

Memo To: John Anspach, Fairview Board of Fire Commissioners Chairman
CC: Tory Gallante, Fairview Fire Chief
James F. Passikoff, Fairview Fire District Treasurer
From: Beverly Allyn and Bill Rubin
Subject: Fairview's 2008 apportionment calculation
Date: August 5, 2008

This memo documents our meeting on July 29, 2008, with Fairview Fire District Treasurer James F. Passikoff and Fairview Fire Chief Tory Gallante, at which Mr. Passikoff explained to us how he calculated the apportionment of Fairview's 2008 fire tax levy between Hyde Park and Poughkeepsie. The information in this memo may be useful in case of an audit by the New York State Comptroller.

Apportionment Calculation Overview

At the meeting, Mr. Passikoff gave us the attached *Fairview Fire District Budget Summary for 2008*, which shows the Tax Apportionment table. Although this document is dated October 16, 2007, Mr. Passikoff told us that he actually completed this work in August 2007. The attachment is similar in form to page 18 of the *Fire District Accounting and Reporting Manual*, available at http://www.osc.state.ny.us/localgov/pubs/arm_fds.pdf. It appears to us that the use of this form is appropriate for computing the apportionment. We also found the arithmetic in the attached Tax Apportionment table to be essentially correct.

The only remaining aspects of the apportionment calculation to be considered are the four input values: the assessed valuations for the Fairview portions of the Towns of Poughkeepsie and Hyde Park, and the equalization rates for these towns. The following sections describe in detail how Mr. Passikoff told us he obtained these assessed valuation and equalization rates.

Assessed Valuations

Mr. Passikoff explained to us that the assessed valuation amounts for Poughkeepsie and Hyde Park (second column of attached Tax Apportionment table) are the final 2006 taxable assessed valuations for the Poughkeepsie and Hyde Park portions of Fairview. It is easy to verify that this is true. See for example, the *2006 County, Town School & Village Tax Rates* pamphlet available at <http://www.co.dutchess.ny.us/CountyGov/Departments/RealPropertyTax/12485.htm> (select “2006”).

Mr. Passikoff justified using the 2006 amounts by referring us to page 21 of the *Fire District Accounting and Reporting Manual* mentioned above. He pointed out to us the language on that page, which is as follows:

Divide the assessed valuation of the real property subject to taxation by the fire district as shown on each assessment roll for the district completed in the second calendar year prior to that in which the expenditures are to be made, by the town equalization rate established for each roll by the State Office of Real Property Services.

He explained that since the expenditures were to be made in 2008, and since the above language called for using values from the “second calendar year prior”, therefore it was required to use the 2006 assessed valuations.

We found the following problems with Mr. Passikoff’s reasoning:

1. Page 21 of the *Fire District Accounting and Reporting Manual* is a worksheet concerned with “Computation of Statutory Spending Limitation”. It has nothing to do with apportionment of the fire tax levy. Therefore, this page should not have been cited to justify using the 2006 amounts.
2. New York State law (Section 806 of the Real Property Tax Law) requires using the latest taxable assessed valuation amounts. At the time the attached Tax Apportionment table was completed (October 16, 2007, according to the document, but August, 2007, according to Mr. Passikoff) the latest available taxable assessed valuations were from the final assessment roll completed on July 1, 2007. The 2007 taxable assessed valuations can be found in the *2008 County, Town School & Village Tax Rates* pamphlet available from the county URL mentioned above (select “2008”).
3. As it turns out, the Hyde Park assessed valuation used in the attached Tax Apportionment table is only about 1 percent larger than the correct (2007) assessed valuation. However, the Poughkeepsie assessed valuation used in the attached Tax Apportionment table is about 40 percent smaller than the correct (2007) assessed valuation. Fortunately, the substantial error thereby introduced is mostly compensated for by other errors described below.

Poughkeepsie Equalization Rate

Mr. Passikoff explained to us that he obtained the Poughkeepsie equalization rate of 65 percent (in third column of attached Tax Apportionment table) from the Town of Poughkeepsie assessor's office as a preliminary 2006 equalization rate.

