



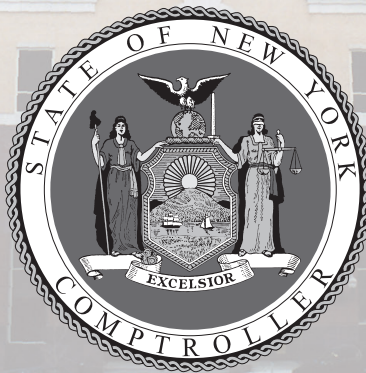
Town of Oxford Financial Management

Report of Examination

Period Covered:

January 1, 2015 — August 22, 2016

2016M-420



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 2017

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 Oxford, 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 New York State 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 Oxford (Town) is located in Chenango County (County) and has a population of 3,901 residents. The Town is governed by an elected five-member Town Board (Board), which is composed of the Town Supervisor (Supervisor) and four Board members. The Board is the legislative body responsible for overseeing the Town's operations and finances and overall management of the Town, including adopting and monitoring the budget. The Village of Oxford is located wholly within the Town's boundaries.

The Supervisor is the chief executive officer and chief fiscal officer and is responsible for the Town's daily financial operations, including maintaining accounting records and providing timely and accurate financial information. The Town contracts with a third-party vendor to help prepare and file the Town's annual financial report (AUD) with the Clerk and the Office of the State Comptroller (OSC).

The Town provides various services to its residents, including highway and street maintenance, a water district and general governmental support. The Town's 2016 budgeted appropriations for the town-wide (TW) and town-outside-village (TOV) funds totaled \$1.1 million. The Town's appropriations are funded primarily with real property taxes, sales tax and State aid.

Objective

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

- Did the Board properly manage the Town's financial condition?

Scope and Methodology

We examined the financial records and reports of the Town for the period January 1, 2015 through August 22, 2016. We extended our scope back to January 1, 2013 for trend analysis.

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 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

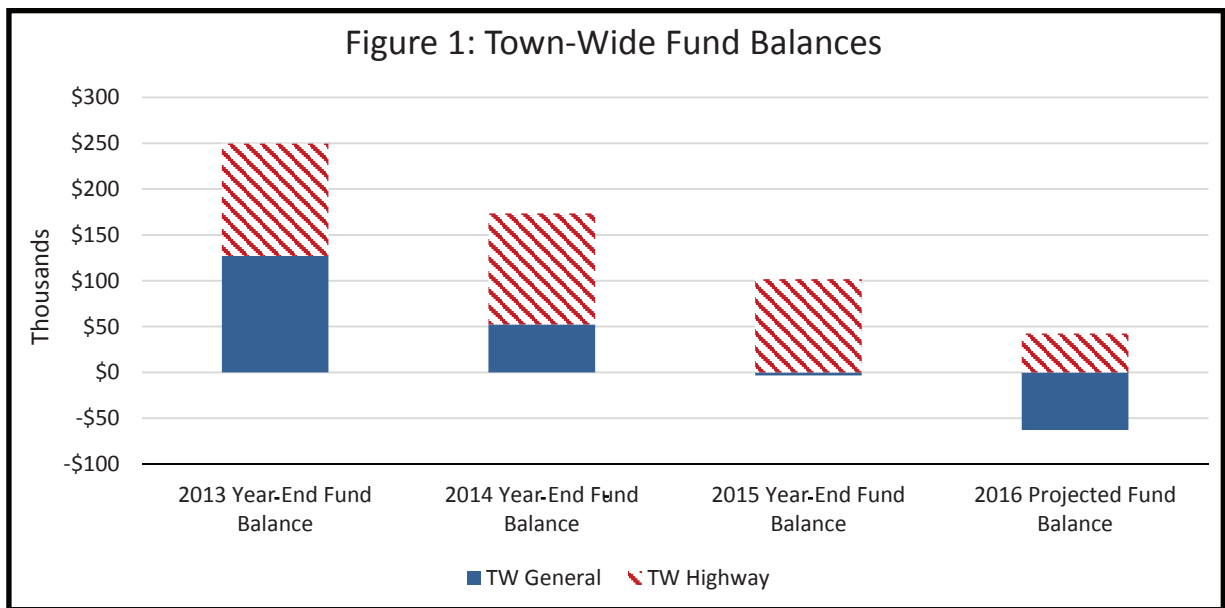
The Board is responsible for managing fund balance to ensure that sufficient funding will be available to sustain operations, address unexpected occurrences and provide for cash flow. It is essential that the Board adopt structurally balanced budgets to provide recurring revenues to finance recurring expenditures because fund balance is a nonrecurring source of financing that should not be relied upon for recurring expenditures.

Town officials require financial data that is complete, accurate and current to manage Town operations. The Supervisor, as chief fiscal officer, is responsible for basic accounting functions, including maintaining accounting records, performing monthly bank reconciliations, providing monthly financial reports to the Board and filing the AUD with the Town Clerk and OSC. The Board should review the AUD and ensure that the Supervisor completes and submits it to the Town Clerk and OSC within the time limits prescribed by law.¹ The AUD provides the Board, OSC, Town residents and other interested parties with a tool to monitor and evaluate financial operations.

The Board could improve its management of the Town's financial condition. While the combined TOV funds have sufficient fund balances to maintain operations, the Board adopted budgets that relied on fund balance to fund recurring expenditures and the Supervisor did not provide the Board with sufficient information to monitor fund balance or file the Town's AUDs in a timely manner. As a result, the Town had significant operating deficits and a deterioration in fiscal health and the transparency of the Town's financial management was limited.

