



Town of Lapeer

Budgeting

2024M-127 | January 2025

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Report Highlights

Audit Objective

Determine whether the Town of Lapeer (Town) Town Board (Board) developed and adopted realistic budgets.

Key Findings

The Board did not develop and adopt realistic budgets. As a result, unrestricted fund balance in these funds increased to levels between 85 and 182 percent of the 2024 appropriations, as of December 31, 2023.

The audit determined that estimated revenues were underestimated in the general and highway funds, and budgeted appropriations were overestimated in the general fund, resulting in operating surpluses totaling \$669,365 during fiscal years 2021, 2022 and 2023.

- Actual revenues exceeded estimated revenues by an average of \$147,251 (81 percent) and \$99,605 (29 percent) in the general and highway funds, respectively.
- Actual expenditures were less than appropriations by an average of \$38,397 (19 percent) in the general fund.

In addition, the Board has not developed and adopted a written fund balance policy specifying the Town’s objectives and goals for using the accumulated funds.

Recommendations

The report includes three recommendations that, if implemented, will help Town officials improve their budgeting practices.

Town officials disagreed with certain aspects of our findings and recommendations, but indicated they planned to initiate corrective action.

Audit Period

January 1, 2021 – April 30, 2024

Background

The Town is located in Cortland County and is governed by an elected five-member Board, which includes the Town Supervisor (Supervisor) and four Board members. The Board 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 Town has five funds, including the general and highway funds, which are primarily funded by real property taxes, sales tax and Consolidated Local Street and Highway Improvement Program (CHIPS) revenues.

Quick Facts	
2024 Budgeted Appropriations	
General Fund	\$238,612
Highway Fund	\$395,700
Total	\$634,312

Budgeting

What Is a Realistic Budget?

A town board (board) is responsible for developing and adopting realistic budgets. A realistic budget is based on historical trends, sound estimates, well-supported budgetary assumptions and other known factors. Budgetary estimates must be clear and realistic, and the total financing sources from estimated revenues, appropriated fund balance and appropriated reserves must equal the town's estimated expenditures for the fiscal year. A realistic budget can help ensure that recurring revenues finance recurring expenditures.

A fund balance policy that addresses the appropriate level of fund balance to be maintained in each fund, replenishment levels and how and when it can be used can provide the board with guidelines to use during the budget process. When the board appropriates fund balance in the budget to finance operations, the board anticipates an operating deficit (expenditures exceeding revenues), which is equal to the amount of fund balance that is appropriated. Retaining a reasonable portion of unrestricted fund balance can help a town establish a financial cushion for unforeseen circumstances.

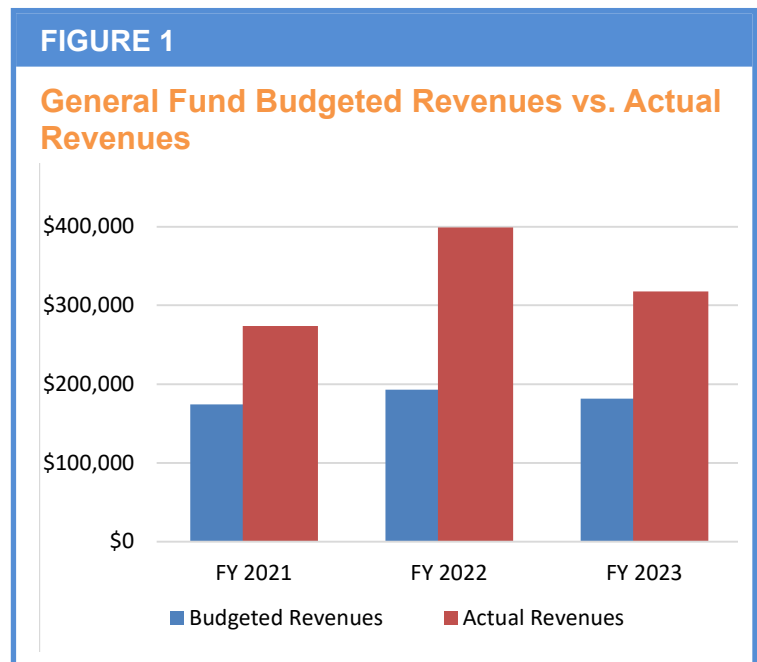
The Board Did Not Develop and Adopt Realistic Budgets

To determine whether realistic budgets were adopted, we compared the Town's 2021 through 2023 estimated revenues and appropriations with actual operating results for the Town's two largest funds, the general and highway funds.

