

Town of Windsor

Financial Management

2025M-24 | May 2025

Contents

Report Highlights 1

Financial Management. 2

 What Is Effective Financial Management?. 2

 The Board Adopted Unrealistic Budgets 3

 The Board Did Not Establish a Written Multiyear Financial Plan or Fund Balance and Reserve Policies 7

 What Do We Recommend? 8

Appendix A – Response From Town Officials 9

Appendix B – Audit Methodology and Standards 11

Appendix C – Resources and Services. 12

Report Highlights

Town of Windsor

Audit Objective

Determine whether the Town of Windsor (Town) Board (Board) effectively managed the Town’s fund balance and developed a multiyear financial plan.

Key Findings

The Board did not effectively manage the Town’s fund balance or develop a written multiyear financial plan. In addition, the Board’s preliminary budgets also did not include fund balance estimates with a breakdown by fund to assist officials in preparing and approving the final budget and providing transparency to the taxpayers and residents. Due to the Board’s budgeting practices, officials:

- Generated net operating surpluses totaling nearly \$2.7 million instead of planned operating deficits totaling \$482,700 in the general fund town-wide (TW), general fund town-outside-village (TOV) and highway fund TOV, the three main operating funds, during the four-year audit period. As a result, more taxes may have been levied than needed.
- Increased unrestricted fund balance from December 31, 2019 to December 31, 2023 by 96 percent, 93 percent and 93 percent in the general fund TW, general fund TOV and highway fund TOV, respectively.
- Underestimated sales tax revenues by approximately \$1.3 million in the highway fund TOV and overestimated employer retirement contributions by approximately \$298,100 in the main operating funds.

Recommendations

The audit report includes five recommendations to help improve the Town’s financial management.

Town officials generally agreed with our recommendations and indicated they will or have initiated corrective action.

Audit Period

December 31, 2019 – December 31, 2023. We extended our audit period to October 24, 2024 to include the adoption of a fund balance policy and forward to December 31, 2024 to document the change in Supervisors.

Background

The Town is located in Broome County. The Village of Windsor (Village) is located within the Town. The Town is governed by the elected Board, composed of four Board members and the Supervisor.

The Board is responsible for the general management and control of financial affairs, including adopting the annual budget and establishing financial policies.

The Supervisor, who serves as the chief fiscal officer, is responsible for providing financial reports to the Board. The Secretary to the Supervisor serves as the Budget Officer.

The Town has three main operating funds (main operating funds) including the general fund TW, general fund TOV and highway fund TOV. The Town also has a highway fund TW, which is used to account for bridge expenditures.

Quick Facts	
Population	5,804
Main Operating Funds	
2024 Appropriations	\$4.1 million
2024 Appropriated Fund Balance	\$914,500
Total Unrestricted Fund balance as of December 31, 2023	\$4.1 million

Financial Management

What Is Effective Financial Management?

Town officials must ensure budgeted revenues and appropriations are accurately estimated. Accurate budget estimates help ensure the tax levy is sufficient to meet needs and is not greater than necessary. Once the budget is adopted, officials should closely monitor the progress of actual revenues and expenditures throughout the year and identify any variances that might cause the year to end with a significant operating surplus or deficit. Budgeting and accounting for transactions in the correct fund helps ensure that all taxpayers are treated equitably, have the benefit of all resources due to them and pay only those real property taxes required of them. TW funds are used for the benefit of all town and village residents. TOV funds are used for the benefit of residents in the portion of the town outside of the village. New York State Town Law (Town Law) Section 1262 provides that a town must first use the sales tax proceeds it receives to benefit the area outside of the village (TOV funds), when the village also receives a portion of sales tax.

