

Town of Hornellsville

Financial Management

2025M-102 | November 2025

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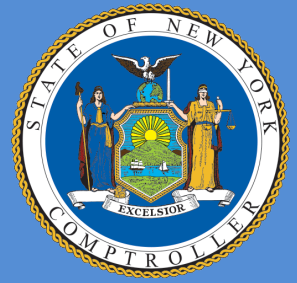
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Audit Results

Town of Hornellsville



Audit Objective

Audit Period

Did the Town of Hornellsville (Town) Town Board (Board) effectively manage fund balance?

January 1, 2022 – August 6, 2025

Understanding the Audit Area

A key measure of a town's financial condition is its level of fund balance, which represents the difference between revenues and expenditures accumulated over time. Maintaining a reasonable amount of unrestricted fund balance within operating funds is an important financial consideration for town officials because it is available for appropriation to reduce taxes, fund one-time expenditures and other uses.

The Board is responsible for the general management and control of the Town's financial affairs, which includes adopting the annual budget and multiyear financial and capital plans and establishing financial policies, such as those for fund balance.

As of December 31, 2024, the Town's fund balances totaled approximately \$2 million.

Audit Summary

The Board did not effectively manage the Town's fund balance. Despite maintaining significant unrestricted fund balances, the Board overrode the tax levy limit¹ each year and adopted budgets that increased real property taxes by a total of 18 percent in calendar years 2022 through 2025. As a result, the Board maintained unrestricted fund balances that, as of December 31, 2024, were sufficient to fund more than five years of water, three years of sewer and half of the combined town-wide (TW) funds' 2025 budgeted appropriations.

In addition, the Board did not treat taxpayers equitably because it inappropriately allocated sales tax revenues totaling \$1.1 million to the TW funds instead of the town-outside-village (TOV) funds in calendar years 2022 through 2024. As a result, there is an inaccurate depiction of the actual fund balances of the TW and TOV funds which limited the Board's ability to accurately assess the funds' financial condition.

¹ New York State General Municipal Law Section 3-c (Law) established a tax levy limit for local governments, which was effective beginning in the 2012 fiscal year. The Law generally precludes local governments from adopting a budget that requires a tax levy that exceeds the prior year tax levy by more than 2 percent or the rate of inflation, whichever is less, unless the governing board adopts a local law to override the tax levy limit.

The Board also did not adopt a written fund balance policy until February 11, 2025 (after our audit notification) or adopt comprehensive written multiyear financial or capital plans that could have assisted it and officials in developing and adopting realistic budgets and planning for the Town's financial future.

Although we provided recommendations in our prior audit report² to help the Board improve financial management, the Board did not implement adequate corrective action to address the deficiencies. Therefore, certain deficiencies remained and impaired the Board's ability to effectively manage the Town's fund balance.

Without realistic budgets, properly allocating revenues, a written fund balance policy establishing a reasonable amount of unrestricted fund balance to maintain in all funds or comprehensive written multiyear financial and capital plans, it is difficult for the Board to properly manage the Town's fund balance. As a result, the Board cannot ensure real property tax levies are not more than necessary.

The report includes 10 recommendations that, if implemented, could improve the Town's financial management. Town officials disagreed with certain aspects of our findings but indicated they initiated corrective action. Appendix D includes our comments on the Town's response.

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. Our methodology and standards are included in Appendix E.

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 the New York State 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.

² *Town of Hornellsville – Financial Management and Town Clerk Operations* (2014M-21), released in May 2014.

Financial Management Findings and Recommendations

A town board is responsible for the overall financial management of a town's fund balance including maintaining a reasonable level of fund balance, and adopting a written fund balance policy, reasonably estimated and structurally balanced budgets, and written multiyear financial and capital plans that assist the town board in assessing long-term needs and financial management strategies. The Town Supervisor (Supervisor) is the chief fiscal officer and budget officer.

The Town has eight operating funds, including the general fund TW, general fund TOV, highway fund TW, highway fund TOV, water fund, sewer fund, lighting fund and fire protection fund. The TW and TOV funds are funded primarily by real property taxes, sales tax, State and federal aid, sale of equipment, departmental fees and interest income. The water fund is funded primarily by real property taxes, federal aid, interest earnings and metered water sales. The sewer, lighting and fire protection funds are funded primarily by real property taxes and interest earnings.

