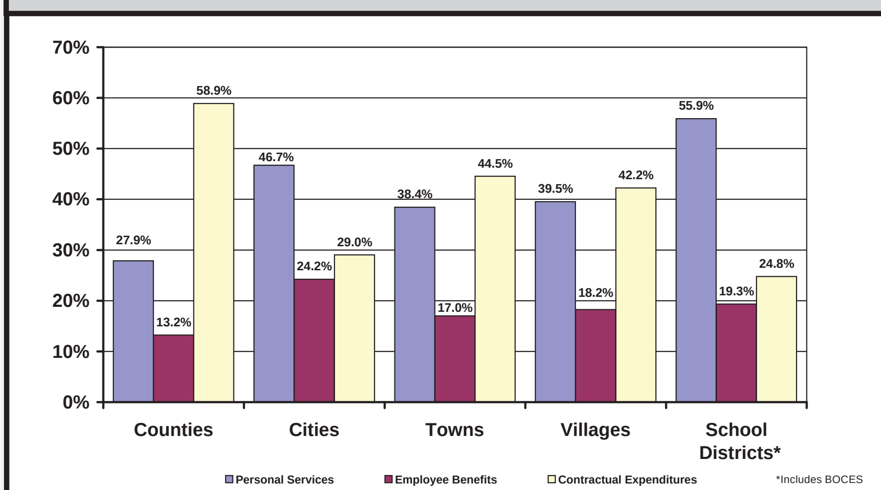
In 2005, spending for all classes of New York's local governments, including New York City, totaled $131.5 billion, an increase of over 7 percent over 2004. The majority of spending was attributable to current operations (84 percent), with the remainder funding capital investments (9 percent) and debt service (7 percent).

Total Expenditures for all Local Governments
(including New York City)



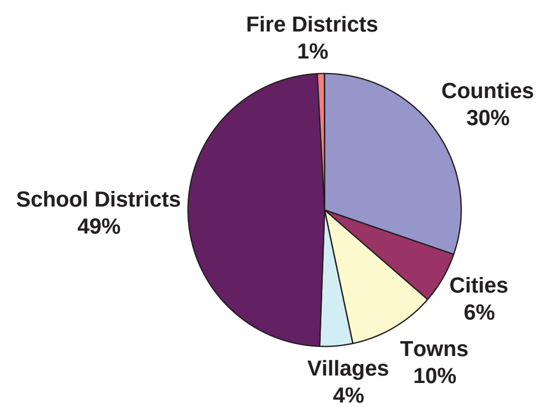
- **Current Operations –** Within current operations, there were significant spending variances between classes of local government in 2005. Personal services represented the largest category of expense for school districts and cities, while contractual expenditures represented the largest category of expense for towns, villages and, most notably, counties. However, when combined with fringe benefits, employee-related expenses accounted for the majority of current operations costs in all classes of local governments except counties.

2005 Current Operations Expenditure Mix by Class



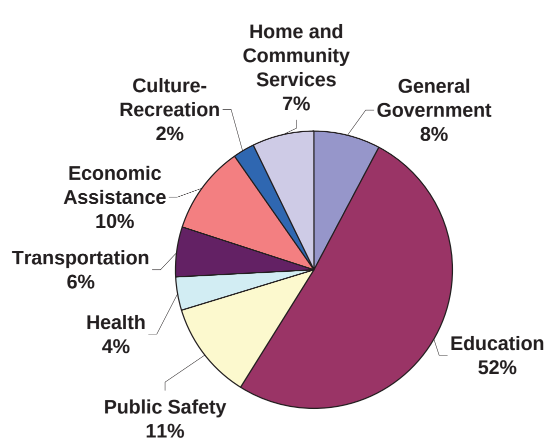
- **Spending by Class –** New York City accounted for nearly $70 billion of the 2005 total, or 53 percent. Of the $61.7 billion spent by local governments outside New York City in 2005, spending by school districts accounted for nearly half of the amount (49 percent). Counties spent 30 percent of the total, and cities, towns, villages and fire districts spent the remaining 21 percent.

Share of Total Expenditures by Class 2005
(excluding NYC)



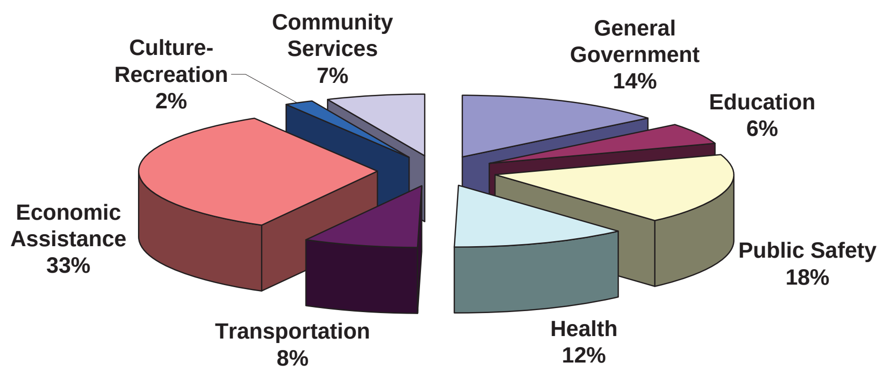
- **Spending by Function –** New Yorkers receive a variety of services provided by local governments. Over half of total spending by local governments outside of New York City supports education provided by public school districts and community colleges. Public safety accounts for 11 percent of all local spending and another 10 percent goes toward economic assistance which includes social services (such as the local share of Medicaid and income assistance programs).

