



Town of Lindley Financial Management

Report of Examination

Period Covered:

January 1, 2009 — August 15, 2012

2012M-226



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 2013

Dear Town Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government 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 Town Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Town of Lindley, entitled Financial Management. 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 General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Town of Lindley (Town) is located in Steuben County and has a population of approximately 2,000. The Town provides various services to its residents including fire protection, emergency services, and street maintenance. These services are financed primarily by real property taxes, Justice Court revenues, and State aid. The Town's 2013 budgeted appropriations for the general and highway funds totaled \$860,661.¹

The Town Board (Board) consists of the Town Supervisor (Supervisor) and four Board members and is the legislative body responsible for overseeing the Town's operations, finances, and overall management. The Board is primarily responsible for the effectiveness and proper functioning of the Town's internal controls.

The Supervisor serves as the Town's chief executive officer and chief fiscal officer (CFO). As CFO, he is responsible for overseeing the conduct of virtually all of the Town's financial duties and has appointed a Director of Finance (Director) to assist in these duties. The current Supervisor started effective January 1, 2012 and retained the Director who has been in that position for the last six years.

Objective

The objective of our audit was to review the Town's financial management. Our audit addressed the following related question:

- Did the Board provide adequate oversight of the Town's financial operations?

Scope and Methodology

We examined the Town's fiscal management for the period January 1, 2009 to August 15, 2012. Subsequent to fieldwork, we obtained updated financial information through November 30, 2012 and the 2013 adopted budget for analysis purposes.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix C of this report.

¹ On January 5, 2013, a fire occurred that destroyed the Town's highway garage and vehicles parked within. The Supervisor estimates a cost of \$1 million to replace the building and equipment. The extent that insurance proceeds will offset these costs has not yet been finalized.

**Comments of
Local Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Except as indicated in Appendix A, Town officials generally agreed with our findings and recommendations and indicated they plan to initiate corrective action. Appendix B includes our comments on the issues raised in the Town's response letter.

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 the 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.

Financial Management

The Board is responsible for making sound financial decisions that are in the best interest of the Town and the taxpayers that fund its operations. This responsibility requires Board members to balance the level of services desired and expected by Town residents with the ability and willingness of the residents to pay for such services. The Board must adopt structurally balanced budgets for all operating funds that provide for sufficient revenues to finance recurring expenditures. In addition, the Board must monitor the annual budget by reviewing interim financial reports prepared by the Supervisor and make adjustments accordingly.

The Town may retain a reasonable portion of fund balance,² referred to as unexpended surplus funds,³ to use as a financial cushion in the event of unforeseen financial circumstances. The Town can legally set aside and restrict portions of fund balance to finance the future costs of a variety of specified objects or purposes. It is important that policies and procedures are in place to guide Town officials and communicate to the public that moneys accumulated in reserves are used for appropriate and authorized purposes.

The Board did not develop and adopt accurate budgets that were based on realistic estimates of revenues and expenditures. Even though the Board received monthly budget-to-actual reports from the Supervisor, they consistently underestimated revenues and overestimated expenditures. As a result, fund balance that was appropriated as a funding source was not used, taxes were unnecessarily levied, and the Town accumulated \$309,369 and \$399,024 of unrestricted surplus funds in the general and highway funds, respectively. These amounts are excessive in comparison to the Town's expenditure levels, representing 108 percent and 69 percent of the 2013 budgeted expenditures for the general and highway funds, respectively. In addition, the Board accumulated \$117,463 in a reserve fund for

² The Government Finance Officers Association (GFOA) recommends that a minimum of two months (approximately 17 percent) of regular revenues or expenditures be retained.