Combining a reasonable level of unrestricted fund balance with specific legally established reserve funds provides resources for both unanticipated events and other identified or planned needs, such as future infrastructure and equipment needs. Allocating revenues and expenditures to the correct operating fund helps ensure that all taxpayers are treated equitably, have the benefit of all resources due to them and pay only the real property taxes required of them.

Although we provided recommendations in our prior audit report to help the Board improve financial management, the Board did not implement adequate corrective action to address the deficiencies. Therefore, certain deficiencies remained and impaired the Board's ability to effectively manage the Town's fund balance. More details on the criteria used in this report, as well as resources we make available to local officials that can help officials improve operations (Figure 5), are included in Appendix B.

Finding 1 – The Board did not effectively manage fund balance.

From calendar years 2022 through 2024, the Town's unrestricted fund balance (the portion of fund balance available for appropriation to reduce taxes and for other uses), as a percent of the upcoming year's budgeted appropriations, ranged between 60 and 102 percent for the combined TW funds, 9 and 15 percent for the combined TOV funds, 429 and 545 percent for the water fund and 323 and 371 percent for the sewer fund (see Appendix A, Figures 1 through 4).

The accumulation of unrestricted fund balances occurred, in part, because the Board did not:

- Adopt a written fund balance policy until February 11, 2025 (after our audit notification) to establish specific thresholds for the reasonable amount of unrestricted fund balance to be maintained for each fund. In addition, the fund balance policy did not provide explanations for the established amount of unrestricted fund balance to be maintained, as a percentage of the upcoming year's budget, in the general fund TW (50 percent) and highway fund TW and TOV funds (25 percent) or include the level of unrestricted fund balance to be maintained in the water or sewer funds.

-
- Establish reserves in the water or sewer funds to designate funds for future water and sewer infrastructure needs. In addition, the Board and officials were unable to provide support that the reported highway fund TW reserve totaling \$106,929 and highway fund TOV reserve totaling \$122,307 were properly established and reasonable or sufficient for future needs.
 - Adopt written comprehensive multiyear financial or capital plans to project the Town's operating and capital needs in future years.
 - Adopt realistic budgets based on historical trends, known repairs and improvements to highways and proper sales tax revenue allocations. Instead, the Board underestimated revenues from 7 to 41 percent and appropriations from 3 to 36 percent in the TW, TOV, water and sewer funds and improperly budgeted sales tax revenues in the TW funds. The Supervisor also improperly recorded \$1.1 million in sales tax revenues in the TW funds. Furthermore, the Board and Highway Superintendent did not approve a New York State Highway Law Section 284 Agreement (Section 284 Agreement) to help in developing an accurate annual highway budget.

Because sales tax revenue was improperly budgeted and allocated, taxpayers were not treated equitably. Furthermore, this resulted in an inaccurate depiction of the actual financial condition of the TW and TOV funds. Had the Board properly allocated sales tax revenue to the TOV funds for calendar years 2022 through 2024, as of December 31, 2024, the TW funds' unrestricted fund balance would have had a deficit of \$69,067 while the TOV funds' balance could fund nearly two times the 2025 budgeted appropriations. The Board continued the improper budgeting practice when it budgeted \$300,000 in sales tax revenues in the TW funds for 2025, which further increased the taxpayer inequity as budgeted. The Supervisor, bookkeeper and one Board member told us that they were unaware of the requirements for allocating sales tax revenues. However, another Board member and the Town Clerk both told us that sales tax revenue was moved in the budget from the TOV funds to the TW funds to lower the TW tax rates, which cannot occur until real property taxes are no longer levied for TOV activities.

Despite maintaining significant unrestricted fund balances, the Board overrode the tax levy limit each year and adopted budgets that increased real property taxes a total of 18 percent in calendar years 2022 through 2025 adopted budgets. The Board and Town officials generally did not provide adequate explanations for the deficiencies.