Total Expenditures by Function
All Major Classes of Government (excluding NYC)



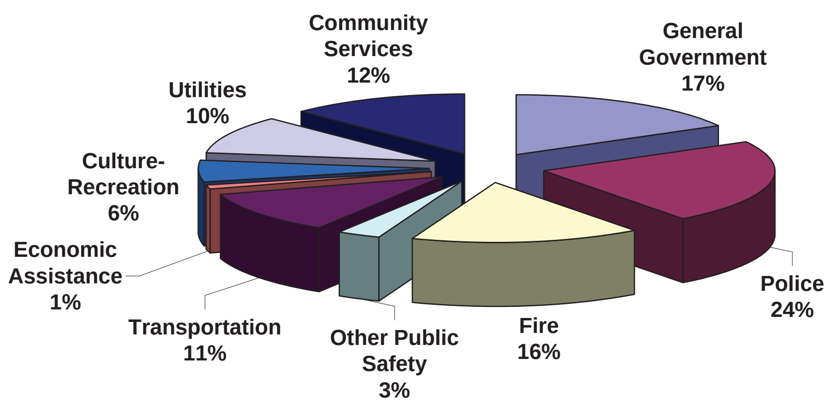
- **Counties –** Counties spend over one-third of their budgets on economic assistance, a category almost entirely comprised of the local portion of Medicaid and temporary income assistance payment programs, which are also supported by State and federal funds. Public safety accounts for 18 percent of expenditures while health care expenditures account for 12 percent.

2005 County Expenditures by Function

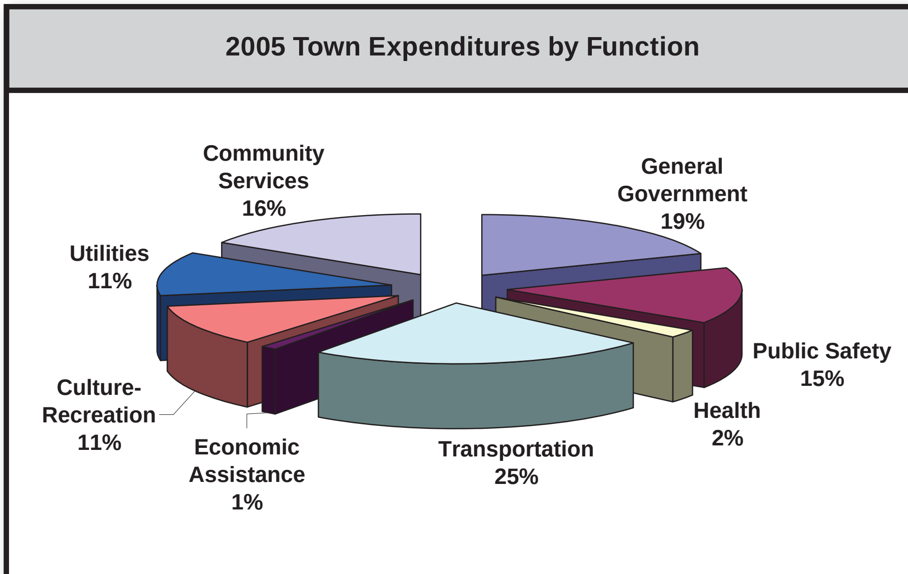


- **Cities –** Cities spend 43 percent of their budgets on public safety. Cities are also generally responsible for providing such home and community services as water, sewers, refuse collection and–occasionally–electricity. Together, these services make up 22 percent of city budgets. Cities also maintain roads and bridges, and are sometimes responsible for other transportation costs such as transit systems and airports (11 percent).