Fund balance is the difference between revenues and expenditures accumulated over time. Officials may appropriate a portion of fund balance to help finance the next year's budget. For example, fund balance may be appropriated to finance a planned operating deficit (expenditures exceeding revenues). The appropriation of fund balance will result in a reduction in fund balance if expenditures actually exceed revenues. Unrestricted fund balance should compensate for cash flow fluctuations and provide a cushion against unforeseen events but should not exceed a reasonable amount, consistent with prudent budgeting practices. This can be achieved with a written fund balance policy that establishes a minimum and maximum amount of unrestricted fund balance to be maintained and procedures that provide guidelines on how to accomplish this.

Effective financial management also includes complying with Town Law Section 107 that requires the preliminary budget to show, by fund, proposed appropriations and estimated revenues, a fund balance estimate and the amount of taxes to be levied.

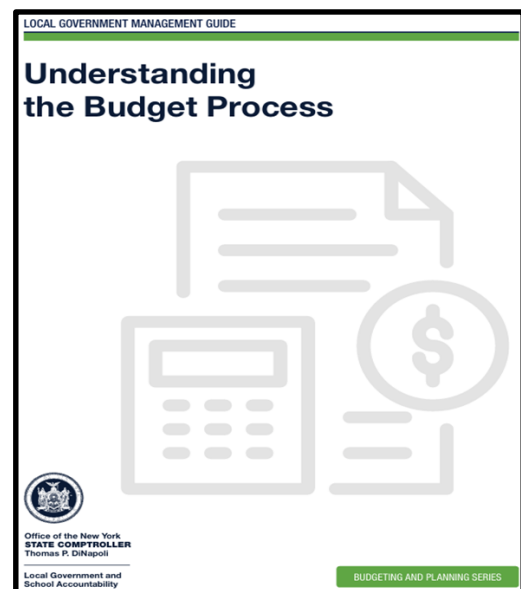
The fund balance estimate is required to provide:

- A breakdown of amounts encumbered,
- Amounts set aside for reserves,
- Amounts appropriated to finance the next year's budget, and
- The remaining estimated unappropriated, unrestricted fund balance for each fund.

Town officials can obtain additional information on the budget process by reviewing The Office of the State Comptroller's (OSC's) Local Government Management Guide (LGMG) *Understanding the Budget Process* (Figure 1).

FIGURE 1

LGMG Understanding the Budget Process



<https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf>

Effective financial management includes developing a multiyear financial plan which enables officials to identify developing revenue and expenditure trends, establish long-term priorities and goals and consider the impact that one-time financing sources or other short-term budgeting decisions may have on future fiscal years. It also allows officials to assess the impact and merits of alternative approaches to address financial needs, such as the use of fund balance to finance operations. A board must monitor and update long-term financial plans on an ongoing basis to ensure that its decisions are guided by current information. Reserve funds provide a mechanism for legally saving money to finance all or part of future infrastructure, equipment or other needs. A board should adopt a written policy that communicates to taxpayers and residents the reasons money is being set aside, the intent for the reserves and optimal funding levels.

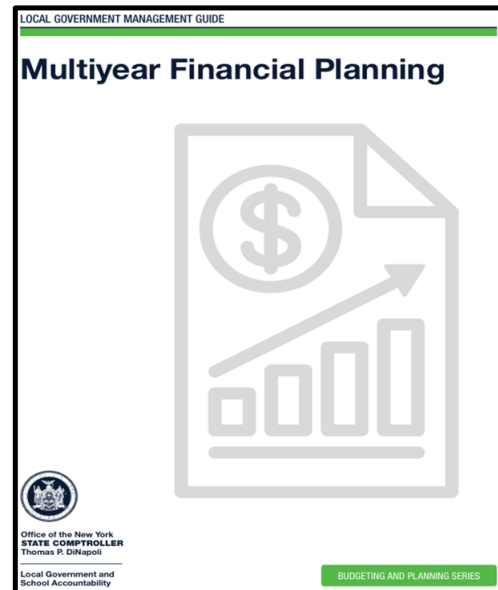
Town officials can obtain additional information on developing a multiyear financial plan by reviewing OSC's *LGMG Multiyear Financial Planning* that includes templates and a guided tutorial that provides a basic structure for those creating a plan for the first time (Figure 2).

