



Town of Reading Financial Management

Report of Examination

Period Covered:

January 1, 2010 — August 31, 2013

2013M-217



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 2014

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 Reading, 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*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Town of Reading (Town) is located in Schuyler County and is governed by a five-member Town Board (Board) consisting of the Town Supervisor (Supervisor) and four Board members. The Board is responsible for overseeing the Town's operations, finances and overall management. The Supervisor is the chief fiscal officer (CFO) and is responsible for maintaining a record of all receipts, expenditures and account balances, and for providing the Board with timely, accurate and useful financial information. The Supervisor is also the Town's budget officer. The entire Board is responsible for adopting and monitoring the budget and ensuring the Town's sound financial position. The 2013 Town appropriations were approximately \$1.1 million.

Scope and Objective

The objective of our audit was to evaluate the Town's financial condition and budgeting practices for the period January 1, 2010 through August 31, 2013. Our audit addressed the following related question:

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

Audit Results

We found that the Board has not adopted a policy and Town officials have not developed procedures to govern the level of unrestricted fund balance to be maintained. Additionally, the Board has no policy for developing accurate budget estimates. As a result, the Board has underestimated revenues in its town outside-village funds over the last three years totaling \$186,968 in the general fund and \$339,662 in the highway fund. The Board also overestimated expenditures in its town- outside-village funds for the last three years totaling \$49,557 for the general fund and \$183,154 for the highway fund. Because the Board did not adopt accurate and realistic budgets and monitor them against actual results of operations, the Town has accumulated excessive fund balances in the town-outside-village funds, 115 percent in the general fund and 93 percent in the highway fund, for the ensuing years appropriations. In addition, the Town commingled cash for various funds but did not account for cash separately by fund until the year-end financial reports were prepared. Therefore, at the end of 2011 the Board decided to transfer an additional \$55,000 from the highway town-wide fund to the capital project fund and the Board appropriated \$30,000 of non-existent highway town-wide fund balance in its 2013 budget to help pay for expenditures. As a result, as of December 31, 2012, the highway town-wide fund had a total deficit fund balance of \$36,491.

We also found that the Board did not develop a comprehensive, long-term financial plan or adopt realistic budgets, and did not have any other mechanism to address the Town's long-term operational

needs. In addition, there were no policies or procedures for the establishment, use and recordkeeping requirements for reserve funds and the Town could not provide any documentation to indicate that any of the reserves were properly established pursuant to General Municipal Law.

Comments of Local Officials

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

Introduction

Background

The Town of Reading (Town) is located in Schuyler County, comprises 27 square miles and has a population of approximately 1,800. The 2013 Town appropriations for general, highway, sewer, water and fire protection purposes were approximately \$1.1 million, funded primarily through real property taxes, sales tax and user charges. The Town provides various services to its residents, including general governmental support, street maintenance and improvements, snow removal, water, sewer and fire protection.

The Town is governed by a five-member Town Board (Board) consisting of the Town Supervisor (Supervisor) and four Board members. The Board is responsible for overseeing the Town's operations, finances and overall management. The Supervisor is the chief fiscal officer (CFO) and is responsible for maintaining a record of all receipts, expenditures and account balances, and for providing the Board with timely, accurate and useful financial information. The Supervisor delegates these duties to a contracted bookkeeper. The Supervisor is also the Town's budget officer and is responsible for compiling the initial budget estimates and producing the tentative budget. The entire Board is responsible for adopting and monitoring the budget and ensuring the Town's sound financial position.

Objective

The objective of our audit was to evaluate the Town's financial condition and budgeting practices. 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 financial management of the Town for the period January 1, 2010 through August 31, 2013.

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 B of this report.

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

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 Town Clerk's office.