³ The Governmental Accounting Standards Board (GASB) issued Statement 54, which replaces the fund balance classifications of reserved and unreserved with new classifications: nonspendable, restricted, and unrestricted (comprising committed, assigned, and unassigned funds). The requirements of Statement 54 are effective for fiscal years ending June 30, 2011, and beyond. To ease comparability between fiscal years ending before and after the implementation of Statement 54, we will use the term 'unexpended surplus funds' to refer to that portion of the fund balance that was classified as unreserved, unappropriated (prior to Statement 54), and is now classified as unrestricted, less any amounts appropriated for the ensuing year's budget (after Statement 54).

highway equipment and \$18,606 in an unemployment reserve without documenting any planned use.⁴

Budgeting and Fund Balance

The Board needs complete, accurate, and current financial information to effectively monitor the Town's financial operations and develop realistic budgets. In preparing the budget, the Board is responsible for estimating what the Town will receive and expend using the most reliable information available at the time of budget formation. Town Law provides the framework for the adoption of the Town's budget, and it is important that the Board adopt policies and procedures that provide detailed guidance on preparing and monitoring the annual budget, including the level of unexpended surplus funds to be maintained. Such policies and procedures will help ensure that the Board adopts budgets that include realistic estimates of revenues and expenditures to sufficiently fund operations, and that use surplus fund balance as a funding source, when appropriate. If the Board follows these practices, it will raise only the necessary amounts of real property taxes.

The Board did not adopt detailed policies and procedures for its budget process. Without a standardized budget process, the Board continuously adopted unrealistic budgets. The Board either overestimated or underestimated revenues and/or expenditures for the general and highway funds, which resulted in operating surpluses⁵ and excess unexpended surplus fund balance.

Specifically, we found that the Board continuously underestimated revenues in the general fund. This was largely attributed to underestimations in Justice Court revenues and the receipt of grants that were not included in the budget. In addition, the Board overestimated appropriations in the highway fund, particularly in the areas of general repairs, improvements and machinery. The accumulated budgeting errors lead to net increases of unrestricted fund balance of approximately \$238,000⁶ for both funds over the last four years.

Although the Board often appropriated unexpended surplus to fund the ensuing year's appropriations,⁷ it was not used as intended because of the consistent operating surpluses. As a result, the Board has continuously levied real property taxes that further increased the

⁴ Reserve fund balances as of November 30, 2012

⁵The highway fund had operating deficits for the years 2009 and 2012. In 2009 the Town purchased a grader for over \$208,000 and in 2012 a plow truck was purchased for over \$193,000.

⁶General fund increase of \$166,007 and highway fund increase of \$72,257 for 2009 through 2011 and the 11 months ended November 30, 2012.

⁷For the four years, \$157,710 was appropriated for both funds, with \$64,112 being used by the highway fund in 2009.

Town’s already excessive unexpended surplus. As illustrated in Table 1, the Town has more than sufficient resources to address unexpected occurrences that it may encounter during the course of the fiscal year.

Table 1: Unrestricted Surplus Balances at Year End as a Percentage of the Ensuing Year’s Budget				
Fiscal Year End	General Fund	Percent	Highway Fund	Percent
2009	\$184,820	72%	\$248,359	44%
2010	\$210,319	82%	\$288,787	52%
2011	\$264,861	98%	\$302,026	55%
2012 ^a	\$309,369	108%	\$399,024	69%

^aFinancial information as of November 30, 2012

As a result of the Board’s budgeting practices, the Town maintained excessive fund balances in these two operating funds and overburdened taxpayers. We compared the Town’s 2013 budget to the 2012 budget and actual expenditures through November 30, 2012, and found that the Board engaged in similar budgeting practices as prior years. Therefore, the general and highway funds potentially will experience surpluses similar to those in previous years. The Board’s lack of policies and procedures produced a flawed budget process that caused the Town’s adopted budgets to be inaccurate and unrealistic, and resulted in the levy of unnecessary taxes, and excessive general and highway fund balances.

Reserve Funds

The Board is responsible for continually monitoring the need for reserve funds⁸ and for periodically assessing the reasonableness of the amounts accumulated in those reserves to ensure that they are maintained in accordance with statutory requirements and in the best interest of the taxpayers. Any governing board that is planning to establish and finance reserve funds should develop a written policy that communicates to taxpayers why the money is being set aside, the financial objectives and optimal funding levels for the reserves, and the conditions under which the reserves will be used.

There were no policies or procedures established to guide the Town officials in the establishment, use and record keeping requirements of reserve funds.⁹ As of November 30, 2012, the Board had accumulated moneys in two reserves with no documented plan for maintaining them at their current level.