The Board Adopted Unrealistic Budgets

The Board did not use historical or known trends of revenues and expenditures when developing budgets which resulted in unrealistic revenue and expenditure estimates.¹ We compared estimated revenues and appropriations to actual revenues and expenditures for the audit period and determined the three main operating funds combined generated a total of \$2.7 million in unplanned operating surpluses instead of planned operating deficits totaling approximately \$482,700. The general fund TW and highway fund TOV accounted for most of these unplanned surpluses, totaling \$2.5 million (93 percent).

FIGURE 2

LGMG Multiyear Financial Planning



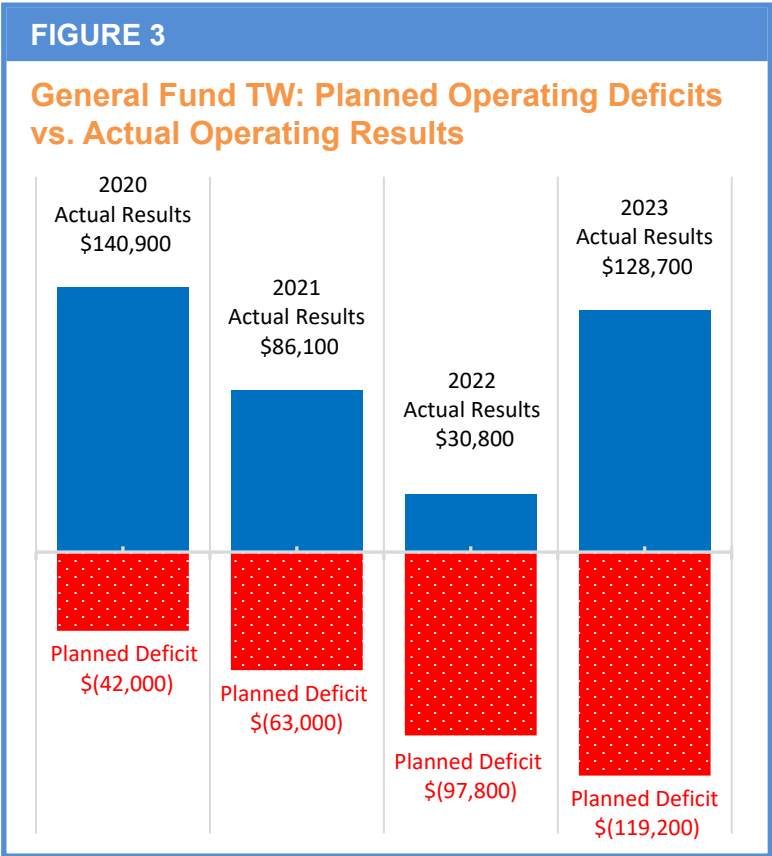
<https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf>

¹ In March 2022, a fire at the Town's highway garage resulted in a total loss of the structure and assets stored inside. The demolition and rebuilding of the highway garage and acquisition of assets such as trucks, tools and supplies resulted in atypical trends for expenditures and insurance recoveries in the general fund TW and highway fund TOV during the 2022 and 2023 fiscal years. For purposes of identifying common trends, we removed the significant revenues and expenditures associated with the fire from the results of operations.

General Fund TW – The Board underestimated revenues and generally overestimated expenditures. Due to the inaccurate budgeting, the Town experienced unplanned operating surpluses totaling approximately \$386,500 for fiscal years 2020 through 2023, rather than the planned operating deficits totaling approximately \$322,000 (Figure 3).