Financial Management

The Board is responsible for providing adequate oversight of the Town's financial operations to ensure financial decisions are in the best interest of the Town and the taxpayers who fund its operations. This responsibility requires the Board 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 of the Town's operating funds that provide for sufficient recurring revenues to finance recurring expenditures. While Town Law provides a framework for the adoption of the Town's budget, the Board is responsible for establishing a formal and systematic approach for developing the three key components of its adopted budget: estimated expenditures (appropriations), estimated revenues that will be available to fund appropriations, and the amount of available fund balance to be appropriated as a funding source to reduce the resultant tax levy.

The Board did not provide adequate oversight of the Town's financial operations, resulting in the general town-outside-village and highway town-outside-village funds having combined unrestricted fund balances totaling \$330,880 (99 percent of 2013 appropriations). The excessive fund balances were caused by the failure of the Board to develop and adopt accurate budgets based on realistic estimates of revenues and expenditures. As a consequence, the Town has increased the real property tax levy in excess of the amount required to support the highway town-outside-village fund.¹ In addition, the Town comingled cash for various funds but did not account for cash separately by fund until the year-end financial reports were prepared. As a result, the Board erroneously thought all of the cash it wanted to transfer from the highway town-wide fund to the capital projects fund would be available in the highway town-wide fund. However, the highway town-wide fund did not have enough cash for the transfer, which caused a deficit in the highway town-wide fund of \$36,491 as of December 31, 2012.

Because the Town combines cash for the general and highway funds, the Board was not aware of the financial condition of the highway town-wide fund. As a result, the Board appropriated \$30,000 of non-existent highway town-wide fund balance in its 2013 budget to help pay for expenditures. As of August 31, 2013 the Board has not modified its 2013 budget to reflect this lost revenue source or decreased appropriations. According to the August 31, 2013 budget-to-actual report, all revenues have been received for the year, but

¹ Real property taxes have increased 279 percent from 2010 through 2013.

there are still \$85,763 in appropriations yet to be expended and only \$19,614 in available cash. Therefore, without any adjustments, the highway town-wide fund balance deficit will further increase.

Excess Fund Balance

Fund balance represents moneys accumulated from prior fiscal years. The Town may retain a reasonable portion of fund balance, referred to as unrestricted fund balance, to use as a financial cushion in the event of unforeseen financial circumstances. Each town needs to assess what is reasonable for its particular situation considering various factors such as timing of receipts and disbursements, volatility of revenues and expenditures and contingency appropriations. If the fund balance is kept at excessively high levels, moneys that could benefit the Town are not being used, thereby placing an unnecessary burden on the taxpayers. It is important that the Board adopt a policy and Town officials develop procedures to govern the level of unrestricted fund balance to be maintained. Additionally, the Board should develop a policy to ensure that revenue and expenditure estimates are realistic so that taxes do not exceed necessary amounts. Accurate estimates also help ensure that fund balance used toward financing Town operations is not budgeted in an amount in excess of what is actually available.

We found that the Board has not adopted a policy and Town officials have not developed procedures to govern the level of unrestricted fund balance to be maintained. Additionally, the Board has no policy for developing accurate budget estimates. As a result, the Board has underestimated revenues in its town-outside-village funds over the last three years as shown in Table 1.

Table 1: Budgeted Versus Actual Revenues						
	General Town-Outside-Village			Highway Town-Outside-Village		
Year	Budgeted Revenues	Actual Revenues	Budgeted Less Actual	Budgeted Revenues	Actual Revenues	Budgeted Less Actual
2010	\$ 67,560	\$157,610	(\$90,050)	\$170,870	\$194,049	(\$23,179)
2011	\$61,225	\$128,386	(\$67,161)	\$193,505	\$365,908 ^a	(\$172,403)
2012	\$62,825	\$92,582	(\$29,757)	\$212,758	\$356,838	(\$144,080)
Total	\$191,610	\$378,578	(\$186,968)	\$577,133	\$916,795	(\$339,662)

^aIncludes an unbudgeted interfund transfer from the general town-outside-village fund of \$64,327