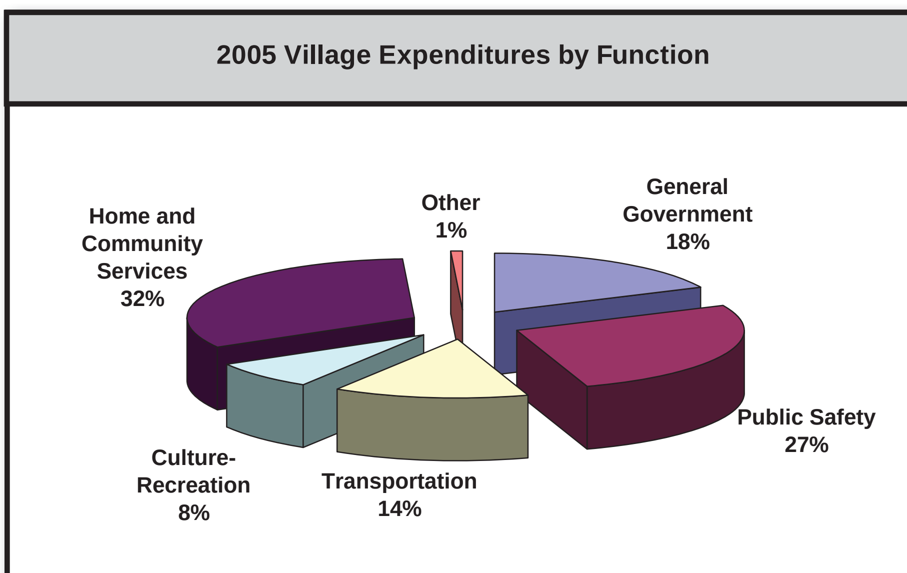
2005 City Expenditures by Function



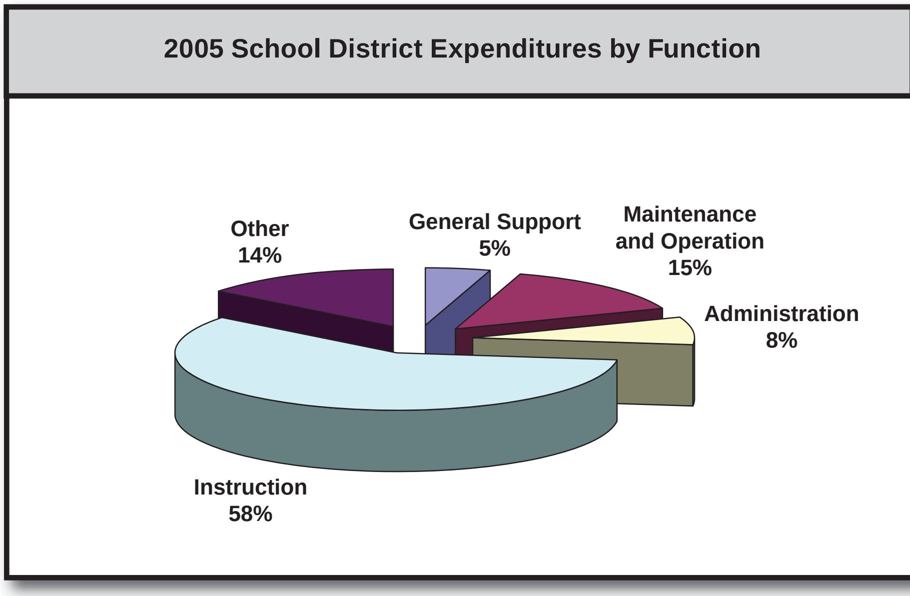
- **Towns –** A quarter of all town expenditures were for transportation, while utilities and other home and community services (including water, sewer and refuse collection) account for another 27 percent. Many suburban towns provide police and fire protection services, so public safety accounts for another 15 percent of town budgets.



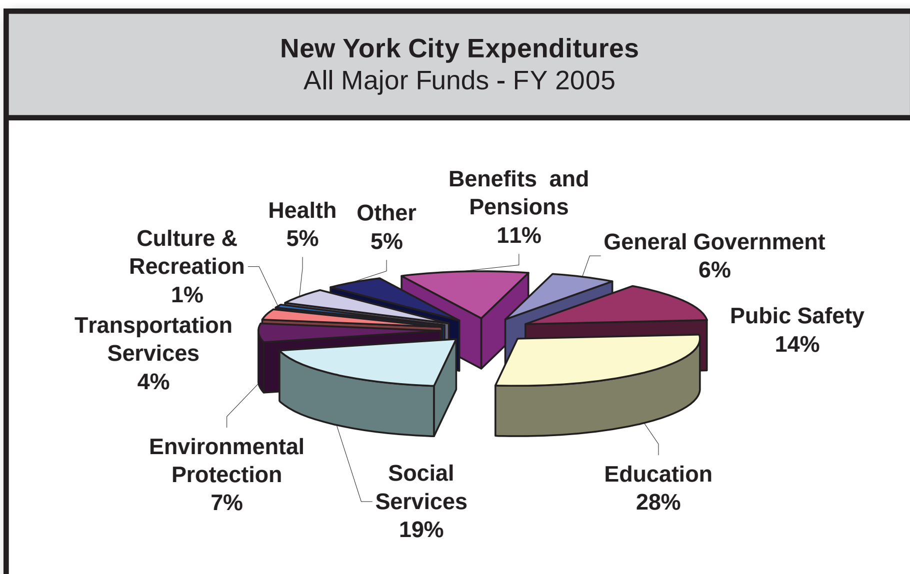
- **Villages –** Like cities, villages provide mainly water, sewer and refuse collection (32 percent) and police and fire protection (27 percent). They also maintain roads and bridges (14 percent) and parks and cultural attractions (8 percent).



- **School Districts –** School districts spend most of their budgets on instruction (58 percent), and maintenance (15 percent). Administration accounts for 8 percent of expenditures.



- **New York City –** In New York City, education (28 percent) and social services (19 percent) account for nearly half of the City's total expenditures. Public safety represents the next largest expenditure category at 14 percent. Benefits and pensions account for 11 percent of total expenditures.



Summary of Local Government Entities

(As of November 2007)

Local Government Entities		
General Purpose		
Counties	57	
Cities	62	
Towns	932	
Villages	556	1,607
Special Purpose		
School Districts	700	
Fire Districts	867	1,567
Total Local Government Entities		**3,174**

Special Purpose Entities	
Public Authorities	239
Other Special Purpose	875
Total Special Purpose Entities	**1,114**

Total Governmental Entities	**4,288**

SUMMARY OF FINANCES FOR MAJOR CLASSES OF LOCAL GOVERNMENT – Fiscal Years Ended in 2005