We determined that estimated revenues were underestimated in the general and highway funds, and while appropriation variances in the highway fund were generally reasonable, appropriations were overestimated in the general fund.

Estimated Revenues – Actual revenues exceeded estimated revenues by an average of \$147,251 (81 percent) in the general fund (Figure 1).¹ Three revenue accounts had underestimated revenues totaling \$432,163² in at least two of the three fiscal years reviewed, as follows:

- The Board did not budget for sales tax revenues but received a total of \$396,434 during the three years ranging from \$74,910 to \$201,128.
- Mortgage tax revenues exceeded estimates for two of the three years (2021 and 2023) by a total of \$22,151 (111 percent), with variances ranging from \$10,379 to \$12,594.



1 In all figures, FY is defined as fiscal year.

2 Excluding the one-time American Rescue Plan Act (ARPA) revenue of \$37,288 which was not anticipated or budgeted for

- The Board did not budget for Aid and Incentives for Municipalities (AIM) related payments but received a total of \$13,578 for all three years.

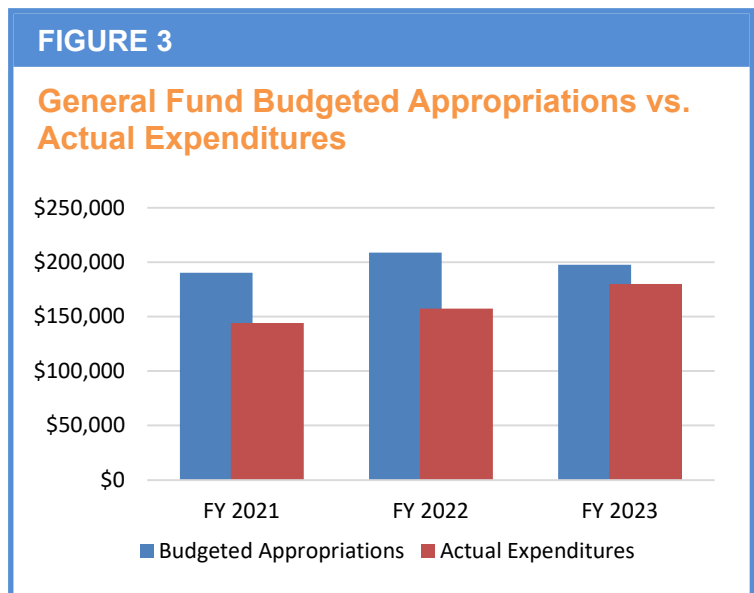
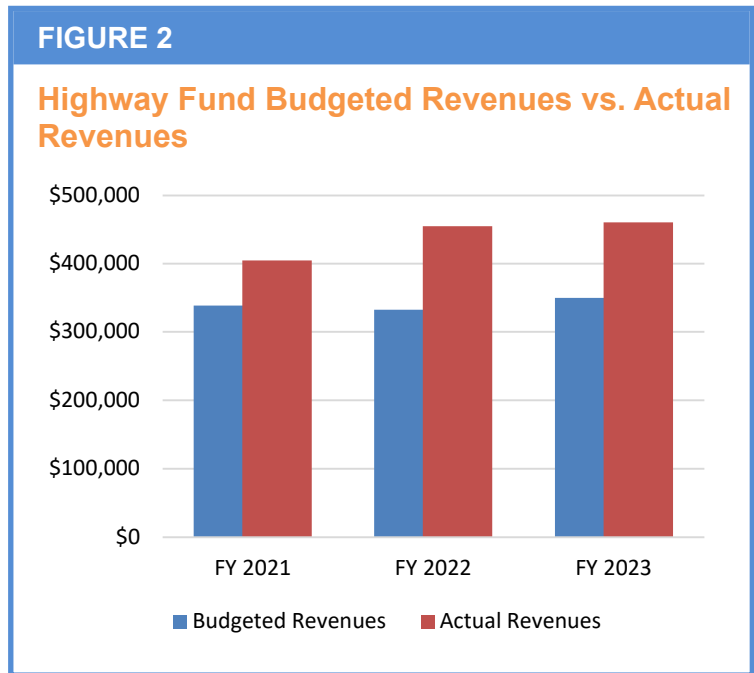
The Supervisor said that because the Town has a large portion of State land, the Board elected to have the County keep a portion of the Town’s sales tax revenue to reduce the County real property tax levy in the Town. Furthermore, the Supervisor stated past sales tax revenue was lower than recent years. He stated that the Town usually receives sales tax revenues after the budget has been adopted, so it was not included in the annual budgets. However, the Board should include sales tax estimates in the annual budget based on historical data.