⁸ Reserve funds are authorized by law and are used to set aside moneys to finance a variety of objects or purposes.

⁹ Guidance is available in the OSC publication entitled “*Local Government Management Guide, Reserve Funds*” <http://www.osc.state.ny.us/localgov/pubs/lgm/reservefunds.pdf>

- The Town has a capital reserve in the highway fund, totaling \$117,463, that has been funded by the Board through annual budget appropriations¹⁰ and surplus operating funds. Town officials informed us this reserve was established to help finance equipment purchases and used the reserve for payments towards equipment purchases in 2009 and 2012. The Town plans to purchase a new truck in 2013 using tax revenues totaling \$80,000 instead of using any of the accumulated moneys in this reserve.
- The Town has an unemployment insurance reserve in the general fund with a balance of \$18,606. While the unemployment insurance reserve balance is not large, the Town has not paid any unemployment claims out of the reserve over the last four years.

We could not find evidence that either reserve was created pursuant to General Municipal Law. Depending on the purpose of the equipment reserve, different rules would apply for public approval of expenditures made from it.

The failure to use reserve funds for their intended purpose and instead budgeting for these expenditures through the tax levy places an unnecessary burden on taxpayers.

Annual Update Document

Local governments are required by law to annually complete and file with the Office of the State Comptroller (OSC) an Annual Update Document (AUD), which is a detailed report of all financial activity for the preceding year. The Supervisor is required to complete and submit the AUD within 60 days following the close of the fiscal year, with the option of requesting an additional 60-day extension. While it is the Supervisor's responsibility to complete and file this report, the Board should have procedures to ensure that the Supervisor completes and submits it to OSC by the deadline in the prescribed format. The AUD is an important document that allows the Board and the general public to assess the Town's financial operations and financial condition. Although the Supervisor has assigned the accounting function to the Director of Finance (Director), it is ultimately the Supervisor's responsibility to ensure the function is properly managed.

The Town has not submitted an AUD since 2007. The Director claims she physically mailed the Town's year-end financial information for 2008, 2009, and 2010 to OSC, however, this information was never received at OSC and the Town has no evidence that AUDs were

¹⁰ \$25,000 for each year for 2009, 2010 and 2011, \$50,000 in 2012, and \$0 in the 2013 budget

produced or submitted. The Director has not filed the 2011 AUD in any form. Although OSC repeatedly sent the Board delinquent letter notices,¹¹ the Board failed to follow-up and ensure the Supervisor was performing his duty, but relied instead on the Director's assertions.

Recommendations

1. The Board should take immediate action to strengthen the Town's control environment and develop, adopt, and implement written policies and procedures to control and monitor the Town's financial operations including establishing written policies and procedures governing the budget process and the accumulation and use of reserve funds.
2. The Board should use the unexpended surplus fund balance in a manner that benefits taxpayers. Such uses could include, but are not limited to:
 - Increasing necessary reserves
 - Paying off debt
 - Financing one-time expenses
 - Reducing property taxes.
3. The Board should research the origin of the existing capital and unemployment reserves. If unable to determine the origin of the reserves, reestablish the reserves in conformance with General Municipal Law.
4. The Supervisor should ensure that the Town's AUDs are prepared and filed in a timely manner with the Office of the State Comptroller in the prescribed format, as required.

¹¹ The Board received 16 delinquent letters total for the late 2008, 2009, 2010, and 2011 AUD filings.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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



Gerald Simcoe- Town Supervisor
Megan Thistle-Town Clerk
Tracy Wilson-Town Justice

Council Members:

David Ballard
Patrick Clark
Lloyd DeMun, II
Linda Salyerds

Town of Lindley Board response to Audit report-

The following comments are respectively submitted in response to issues raised by the NYS Comptroller's office audit report.