Without realistic budgets, properly allocating revenues, comprehensive written multiyear financial and capital plans, a written fund balance policy establishing thresholds for a reasonable amount of unrestricted fund balance to be maintained in all funds and the funding and use of properly established reserves, it is difficult for the Board to properly manage the Town's fund balance to help ensure taxpayer equity, real property tax levies are not more than necessary and future water and sewer needs are financed without significantly overburdening customers.

Recommendations

The Board should:

1. Develop a plan to reduce the amounts of unrestricted fund balance in a manner that benefits Town taxpayers. Surplus fund balance can be used as a financing source for:
 - Funding one-time expenditures (e.g., capital improvements),
 - Funding needed reserves, and
 - Reducing Town real property taxes.
2. Amend the written fund balance policy to specify a reasonable amount of fund balance to maintain for each fund and guidance on optimal funding levels for reserves.
3. Ensure that all active reserves are properly established and reasonably funded.
4. Develop, adopt and periodically update comprehensive written multiyear financial and capital plans that set the goals and objectives for long-term operating and capital needs.
5. Develop and adopt budgets that include reasonable estimates for revenues and appropriations.
6. Annually agree, in writing, with the Highway Superintendent on expenditures related to the repair and improvement of highways, sluices, culverts, bridges and walks as outlined in the Section 284 Agreement.
7. Properly budget for the allocation of sales tax revenues to reduce taxes levied for TOV activities. If any balance remains, the Board may apply the remainder to reduce TW taxes, reduce county taxes levied to TOV taxpayers or finance TOV activities.
8. Develop a plan to repay the TOV funds for TW amounts improperly recorded to the fund.

The Supervisor should:

9. Correct the accounting records to properly reflect the allocation of sales tax revenues.

The Highway Superintendent should:

10. Prepare a complete and accurate Section 284 Agreement that the Board can utilize during the budget process.

Appendix A: Unrestricted Fund Balance Figures

Figure 1: Combined TW Unrestricted Fund Balance (Including the Percentage of the Upcoming Year's Budget)

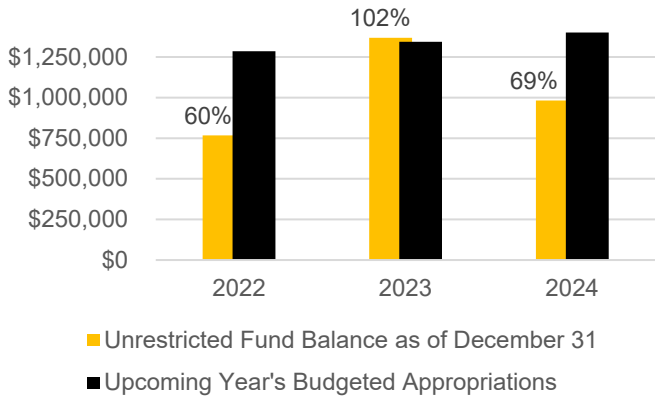


Figure 2: Combined TOV Unrestricted Fund Balance (Including the Percentage of the Upcoming Year's Budget)

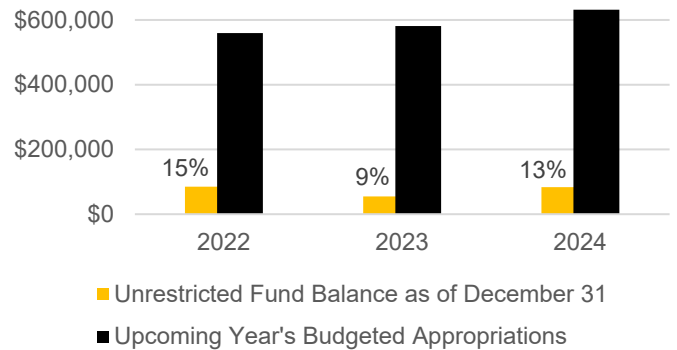


Figure 3: Unrestricted Water Fund Balance (Including the Percentage of the Upcoming Year's Budget)