	Counties (1)	Cities	NYC (2)	Towns	Villages	School	Fire	Total (3)
Number of Units	57	61	1	932	553	698	874	**3,176**
Population - 2000 Census	10,968,179 (a)	2,265,897	8,008,278	8,692,132	1,871,658	---	---	**18,976,457**
Land Area (Square Miles)	46,910.2	572.7	303.3	46,214.9	940.5	---	---	**47,213.5**
TAXABLE VALUATION OF REAL PROPERTY:	Amounts Below in Millions of Dollars							
Assessed Value (Municipal)	$341,074.7	$44,687.3	$103,415.0	$300,177.8	$33,373.1	---	---	**$444,489.7**
Assessed Value (School)	---	---	103,677.0	---	---	$344,695.3	---	**448,372.3**
Full Value (Municipal)	942,576.3	97,520.4	490,816.3	847,490.4	189,577.5	---	---	**$1,433,392.6**
Debt Issued:								
Bonds	$1,658.7	$585.3	$6,775.3	$584.7	$239.6	$2,860.2	$30.3	**$12,734.1**
Notes	664.8	343.7	0.0	317.9	130.9	2,883.6	14.6	**4,355.5**
Outstanding Debt:								
Bonds (Gross)	$7,766.0	$2,781.5	$33,903.3	$3,548.6	$1,387.0	$13,974.0	$222.4	**$63,582.8**
Notes	917.0	497.5	---	692.2	259.8	2,020.8	20.4	**4,407.7**
TOTAL OUTSTANDING DEBT	**$8,683.1**	**$3,279.1**	**$33,903.3**	**$4,240.8**	**$1,646.8**	**$15,994.8**	**$242.9**	**$67,990.8**
REVENUES:								
Real Property Taxes and Assessments	$4,385.0	$987.1	$11,914.0	$2,885.5	$965.8	$15,545.9	$494.0	**$37,177.3**
Non-Property Taxes	4,943.7	741.9	18,245.3	646.1	158.1	259.8	0.0	**24,994.9**
State Aid	2,686.9	657.4	11,052.0	641.1	144.9	9,824.1	0.0	**25,006.4**
Federal Aid	1,884.8	255.0	8,909.6	172.2	62.6	1,459.1	0.0	**12,743.3**
Other Revenues	3,623.5	990.4	16,157.2	1,377.6	779.8	1,258.2	50.8	**24,237.5**
TOTAL REVENUES	**$17,523.8**	**$3,631.8**	**$66,278.1**	**$5,722.4**	**$2,111.2**	**$28,347.0**	**$544.8**	**$124,159.1**
EXPENDITURES:								
Current Operations	$16,365.6	$3,028.4	$58,227.1	$4,737.0	$1,769.2	$26,148.6	$353.6	**$110,629.5**
Equipment and Capital Outlay	1,184.3	447.3	6,651.2 (b)	1,023.6	363.5	2,224.7	171.2	**12,065.8**
DEBT SERVICE:								
Principal	789.3	195.6	2,016.3	379.1	122.7	954.5	34.0	**4,491.5**
Interest	384.5	115.1	2,944.5	150.8	56.0	657.3	10.7	**4,318.9**
TOTAL DEBT SERVICE	**1,173.8**	**310.7**	**4,960.8**	**529.9**	**178.7**	**1,611.8**	**44.7**	**8,810.4**
TOTAL EXPENDITURES	**$18,723.7**	**$3,786.3**	**$69,839.2**	**$6,290.5**	**$2,311.5**	**$29,985.1**	**$569.4**	**$131,505.7**

For historical trends of all major units of government (comparable to data listed under the "Total" column of this table) please refer to the table entitled "Combined Summary of Finances for All Major Classes of Local Government," that follows. New York City data on this table includes financial data relating to the New York City School District and the City University of New York.

(1) Includes counties other than the five comprising New York City.

(2) Also includes fiscal data relating to the New York City School District and the City University of New York. Financial data reflect all discretely presented component units as reported in the City of New York CAFR; certain categories will not be comparable with data published prior to 1992. Debt issued and outstanding debt categories exclude data of the Municipal Assistance Corporation, the Transitional Finance Authority, the Educational Construction Fund, the TSASC Inc. and discretely presented component units.

(3) Totals are adjusted to eliminate instances of duplication. For example, the population of the area of villages are also contained in "Town" data. Another example, both the categories "Cities - Excluding NYC" and "School Districts - Excluding NYC" include debt outstanding and debt issued of the fiscally dependent school districts in the cities of Buffalo, Rochester, Syracuse and Yonkers.

(a) County totals also include data for Native American reservations which is not included in the City or Town totals.

(b) Includes only direct charges to the Capital Projects Fund. Equipment is included in Current Operations.

Note: Detail may not add due to rounding.

COMBINED SUMMARY OF FINANCES FOR ALL MAJOR CLASSES OF LOCAL GOVERNMENT –
Fiscal Years Ended in 1995 and 2000-2005