Response to Financial Management section of report-

Auditors were provided with unlimited access to all town records dated from the 1980s - August 2012, as well as subsequent financial data through 11/30/12 when they returned to follow-up a few weeks ago. In addition, auditors were provided with paper copies of the AUDs for 2008-2011 as well as date documentation of when those reports were compiled. During the audit, auditors requested changes to the 2011 report, which have been made and are awaiting manual input into the electronic AUD system. Due to an issue with the AUD online reporting system data, town AUD reports had to be completed in a paper format and mailed. None of the mailed data was updated by the Comptroller's office, making it impossible to balance subsequent years and AUD reports will not transmit electronically unless they are in balance. Finance Director will manually enter the report data for the state into the AUD system, as requested by auditors.

See
Note 1
Page 15

See
Note 2
Page 15

Exit Interview comments-

During the recent "exit interview" conducted for this audit, we were advised by the lead auditor that, despite the Town sending paper versions of the AUD, those reports would have and may well have been rejected by the Comptroller's office, as they were perceived as not following their format. All of our reports were compiled in the exact page order as the electronic AUD and provided all requested data in the same order, as evidenced by copies provided during the audit process. The state's rejection of alternate reports does not equate to the Town of Lindley not providing them. In the future, all correspondence to the NYS Comptroller's Office will be forwarded via Certified Mail.

See
Note 3
Page 15

Also during the exit interview, the lead auditor repeatedly stated that the Lindley Town Board was "intentionally" understating revenues and overstating expenses in its budgeting process, although relevant information was provided during the exit interview and throughout the audit showing that extraordinary events were primarily responsible for the accumulation of surpluses. The Lindley Town Board contends that budgets are compiled based on historical data and anticipated needs every year, and unanticipated events, not intentional efforts, have resulted in surpluses.

See
Note 4
Page 15

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It is important to point out that the NYS Comptroller's office performed a limited scope audit in 2007, due to severe decline in Justice Court revenues. During that audit Town Clerk books and records, (which included financial records, meeting minutes and our Resolutions records), as well as Town Bookkeeper's financial records were made available to the auditors and reviewed. To date, the NYS Comptroller's office has not corresponded any of its findings during that audit to the Lindley Town Board.

See
Note 5
Page 15

Had the Comptroller's office notified the Board of perceived technical errors following that audit, the Lindley Town Board could have addressed them and avoided further technical errors.

It is also important to point out that the audit report contains information that needs to be clarified in regards to the highway fund equipment reserve balances. The reserve balance at the end of 2012 was \$117,485 and the 2013 budget allocates \$80,000 for equipment purchases-

\$50,000 of which would normally have been scheduled for reserve. As those funds were needed in the current budget year, those funds were allocated to the scheduled equipment purchase directly rather than being reserved and moved, then moved again.

Regarding Lindley Town Board oversight-

Town matters are thoroughly discussed in properly advertised public meetings, ample time is always provided for lengthy public comment on all matters and the Board works diligently to be readily available to its constituents. It should be noted that Lindley is a small rural town (population 1913) that has faced several extraordinary events over the past 5 years. The auditors were apprised of those extraordinary events and challenges when discussing the rationale used for our budgeting processes or addressing surpluses but little mention is made of those in the state's report.

Few, if any other Town Boards within the state of New York provide the level of financial oversight for their townspeople that the Lindley Town Board does. In addition to monthly business meetings, the Town Board holds a second monthly public meeting, specifically to audit financial records, at which detailed financial statements, payroll records, purchase and cash receipts journals and bank statements, complete with cancelled checks and deposit detail for both the Town Clerk and Finance Director's books are examined. All meeting minutes are timely published on our Town website for public review as well.

Detailed operations statements with comparison to budget and cash balances are provided to the Town Board every month by the Finance Director and posted on the public bulletin board, prior to scheduled Board meetings, for review by the public and available at all times that the Town Hall is open. Justice records are audited once a year, as required. While all audits are required only once a year, the Board believes effective oversight is accomplished by regular and timely review, and provides the best protection for town funds.

Due to the financial crisis that negatively impacted our economy and both federal and state government finances, and the unknown impact it would have on local town finances, the Board discussed, at several public meetings, the need to set designated savings that could insure at least 6 months of operating capital, should there be a catastrophic financial system failure in the U.S.