The underestimated revenues were largely attributed to unrealistic estimates for sales tax revenues, totaling \$254,395 (48 percent of the total variance for the three years 2010-2012), and the absence of State highway aid, revenues of \$206,038 (39 percent of the total variance for the three years) in the budget. The Board also did not consistently or accurately estimate expenditures in its town-outside-village funds. Table 2 shows the total (under)/overestimated expenditures by fund over the last three years:

Table 2: Budgeted Versus Actual Expenditures

Year	General Town-Outside-Village			Highway Town-Outside-Village		
	Budgeted Expenditures	Actual Expenditures	Budgeted Less Actual	Budgeted Expenditures	Actual Expenditures	Budgeted Less Actual
2010	\$ 88,030	\$80,611	\$7,419	\$210,870	\$269,812	(\$58,942)
2011	\$77,584	\$143,809 ^a	(\$66,225)	\$208,505	\$286,747	(\$78,242)
2012	\$85,338	\$76,089	\$9,249	\$227,758	\$273,728	(\$45,970)
Total	\$250,952	\$300,509	(\$49,557)	\$647,133	\$830,287	(\$183,154)

^aIncludes an unbudgeted interfund transfer to the highway town-outside-village fund of \$64,327

The inaccurate expenditure estimates were largely attributed to the lack of realistic estimates for highway permanent improvements totaling \$146,038 (63 percent) over the audit period and an unbudgeted interfund transfer of \$64,327 in 2011.

Because the Board did not adopt accurate and realistic budgets and closely monitor them against actual results of operations, the Town has accumulated excessive fund balances in the town-outside-village funds.

In addition, as discussed later in this report,² although the revenue and expenditures for each fund were accounted for separately, the bookkeeper comingled cash but did not account for cash separately by fund in the accounting records. As a result, the cash for the highway town-outside-village fund was combined with the cash for the town-wide highway fund. Because the town-wide highway fund had cash and fund balance deficits at the end of 2011 and 2012, this created the perception that both the highway town-outside-village and highway town-wide funds needed to levy more taxes. However, as shown in Table 3, the town-outside-village fund balances were excessive.

Table 3: Unrestricted Fund Balances at Year End as a Percentage of the Ensuing Year's Budget

	General Town-Outside-Village		Highway Town-Outside-Village	
	Amount	Percentage	Amount	Percentage
2010	\$ 102,362	127%	\$ 64,921	31%
2011	\$ 86,939	102%	\$144,082	63%
2012	\$ 103,908	115%	\$ 226,972	93%

The general town-outside-village fund's unrestricted fund balance was 115 percent of the ensuing year's budget and the highway town-outside-village fund's unrestricted fund balance was 93 percent. Furthermore, the Town's poor budgeting has generated operating surpluses of almost \$165,000³ in these funds. Therefore, the Board has unnecessarily levied taxes. For example, the Town's real property

² See "Financial Reports"

³ Net operating surpluses for the years 2010 through 2012 for the general town-outside-village fund totaled \$78,069 and for the highway town-outside-village fund totaled \$86,508.

taxes for the highway town-outside-village fund increased 279 percent from 2010 to 2013.⁴

The Board has attempted to reduce the excessive fund balances in the general town-outside-village and highway town-outside-village funds by appropriating fund balance for planned operating deficits.⁵ Although this budgeting practice has slightly lowered the general town-outside-village fund balance, the excessive fund balances in the town-outside-village funds continue to be contributed to by the Board’s budgeting for sales tax revenues in the town-outside-village funds and by the receipt of actual sales tax revenues that exceeded budgeted amounts by \$255,000 over the three years, 2010 through 2012. If the Board could reduce the real property taxes to zero, the Board could use any remaining sales and use taxes for (a) the reduction of general town-wide taxes, (b) the reduction of county taxes levied in the town-outside-village areas, (c) additional town-outside-village activities, or (d) any combination thereof. The allocation of revenues to operating funds that already have excessive fund balances increases the risk that moneys will not be used for the benefit of the taxpayers.