Additionally, actual highway fund revenues exceeded estimates by an average of \$99,605 per year, or 29 percent (Figure 2).³ Two revenue accounts had underestimated revenues totaling \$295,125 in the three years reviewed, as follows:

- CHIPS revenues exceeded estimates for all three years by \$195,330 (109 percent), with variances ranging from \$35,404 to \$89,539.
- The sale of equipment revenue account exceeded estimates for all three years by a total of \$99,795 (6,653 percent), with variances ranging from \$29,815 to \$39,500.

The Supervisor stated that when they prepared the annual budgets, officials did not know they were going to sell some of the equipment.

Appropriations – Actual expenditures were less than estimated appropriations by an annual average of \$38,397 (19 percent) in the general fund (Figure 3).



³ We did not include transfers from the general fund because the transfers were not included in the adopted budget.

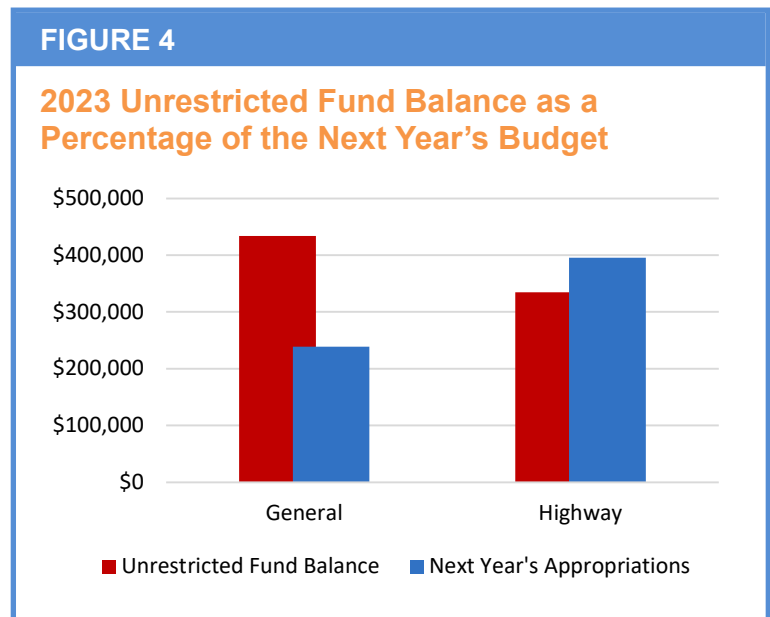
Five expenditure accounts and the contingency appropriation account in the general fund were overestimated by a total of \$100,553 in the three years reviewed, as follows⁴:

- Contingency appropriation expenditures were overestimated for all three years by a total of \$54,068 (64 percent), with variances ranging from \$3,470 to \$25,818.
- Central garage expenditures were overestimated for all three years by a total of \$20,978 (44 percent), with variances ranging from \$3,410 to \$12,210.
- Personal services for attorney expenditures were overestimated for all three years by a total of \$12,692 (85 percent), with variances ranging from \$3,597 to \$4,816.
- Control of dogs expenditures were overestimated for two of the three years (2021 and 2022) by a total of \$7,125 (42 percent), with variances ranging from \$1,925 to \$5,600.
- Traffic control expenditures were overestimated for all three years by a total of \$5,690 (95 percent), with variances ranging from \$1,690 to \$2,000.

The Board did not base its expenditure estimates on prior years' actual results. The Supervisor did not explain why the Board's expenditure estimates were not based on actual results from previous years.