Underestimated revenues in total for fiscal years 2020 through 2023 included:

- Mortgage tax totaling approximately \$126,500 (39 percent).² A Board member told us that they were not certain how much mortgage tax the Town would receive because the amount is dependent on the housing market and they did not want to overestimate that amount. However, actual mortgage tax revenues exceeded the budgeted amount by at least 20 percent each year.
- Fines and forfeited bail totaling approximately \$98,300 (20 percent). One Board member told us they were unsure whether the Town would actually collect the amount of fines and forfeited bail revenues and the Board decided to take a conservative approach and budget for a lower amount.



Expenditures were also overestimated for employer retirement contributions by approximately \$128,000 (147 percent) and medical insurance by approximately \$57,800 (26 percent). One Board member told us they were concerned about constantly rising costs associated with employee benefits. However, the cost for employer retirement contributions decreased by approximately \$10,500 from 2020 through 2023 and medical insurance expenditures were overestimated by \$14,500 on average each year. Therefore, had the Board used historical expenditure amounts, these variances may have been reduced.

General Fund TOV – The Board underestimated revenues and overestimated expenditures for fiscal years 2020 through 2023 which resulted in unplanned operating surpluses totaling \$196,500 during the audit period. The primary budget lines contributing to the unplanned operating surpluses included:

² Total amount overestimated or underestimated from actual results during fiscal years 2020 through 2023.

- Underestimated sales tax revenues by approximately \$58,000 (24 percent). Four Board members told us that they were not certain how much sales tax revenue the Town would receive and did not want to overestimate and have a shortage of revenue.
- Overestimated employer retirement contribution expenditures totaling approximately \$15,800 (80 percent) and zoning expenditures totaling approximately \$39,000 (21 percent). Two Board members told us that they overestimated appropriations because they preferred having excess funds to pay bills rather than having insufficient funds. However, the Board consistently budgeted \$3,000 per year for contingent expenditures and never used the funds. Therefore, the Board could more transparently budget for this concern using the contingent expenditure line.

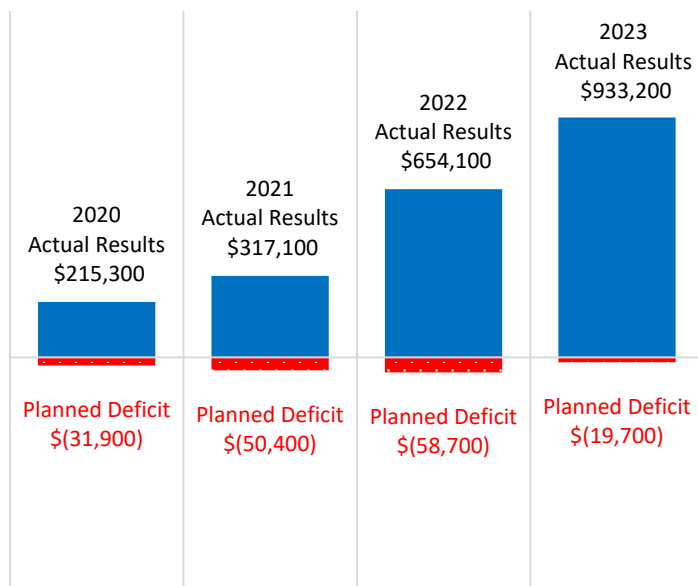
Highway Fund TOV – Although the Board generally underestimated both revenues and expenditures overall in the highway fund TOV for fiscal years 2020 through 2023, revenues were more significantly underestimated, resulting in unplanned operating surpluses totaling \$2.1 million during the audit period (Figure 4).

Underestimated revenues included:

- Sales tax revenues totaling approximately \$1.3 million (22 percent). Although, on average, the Board budgeted \$1.1 million, the actual highway fund TOV sales tax revenues averaged approximately \$1.5 million for fiscal years 2020 through 2023. Four Board members told us they were unaware of sales tax revenue amounts the Town would receive and, therefore, did not increase the revenue estimates to reflect actual amounts based on historical data.
- Consolidated Local Street and Highway Improvement Program³ (CHIPS) totaling approximately \$1.1 million (52 percent). Two Board members told us they were uncertain how much CHIPS funding the Town would receive from New York State, so they took a conservative approach. However, the Board consistently budgeted \$250,000 per year, or \$267,000 lower than the average amount received.