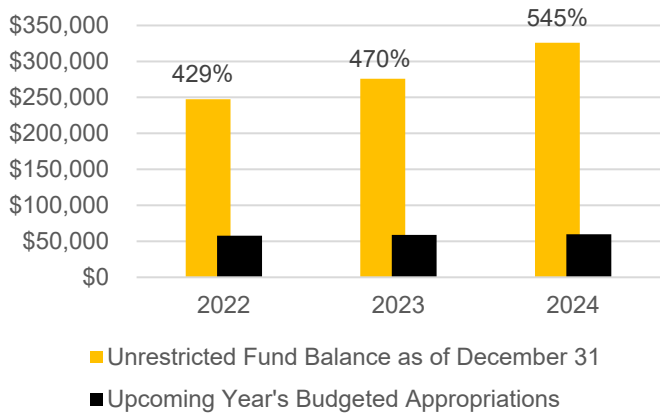
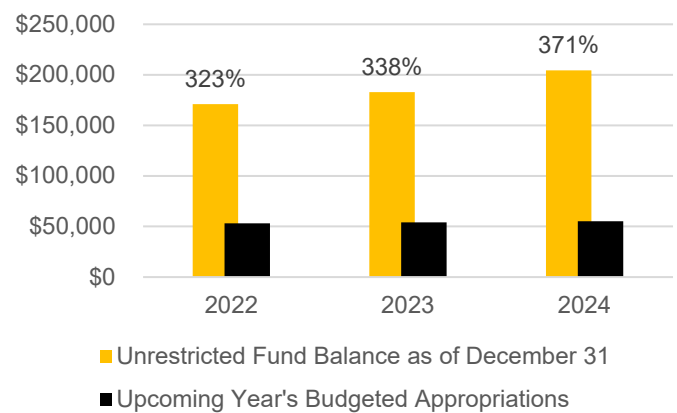


Figure 4: Unrestricted Sewer Fund Balance (Including the Percentage of the Upcoming Year's Budget)



Appendix B: Profile, Criteria and Resources

Profile

The Town is located in Steuben County. The Villages of Arkport and North Hornell and a portion of the Village of Almond are located within the Town.

The elected five-member Board, including the Supervisor and four Board members, is responsible for the general management and control of the Town's financial affairs, which includes adopting the annual budget and establishing financial policies. The Supervisor is responsible for the Town's day-to-day financial activities and a bookkeeper assists the Supervisor with these duties.

The elected Highway Superintendent is responsible for managing the highway budget.

Criteria – Financial Management

To properly manage fund balance, a town board should adopt a written fund balance policy that addresses the amount of unrestricted fund balance to be maintained in each fund from year to year and why money is set aside in properly established reserves along with their optimal funding level. Combining a reasonable level of unrestricted fund balance with specific legally established reserve funds provides resources for both unanticipated events and other identified or planned needs, such as future infrastructure and equipment needs. In addition, the town board should adopt written multiyear financial and capital plans that assess long-term needs and alternative approaches to financial operations. A comprehensive written multiyear financial plan projects revenues and expenditures for several years in the future to illustrate what will happen to the town's ability to pay for and provide services, while written capital plans should have a clear mission to maintain and improve the town's capital assets over time.