Deficit Fund Balance — In addition, the Board annually transferred \$55,000 from the highway town-wide fund to the capital project fund. However, at the end of 2011, the Board decided to double the annual budgeted transfer and send an additional \$55,000 from the highway town-wide fund to the capital project fund. Although the Town had enough cash to cover the total amount transferred, the Board erroneously thought all of this cash would be available in the highway town-wide fund because the Town comingled cash for various funds but did not account for cash separately by fund until the year-end financial reports were prepared.⁶ Because the Town combines cash for various funds, the Board was not aware of the financial condition of the highway town-wide fund. As a result, the Board appropriated \$30,000 of non-existent highway town-wide fund balance in its 2013 budget to help pay for expenditures. As of December 31, 2012, the highway town-wide fund had a total deficit fund balance of (\$36,491). Table 4 shows the highway town-wide fund balances at year-end for the last three years.

Table 4: Highway Town-Wide Fund Balances			
	2010	2011	2012
Assigned Fund Balance	\$35,000	\$30,000	\$30,000
Unassigned Fund Balance	(\$14,566)	(\$77,995)	(\$66,491)
Total Fund Balance	\$20,434	(\$47,995)	(\$36,491)

⁴ The general town-outside-village fund did not levy any real property tax. However, the highway town-outside-village fund levied \$20,770 in 2010, \$43,405 in 2011, \$62,658 in 2012 and \$78,718 in 2013.

⁵ The Town appropriated \$59,342 and \$70,000 for the general town-outside-village and highway town-outside-village funds to use for planned deficits. However, 74 percent and 43 percent of the appropriated fund balances were not used.

⁶ See “Financial Records”

According to the August 31, 2013 budget-to-actual report, all highway town-wide revenues have been received for the year, but there are still \$85,763 in appropriations yet to be expended and only \$19,164 in available cash. Therefore, without any adjustments, the highway town-wide fund balance deficit will further increase.

Because the general town-wide fund and highway town-wide fund have the same taxpayer base, we calculated the combined fund balance to determine if there was enough total fund balance to eliminate the deficit in the highway town-wide fund. The combined fund balance, as of December 31, 2012, would eliminate the deficit, but only have enough unrestricted fund balance to cover 11 percent of the ensuing year's appropriations for the two funds.

Financial Records

Financial records are essential tools for monitoring the Town's financial condition. Local governments must account for moneys received and disbursed through separate funds, each of which is a fiscal and accounting entity with a self-balancing set of accounts that record resources, liabilities and fund balance. The Supervisor, as chief fiscal officer, is responsible for performing basic accounting functions, including maintaining accounting records and providing monthly financial reports to the Board that include all receipts and disbursements, cash balances, and comparisons of budget-to-actual variances. The Board must periodically monitor the annual budget by reviewing interim financial reports prepared by the Supervisor and make adjustments accordingly. While cash assets may generally be comingled in common bank accounts, it is essential that the accounting records identify each fund's cash assets. If the Supervisor assigns these duties to a bookkeeper, he should provide sufficient oversight.

The Supervisor has delegated the responsibility to maintain the accounting records to a contracted bookkeeper without providing adequate oversight. The Town maintained its accounting records with computerized accounting software. During the year, the bookkeeper maintained individual subsidiary revenue, expenditure and budgetary accounts. However, she did not ensure they were self-balancing by maintaining control accounts by fund that summarized year-to-date information for revenues, expenditures, budgetary accounts and fund balances. She also comingled cash by combining the general and highway funds for checking and savings but did not account for cash separately by fund even though the funds can only be used for expenditures for different tax bases.

As a result, although the detailed monthly financial reports the Supervisor submitted to the Board included receipts and disbursements, and comparisons of budget-to-actual variances by fund, but not cash balances by fund, this made it difficult for the Board to determine how much fund balance was available at any one time.

