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April 2018

Tom Bose, Supervisor
Members of the Town Board
Town of Callicoon
19 Legion Street
Jeffersonville, NY 12748

Report Number: P4-17-30

Dear Supervisor Bose and Members of the Town Board:

A top priority of the Office of the State Comptroller is to help Town officials manage their resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support Town operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard assets.

In accordance with these goals, we conducted an audit of 10 towns throughout New York State. The objective of our audit was to determine whether town assessors are properly administering select real property tax exemptions. We included the Town of Callicoon (Town) in this audit. Within the scope of this audit, we examined Agricultural,¹ Persons 65 Years of Age or Older (Senior Citizens)² and Veterans³ exemptions for the period January 1, 2016 through August 10, 2017. This audit was conducted 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.

This report of examination letter contains our findings and recommendations specific to the Town. We discussed the findings and recommendations with Town officials and considered their comments, which are included in Appendix A, in preparing this report. Town officials generally agreed with our recommendations and indicated they plan to initiate corrective action. At the

¹ Section 305 of the Agriculture and Markets Law and Section 483 of the Real Property Tax Law

² Section 467 of the Real Property Tax Law

³ Sections 458, 458-a and 458-b of the Real Property Tax Law

completion of our audit of the 10 towns, we prepared a global report that summarizes the significant issues we identified at all of the towns audited.

Summary of Findings

Generally, the Assessor properly administered select real property tax exemptions. However, she did not maintain some supporting documentation and incorrectly calculated or classified seven granted real property tax exemptions. As a result, we could not verify whether property owners received appropriate tax reductions totaling as much as \$4,280. If exemptions were not properly granted, it could have resulted in higher property tax bills for other residents. The failure to maintain adequate records, require annual renewals, verify and review information annually or correctly calculate exemptions increases the risk that individuals could receive exemptions to which they are not entitled on future tax rolls.

Background and Methodology

The Town is located in Sullivan County, includes the Village of Jeffersonville, covers 48.9 square miles and has approximately 3,000 residents. The Town's 2017 budgeted appropriations totaled approximately \$2.5 million. Major costs included road maintenance and improvements, snow removal and general government support. These costs are funded primarily through real property taxes.

The Town is governed by a five-member Town Board (Board). The Town Supervisor (Supervisor) is a Board member and serves as the chief executive and chief fiscal officer. The Town Assessor (Assessor) is responsible for granting and tracking real property tax exemptions within the Town's boundaries, including the County and school districts. The Assessor determines the assessed values of properties each year for the assessment roll (2016), which is then used to create the tax bills for the following year's County, Town and School tax rolls (2017) and Village tax roll (2018). The Assessor is responsible for retaining a properly completed application form and additional supporting documentation that a property was eligible for an exemption. The Town had approximately 2,450 parcels totaling \$205 million in total taxable assessed value in 2016, with 478 Agricultural, Senior Citizens and Veterans exemptions totaling \$12.4 million in assessed value. The Assessor was appointed on March 1, 1986 and works 140 hours per month at the Town.

To complete our audit objective, we reviewed Agricultural, Senior Citizens and Veterans exemptions documentation for accuracy and propriety. We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). More information on the standards and the methodology used in performing this audit are included in Appendix B of this report. 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.

Audit Results

To properly administer real property tax exemptions, the Assessor needs to ensure applicants meet eligibility requirements and receive the proper calculated exemption amount. The Assessor should also retain supporting documentation for those granted exemptions and consult with the New York

State Office of Real Property Tax Services (ORPTS) or the Sullivan County Real Property Tax Services Office, as necessary, for technical assistance.

Agricultural – The Agricultural exemption generally requires an average annual gross sales over the previous two years of \$10,000 for farms with seven or more acres of land, or \$50,000 for farms of less than seven acres. The Agricultural exemption amount is calculated based on a New York State certified soil productivity value for each parcel. Property owners may also lease acreage to eligible farmers and receive an Agricultural exemption. Property owners receiving certain Agricultural exemptions are required to file a renewal form each year certifying the property remains eligible for the exemption. Although the renewal form does not require proof of income, Assessors should periodically verify farm income to ensure the property remains eligible.

We tested 23 Agricultural exemptions totaling \$802,000 in County, Town and School exempted value and found that the Assessor required and maintained adequate supporting documentation for all 23 exemptions and correctly calculated the exemption amounts for all 10 exemptions tested. Lastly, the Assessor periodically verifies farm income when property owners submit their renewal forms.