Includes Counties, New York City (Including School Districts and Higher Education), Cities, Towns, Villages, School Districts and Fire Districts								Percent Change			
								Overall		Average Annual	
	1995	2000	2001	2002	2003	2004	2005	2000-2005	1995-2005	2000-2005	1995-2005
Population (1)	17,990,778	18,976,457	18,976,457	18,976,457	18,976,457	18,976,457	18,976,457	0.0%	5.5%	0.0%	0.5%
TAXABLE VALUATION OF REAL PROPERTY:											
Assessed Value (Municipal Purposes)	$267,323.0	$325,093.7	$339,357.2	$351,755.5	$369,994.2	$382,947.2	$444,489.7	36.7%	66.3%	6.5%	5.2%
Assessed Value (School Purposes)	271,949.0	332,375.4	346,760.6	359,216.2	379,879.3	392,623.8	448,372.3	34.9%	64.9%	6.2%	5.1%
Full Value (Municipal Purposes)	806,458.3	899,029.1	963,565.0	1,052,952.9	1,182,342.5	1,290,989.4	1,433,392.6	59.4%	77.7%	9.8%	5.9%
INDEBTEDNESS DATA:											
Debt Issued:											
Bonds	$5,255.4	$3,543.2	$5,804.6	$8,744.4	$11,361.3	$12,462.1	$12,642.7	256.8%	140.6%	29.0%	9.2%
Notes	6,068.1	5,055.8	5,298.8	6,811.7	7,140.2	5,932.6	4,281.7	-15.3%	-29.4%	-3.3%	-3.4%
Outstanding Debt:											
Bonds	$38,837.6	$45,978.3	$47,057.0	$50,184.3	$53,585.9	$58,009.4	$63,032.2	37.1%	62.3%	6.5%	5.0%
Notes	3,227.2	4,005.0	4,279.4	4,745.2	5,972.4	4,656.1	4,324.9	8.0%	34.0%	1.5%	3.0%
TOTAL OUTSTANDING DEBT	**$42,064.8**	**$49,983.3**	**$51,336.4**	**$54,929.5**	**$59,558.3**	**$62,665.5**	**$67,357.4**	**34.8%**	**60.1%**	**6.1%**	**4.8%**
REVENUES:											
Real Property Taxes and Assessments	$23,531.2	$26,390.4	$27,547.9	$29,346.8	$32,290.8	$35,508.6	$37,177.3	40.9%	58.0%	7.1%	4.7%
Non-Property Taxes	13,666.2	19,047.8	19,983.1	18,244.1	18,965.4	21,860.7	24,994.9	31.2%	82.9%	5.6%	6.2%
State Aid	16,632.5	19,900.8	21,388.8	22,322.4	22,870.8	23,685.9	25,006.4	25.7%	50.3%	4.7%	4.2%
Federal Aid	6,770.7	8,832.4	9,880.0	11,771.0	12,392.5	11,733.7	12,743.3	44.3%	88.2%	7.6%	6.5%
Other Revenues	17,643.0	19,768.8	21,091.1	20,738.5	21,532.4	21,891.0	24,237.5	22.6%	37.4%	4.2%	3.2%
TOTAL REVENUES	**$78,243.4**	**$93,940.3**	**$99,890.8**	**$102,422.7**	**$108,051.8**	**$114,679.7**	**$124,159.1**	**32.2%**	**58.7%**	**5.7%**	**4.7%**
EXPENDITURES:											
Current Operations	$71,108.5	$82,703.0	$89,312.8	$93,992.4	$98,587.0	$102,559.4	$110,629.5	33.8%	55.6%	6.0%	4.5%
Equipment and Capital Outlay	6,701.3	9,073.6	10,773.4	12,163.8	11,855.9	11,497.4	12,065.8	33.0%	80.1%	5.9%	6.1%
DEBT SERVICE:											
Principal	2,424.3	3,714.8	4,056.8	3,992.8	4,069.3	4,223.0	4,491.5	20.9%	85.3%	3.9%	6.4%
Interest	3,399.6	3,829.3	4,160.6	4,122.0	4,035.6	4,160.8	4,318.9	12.8%	27.0%	2.4%	2.4%
Total Debt Service	5,823.9	7,544.1	8,217.4	8,114.8	8,104.9	8,383.8	8,810.4	16.8%	51.3%	3.2%	4.2%
TOTAL EXPENDITURES	**$83,633.7**	**$99,320.6**	**$108,303.6**	**$114,271.3**	**$118,547.9**	**$122,440.5**	**$131,505.7**	**32.4%**	**57.2%**	**5.8%**	**4.6%**

Note: The above table includes New York City trend data which has been revised starting with the 1992 year. Because of these revisions, statistics reflected on this table may not be comparable with published data prior to 1992. Detail may not add due to rounding.

(1) 1990 Federal Census Population figures are used for 1995. 2000 Federal Census Population figures are used starting in 2000.

COMBINED SUMMARY OF FINANCES FOR ALL MAJOR CLASSES OF LOCAL GOVERNMENT (Excluding NYC) – Fiscal Years Ended in 1995 and 2000-2005