Furthermore, when the bookkeeper prepared the year-end financial reports she had to separate the combined financial information into individual fund reports. As a result, fund balance information was not available to Board members at the time they were adopting the budget. The failure to make a determination of the fund balance available for the ensuing year's tax levy or additional contributions to increase reserves seriously compromises the Board's ability to plan. Not only does this method of recordkeeping impair the ability of the Board and Town officials to monitor and plan the Town's financial operations, it also increases the risk of errors being made.

Long-Term Planning

Town officials are responsible for developing comprehensive, long-term financial and capital plans to estimate the future costs of ongoing services and future capital needs. Effective plans project operating and capital needs and financing sources over a three- to five-year period. Any long-term financial plans should be monitored and updated on an ongoing basis to ensure decisions are guided by the most accurate information available. To compare projections to actual activities and make needed adjustments, relevant, timely and accurate financial data must be available. Planning on a long-term basis allows Town officials to identify revenue and expenditure trends, set long-term priorities and assess the impact and merits of alternative approaches to financial issues.

Budgets are meant to balance revenues and expenditures so that local governments can provide needed services with the resources that are available. The Board is responsible for adopting a policy to determine the appropriate amounts of fund balance to retain as a financial safeguard so that the Town has adequate fund balance for the current year's operations. The Board should also develop a reasonable estimate of the fund balance that will be available at the end of the current fiscal year, and the proper amount of fund balance to be appropriated as revenue to offset the ensuing year's tax levy.

We found that the Board did not develop a comprehensive, long-term financial plan or adopt realistic budgets, and did not have any other mechanism to address the Town's long-term operational needs. Had such a plan been in place, it would have been a useful tool to address the budgeting deficiencies such as the over-assignment of fund balance to fund ongoing Town operations.

Reserves

Reserves are an important planning tool to save funds over a series of years for future needs. Town officials can legally set aside, or reserve, portions of fund balance to finance future costs for a specified purpose. Moneys set aside in reserves must be used only in compliance with statutory provisions, which determine how reserves are established and how they may be funded, expended, and discontinued. Therefore,

it is important that the Town develop policies and procedures to communicate to taxpayers why moneys are being set aside, the financial objectives and optimal funding levels for the reserves, and the conditions under which the reserves will be used. The Board is responsible for continually monitoring the need for reserve funds and for periodically assessing the reasonableness of the amounts in those reserves to ensure that they are maintained in accordance with statutory requirements and in the best interest of the taxpayers.

The Town uses a capital project fund⁷ to accumulate reserves. However, there were no policies or procedures for the establishment, use and recordkeeping requirements for reserve funds.⁸ As of December 31, 2012, the Board had accumulated moneys in five reserves (Table 5) with no documented plan to indicate when they may be needed, what to use them for or how much should be accumulated.

Table 5: Schedule of Reserves as of December 31, 2012			
Fund	Purpose	Amount	Activity 2010-2012
Highway Town-Wide	Equipment	\$50,272	Purchase of truck, purchase and sale of small tools, ^a interest earned and contributions
Highway Town-Outside-Village	Salt Barn	\$58,012	Interest earned and contributions only
Sewer	Capital Reserve	\$10,066	Interest earned and contributions only
Water District # 1	Capital Reserve	\$10,258	Interest earned and contributions only
Water District # 2	Capital Reserve	\$ 2,565	Interest earned and contributions only
Total Reserves		\$131,173	

^aSmall tools do not meet the criteria of capital expenditures.

Furthermore, the Town could not provide any documentation to indicate that any of the reserves were properly established pursuant to General Municipal Law. Depending on the purpose of the reserve, different rules would apply for public approval of expenditures made from it.

The lack of appropriate financial information and consistent inclusion of unrealistic revenue and expenditure estimates in Town budgets are misleading to taxpayers and limits the Board’s ability to effectively manage financial operations. Unless these problems are addressed,

⁷ Reserve funds should not be accounted for in the capital project fund. Instead, they should be accounted for in the fund that the resources were obtained from or will benefit.