FIGURE 4

Highway Fund TOV: Planned Operating Deficits vs. Actual Operating Results



³ The CHIPS program was established to make payments for constructing, operating and/or maintaining highways, bridges and highway-railroad crossings that are not on the State highway system.

Overestimated expenditures included:

- Employer retirement contributions totaling approximately \$154,300 (64 percent) and health insurance benefits totaling approximately \$211,400 (25 percent). One Board member told us they were concerned about constantly rising costs associated with employee benefits. However, the costs for employer retirement contributions decreased by approximately \$7,000 and health insurance benefits by approximately \$10,600 from 2020 through 2023.
- Snow removal totaling approximately \$247,000 (31 percent). Two Board members told us that because of the mild winters, the Town did not need to spend as much as expected for snow removal.
- Machinery repairs totaling approximately \$141,600 (24 percent). Two Board members told us that they overestimated appropriations because they preferred having excess funds to pay bills than having insufficient funds. However, the cost of actual machinery repairs declined by approximately \$44,400 from 2020 through 2023. Although the highway fund TOV cannot have a contingency account, transfers can be made from the general fund TOV contingency appropriations to an account within the highway fund of the same tax base. Therefore, the Board could more transparently budget for this concern using the contingent expenditure line.

Additionally, from 2020 through 2023, the Board levied real property taxes in the general fund TOV totaling approximately \$193,000 and in the highway fund TOV totaling approximately \$2 million. However, the Board and former Supervisor⁴ recorded sales tax revenues in the highway fund TW totaling approximately \$173,300. This resulted in taxpayer inequities because the Town must first use the sales tax proceeds it receives to benefit the TOV funds, when the Village also receives a portion of sales tax. The Secretary to the Supervisor identified this issue and discontinued the practice of allocating sales tax revenue to the highway fund TW in the 2024 budget. However, the Board did not repay the \$173,300 of funds that were previously allocated to the highway fund TW to the TOV funds.

Furthermore, the Town's preliminary budgets for the 2021 through 2023 fiscal years⁵ did not include fund balance estimates with a breakdown as required by Town Law Section 107. The preliminary budget is required to include this information so that the budget is useful to officials in preparing and approving the final budget and providing transparency to the taxpayers and residents. The former Supervisor, a Board member and the Secretary to the Supervisor stated that they were not aware of the requirement that the Town's 2024 preliminary budget contains fund balance estimates and they planned to include them in the 2025 budget. Due to the lack of required information provided in the preliminary budget, officials, taxpayers and residents did not have complete and sufficient financial information to effectively assess the fund balance levels and their effect on the overall budgets.

⁴ The former Supervisor served as Supervisor until December 31, 2024, at which point he became a regular Board member.

⁵ Town officials could not locate a copy of the 2020 preliminary budget.

The Board Did Not Establish a Written Multiyear Financial Plan or Fund Balance and Reserve Policies

Due in part to the budgeting findings in the previous section, the Town's unrestricted fund balance in the main operating funds grew by approximately \$2 million during the audit period. Unrestricted fund balance increased 96 percent in the general fund TW, 93 percent in the general fund TOV and 93 percent in the highway fund TOV. Consequently, the operating surpluses for the general funds TW and TOV and highway fund TOV accumulated primarily as unrestricted fund balance during the audit period and may have resulted in the Board levying more taxes than needed (Figure 5).

