



Village of Leicester

Financial Management

2025M-7 | May 2025

Contents

- Audit Results 1**
 - Audit Summary 1
- Financial Management Findings and Recommendations 3**
 - Finding 1 – The Board Did Not Effectively Manage Fund Balance. 3
 - Recommendations 4
- Appendix A: Profile, Criteria and Resources. 5**
- Appendix B: Response From Village Officials 7**
- Appendix C: Audit Methodology and Standards. 8**

Audit Results

Village of Leicester



Audit Objective

Audit Period

Did the Village of Leicester (Village) Board of Trustees (Board) effectively manage fund balance?

June 1, 2021 – January 16, 2025

Understanding the Program

A key measure of a village'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 village 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 Village's financial affairs, which includes adopting the annual budget and establishing financial policies. The Clerk-Treasurer is the chief fiscal officer and budget officer.

The Village has two operating funds: general and water. The 2024-25 general fund appropriations totaled \$185,700 and water fund appropriations totaled \$286,875. The general fund is funded primarily by rental and interest income, real property taxes, State aid and sales tax, while the water fund is funded primarily with metered water sales.

Audit Summary

The Board did not effectively manage the Village's fund balance or adopt realistic budgets. As a result, officials maintained unrestricted fund balance in the general and water funds totaling \$729,709 and \$152,143, respectively, at the end of the 2023-24 fiscal year, which was sufficient to fund the upcoming fiscal year's budget appropriations for the general fund by nearly four times and for the water fund by more than half. The Board also did not adopt a written fund balance policy, develop and adopt comprehensive written multiyear financial or capital plans that would have assisted the Board and officials in developing and adopting realistic budgets and planning for the Village's financial future.

The report includes five recommendations that, if implemented, will improve the Village's financial management. Village officials agreed with our recommendations and indicated they will initiate corrective action.

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 C.

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 Clerk-Treasurer's office.

Financial Management Findings and Recommendations

A board is responsible for the overall management of a village’s fund balance including maintaining a reasonable level of fund balance and adopting written multiyear financial and capital plans that assist the board in assessing long-term needs and financial management strategies.

More details on the criteria used in this report are included, as well as resources we make available to local officials that can help officials improve operations (Figure 2), are included in Appendix A.

Finding 1 – The Board Did Not Effectively Manage Fund Balance

Over the last three fiscal years, the Village’s unrestricted general fund balance, the portion of fund balance available for appropriation to reduce taxes and for other uses, was greater than the upcoming fiscal year’s budgeted appropriations and the unrestricted water fund balance was a significant amount in comparison to the budgeted appropriations. As of May 31, 2024, unrestricted fund balance in the general and water funds totaled \$729,709 and \$152,143, respectively, and was sufficient to fund nearly four times the general fund’s upcoming fiscal year’s budget appropriations and more than half the water fund’s upcoming fiscal year’s budget appropriations (Figure 1). The Board sold the Village’s community center in December 2022 for \$475,000, which contributed to the significant increase in the general fund’s unrestricted fund balance. Although one Board member told us that fund balance in the water fund would be needed for future repairs, the Board did not establish reserves in the general or water funds. Therefore, no specific funds are designated for future infrastructure or equipment needs.

Figure 1: Unrestricted Fund Balance as a Percentage of the Upcoming Fiscal Year’s Budget Appropriations

Fiscal Year Ended May 31st	General Fund	Percentage	Water Fund	Percentage
2022	\$830,990	344%	\$213,580	75%
2023	\$803,339	509%	\$188,397	66%
2024	\$729,709	393%	\$152,143	53%

The accumulation of unrestricted fund balance occurred, in part, because the Board did not adopt a written fund balance policy, comprehensive written multiyear financial and capital plans and adopt realistic budgets. Also, the Clerk-Treasurer’s preliminary budgets did not include a breakdown of fund balance as

required by New York State Village Law Section 5-506, which would be beneficial in the Board’s review and adoption of the budget.

Fund balance in both funds declined in the last two fiscal years as a result of partially planned operating deficits and budget variances. Although the Board planned for operating deficits in the general fund by appropriating fund balance each year totaling \$116,406, the unrealistic budget estimates, such as overestimating 2022-23 revenues by 22 percent, resulted in a larger than planned operating deficit in 2022-23. The water fund budgets over the last two fiscal years overestimated revenues by 25 to 36 percent and appropriations by 17 to 24 percent, which resulted in largely unplanned operating deficits in 2022-23 and 2023-24.