Includes Counties, Cities, Towns, Villages, School Districts and Fire Districts								Percent Change			
								Overall		Average Annual	
	1995	2000	2001	2002	2003	2004	2005	2000-2005	1995-2005	2000-2005	1995-2005
Population (1)	10,668,214	10,968,179	10,968,179	10,968,179	10,968,179	10,968,179	10,968,179	0.0%	2.8%	0.0%	0.3%
TAXABLE VALUATION OF REAL PROPERTY:											
Assessed Value (Municipal Purposes)	$191,303.7	$244,464.3	$255,296.8	$262,477.0	$275,756.1	$283,345.5	$341,074.7	39.5%	78.3%	6.9%	6.0%
Assessed Value (School Purposes)	195,746.6	251,490.1	262,440.9	269,676.6	285,373.0	292,769.7	344,695.3	37.1%	76.1%	6.5%	5.8%
Full Value (Municipal Purposes)	526,666.8	594,307.2	635,075.6	688,996.4	787,048.5	863,697.8	942,576.3	58.6%	79.0%	9.7%	6.0%
INDEBTEDNESS DATA:											
Debt Issued:											
Bonds.	$1,673.7	$2,876.8	$3,426.0	$4,775.8	$6,487.7	$6,000.8	$5,867.4	104.0%	250.6%	15.3%	13.4%
Notes	3,868.1	4,305.8	4,548.8	5,311.7	5,640.2	4,432.6	4,281.7	-0.6%	10.7%	-0.1%	1.0%
Outstanding Debt:											
Bonds	$14,333.1	$19,086.2	$20,221.2	$21,718.8	$23,906.9	$26,631.0	$29,128.9	52.6%	103.2%		7.3%
Notes	3,227.2	4,005.0	4,279.4	4,745.2	5,972.4	4,656.1	4,324.9	8.0%	34.0%	1.5%	3.0%
TOTAL OUTSTANDING DEBT	**$17,560.3**	**$23,091.2**	**$24,500.6**	**$26,464.0**	**$29,879.3**	**$31,287.1**	**$33,454.1**	**44.9%**	**90.5%**	**7.7%**	**6.7%**
REVENUES:											
Real Property Taxes and Assessments	$15,891.4	$18,353.6	$19,121.5	$20,379.6	$22,035.8	$23,619.6	$25,263.3	37.6%	59.0%	6.6%	4.7%
Non-Property Taxes	3,904.4	5,125.6	5,231.6	5,541.4	5,875.2	6,345.7	6,749.6	31.7%	72.9%	5.7%	5.6%
State Aid .	9,158.3	11,361.3	12,251.8	12,779.0	13,292.2	13,487.0	13,954.4	22.8%	52.4%	4.2%	4.3%
Federal Aid.	2,463.5	2,945.0	3,252.9	3,613.4	3,746.0	3,948.2	3,833.7	30.2%	55.6%	5.4%	4.5%
Other Revenues	6,115.5	7,903.0	7,663.5	7,428.9	7,508.9	7,418.6	8,080.3	2.2%	32.1%	0.4%	2.8%
TOTAL REVENUES	**$37,532.9**	**$45,688.6**	**$47,521.2**	**$49,742.3**	**$52,457.9**	**$54,818.9**	**$57,881.0**	**26.7%**	**54.2%**	**4.8%**	**4.4%**
EXPENDITURES:											
Current Operations	$34,288.8	$40,534.5	$43,027.2	$45,076.7	$47,404.8	$50,197.0	$52,402.4	29.3%	52.8%	5.3%	4.3%
Equipment and Capital Outlay	3,026.6	4,231.0	5,454.8	5,829.4	6,050.6	5,727.4	5,414.6	28.0%	78.9%	5.1%	6.0%
DEBT SERVICE:											
Principal	1,510.8	2,153.8	2,279.8	2,182.5	2,167.4	2,175.4	2,475.2	14.9%	63.8%	2.8%	5.1%
Interest	928.2	1,112.8	1,247.6	1,242.5	1,234.2	1,238.8	1,374.4	23.5%	48.1%	4.3%	4.0%
TOTAL DEBT SERVICE	**2,439.0**	**3,266.6**	**3,527.4**	**3,425.0**	**3,401.6**	**3,414.2**	**3,849.6**	**17.8%**	**57.8%**	**3.3%**	**4.7%**
TOTAL EXPENDITURES	**$39,754.4**	**$48,032.0**	**$52,009.3**	**$54,331.4**	**$56,857.1**	**$59,338.6**	**$61,666.5**	**28.4%**	**55.1%**	**5.1%**	**4.5%**

(1) 1990 Federal Census Population figures are used for 1995. 2000 Federal Census Population figures are used starting in 2000.

Note: Detail may not add due to rounding.

COMBINED SUMMARY OF FINANCES FOR COUNTIES, CITIES, TOWNS AND VILLAGES (Excluding NYC) –
Fiscal Years Ended in 1995 and 2000-2005

								Percent Change			
								Overall		Average Annual	
	1995	2000	2001	2002	2003	2004	2005	2000-2005	1995-2005	2000-2005	1995-2005
Population (1)	10,668,214	10,968,179	10,968,179	10,968,179	10,968,179	10,968,179	10,968,179	0.0%	2.8%	0.0%	0.3%
TAXABLE VALUATION OF REAL PROPERTY:											
Assessed Value	$191,303.7	$244,464.3	$255,296.8	$262,477.0	$275,756.1	$283,345.5	$341,074.7	39.5%	78.3%	6.9%	6.0%
Full Value	526,666.8	594,307.2	635,075.6	688,996.4	787,048.5	863,697.8	942,576.3	58.6%	79.0%	9.7%	6.0%
INDEBTEDNESS DATA:											
Debt Issued:											
Bonds	$1,176.5	$1,225.8	$1,475.4	$1,645.9	$2,309.9	$3,507.4	$3,068.3	150.3%	160.8%	20.1%	10.1%
Notes	1,922.6	1,470.9	1,767.0	1,808.0	1,763.1	1,458.2	1,457.3	-0.9%	-24.2%	-0.2%	-2.7%
Outstanding Debt:											
Bonds	$10,932.8	$12,341.5	$12,252.3	$12,505.3	$13,380.8	$14,405.2	$15,483.1	25.5%	41.6%	4.6%	3.5%
Notes	2,236.0	2,056.3	2,268.7	2,138.2	2,584.6	2,369.4	2,366.5	15.1%	5.8%	2.8%	0.6%
TOTAL OUTSTANDING DEBT	**$13,168.8**	**$14,397.6**	**$14,520.9**	**$14,643.4**	**$15,965.5**	**$16,774.6**	**$17,849.8**	**24.0%**	**35.5%**	**4.4%**	**3.1%**
REVENUES:											
Real Property Taxes and Assessments	$6,620.4	$7,115.2	$7,251.7	$7,604.7	$8,231.9	$8,771.4	$9,223.4	29.6%	39.3%	5.3%	3.4%
Non-Property Taxes	3,692.9	4,886.3	4,982.3	5,288.6	5,624.4	6,090.9	6,489.8	32.8%	75.7%	5.8%	5.8%
State Aid	2,574.3	3,249.4	3,518.9	3,665.1	3,949.7	4,129.2	4,130.3	27.1%	60.4%	4.9%	4.8%
Federal Aid	1,858.2	2,083.7	2,291.7	2,521.7	2,527.3	2,540.2	2,374.6	14.0%	27.8%	2.6%	2.5%
Other Revenues	5,234.1	6,705.0	6,381.6	6,262.7	6,373.7	6,268.4	6,771.3	1.0%	29.4%	0.2%	2.6%
TOTAL REVENUES	**$19,979.8**	**$24,039.5**	**$24,426.1**	**$25,342.7**	**$26,706.8**	**$27,800.1**	**$28,989.2**	**20.6%**	**45.1%**	**3.8%**	**3.8%**
EXPENDITURES:											
Current Operations	$17,996.6	$20,626.0	$21,925.7	$22,833.0	$23,979.6	$25,421.1	$25,900.2	25.6%	43.9%	4.7%	3.7%
Equipment and Capital Outlay	1,952.5	2,326.8	2,771.1	2,779.6	2,833.9	2,928.7	3,018.7	29.7%	54.6%	5.3%	4.5%
DEBT SERVICE:											
Principal	968.1	1,407.6	1,395.7	1,227.6	1,315.9	1,301.4	1,486.7	5.6%	53.6%	1.1%	4.4%
Interest	648.9	684.1	698.4	671.5	692.9	647.9	706.4	3.3%	8.9%	0.6%	0.9%
TOTAL DEBT SERVICE	**1,617.0**	**2,091.7**	**2,094.1**	**1,899.1**	**2,008.8**	**1,949.3**	**2,193.1**	**4.8%**	**35.6%**	**1.0%**	**3.1%**
TOTAL EXPENDITURES	**$21,566.1**	**$25,044.5**	**$26,790.9**	**$27,511.9**	**$28,822.4**	**$30,299.2**	**$31,112.0**	**24.2%**	**44.3%**	**4.4%**	**3.7%**