Senior Citizens – The Senior Citizens exemption requires the property be used exclusively for residential purposes and owned by a person 65 years or older (with some familial exceptions), with varying income limits determined by each municipality. Residents receiving the Senior Citizens exemption are required to file a renewal form each year, along with supporting documentation to show their income is below the threshold.

Four of the 10 properties we reviewed receiving a Senior Citizens exemption lacked proof of income eligibility. This may have resulted in property owners inappropriately receiving a total of \$3,420 in County, Town and School tax reductions for fiscal year 2017 and Village tax reductions for fiscal year 2018. The Assessor stated that she reviewed proof of income documents for these exemptions. However, no copies were retained on file. Another property owner who did not meet the age requirement was granted an exemption. Therefore, this owner was ineligible to receive the exemption and inappropriately received \$558 in County, Town and School tax reductions for fiscal year 2017.

Veterans – Requirements related to Veterans exemptions vary, but typically include that the primary residence is of a veteran (or a qualifying family member) of the United States Armed Services who actively served during certain eligible time frames or received an expeditionary medal and was discharged under honorable conditions. Towns may pass local laws that establish these exemptions, as well as raise or lower the maximum amount that a single property may be exempt from. Furthermore, disabled veterans may receive an additional exemption based on supporting documentation.

We reviewed 20 properties receiving 26 Veterans exemptions and found that one property owner had one exemption misclassified and another exemption incorrectly calculated, resulting in the property owner losing \$212 in County, Town and School tax reductions for fiscal year 2017. Additionally, we found another property owner with a misclassified exemption, resulting in \$303 in inappropriate County, Town and School tax reductions for fiscal year 2017.

We also reviewed the assessment roll for any irregularities and found one property owner did not have their exemption applied to all eligible assessments, resulting in the property owner losing \$267 in County, Town and School tax reductions for fiscal year 2017 and Village tax reductions for fiscal year 2018.⁴

Granted exemptions reduce the taxable assessed value of a property and, therefore, the owner’s tax payment. To ensure the Town’s tax levy is fair and equitable, it is important that the Assessor determine every exemption is legitimate. The Town granted a total of 1,434 of these exemptions on the 2016 assessment roll, collectively reducing the taxable assessed value by almost \$36 million. We found exceptions with 22 of the 178 exemptions reviewed (Figure 1). These properties with exceptions had their total taxable assessed value reduced by more than \$422,000.

Figure 1: Fiscal Year 2017 Real Property Exemptions and Exceptions

Local Government Type	Total Exemptions^(a)	Total Exempted Value^(a)	Total Number of Exemptions Tested	Exceptions Identified from Records	Total Exempted Value of Exceptions
County	479	\$12,400,944	59	7	\$140,901
Town	478	\$12,391,144	59	7	\$140,901
Village	21	\$370,698	3	1	\$41,500
School	456	\$10,731,562	57	7	\$99,185
Totals	1,434	\$35,894,348	178	22	\$422,487

^(a) This includes only Agricultural, Senior Citizens and Veterans exemptions categories.

Every exemption shifts the tax burden to the non-exempt properties. Therefore, the rate of exceptions noted above (12 percent) can cause inequity among taxpayers for financing local government operations to the extent that exemptions are inappropriately given. The total exempted value for these three exemption categories is 6 percent of the Town’s taxable assessed value.

Recommendations

The Assessor should:

1. Ensure all applicants provide adequate supporting documentation before granting exemptions.
2. Correctly apply statutory provisions to granted exemptions and consult with ORPTS or Sullivan County Real Property Tax Services Office, as necessary, for any technical assistance.
3. Maintain documentation to support eligibility for all exemptions.
4. Annually verify income to support Senior Citizens exemptions.

⁴ This also caused the value of the property owner’s Senior Citizens exemption to be overstated by \$133 on the Town and Village tax bills for fiscal years 2017 and 2018, respectively. Thus, the net result of these errors was a combined overpayment of \$134 between the Town and Village tax bills.

5. Review the assessment roll exemption summary annually for noticeable errors and make necessary changes.

The Board should:

6. Consult the Town's attorney regarding recovery and the potential legal and financial impacts the Town may face from prior years' erroneous exemptions.

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 forwarded 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 this plan available for public review in the Clerk's office.

We thank the officials and staff of the Town for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM TOWN OFFICIALS

The Town officials' response to this audit can be found on the following pages.

Town of Callicoon
PO Box 687
Jeffersonville, NY 12748
Fed. EIN 14-6002102

Thomas R. Bose
Supervisor
19 Legion Street
(845) 482-5390, ext. 311

Kristofer Scullion
Hwy. Supt.
31 Wahl Road
(845) 482-5505

November 15, 2017

Office of the State Comptroller
Binghamton Regional Office
44 Hawley St. Suite 1702
Binghamton, NY 13901-4417

RE: Report # : P4-17-30

This letter, including the Town's Corrective Action Plan, is being provided to NYS OSC to fulfill the requirements for the Town of Callicoon to respond to an OSC Audit Report.