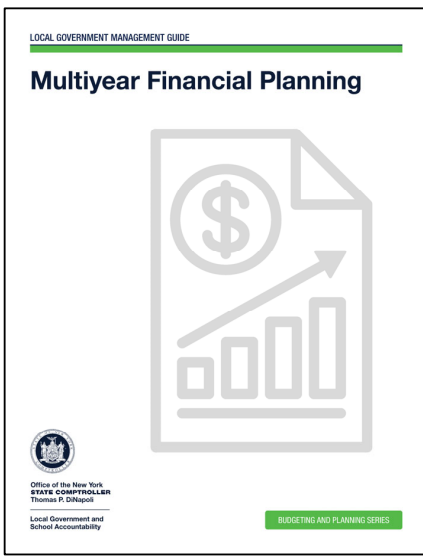
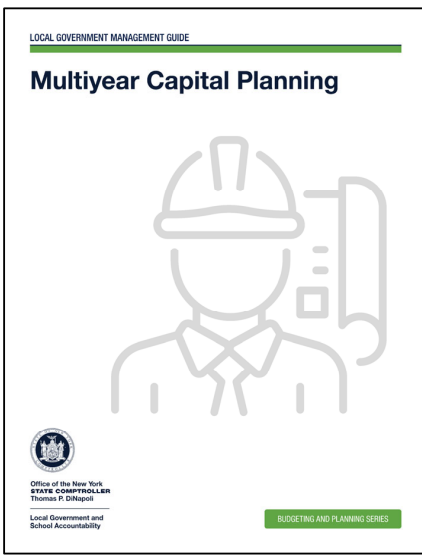
The town board should use these policies and plans as guidelines to develop and adopt reasonably estimated and structurally balanced budgets based on historical trends and other known factors, in which recurring revenues finance recurring expenditures. The town board should also ensure the budget allocates revenues and expenditures to the correct operating fund. New York State Highway Law Section 284 requires a highway superintendent and town board to annually agree, in writing, on expenditures related to the repair and improvement of highways, sluices, culverts, bridges and walks which can serve as a useful tool in developing an accurate annual highway budget. Accurate budget estimates help ensure the tax levy is sufficient to meet needs and is not greater than necessary.

A town board that is planning to establish and finance reserve funds on a regular basis should develop a written reserve plan that communicates to taxpayers why the money is set aside, the town board's financial objectives for the reserves, optimal funding levels and conditions under which the assets will be utilized. The town board should also periodically assess the reasonableness and sufficiency of the amounts accumulated in the reserves.

When a town, and the villages within the town, all receive their shares of county sales tax revenues in cash, the town is required to apply its share to reduce taxes levied for TOV activities. If any balance remains, the town may apply the remainder to reduce TW taxes, reduce county taxes levied to TOV taxpayers or finance TOV activities.

Additional Financial Management Resources

Figure 5: OSC Publications

OSC <i>Local Government Management Guides</i> available on our website to help officials with reserve and multiyear financial and capital planning.		
Reserve Funds	Multiyear Financial Planning	Multiyear Capital Planning
 LOCAL GOVERNMENT MANAGEMENT GUIDE Reserve Funds Office of the New York STATE COMPTROLLER Thomas P. DiNapoli Local Government and School Accountability BUDGETING AND PLANNING SERIES https://www.osc.ny.gov/files/local-government/publications/pdf/reserve-funds.pdf	 LOCAL GOVERNMENT MANAGEMENT GUIDE Multiyear Financial Planning Office of the New York STATE COMPTROLLER Thomas P. DiNapoli Local Government and School Accountability BUDGETING AND PLANNING SERIES https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf	 LOCAL GOVERNMENT MANAGEMENT GUIDE Multiyear Capital Planning Office of the New York STATE COMPTROLLER Thomas P. DiNapoli Local Government and School Accountability BUDGETING AND PLANNING SERIES https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-capital-planning.pdf

In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

Appendix C: Response From Town Officials

TOWN OF HORNELLSVILLE

www.townofhornellsville.com

Danny Broughton, Supervisor
Jessica LaFrance, Town Clerk/Tax Collector
Shannon Smith, Deputy Town Clerk
James Giglio, Council Member
Robert Mauro, Council Member
David Oakes, Council Member
Trisha Yanni, Council Member

Jason Emo, Highway Supt.
Katherine Gabriel, Assessor
Robert Mooney, Codes Officer
• Richard Scavo, Justice
Erik Werner, Justice
Madeleine Seaman, Court Clerk
Debra Castle-Harvey, Bookkeeper

October 6, 2025

Stephanie Howes, Chief of Municipal Audits
Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, NY 14614-1608

Re: Town of Hornellsville Response to Audit (2025M-102)

Dear Chief Howes,

The Town Board appreciates the opportunity to review the draft audit report entitled “Town of Hornellsville – Financial Management” and thanks the Office of the State Comptroller (OSC) for its review. The Board acknowledges that the audit’s objective was to evaluate the Town’s management of fund balance and related budgeting practices for fiscal years 2022–2025.