(1) 1990 Federal Census Population figures are used for 1995. 2000 Federal Census Population figures are used starting in 2000.

Note: Detail may not add due to rounding.

DIVISION OF
LOCAL GOVERNMENT AND SCHOOL ACCOUNTABILITY

RESOURCES AND PUBLICATIONS

Website: www.osc.state.ny/localgov • Email: localgov@osc.state.ny.us

In addition to audits, the Division of Local Government and School Accountability provides an extensive range of services to help local governments operate more efficiently and effectively. These services include accounting, management and self-help manuals; technical assistance publications and bulletins; a variety of training opportunities and special consultative services. Moreover, the Division actively promotes government reform by providing State leaders, local government officials and the public with audits, research reports and information about critical local government policy issues.

Most of the Division's publications, including all those listed below, can be accessed online at www.osc.state.ny.us/localgov/index.htm. Printed copies of these publications can be obtained by calling (518) 474-6975 or emailing us at localgov@osc.state.ny.us.

Audits of Local Governments – The Division completes audits of individual local governments as well as groups of local governments. Performance audits provide an independent assessment of the performance of one or more local governments. Economy and efficiency audits are used to determine whether a locality is operating efficiently, the causes of any inefficiencies or uneconomical practices and whether the entity has complied with pertinent laws and regulations. Program audits are used to evaluate whether desired results or benefits are being achieved and whether the locality has complied with significant laws and regulations applicable to the program. The Division's website includes audits released from 2000 to the present.

Cost-Saving Ideas – Various Division publications provide advice and assistance on cost-saving ideas local governments can use as they examine their operations. In particular, there is information on cooperation and consolidation, the Local Government Financial Toolbox (a series of fiscal "how-to" guides for local governments) and a model custodial agreement for use with collateral pools.

Data and Statistics – Data and statistics regarding the State's local governments, including those used in many of the Division's publications, is available in multiple formats on the Division's website and by request. This includes information related to individual classes of local government such as villages, special district thresholds, the Aid and Incentives to Municipalities (AIM) program, revenues collected by justice courts and overlapping real property tax rates and levies. Financial data from 1998 to 2005 for counties, cities, towns, villages, school districts, fire districts, special purpose units, joint activities and industrial development agencies is also available.

DIVISION SERVICES/RESOURCES

Financial Reporting – Information and forms can be downloaded from the Division's website in a variety of formats.

- **Local Government Electronic Filing –** The Division provides local governments with a free, easy-to-use software program they can utilize to prepare and file their annual financial reports.

- **Justice Court Report Filing –** Information related to the case disposition and receipt data that all town and village justice courts are required to submit to OSC each month is available.

- **Indigent Legal Services Fund –** Information concerning the annual reporting of expenditures on indigent legal services by counties and New York City and estimates of future distributions to these entities from the Indigent Legal Services Fund can be obtained.

- **Constitutional Debt Limits –** Information is available about the debt limits imposed by the State Constitution, which constrain the amount of debt that certain municipalities can incur, and the method for applying for exclusions from these limits for certain types of self-liquidating debt.

- **Constitutional Tax Limits –** Information is available about the provisions of the State Constitution that constrain the amount of taxes that a local government can levy and the tax limit form that local governments must file with OSC.

- **BOCES Annual Financial Report Certification Form –** The form for the filing of BOCES annual financial reports can be downloaded from the Division's website.

- **Average Estimated Costs for County and Town Special Improvement Districts –** Information can be found on the average estimated cost thresholds to be used in determining whether the approval of the State Comptroller is necessary for certain special district actions.

- **Multiyear Financial Plans and Fiscal Performance Plans –** A guide, template, and sample plans that local governments can use when developing their multiyear financial plans are available.

DIVISION SERVICES/RESOURCES

Publications – The Division's website contains a wealth of documents of value to municipal officials and others interested in local government issues and finance.

