

Town of Dannemora

Part-Town Activities

DECEMBER 2017



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

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Report Highlights

Town of Dannemora

Audit Objective

Determine whether Town officials properly allocated revenues and expenditures to the part-town (PT) funds.

Key Findings

- The Town's accounting records did not include a PT general fund.
- General fund PT revenues and expenditures were not properly allocated. During the audit period, \$148,278 was allocated to the town-wide (TW) general fund instead of the PT general fund.
- The Town unnecessarily taxed Town residents residing within the Village which subsequently lowered tax rates for Town residents living outside of the Village.

Key Recommendations

- Establish a PT general fund and use it to account for PT general activities.
- Review statutory requirements relating to the allocation of PT activities and ensure they are allocated in the proper fund in accordance with these requirements.

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

Background

The Town of Dannemora (Town), which includes the Village of Dannemora (Village) within its boundaries, is located in Clinton County (County).

The Town is governed by the Town Board (Board), which is composed of the Town Supervisor (Supervisor) and four Board members. The Board is responsible for the general management and control of the Town's financial affairs. The Supervisor is the Town's chief fiscal officer and is responsible for ensuring that all revenues and expenditures are properly recorded and accounted for.

The Town provides various services to its residents including maintaining and improving Town roads, snow removal, water, sewer and general government support.

Quick Facts

Population	4,500
2016 Budgeted Appropriations	\$1.9 million
2017 Budgeted Appropriations	\$2.0 million

Audit Period

January 1, 2016 – July 31, 2017

Part-Town Activities

How Should Part-Town Activities Be Allocated?

The Village of Dannemora is geographically located within the boundaries of the Town. In a town with a village, separate operating funds must be maintained – a town-wide (TW) fund and a part-town (PT) fund. The TW funds have a tax base that encompasses the entire town, including the village. The PT funds have a tax base that includes only the portion of the town that lies outside the village's boundaries.

Generally, all real property taxes raised for town purposes must be levied on the whole area of the town (in the TW funds), including the real properties located in the village, unless there is a State statute that requires or permits any given expenditure to be raised from taxes levied on only the town's unincorporated area (in the PT funds). For example, New York State Town Law requires revenues and expenditures related to code enforcement, building inspection, zoning and planning to be accounted for in the PT general fund. Similarly, the allocation of revenues and expenditures related to the repair and improvement of highways to the PT highway fund is also required by Town Law. Additionally, various other statutes require, under certain circumstances, financial activity related to the Town's recreation program, the registrar of vital statistics and the Town's contribution to the Dannemora Free Library to be charged to the PT general fund. Because the Town's financial transactions affect different tax bases, it is important for Town officials to allocate revenues and expenditures to the proper funds to maintain equity among taxpayers.

Part-Town Revenues and Expenditures Were Not Properly Allocated

We reviewed all potential PT transactions during the audit period and found that, other than minor discrepancies which we discussed with Town officials, PT highway fund revenues and expenditures were properly allocated to the PT highway fund. However, general fund PT revenues and expenditures were not properly allocated to the PT general fund. Instead, they were allocated to the TW general fund. In fact, during the audit period, we found that the Town did not maintain accounting records for a PT general fund. Consequently, general fund PT revenues and expenditures were not properly allocated in the Town's 2016 or 2017 FY adopted budgets.

Specifically, revenues and expenditures related to building inspections, code enforcement, registrar of vital statistics, recreation and the Town's contribution to the Dannemora Free Library were budgeted for in the TW general fund even though these transactions are required, by various statutes, to be accounted for in the PT general fund. The 2016 and 2017 TW general fund budgets contained PT revenues totaling \$4,500 and \$5,500 and PT appropriations totaling \$79,120 and \$79,159, respectively. Therefore, these transactions resulted in an unnecessary

financial burden totaling \$148,279¹ (\$74,620 during the 2016 fiscal year and \$73,659 during the 2017 fiscal year) in the TW general fund instead of the PT general fund, as required. Town officials indicated that they were unaware of the statutory requirements of allocating PT activities.

As a result, the Town unnecessarily taxed Town residents residing within the Village which subsequently lowered tax rates for Town residents living outside of the Village. These actions also caused an inequitable tax burden on Village residents and the misstatement of the operations of those funds.

What Do We Recommend?

The Supervisor should:

1. Establish a PT general fund in the Town's accounting records and account for PT revenues and expenditures in this fund.

The Board should:

2. Review statutory requirements relating to the allocation of revenues and expenditures and ensure PT revenues and expenditures are allocated in the proper fund in accordance with these requirements.
3. Consult with its legal counsel to determine what remedies are available to address the taxpayer inequities identified in this report.

¹ Actual PT general fund revenues totaled \$7,380 and expenditures totaled \$47,382 during the 2016 fiscal year and as of July 31, 2017, actual PT general fund revenues totaled \$3,935 and expenditures totaled \$47,764.

Appendix A: Response From Town Officials

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December 21, 2017

NYS Office of the State Comptroller
Division of Local Government & School Accountability
One Broad St. Plaza
Glens Falls, N.Y. 12801

RE: Written Response to Preliminary Draft Report

To whom it may concern,

This letter is in response to the New York State Office of the State Comptroller's Preliminary Draft Report. Upon review of the Draft Report by the Town of Dannemora Town Board, the Board is in agreement with the findings.

Our intention now is to create a Corrective Action Plan based on the OSC recommendations found in this audit.

We found that the audit process was longer than we anticipated, however the professionalism shown by your staff eased the burden.

Respectfully,

William H. Chasé, Supervisor
Town of Dannemora

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, we performed the following audit procedures:

- We interviewed Town officials and reviewed the Town's accounting records during our audit period to determine whether separate accounting records were maintained for each required fund.
- We interviewed Town officials and reviewed adopted budgets to assess the history of budget allocations related to PT revenues and expenditures.
- We reviewed and compared the 2016 and 2017 adopted budgets and accounting records to determine if PT revenues and expenditures were allocated to the proper PT funds in accordance with relevant statutes. We also traced all recorded PT revenues and expenditures to source records to verify that they were in fact related to PT activities.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

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/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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