The Town Board and Assessor appreciate the ongoing efforts of the OSC to help manage our Town's resources effectively and efficiently. Upon completion of the audit, and after meeting with the two examiners who conducted the audit, I am confident that the Town's Assessor has administered the duties of that office with the highest standards of professionalism.

The town does acknowledge the findings, although there were few, of the randomly selected Agricultural, Senior Citizens and Veterans property tax exemptions. The town understands that every exemption shifts the tax burden to non-exempt properties, although we believe the "rate of exceptions" of 12 percent determined by the audit, while not perfect, is relatively low!

The following corrective actions are in response to the recommendations put forth in the draft audit report:

Recommendations:

1. Ensure all applicants provide adequate supporting documentation before granting exemptions.

Corrective Action:

The Assessor will continue to ensure ALL application include supporting documentation.

2. Correctly apply statutory provisions to granted exemptions and consult with ORPTS or Sullivan County RPTS office, as necessary, for any technical assistance.

Corrective Action:

The Assessor will apply statutory provisions to the granted exemptions. We would suggest that the ORPTS and the Sullivan County RPTS, should be required to notify the local assessor's office of any new or statutory modifications. In addition, a "master list" of each taxing jurisdiction's

statutory provisions should be provided annually to the Assessor's office by the ORPTS.

3. Maintain documentation to support eligibility for all exemptions.

Corrective Action:

Copies of ALL supporting documentation will be retained with each application.

4. Annually verify income to support Senior Citizen exemptions.

Corrective Action:

The Assessor will continue to review applications to verify income eligibility, however we would suggest that the Senior renewal application form be corrected to inform applicants that All necessary documents to support and verify the application be attached to same.

5. Review the assessment roll exemption summary annually for noticeable errors and make necessary changes.

Corrective Action:

The Assessor will examine the roll summary page annually for any errors and correct if necessary.

6. Consult the Town's attorney regarding recovery and the potential legal and financial impacts the Town may face from prior year's erroneous exemptions.

Corrective Action:

The assessor, if deemed necessary, will consult with the Town's attorney prior to correcting any exemption found to be erroneous.

The Town of Callicoon would like to suggest that NYSAA provide basic training to newly appointed (or elected) assessors. Currently, NYSAA provided continuous education courses and the qualified instructors are or have been assessors themselves. We believe there is no substitute for experience and therefore would be able to share their invaluable knowledge regarding exemption as well as other duties of the office of Assessor.

The Town would like to thank the OSC staff for their courtesy while conducting this audit.

Sincerely,

Thomas R. Bose
Supervisor
Town of Callicoon

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We reviewed Board minutes and applicable local legislation to gain an understanding of the audit scope. We inquired with the Assessor about the real property exemption process and record keeping requirements.
- We randomly selected 20 properties with an Agricultural exemption totaling \$2.4 million in assessed value for further testing. We reviewed the original application⁵ to determine whether all required documentation was submitted. This included a soil survey from the Soil and Water Conservation District, if available. We reviewed any income support to determine whether the farmer met the minimum requirements. If applicable, we also determined whether the property had a current Agricultural exemption renewal form on file. If the property was leased to another farmer, we determined whether there was a current lease on file. We then recalculated the exemption for 10 of the 20 properties to determine whether the property received the proper exemption amount. We also performed an aerial observation of the property using mapping software to verify the property did not appear fallow or uncultivated. We then calculated the tax dollar effect of any exceptions found.
- We randomly selected 10 properties with a Senior Citizens exemption totaling \$935,000 in assessed value for further testing. We verified the income reported meets the eligibility as established by each municipality or as reported in the County's real property tax system. We noted whether any record of income or age was retained. We then calculated the tax dollar effect of any exceptions found.
- We randomly selected 20 properties with a Veterans exemption totaling approximately \$2 million in assessed value for further testing. We reviewed the record retained in the property folder to justify the exemption. We recalculated the exemption amount to verify the property received the appropriate exemption amount.
- We reviewed the assessment roll for any apparent irregularities in exemptions granted and selected the only additional property with a Veterans exemption totaling \$56,000 in assessed value. We then calculated the taxable effect of this error.

We conducted this performance audit in accordance with 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.

⁵ https://www.tax.ny.gov/pdf/current_forms/orpts/rp305_fill_in.pdf