The Board concurs that the adoption of formal written policies and comprehensive multiyear plans is an important part of sound fiscal management. The Board began addressing these matters prior to and during the audit period and will continue to refine its fiscal policies and documentation in response to the findings.

Prior Audit Recommendations

OSC Finding: The Town did not implement all recommendations from the previous audit (2014M-117), including the adoption of comprehensive financial policies and multiyear planning.

Town Response:

The Town Board respectfully notes that while two current members served during or shortly after the period covered by the 2014 audit—one taking office in 2012 and another in 2014—the recommendations from that report largely predated the current administration. The Board recognizes the importance of implementing and sustaining corrective measures and is actively working to correct deficiencies and strengthen the Town’s financial management framework. The Board also remains committed to completing, formalizing, and maintaining the improvements outlined in this response.

Fund Balance Management and Reserves

OSC Finding: The Board did not effectively manage fund balance, resulting in excessive unrestricted balances and the absence of comprehensive financial and capital plans. The Board also did not properly establish or document certain reserve funds.

Town Response:

The Board notes that amounts identified as “unassigned” in the audit include monies previously set aside for specific purposes but not established as reserves by Town Board resolution in compliance with General Municipal Law. The Board has reviewed existing set-asides and prepared resolutions to properly establish or re-establish reserves and align accounting treatment so that only legally established reserves are reported as restricted. These actions will more accurately reflect available fund balance.

See
Note 1
Page 13

A comprehensive multiyear financial plan was developed in 2024 but was not formally adopted. The plan is currently being updated for formal adoption. The Town will also develop and implement a capital improvement plan to guide long-term infrastructure and budgeting decisions.

See
Note 2
Page 13

The Board recognizes that proper reserve documentation and long-range planning are critical components of sound financial management. These steps will reduce the appearance of excessive unassigned fund balance and provide a clearer fiscal picture for future budgeting and financial reporting.

See
Note 1
Page 13

Fund Balance Policy

OSC Finding: The Board also did not adopt a written fund balance policy until February 11, 2025, after our audit notification.

Town Response:

The Board acknowledges that, to an outside entity, it may appear that adoption of the Fund Balance Policy was a direct response to OSC’s audit notification; however, this was coincidental. The Town Board had already been systematically reviewing, amending, and adopting a series of updated municipal policies prior to the audit notification, and that process continued afterward.

See
Note 3
Page 13

The following policies were reviewed and adopted as part of the Town’s ongoing effort to modernize Town governance and improve compliance:

- Breach Notification – Adopted September 10, 2024
- Discrimination and Harassment – Adopted September 10, 2024
- Freedom of Information Law (FOIL) – Adopted October 8, 2024
- Procurement – Adopted November 12, 2024
- Fund Balance – Adopted February 11, 2025
- Credit Card Use – Adopted March 10, 2025

The Board believes these actions demonstrate a consistent and proactive commitment to improving Town operations and internal controls, independent of the audit process.

The Board also recognizes that the OSC identified deficiencies in that Fund Balance Policy and

requires amendment to include a maximum threshold, as well as water and sewer fund thresholds, as suggested by the OSC. The amended policy has been prepared for adoption.

Sales Tax Allocation

OSC Finding: Sales tax revenues were improperly allocated to town-wide (TW) funds rather than town-outside-village (TOV) funds, creating taxpayer inequity and inaccurate fund balances.

Town Response:

The Board acknowledges that sales tax revenues were recorded in TW rather than TOV during 2022–2024. The intention was to avoid a marked increase for TW taxpayers while producing only a de minimis rate impact for TOV taxpayers. We now recognize that these revenues should be recorded in the TOV funds.

Regarding the audit’s reference to the inappropriate allocation of sales tax revenues totaling approximately \$1.1 million, we note that this figure represents the cumulative gross amount of sales-tax revenue recorded in TW that should have been recorded in TOV over the three-year period. For public clarity, this is an accounting reclassification between funds; it does not represent additional taxes collected from residents. Moreover, given the Town’s relatively small village population, much of the practical tax-rate effect fell on the same taxpayers who reside outside the villages, even though the accounting treatment should have been through the TOV funds.