Despite maintaining significant unrestricted fund balance, the Board adopted budgets for the general fund that increased the tax levy each year by a total of 8 percent for the 2021-22 through 2024-25 budgets. The Mayor told us that he wanted to keep the tax levy steady for taxpayers. However, the Board should increase taxes based on the Village's actual needs. Developing written plans can provide transparency and help residents and taxpayers better understand the Board's objectives.¹

The Board did not develop and adopt comprehensive written multiyear financial or capital plans. Three Board members told us that they did not have a plan to use the unrestricted fund balance and the Mayor told us that the Village did not have a multiyear plan because the Village operates year to year based on the budget. However, without comprehensive written multiyear financial and capital plans, a written fund balance policy to establish a reasonable amount of unrestricted fund balance to be maintained, and the funding and use of properly established reserves, it is difficult for the Board to properly manage the Village's fund balance. Also, without these plans, it would be difficult for the Board to assess alternative approaches to financial issues, such as accumulating unrestricted fund balance or using fund balance to finance annual operations and provide funding for any improvements or capital projects.

Recommendations

1. The Board should adopt a written fund balance policy to establish the reasonable amount of fund balance to maintain for each fund.
2. The Board should 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.
3. The Board should develop and adopt budgets that include reasonable estimates for revenues and appropriations.
4. The Board should develop a plan to reduce unrestricted fund balance in a manner that benefits Village taxpayers. For example, unrestricted fund balance can be used to:
 - Fund needed reserves,
 - Reduce real property taxes, and
 - Fund one-time expenditures such as capital improvements.
5. The Clerk-Treasurer should prepare and attach a complete fund balance schedule to the proposed budget, per Village Law Section 5-506.

¹ See Appendix A for links to OSC publications that can assist local officials in developing written multiyear financial and capital plans.

Appendix A: Profile, Criteria and Resources

Profile

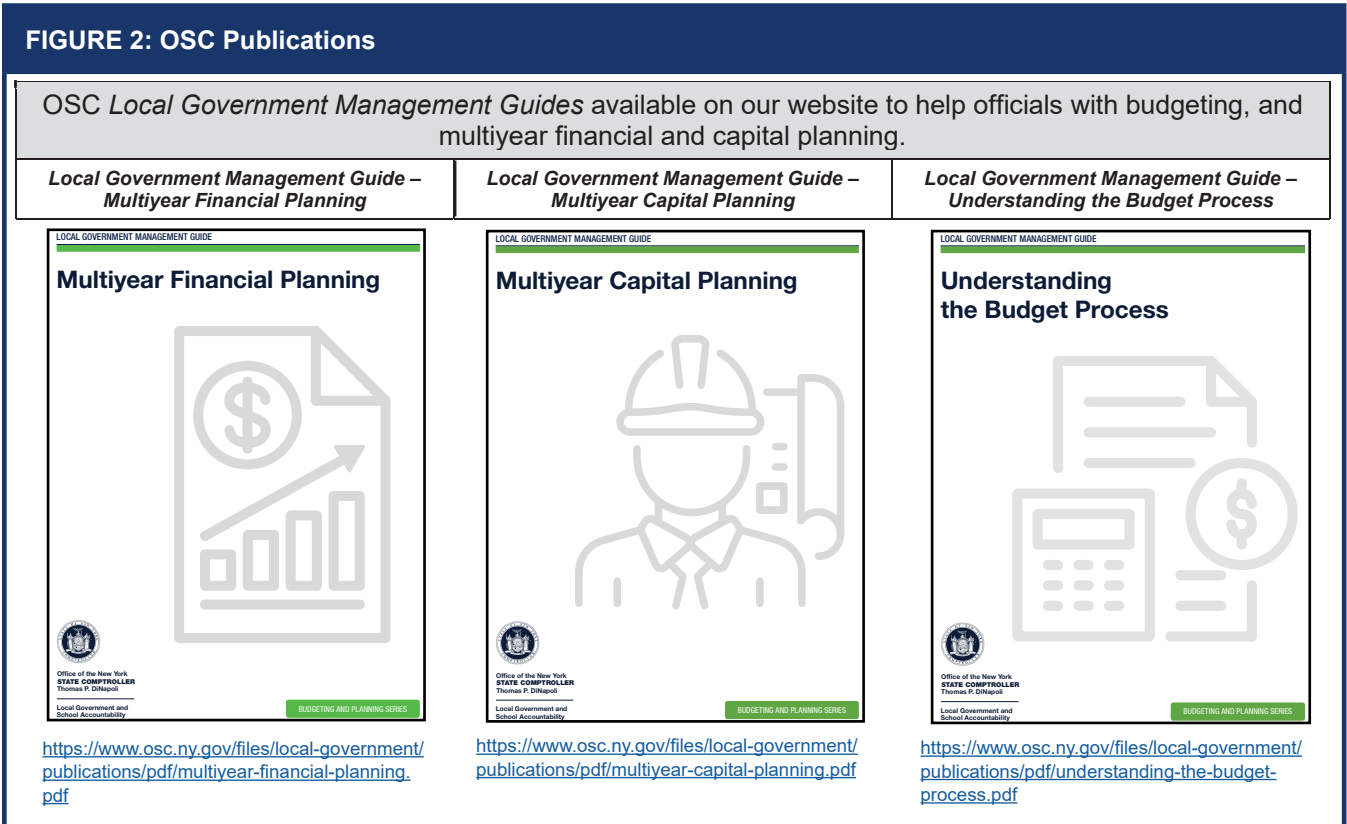
The Village is located in the Town of Leicester in Livingston County. The elected five-member Board is comprised of the Village Mayor and four Board members. The current Clerk-Treasurer started July 2022.