Fund Balance — Town officials adopted budgets that relied on fund balance. As a result, the TW funds expended a total of \$270,000 of fund balance, or 108 percent, during the last four years.

¹ General Municipal Law requires that the Supervisor file an AUD within 60 days from the close of the fiscal year. An extension can be requested allowing up to 120 days to file the report.



The projected deficit fund balance for the TW general fund at the end of 2016 will offset the projected fund balance in the TW highway fund by \$20,413. During the last four years, TW general and highway fund expenditures exceeded revenues by an average of over \$87,000 or 17 percent annually. This occurred because Town officials did not adopt structurally balanced budgets, and instead relied on fund balance as a financing source to minimize tax increases and because the Supervisor did not provide sufficient information to the Board to monitor fund balance levels.

Financial Reporting — The Supervisor provided the Board with monthly financial reports showing reconciled cash balances and budget-to-actual results for revenues and expenditures. However, the Supervisor commingled the TW and TOV bank accounts without providing the Board with an allocation of the balances or loans between the funds and periodic fund balance estimates for each fund. Therefore, the Board did not have sufficient information to properly monitor fund balance. Furthermore, the Board did not ensure the Supervisor prepared and filed AUDs with the Town Clerk and OSC in a timely manner. More specifically, the Supervisor filed the 2014 AUD in January 2016, or almost one year late, and filed the 2015 AUD in December 2016, or 10 months late. Therefore, the report was not available for public inspection and use. The Supervisor told us that he relied on the third-party vendor to help prepare the Town’s AUD and the vendor delays preparing the report every year due to competing priorities. However, it is the Supervisor’s responsibility to file the AUD on time and if the vendor cannot complete it the Supervisor must do it or find another vendor. Given the poor and declining financial condition of the TW funds, the Supervisor and the Board should be closely monitoring the finances with monthly

reports as well as the AUD. To improve in this area, the Board could take advantage of training that is available through our website.²

These practices caused operating deficits, which are often precursors to cash flow problems, in the TW funds. The Town's fund balance is primarily composed of cash and Town officials have addressed the need for cash in the short-term by using interfund loans to finance expenditures. In fact, the TW general fund borrowed \$100,540 from the TW and TOV highway funds to maintain operations in August 2015. As fund balance declines, the Town officials' ability to manage cash flow will become more difficult and there is an increased risk that fund balance may not be available when needed. Furthermore, the Supervisor's failure to provide periodic estimates of fund balance to the Board and file AUDs with the Town Clerk and OSC in a timely manner deny the Board and the public a primary fiscal tool to monitor and evaluate financial operations and provide transparency.

Recommendations

The Board should:

1. Adopt budgets that finance recurring revenues with recurring expenditures.
2. Ensure that the Supervisor files the Town's AUD with the Town Clerk and OSC in a timely manner.
3. Pursue training available through OSC that can be accessed on our website at <http://www.osc.state.ny.us/localgov/academy/index.htm>.

The Supervisor should:

4. Provide the Board with monthly reports that include an allocation of the balances or loans between funds and periodic estimates of fund balances.
5. File the Town's AUD with the Town Clerk and OSC in a timely manner.

² <http://www.osc.state.ny.us/localgov/academy/index.htm>

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

TOWN OF OXFORD

20 Lafayette Park
PO Box 271
Oxford, New York 13830

Phone: 607-843-6222 Fax: 607-843-6541

Lawrence Wilcox
Town Supervisor

March 8, 2017

H. Todd Eames, Chief Examiner
State Office Building Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Dear Mr. Eames,

I have received and reviewed the draft audit report for the Town of Oxford, New York examination report 2016M-420.

I believe the findings and conclusions are accurate. I will be sharing my belief with the Town Board in the very near future. We will structure a corrective action plan based on the suggestions made by your auditing staff, and forward same to you.

Thank you to you and your staff for the very professional methods used for this audit.

Sincerely,

Lawrence N. Wilcox
Town Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed Town officials, reviewed Board minutes and reviewed financial reports and Town policies to gain an understanding of Town operations. We interviewed the Supervisor and Board members about the monthly financial reports provided. We interviewed the Supervisor and the third party vendor about the AUD and the reasons the 2015 AUD was not filed during our scope period.
- We calculated the results of operations and available year-end fund balance for 2015 and projected results of operations and year-end fund balance for 2016.
- We recalculated the expenditures for the TW and TOV general and highway funds for 2013, 2014 and 2015 using Board-approved abstracts. We compared these expenditures to those reported to the Board and the public for accuracy.
- We projected the results of operations for 2016 by projecting whether each revenue and expenditure would either remain the same as it was through September 30, 2016, grow at the same rate as it had before September 30, 2016, double before December 31, 2016, or be received or expended at the budgeted amount before December 31, 2016.
- We calculated the year-over-year percent changes for each revenue or expenditure for 2013 through 2016, using our projections for 2016. We calculated the percent and dollar changes over the same period. We determined whether each revenue or expenditure was significant to an overall decrease in revenues or increase in expenditures when the dollar change contributed more than 10 percent of total dollar change. We also determined if the revenue decreased or expenditure increased and if the revenue or expenditure was more than 5 percent of total revenues and expenditures for the fund.
- We used year-over-year percent changes in total revenues and expenditures for each operating fund, calculated revenues and expenditures as a percentage of each fund's 2013 revenues and compared revenue trends with expenditure trends.

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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