- **Research Reports –** The Division has authored several reports that address major policy issues facing local governments and State policy-makers. Recent subjects addressed include fiscal challenges facing cities, town special districts, Medicaid and local government debt.

- **Accounting and Financial Information –** Numerous financial accounting, reporting and technical assistance documents are available for use by local governments.

- **Audit Reports –** The website includes a searchable database of audits of local government entities released by the Division from 2000 to the present.

- **Local Government Connection Newsletter –** The State Comptroller's quarterly newsletter for municipalities, school districts and other local government-related entities is available on the website.

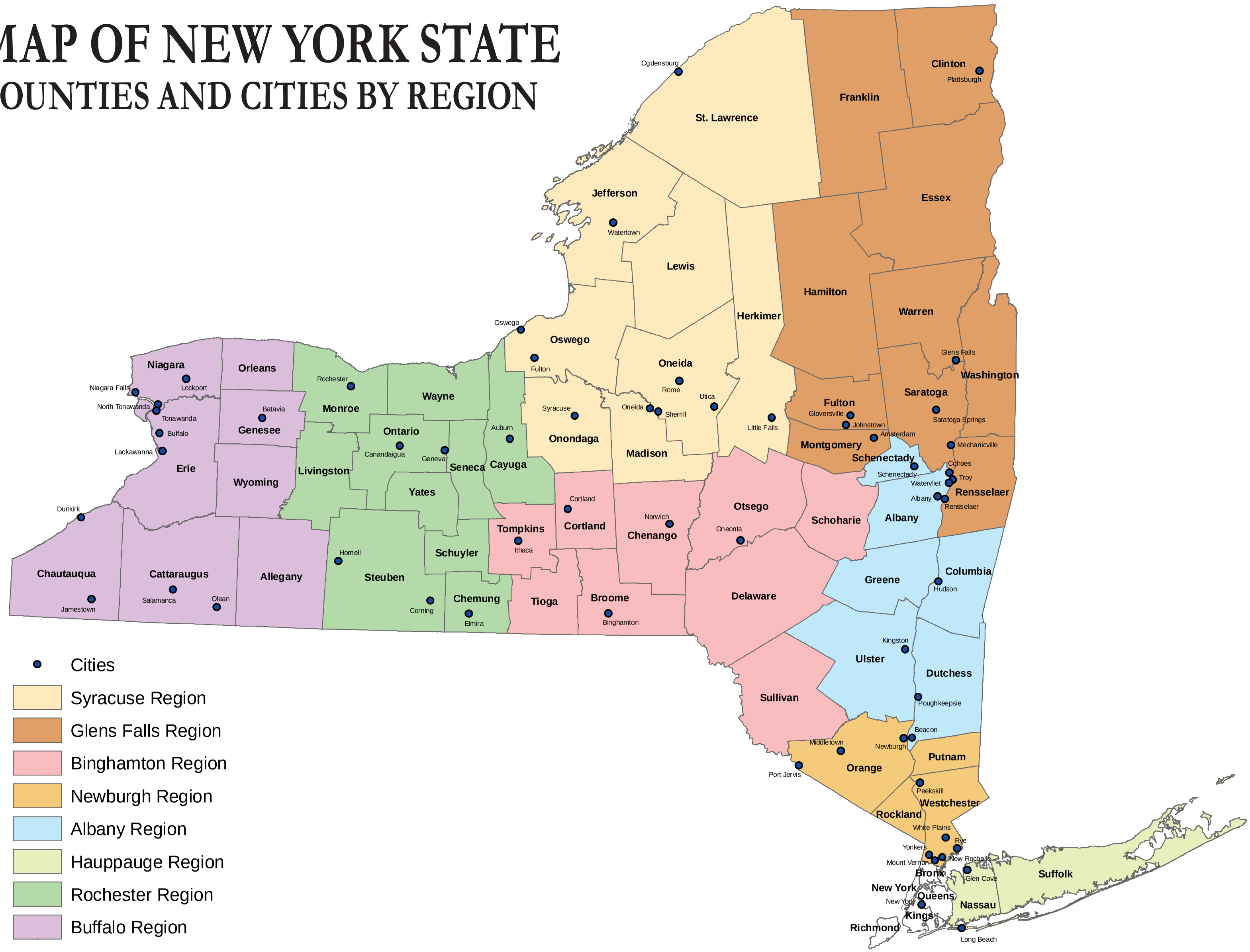
- **Local Government Management Guide –** A series of modules that includes technical information as well as suggested management practices for municipalities is available. Some of the topics covered in the guide are capital assets, fiscal oversight responsibilities, intermunicipal cooperation, internal controls, multiyear capital plans, multiyear financial planning, reserves and strategic planning.

- **School Accountability Reform –** Information can be found on the State Comptroller's audit and oversight program to review school district finances and operations and available school board training designed to increase accountability in school districts and strengthen oversight of school finances.

Fire District Reform – Legislation enacted in 2006 institutes a number of significant changes designed to strengthen fire district and fire company accountability and oversight.The enacted legislation, a Frequently Asked Questions (FAQ) document, an accounting bulletin outlining new auditing requirements and a document outlining the internal audit process for fire districts are available.

Training – The Division offers municipal officials a comprehensive array of seminars, including teleconferences, designed to assist them in providing government services as efficiently and effectively as possible. This includes subjects such as accounting principles and procedures, governmental accounting and fiscal oversight training for school board members. A schedule of future classes and information about specific training sessions are also available on the website.

MAP OF NEW YORK STATE
COUNTIES AND CITIES BY REGION



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