

Town of Wellsville

Budgeting

NOVEMBER 2021



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Town of Wellsville

Audit Objective

Determine whether the Town of Wellsville (Town) Board (Board) adopted structurally balanced budgets.

Key Findings

The Board adopted structurally balanced budgets. However, it could improve budgeting practices and be more transparent with how it budgets for the general and highway funds.

- The Board gave taxpayers the impression that real property taxes were levied to finance general Town operations when these taxes were intended to fund highway operations.
 - During our audit period, from 2018 through 2021, the Board levied additional real property taxes in each general fund (town-wide and town-outside-village) and made transfers totaling \$869,428 to each applicable highway fund.

Key Recommendation

- Adopt budgets that more appropriately levy real property taxes for each general and highway fund.

Town officials generally agreed with our findings and recommendations and indicated they plan to initiate corrective action.

Background

The Town, located in Allegany County, is governed by an elected five-member Board including the Town Supervisor (Supervisor).

The Board is responsible for the general oversight of operations and finances, including developing and adopting the annual budget.

The Supervisor is the chief fiscal officer and budget officer. The Town provides various services to its residents.

Partially due to the Village of Wellsville being within the Town's boundaries, the Town's services are accounted for in 15 separate operating funds.

Quick Facts

2021 Appropriations \$3.5 million

General Funds Transfers to Highway Funds

2021	\$129,142
2020	185,266
2019	276,020
2018	279,000
Total	\$869,428

Audit Period

January 1, 2018 – June 7, 2021

Budgeting

How Should a Town Budget?

A board is responsible for adopting a structurally balanced budget based on historical trends and other known factors where recurring revenues finance recurring expenditures and real property taxes are not higher than necessary or lower than needed.

To determine the amount of real property taxes that should be levied, the board should take the total appropriations for each fund less estimated revenue, appropriated reserves and appropriated fund balance, if any. Any balance remaining should be levied in real property taxes within the fund to ensure the budget is balanced, meaning there is adequate revenue to fund appropriations. This provides the town's taxpayers, residents and other interested parties with a transparent presentation of each fund's impact on real property taxes.

Transfers can be made from the general fund to the highway fund with the same tax base. For example, from the general town-wide fund to the highway town-wide fund. However, these transfers should only be made if there are unanticipated expenditures or revenue shortfalls for which additional funding is needed.

The Board Adopted Structurally Balanced Budgets but Could Fund Operations More Transparently

We reviewed the Town's budgeting practices from 2018 through 2021 and found that the Town generally had reasonable estimates of revenues and appropriations and the budgets were structurally balanced. However, the Board could be more transparent in how it levied real property taxes in the general and highway funds.

Over the last four years (2018 through 2021), the Board levied additional real property taxes in each general fund (town-wide and town-outside-village) and made transfers to the applicable highway fund. These transfers were included in the Town's adopted budgets.

For example, in 2020, the Board transferred \$90,000 from the general town-wide fund to the highway town-wide fund and \$95,266 from the general town-outside-village fund to the highway town-outside-village fund. Similar transfers were made in each year we reviewed. (Figure 1)

Over the last four years ... the Board levied additional real property taxes in each general fund ... and made transfers to the applicable highway fund.

Figure 1: Primary Operating Fund Appropriations and Transfers

	2018	2019	2020	2021
Appropriations^a				
General Town-Wide	\$660,435	\$678,411	\$633,909	\$675,386
General Town-Outside Village	56,902	59,891	61,501	64,013
Highway Town-Wide	464,043	498,171	467,730	403,625
Highway Town-Outside-Village	747,617	758,770	684,685	637,932
Totals	\$1,928,997	\$1,995,243	\$1,847,825	\$1,780,956
Transfers From General to Highway				
Town-Wide	\$154,000	\$90,000	\$90,000	\$40,000
Town-Outside-Village	125,000	186,020	95,266	89,142
Totals	\$279,000	\$276,020	\$185,266	\$129,142

a) Appropriations exclude transfers to other funds and to reserves.

The Supervisor told us that prior Supervisors budgeted this way for as long as he could remember and that the Board is reluctant to change the tax levy in the general and highway funds because it would give the public the impression that the Board did not know what it was doing. However, increasing the tax levy in one fund and decreasing it by the same amount in another fund with the same tax base has no effect on the total tax levy.

In addition, two Board members told us that they believed budgeting this way would control spending in the highway funds. However, when we reviewed the Town’s financial records, we found that officials transferred the funds in February each year, once the tax levy was collected, which is inconsistent with their assertion that they were trying to control spending.

Adopting budgets that levy real property taxes in the general funds to finance the highway funds is not completely transparent with taxpayers. The Board gave taxpayers the impression that real property taxes were levied to finance general Town operations when these taxes were actually intended to fund highway operations.

While the Board decreased the amount of budgeted transfers from the general funds to the highway funds during our audit period, it should continue to work towards eliminating the budgeted transfers from the general funds to the highway funds. If there are unanticipated expenditures or revenue shortfalls in the highway funds requiring financial assistance from the general fund the Board can make transfers at that time.

Adopting budgets that levy real property taxes in the general funds to finance the highway funds is not completely transparent with taxpayers.

What Do We Recommend?

The Board should:

1. Adopt budgets that more appropriately levy real property taxes for each general and highway funds.

Appendix A: Response From Town Officials

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Town of Wellsville

Audit Response to Audit Report

Audit Report #:2021M-112

The Town of Wellsville Town Board agrees with the findings of the Audit performed.

The Town of Wellsville Town Board would like to clarify that the Audit performed only makes reference to a very specific time period from January 1, 2018 thru December 31, 2021. This is important to note because of the long-standing past practice of interfund transfers that have been a practice of Town of Wellsville Supervisors and Town Board members for more than a decade.

The Town of Wellsville Town Board has held multiple “Budget Workshops” called by the Chief Financial Officer of the Town (Shad Alsworth-Town Supervisor) every year Mr. Alsworth has served in the capacity of Town Supervisor. Participation by Town Board members and Department Heads has always been achieved and viewed as the most important duty of the positions of Town Councilmen and Town Councilwomen.

These “Budget Workshop meetings” are always advertised properly and open to the public. The entire Town Board has ample opportunity to review the proposed budgets, meet with Department Heads, and add opinion and advise to the final Town Budget prior to Budget approval. The entire Town Board is committed to complete transparency.

The Town of Wellsville Town Board believes strongly that the proposed modifications to the budget can and will be achieved during the 2022 budget process.

The Town of Wellsville Town Board was very satisfied with the professionalism, thoroughness, and assistance that was displayed by the entire Audit Team of the Office of the New York State Comptroller, Division of Local Government and School Accountability.

Signed: _____

Shad Alsworth (Town of Wellsville Town Supervisor)

Dated: 9-22-2021

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials and reviewed Board minutes, resolutions and policies and procedures to gain an understanding of the budget development process.
- We analyzed the adopted 2018 through 2021 budgets to determine whether the Board developed and adopted structurally balanced budgets and budget estimates were reasonable.
- We reviewed interfund transfers between all of the Town's primary operating funds during 2018 through 2021.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Town Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

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