The Town of Lindley is a small rural community of self-reliant, hardworking people who expect their town government to use common sense to insure our government body operates efficiently and effectively, within our limited means, while providing a level of service that meets our residents' needs, and planning in such a way as to insure those needs can still be met, should an emergency arrive.

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A Board review was initiated in 2008 to determine future equipment replacement needs for the highway department. The review identified several key pieces of equipment that would need replacing over a 5 to 6 year time frame. As a result of that review, the Board initiated a plan to reserve funds annually to insure those replacements could be made without the need for taking on debt, especially given the shaky financial state of our country. In the past 4 years, 2 new dump truck/plows and a grader have been purchased, and a third truck was slated for replacement in the next year.

See
Note 6
Page 15

Due to a catastrophic fire that destroyed our town garage and nearly all of our town highway equipment on January 5, 2013, the town is now faced with replacing everything from our major road equipment to hand shovels and rakes. Thankfully (due to effective planning and several years of unanticipated, favorable financial events) we have the funds on hand to replace the brunt

See
Note 7
Page 16

of what we lost without placing undue financial burden on our townspeople or plunging the town into debt to deal with the catastrophic loss.

Regarding Budgeting and Fund Balance comments in the Audit report-

Excessive fund balances occurred due to unanticipated, financially favorable events that occurred with our highway department and extensive growth in justice court funds, which had been steadily declining to reach an annual low of \$1,068 in 2008.

See
Note 8
Page 16

As regards the extraordinary events in the highway department-

* 2010, lost senior member of our highway crew due to health issues, and went without a 4th worker for several months, limiting the volume of work that could be accomplished and resulting in unanticipated savings for wages, payroll benefits, materials, fuel and equipment maintenance.

* 2011, lost the most senior member of our highway crew due to illness and again limiting the volume of work that could be accomplished and resulting in unanticipated savings for wages, payroll benefits, materials, fuel and equipment maintenance.

*December 2011 highway superintendent of 37 years retired with no formal candidate on the ballot to replace him. Last senior crewmember accepted the position after the budget process was complete which created a net savings of about \$25,000 in highway payroll and benefits expenses.

As regards the extraordinary events in the Justice Court and regarding grants-

- 2009, the brunt of justice court revenues derived from processing 2 years of backlogged tickets. Justice revenues were budgeted based on new Justice's 2010 recommendations, as no current norm existed to base projection on.

Currently an interstate highway is being built within the town boundaries and more tickets than expected have been written (due to work zone traffic violations), which has driven revenues up much higher than

See
Note 9
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Grants were identified, applied for and received after the budget process had occurred. It was impossible to budget for the grants when the Board members and Budget Officer were not aware of them at budget time.

Reserve Accounts-

The Town of Lindley has 3 reserve accounts- highway equipment, unemployment savings, and a cemetery reserve that was created when the town was required to take over care of a private cemetery in the town.

The funds held in the highway reserve are for the replacement of aging equipment and a schedule has been established estimating replacement dates.

The funds held in the unemployment reserve provide for the payment of 26 weeks of unemployment claims and while the auditors may feel the amount is excessive since we rarely have claims, one 26 - week claim would exhaust the fund.

The funds held in the cemetery reserves were transferred to the Town along with the financial responsibility for maintaining the cemetery and are primarily restricted to the care of specific plots. The Comptroller's office was consulted when the reserve was set up.

Closing statement-

While the state feels that "technical errors" were committed regarding specific methods of detailing policies and procedures, the Town of Lindley Legislative Board contends it has worked diligently, especially during the past 4 years of financial uncertainty at both the federal and state government levels, to insure that the Town of Lindley maintains sound financial health and its ability to provide needed services to its residents. Our current Board is relatively new and working hard to navigate the rapidly growing maze of state and federal regulations being imposed on local governments and other employers. The Lindley Town Board will make every effort to avoid technical errors in the future, will review the specific requirements for state mandated policies and procedures required of NYS 2nd class towns and, based on that review, will make every effort to create a Corrective Action Plan that meets the mandated requirements within the time constraints set by the Comptroller's office.