See Note 4 Page 13

The Board acknowledges this allocation error and has directed the Supervisor and Bookkeeper to correct the accounting records to ensure that sales tax revenues are properly recorded in the TOV funds. The Town will also prepare a measured adjustment plan to reclassify prior-period amounts to the appropriate TOV funds over a defined period.

Budget Preparation and Realistic Estimates

OSC Finding: The Town adopted budgets that underestimated revenues and appropriations, resulting in unrealistic budgets and unnecessary tax increases.

Town Response:

In 2023 and 2024, the Town experienced significant increases in renewed contracts. One of these agreements altered the Town’s fiscal responsibility beyond the annual contractual amount, making accurate projections difficult due to the lack of historical data. The Town will continue to adjust as reliable data becomes available and will incorporate known factors such as equipment replacement, road projects, and contractual rate changes into future budgets.

The Board has approved an annual Highway Law §284 Agreement with the Highway Superintendent for use in preparation of the 2026 budget and will continue to execute these agreements prior to budget adoption to ensure transparency and coordination in highway planning.

Tax Levy Limit Compliance

OSC Finding: The Board adopted local laws overriding the property tax levy limit in multiple years despite substantial fund balances.

Town Response:

The Board acknowledges that tax levy limit overrides were adopted in multiple years; however, those decisions were based on the accounting information available at the time. Within the Town's financial software, certain balances were coded as "reserved" and treated operationally as set-asides. We now understand that this coding is not the same as legally establishing a reserve by Town Board resolution under General Municipal Law. Because some set-asides lacked a proper establishing resolution, the OSC classified those amounts as unassigned fund balance, which made available fund balance appear higher than what the Board believed was available for general use.

See Note 1 Page 13

In addition, recent budget decisions reflected significant cost pressures, including increases in long-term service contracts. To offset those contractual increases and limit the tax impact on residents, the Town applied portions of available fund balance. Separately, the Town anticipates capital needs for water and sewer infrastructure, and amounts in those funds are intended to be restricted, by Board resolution, as capital reserves for upgrades. The Town is also planning a specific road-reconstruction project that, once appropriated, will materially reduce the highway fund balance. Recognizing these planned obligations provides additional context for prior budgeting decisions and supports prudent fund balance levels within the districts.

See Note 5 Page 13

Going forward, as described in Fund Balance Management and Reserves, the Board will ensure reserves are established by resolution and accurately reflected in the accounting records and will consider a tax cap override only when clearly necessary after reviewing reserve status and multiyear financial plans.

Corrective Action Plan (CAP) Commitment

This letter constitutes the Town's written response to OSC's draft audit report. If the final audit report contains recommendations, the Town will prepare and file a Corrective Action Plan (CAP) with OSC within 90 days of the final report's release, consistent with OSC guidance. The CAP will be approved by resolution of the Town Board, transmitted to caps@osc.ny.gov, and made available for public inspection in the Town Clerk's Office.

Adoption

Approved by the Hornellsville Town Board at a duly convened special meeting on October 6, 2025.

Respectfully submitted,

Dan Broughton, Town Supervisor
Town of Hornellsville

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Arkport, NY 14807
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Fax: 295-0007

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Arkport, NY 14807
Ph: 607-295-9660
Fax: 295-8015

Highway Office:
7756 Industrial Park Rd.
Hornell, NY 14843
Ph: 607-324-0106

Appendix D: OSC Comments on the Town's Response

Note 1

Chapter 528 of the Laws of 2000 gives local governments the authority to carry over a "reasonable amount" of unappropriated unreserved fund balance from one year to the next. Since the Governmental Accounting Standards Board (GASB) Statement 54³ eliminates the unappropriated unreserved fund balance terminology, local governments should apply the "reasonable amount" calculation to the unrestricted portion of fund balance (defined as the total of the committed, assigned and unassigned fund balance classifications), consistent with the "reasonable amount" statutes. The unrestricted fund balance amounts in the report do not include the reported highway reserve funds that officials could not support were properly established.