Figure 5: Unrestricted Fund Balance at Year-End

	2019	2020	2021	2022	2023
General Fund TW					
Unrestricted Fund Balance	\$626,500	\$760,900	\$855,200	\$1,137,900	\$1,227,400
Next Year's Budgeted Appropriations	\$829,000	\$853,300	\$859,900	\$887,500	\$1,134,200
Percentage^a	76%	89%	99%	128%	108%
General Fund TOV					
Unrestricted Fund Balance	\$211,900	\$239,900	\$313,100	\$339,700	\$408,800
Next Year's Budgeted Appropriations	\$105,800	\$105,300	\$105,400	\$107,300	\$151,100
Percentage^a	200%	228%	297%	317%	271%
Highway Fund TOV					
Unrestricted Fund Balance	\$1,276,400	\$1,467,400	\$1,785,900	\$3,338,000	\$2,468,300
Next Year's Budgeted Appropriations	\$1,928,500	\$1,946,200	\$1,985,600	\$2,033,100	\$2,819,900
Percentage^a	66%	75%	90%	164%	88%
a) Unrestricted Fund Balance as Percentage of the Next Year's Budgeted Appropriations					

The former Supervisor and two Board members told us that having fund balance at these levels was necessary to cover emergencies and a portion of the fund balance is intended for the replacement of vehicles. However, during the 2020 through 2023 fiscal years, the Board did not develop or adopt a written multiyear financial plan, including fund balance and reserve policies, to determine needed amounts for fund balance and specific reserves for the Town for a three- to five-year period.

In October 2024, after OSC auditors commenced the audit, the Board appropriately adopted a written fund balance policy that:

- Established fund balance parameters for each TW and TOV fund to maintain a fund balance level of not less than 25 percent and not more than 50 percent of the fund's operating expenditures,
- Explained why the parameters were appropriate,
- Provided suggestions to address fund balance if it fell outside the parameters, and
- Defined the purpose of reserve funds.

Once the fund balance policy was adopted, three Board members told us they would like to use some of the unrestricted fund balance to fund reserves. Additionally, a Board member told us turnover in the Secretary to the Supervisor position prevented the Board from having a full understanding of the Town's financial position and creating a multiyear financial plan. Without an adopted written multiyear financial plan, the Town has no formal guidance on how to address long-term financial objectives, and there is a lack of transparency regarding how future large expenditures will be funded. In addition, it is difficult for the Board to assess alternative approaches to financial needs, such as accumulating fund balance or using fund balance to finance annual operations.

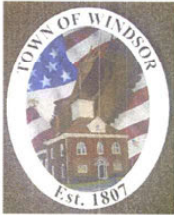
The Board's budgeting practices and lack of a written multiyear financial plan and written fund balance and reserve policies contributed to the Town's significant accumulated unrestricted fund balance. Although a conservative approach to budgeting may be prudent, consistently adopting budgets that contain unrealistic estimates limits transparency and interferes with the Board's ability to adequately and effectively manage the Town's fund balance.

What Do We Recommend?

The Board should:

1. Ensure adopted budgets contain realistic estimates that are based on historical trends.
2. Develop a plan to repay the TOV funds for sales tax revenues that were improperly recorded in the TW highway fund.
3. Include fund balance estimates in the Town's annual preliminary budgets.
4. Develop a plan to reduce unrestricted fund balance in the main operating funds. Unrestricted fund balance can be used as a financing source for:
 - Funding one-time expenditures,
 - Funding needed reserves,
 - Paying off debt, and
 - Reducing Town property taxes.
5. Develop, adopt and periodically update a comprehensive written multiyear financial plan to be used in conjunction with the annual budget process.

Appendix A: Response From Town Officials



Town of Windsor

124 Main Street
Windsor, NY 13865
Telephone (607) 655-5440

May 15th, 2025

Office of the State Comptroller
Binghamton Regional Office
44 Hawley Street - Rm 1702
Binghamton, NY 13901-4417

Response: OSC Audit - Town of Windsor - Draft Audit Report

We would like to take the opportunity to thank the Office of the State Comptroller ("OSC") in conducting an audit of the financial management of the Town of Windsor. This letter serves as the official response to the OSC preliminary draft audit report 2024-M24.