See
Note 10
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Reviewed and approved by Lindley Town Board:

Gerald Simcoe – Town Supervisor

David Ballard - Boardmember

Patrick Clark – Boardmember

Lloyd DeMun, II – Boardmember

Linda Salyerds - Boardmember

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APPENDIX B

OSC COMMENTS ON THE LOCAL OFFICIALS' RESPONSE

Note 1

The Director never provided OSC with any AUDs during our audit. Instead, the Director provided spreadsheets for the 2009, 2010, and 2011 fiscal years that included a balance sheet, income statement, and a statement of changes in fund balance.

Note 2

There was no issue with the AUD online reporting system. In fact, last year 85 percent of New York State municipalities, (including counties, cities, towns, villages, and fire districts) filed electronically. The Director was unable to electronically file the 2008 AUD because her books and records contained errors and did not balance. Information on obtaining electronic filing technical assistance can be found on our website at <http://www.osc.state.ny.us/localgov/finreporting/lgef/index.htm>.

Note 3

OSC has no record of an AUD or spreadsheets prepared by the Director for 2008, 2009, 2010, or 2011 being filed or mailed to OSC. OSC sent 16 delinquency letters notifying the Supervisor and Board that the AUDs were not received or filed. However, these notices went unanswered.

Note 4

The Board has consistently failed to adopt budgets based on actual revenues and expenditures from previous years. Instead, the Board overestimated appropriations and underestimated revenues, which resulted in operating surpluses that increased fund balance to excessive levels. As a result, we have concluded that the Board's actions were intentional rather than random. A more transparent and appropriate method to save for future expenditures is to include a provision in the annual budget for the funding of reserves that have been established in conformance with statute.

Note 5

OSC did not conduct an audit in 2007, but a risk assessment of Justice Court operations. During the risk assessment, OSC staff provided technical assistant to the Director so that she could file the 2007 AUD electronically.

Note 6

The Board has no written capital plan that detailed future equipment purchases or the funding of a capital reserve for these future purchases. There are many benefits to formalizing the capital planning process. Town officials should refer to our publication entitled, *Multiyear Capital Planning*.

Note 7

Accumulating excess funds through a flawed annual budget process is not an effective or transparent method of financial planning. Instead, the Board should develop a multiyear financial plan to establish clear goals and objectives for funding the Town’s long-term operating and capital needs. Town officials should refer to our publication entitled, *Multiyear Financial Planning*.

Note 8

By better utilizing historical information and monthly monitoring reports that are provided to the Board, it should be better able to anticipate the financial results of Town operations. Town officials should refer to our publication entitled, *Fiscal Oversight Responsibilities of the Governing Board*.

Note 9

The response is four pages long and is not missing a page. Officials did not complete this sentence, even when offered the opportunity to do so.

Note 10

Our report accurately conveys our audit findings, not “technical errors.” These findings are based on facts and require corrective action by the Board. Our recommendations, if implemented, will improve the Town’s financial operations by enhancing the accuracy and transparency of the Town’s annual and long-term budgeting and financial reporting.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

To accomplish our objective, we interviewed appropriate Town officials and employees, tested selected records, and examined pertinent documents for the period January 1, 2009, through August 15, 2012:

- We interviewed Town officials and employees to gain an understanding of financial operations.
- We reviewed Town policies and procedures.
- We obtained an understanding of the Town's internal control environment and specific controls that are significant to the Town's budget process and reviewed the Town's adopted budgets for 2009-12. We also reviewed the use of appropriated fund balance for 2009-12.
- We analyzed the 2010 and 2011 cash receipts and disbursements and reviewed bank reconciliations for all funds.
- We reviewed financial reports and accounting records for the 2009, 2010, and 2011 fiscal years.
- We analyzed revenue and expenditure trends for the operating funds for the years 2009, 2010, and 2011.
- We reviewed reserve funds and unreserved fund balance compared to ensuing years appropriations for 2009, 2010, and 2011.
- We reviewed Board minutes for the audit period.
- Subsequent to fieldwork, we obtained financial information through November 30, 2012 for analysis purposes and the adopted 2013 budget.

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.

APPENDIX D

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