⁸ Guidance is available in the Office of the State Comptroller publication entitled *Local Government Management Guide, Reserve Funds* <http://www.osc.state.ny.us/localgov/pubs/lmg/reservefunds.pdf>.

there is a risk that the Town's financial condition will continue to deteriorate in the town-wide funds and be excessive in the town-outside-village funds.

Recommendations

1. The Board should establish a policy and develop procedures to ensure that unassigned fund balance is maintained at an appropriate level and only assign fund balance for the ensuing year that is available. Each budget should be realistic and structurally balanced and ensure that taxes are appropriately levied to support town-outside-village operations.
2. Actual budget results should be carefully monitored to identify potential fiscal difficulties, such as structural imbalances between revenues and expenditures, and any correction should be made in a timely manner so that budget appropriations are not exceeded.
3. The Supervisor should properly oversee the preparation of accounting records and reports with cash and other relevant financial information presented by fund.
4. Cash balances should be accounted for by fund continually. If needed, separate bank accounts for each fund could be established.
5. Town officials should develop, and the Board should implement comprehensive long-term financial and capital plans for the Town and monitor and update them at least annually.
6. The Board should reestablish reserves and develop policies and procedures that specify the purpose, amount and duration of reserves needed for long-term planning.
7. Town officials should account for capital reserves in the fund that the resources were obtained from or will benefit. No reserve fund should be used to accumulate or spend funds for small tools.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

From: Town of Reading
P.O. Box 5
Reading Center, NY 14876

February 12, 2014

To: Office of the State Comptroller
The Powers Building
16 W. Main Street, Suite 522
Rochester, NY 14614

Division of Local Government and School Accountability,

The purpose of this letter is the Town of Reading's official response to the draft findings (2013M-217) that were presented to the Town at the exit meeting on January 14, 2014.

We the board of the Town of Reading feel that many of the recommendation offered up by the Comptroller's Office have merit and that most will be implemented as plans and policies are developed.

We have budgeted in the past as a pay-as-you go entity, choosing to only bond monies only when absolutely necessary. Our underestimation of funding levels for both the CHIPs program and sales tax distribution comes from past experiences where the town was faced with shortfalls due to cuts in expected funding levels and our County implementing "charge backs" for shortfalls at the County level. Most have been passed down to the towns. Whether it was shortfalls such as aid to community colleges, economic development councils, increased wastewater treatment costs, or increased retirement costs we have been able to shoulder these unforeseen expenses because of our reserves. Many of these expenses have been implemented after the budget process had already been completed and adopted by the Town.

We are in the process of changing the funding items to provide a much clearer definition of what our capital saving program is designed for and at what point these monies will be expended. We have always had a plan although not properly written.

We would like to thank the auditors that were involved for bringing things to our attention during the audit process that we were unaware of, mostly because we are doing what we believed to be proper by following the teaching of our predecessors. What we do is not easy as we try to balance the needs of the people we represent with all of the mandates passed down from higher authorities.

We as officials understand our responsibility as trustees of our constituent's tax monies and take it very seriously. Although our methods might not necessarily be accepted as proper in the Comptroller's estimation, we have always had the taxpayer's interest at heart, mostly because we are taxpayers ourselves.

Thank you for your attention,

Marvin L. Switzer, Supervisor

APPENDIX B

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, 2010 through August 31, 2013:

- 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.
- We reviewed the Town's adopted budgets for 2010-2013 and the use of appropriated fund balance for 2010 through 2012.
- We reviewed financial reports and accounting records for January 1, 2010 through August 31, 2013.
- We analyzed revenue and expenditure trends for the operating funds and water and sewer funds for 2010 through 2012.
- We reviewed reserve funds and unreserved fund balance compared to ensuing years' appropriations for 2010 through 2012.
- We reviewed Board minutes for the audit period.

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.

APPENDIX C

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Gabriel F. Deyo, Deputy Comptroller
Nathalie N. Carey, Assistant Comptroller

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