This response also addresses the corrective actions taken, or to be taken, by the Town of Windsor to address the recommendations provided by OSC and serves as the Correction Action Plan (CAP).

The findings of the review highlight several areas of financial management that affect the transparency and tax accountability. The OSC recommendations will be promptly, if not already, addressed and corrected. The responses below directly reflect the recommendation actions outlined in the preliminary draft audit report:

Ensure adopted budgets contain realist estimate that are based on historical trends.

Several accounts (line items) were addressed in the report. Many of these items were budgeted based on economic uncertainty, however the audit report has highlighted that these items have not had the anticipated fluctuations and will be adjusted appropriately in the immediate year's budget. This report will assist in the identification of accounts that need to be adjusted.

Develop a plan to repay the TOV fund for sales tax revenue that were improperly recorded in the Town highway-2 fund.

On 05/14/2025, the Town of Windsor Board passed resolution 21-2025, which transferred \$13,864 from the Town Highway 2 In/Out fund to the Town Highway 1,2,4 fund. This transfer of funds resolves the inequity in the 2 different tax bases.

Include fund balance estimates in the Town's annual preliminary budgets.

The Town began providing clearly defined fund balances in the preliminary 2025 budget.

Develop a plan to reduce unrestricted fund balance in the main operating funds.

On 05/14/2025, the Town of Windsor passed resolutions 23-2025, 24-2025, 25-2025, 26-2025, 27-2025, funding approximately \$1,804,999 into capital reserve accounts that align with the draft multi-year capital expenditure plan. Resolutions to establish capital reserve funds were created and approved 12/11/2024 to align with the draft multi-year capital plan. There are immediate plans (FY2025 and FY2026) to address one-time expenditures for much needed road repairs and other operational needs throughout the Town, which will further align with the overall fund balance goals of the Town.

Develop, adopt and periodically update a comprehensive written multi-year financial plan to be used in conjunction with the annual budget process.

As with other items to be addressed in the FY2026 budget, a written plan addressing multiyear has already been drafted which also includes the fund reserve accounts and the allocation of funds to be reserved for long term financial needs. This plan will be adopted by the Town Board during the Calander year 2025 to be used in the FY2026 Budget process.

The insight and recommendations provided by the OSC have provided valuable insight and direction that will aid the Town in continued transparency, long-term financial planning and financial management.

Respectfully,

Tim Harting, Supervisor

Town of Windsor

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. 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 Town policies and procedures and the Board meeting minutes, preliminary and adopted budgets and financial records and reports to gain an understanding of the Town's financial operations including budget development and monitoring processes.
- For fiscal years 2020 through 2023, we compared budget estimates to actual results to determine whether budgets were reasonable. We reviewed variances in the three main operating funds to determine which individual revenue and appropriation estimates had the largest variances. We then interviewed Town officials to determine the cause of significant or unusual variances.
- We assessed the three main operating funds' year-end fund balance amounts for 2020 through 2023 and analyzed results of operations.
- We calculated the main operating funds' unrestricted fund balance for 2020 through 2023 as a percentage of the next year's appropriations. We reviewed the fund balance appropriated for 2020 through 2023, determined whether the Town had an operating surplus or deficit and calculated how much appropriated fund balance was used.

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.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236
Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov
<https://www.osc.ny.gov/local-government>
Local Government and School Accountability Help Line: (866) 321-8503

BINGHAMTON REGIONAL OFFICE – Lucas S. Armstrong, Chief of Municipal Audits
State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417
Tel (607) 721-8306 • Fax (607) 721-8313 • Email: Muni-Binghamton@osc.ny.gov
Serving: Broome, Chemung, Chenango, Cortland, Delaware, Otsego, Schoharie, Tioga, Tompkins counties