Criteria – Fund Balance Management

To properly manage fund balance, a village 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. 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 board should adopt written multiyear financial and capital plans that assess long-term needs and alternative approaches to financial issues. A comprehensive written multiyear financial plan projects revenues and expenditures for several years in the future to illustrate what will happen to the village's ability to pay for and provide services, while written capital plans should have a clear mission to maintain and improve the village's capital assets over time.

The 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. Village Law Section 5-506 requires that the preliminary budget show, by fund, proposed appropriations and estimated revenues, a fund balance estimate and the amount of taxes to be levied. The fund balance estimate is required to provide a breakdown of amounts encumbered, amounts set aside for reserves, amounts appropriated to finance the next fiscal year's budget and the remaining estimated unappropriated, unrestricted fund balance for each fund. (See page 6 for links to OSC publications on financial management resources.)

Additional Financial Management Resources



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 B: Response From Village Officials



OFFICE OF THE MAYOR

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Mayor

Barry Briffa

Trustees

Dan Christiano, Tom Frantz

Don Jacobs, Ken Rizzo

Clerk-Treasurer

Deborah Beardsley

Deputy Clerk-Treasurer

Samantha Bodratti

April 28, 2025

Stephanie Howes
Chief of Municipal Audits
The Powers Building
16 West Main Street – Suite 522
Rochester NY 14614-1608

Ms. Howes:

The Village of Leicester has reviewed your preliminary draft findings of your recent examination of the Village's fund balance.

The Village agrees with your recommendations and will begin the process of implementing a Corrective Action Plan (CAP) during the next several months to address the five recommendations presented.

We recognize the need for developing and implementing written policies, which in turn will assist in developing plans for future needs of the Village, as well as adoption of reasonable budgets to hold down property tax burdens on Village taxpayers.

Respectfully,

—
Barry Briffa, Jr
Mayor
Village of Leicester

Appendix C: 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 Village officials and reviewed Board meeting minutes to gain an understanding of their financial management processes, including budgeting, fund balance maintenance, and multiyear capital and financial planning.
- We reviewed available budget documents and interviewed Village officials to determine whether fund balance estimates were included in the preliminary budget.
- We analyzed 2021-22 through 2023-24 fiscal year-end unrestricted fund balance for the general and water funds and calculated unrestricted fund balance as a percentage of the upcoming fiscal year's 2024-25 budget to determine whether unrestricted fund balance was reasonable.
- For fiscal years 2021-22 through 2023-24, we compared budget estimates to actual results to determine whether budgets were reasonable.

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.

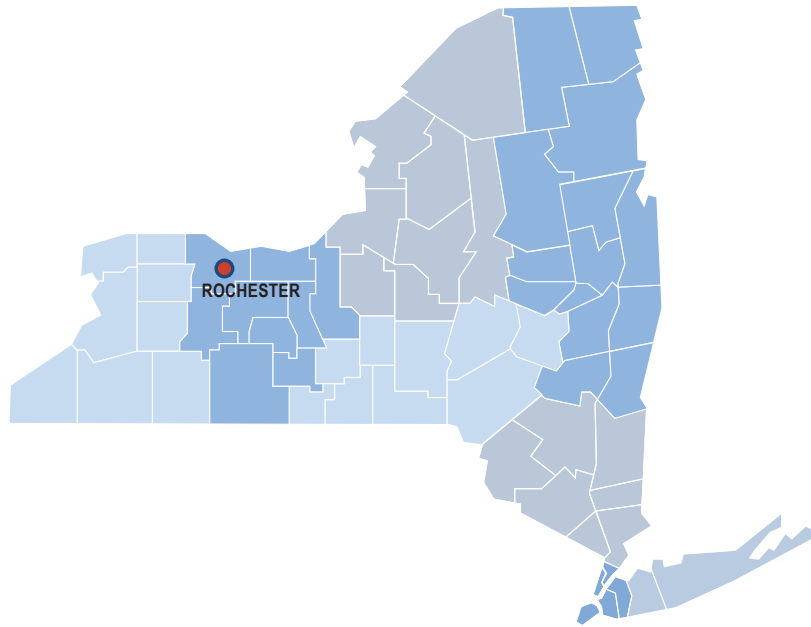
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