Note 2

On February 12, 2025, the Supervisor and bookkeeper told us the Town did not have written multiyear financial or capital plans. The bookkeeper provided two budget projection documents for calendar year 2025, one in July 2025 and one in August 2025, after our findings meeting, but neither was a comprehensive multiyear financial plan.

Note 3

On February 12, 2025, the Supervisor and bookkeeper told us that they thought there was a fund balance policy created in 2020, but they could not find the policy when we requested it and the Supervisor told us the Board did not adopt it. Two other Board members told us they did not know why the Board did not previously adopt a fund balance policy.

Note 4

The improperly budgeted and allocated sales tax revenues resulted in an inaccurate depiction of the actual fund balances of the TW and TOV funds, which resulted in real property taxes that were higher than necessary for TOV taxpayers.

Note 5

The Board should include all anticipated financial and capital needs in written comprehensive multiyear financial and capital plans. In addition, the improper allocation of sales tax revenue resulted in an inaccurate depiction of the actual financial condition of the TW and TOV funds. Therefore, sufficient funds may not be available for these needs.

³ <https://www.osc.ny.gov/files/local-government/publications/pdf/gasb54.pdf>

Appendix E: Audit Methodology and Standards

We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Town officials and reviewed Board meeting minutes and the Town's fund balance policy to determine whether reserves were properly established and gain an understanding of their financial management processes, including budgeting, fund balance maintenance and multiyear capital and financial planning.
- We analyzed calendar years 2022 through 2024 unrestricted fund balance as of December 31 for the TW, TOV, water and sewer funds and calculated unrestricted fund balance as a percentage of the upcoming year's budget to determine whether unrestricted fund balance was reasonable. We evaluated any factors contributing to changes in fund balance, including real property tax levy increases.
- For calendar years 2022 through 2024, we compared budget estimates to actual results to determine whether budgets were reasonable. We also reviewed the calendar year 2025 Board-adopted budget to determine whether sales tax revenues were allocated to the correct operating fund.
- We reviewed TW and TOV revenues and expenditures to determine whether they were recorded in the correct fund. For identified revenues (sales tax) improperly allocated, we calculated the amount owed to the TOV fund for calendar years 2022 through 2024 and the effect on the unrestricted fund balance of the TW and TOV funds.
- We reviewed calendar years 2022 through 2024 reserve activity to determine whether reserves were properly used, and whether balances as of December 31, 2024 were reasonable or sufficient based on historical use or planned future needs and discussions with Town officials.

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.

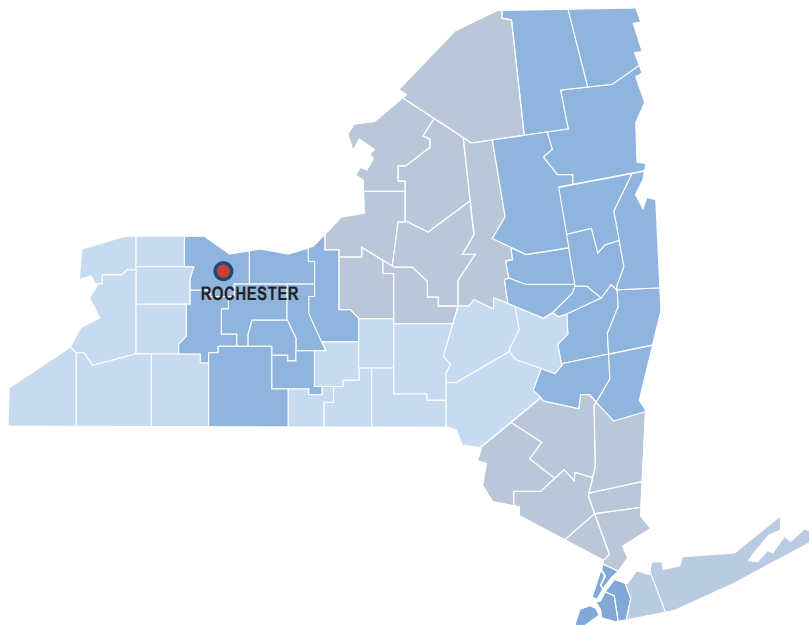
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