Mr. Passikoff told us that he used a preliminary 2006 equalization rate because the final 2006 equalization rate was not available in August 2007 when he performed the apportionment calculation. In response to our inquiry as to how we could independently verify that the 65 percent rate was correct, Mr. Passikoff told us that we probably couldn't, because that rate mainly existed in his handwritten notes of two years ago.

We found the following problems with Mr. Passikoff's reasoning:

1. At the time Mr. Passikoff completed the attached Tax Apportionment table (August 2007) the final state equalization rate for 2006 was already available from numerous sources, contrary to Mr. Passikoff's assertion. In fact, even the final state equalization rates for 2007 and 2008 were available. (The equalization rate for 2008 is based on the 2007 assessment roll year, which is finalized on July 1, 2007.)
2. New York State law requires using final state equalization rates for apportionment calculations – not preliminary rates.
3. The *Reporting Manual* language cited above by Mr. Passikoff calls for using “the town equalization rate established for each roll by the State Office of Real Property Services.” By using the Town's preliminary rate instead of the State's rate, Mr. Passikoff is not following the language he cited as justifying his procedure.
4. The preliminary Poughkeepsie equalization rate of 65 percent used in the attached Tax Apportionment table differs substantially from the final 2006 equalization rate of 50 percent which should have been used with 2006 assessed valuations.
5. The assertion by Mr. Passikoff that we probably could not independently verify the Poughkeepsie equalization rate essentially means that the apportionment calculation cannot be independently verified, contrary to standard accounting practice.

Hyde Park Equalization Rate

Mr. Passikoff explained to us that he obtained the Hyde Park equalization rate of 61 percent (in third column of attached Tax Apportionment table) by using the Town of Hyde Park's final state equalization rate for 2005. It is easy to verify that this is true. Navigate to the county URL mentioned above, and select "2005".

Mr. Passikoff told us that he used the 2005 equalization rate because the 2006 equalization rate was not available in August 2007 when he performed the apportionment calculation.

We found the following problems with Mr. Passikoff's reasoning:

1. As noted in the discussion of the Poughkeepsie equalization rate, at the time Mr. Passikoff completed the attached Tax Apportionment table (August 2007) the final state equalization rates for 2006, 2007, and 2008 were already available from numerous sources, contrary to Mr. Passikoff's assertion.
2. It is not appropriate to apply an equalization rate from one year (2005) to an assessed value from a different year (2006).
3. The 2005 Hyde Park equalization rate of 61 percent used in the attached Tax Apportionment table differs substantially from the 2006 equalization rate of 55 percent which should have been used with 2006 assessed valuations.

Summary

As we see it, the procedure Mr. Passikoff told us he used for computing the apportionment employed the correct form and correct arithmetic. However, we found problems with the input values of assessed valuations and equalization rates for Poughkeepsie and Hyde Park. Both the values themselves and the reasons Mr. Passikoff gave for choosing them are problematic. In our view, the problems with the input values do not derive from a single mistake, or even a few small mistakes, but rather from a large number of separate mistakes of reasoning.

Beverly Allyn

Bill Rubin

FAIRVIEW FIRE DISTRICT
BUDGET SUMMARY
FOR 2008

Total Appropriations		3,210,700
Less:		
Estimated Revenues	205,000	
Estimated Prior Years Unexpended Balance	0	205,000
Amount to be Raised by Real Property Taxes		3,005,700
		=====

TAX APPORTIONMENT
(to be used when fire district is in more than one town)

Town	Assessed Valuation (AV)	Equilization Rate (ER)	Full Valuation (AV/ER)	Total Full Valuation Percentage (1/2)	Apportione d Tax=(3) x Real Property Tax to be Raised
Poughkeepsie	167,496,040	65.000%	257,686,215	1	67.187%
Hyde Park	76,766,604	61.000%	125,846,892	1	32.813%
	244,262,644		383,533,107	2	100.000%
	=====		=====		=====
TOWN			Apportioned Tax		
Poughkeepsie			2,019,455		
Hyde Park			986,245		
Total Apportioned			3,005,700		
			=====		

I Certify that the estimates were approved by
The Fairview Fire District Commissioners on: October 16, 2007

Catherine Gallinger
Secretary, Fairview Fire District