Appropriated Fund Balance – In the three years reviewed, the Board adopted budgets that planned for the use of \$96,000 of fund balance from the general and highway funds to fund budgeted operating deficits. However, the appropriated fund balance was not used in all years because both funds incurred operating surpluses totaling \$669,365. The highway fund did use fund balance in two years to pay for unbudgeted equipment purchases.

As a result of the operating surpluses, unrestricted fund balances in these funds increased to levels between 85 and 182 percent of the 2024 budgeted appropriations, as of December 31, 2023 (Figure 4). Although it is reasonable for the Town to maintain a cushion in fund balance for unforeseen events, the Board has not developed and adopted a written fund balance policy specifying the Town's objectives and goals for using the accumulated funds.



Had the Board and officials used historical trend analyses and previous years' actual results of operations to develop their budget estimates, they likely would have estimated revenues and

4 We did not include transfers to the highway fund because the appropriations were not included in the adopted budget.

expenditures more accurately and been more transparent with the public and taxpayers. Appropriating fund balance that is not needed and adopting unrealistic budgets could result in unnecessary increases to fund balance levels and real property taxes.

What Do We Recommend?

The Board should:

1. Develop and adopt budgets that contain realistic revenue and expenditure estimates based on current data and historical trends, and appropriate fund balance only when needed to fund operations.
2. Develop and adopt a written fund balance policy.
3. Ensure that reasonable levels of unrestricted fund balance are maintained and consider funding existing reserves as necessary or establishing additional needed reserves.

Appendix A: Response From Town Officials

TOWN OF LAPEER

2685 Clarks Corners Road
Marathon, NY 13803-2026
(607) 849-3808

January 11, 2025

Ann C. Singer, Chief of Municipal Audits
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901

Re: Town of Lapeer Audit

Dear Ms. Singer:

The Lapeer Town Board has received the Report of Examination draft.

It is our unanimous decision that we did little or nothing wrong. We maintain that it is far better for the Town to have a surplus than a deficit; although, we do admit that our surplus is becoming burdensome.

The Town Board has been very reluctant to raise taxes. It is our belief that should we lower taxes, which we could do, and then have to raise taxes in the next year, the town taxpayers would be less than pleased. We agree that we could budget closer to the actual costs and possibly use some surplus funds. We also agree that we could utilize a three year average to determine budget line item figures instead of one year.

The Board believes that is extremely difficult to predict sales tax revenue and mortgage tax, but concede we could estimate better on machinery sales. It is also difficult to anticipate the increase in County tax rates and the ever-rising fire taxes.

One point the Board is concerned with is Cortland County is threatening to keep more sales tax in the future which would force the Town to raise taxes. In that event a surplus would be beneficial.

In summary, we believe we can budget closer to actual costs and use some surplus but we are not willing to lower the taxes; to keep them at a stable level is preferable.

Sincerely,

Lee Brown
Deputy Supervisor

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 Board meeting minutes to gain an understanding of the Town's budgeting development and monitoring process.
- For fiscal years 2021 through 2023, we compared budgeted estimates to actual results to determine whether budgets were reasonable. We reviewed variances in the general and highway funds, which represented 85 percent of the 2023 budgeted appropriations for all funds and had the most significant variances between budgeted estimates and actual results. We reviewed these funds to determine which individual revenue and appropriation estimates had the largest variances, and interviewed Town officials to determine the cause of significant or unusual variances.
- We reviewed the Town's budgeted revenues for 2021 through 2023 to determine trends for five selected revenue accounts: sales tax, AIM related payments, mortgage tax, sale of equipment and CHIPS. We selected these accounts based on budget variances of 15 percent and cumulative budget variances of \$10,000 or more identified in the 2021 through 2023 fiscal years.
- We reviewed the Town's budget estimates for 2021 through 2023 to determine trends for five selected expenditure accounts: central garage, traffic control, control of dogs, personal services attorney and contingency appropriation. We selected these accounts based on budget variances of 15 percent and cumulative budget variances of \$5,000 or more identified in the 2021 through 2023 fiscal years.
- For fiscal years 2021 through 2023, we reviewed the Town's Annual Financial Report to determine whether the Town's general and highway funds experienced operating surpluses or deficits, and whether the 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.

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.

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

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