

Town of Boylston

Financial Condition

SEPTEMBER 2021



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Town of Boylston

Audit Objective

Determine whether the Town Board (Board) effectively managed the Town of Boylston's (Town's) financial condition.

Key Findings

The Board did not effectively manage the Town's financial condition. As a result, it levied more taxes than necessary to sustain operations. The Board:

- Did not adopt realistic budgets and failed to monitor budgetary results during the year.
- Allowed excessive levels of surplus funds to increase. As of December 31, 2020, the general fund's surplus funds were \$134,448, or 89 percent of actual expenditures. In addition, the highway fund's surplus funds were \$386,162, or 84 percent of actual expenditures.
- Diminished financial transparency by annually appropriating fund balance that was not needed to fund operations.
- Did not adopt budgeting or fund balance policies or multiyear financial plans.

Key Recommendations

- Adopt realistic budgets.
- Reduce surplus fund balance.
- Establish budgeting and fund balance policies and develop multiyear financial plans.

Except as specified in Appendix A, Town officials generally agreed with our recommendations and indicated they will initiate some corrective action. Appendix B includes our comments on certain issues Town officials raised in their response.

Background

The Town is located in Oswego County (County). The Town is governed by an elected Board, which consists of the Town Supervisor and four Board members.

The Town provides services to its residents, including street maintenance and improvements, snow removal, justice court and general government support. These activities are accounted for within the general and highway funds.

The Board is responsible for the general management and control of the Town's financial affairs, including adopting the annual budget and establishing financial policies.

The Supervisor serves as the chief executive and fiscal officer.

Quick Facts

Population	549
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2020 Appropriations

General Fund	\$189,310
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Highway Fund	\$564,500
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Audit Period

January 1, 2018 – December 31, 2020

Financial Condition

How Does the Board Effectively Manage the Town's Financial Condition?

A board is responsible for making financial decisions that are in the best interest of the town and its residents. This 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. A board should ensure that budget estimates of revenues and expenditures are reasonable and based on historical or known trends. Once the budget is adopted, the board should monitor year-to-date revenues and expenditures against budget estimates and make timely budget modifications as necessary. The supervisor should provide the board with periodic, detailed year-to-date budget-to-actual comparisons for each fund to assist with budget monitoring. Accurate budget estimates help ensure the tax levy is sufficient to meet the town's needs but is not greater than necessary.

Fund balance represents the difference between revenues and expenditures accumulated over time. A reasonable portion of surplus fund balance may be retained for unforeseen circumstances and to provide cash flow – for example, to compensate for timing differences between when revenues are received and expenditures are made. Adopting a fund balance policy that addresses the appropriate levels of fund balance to be maintained in each fund from year-to-year provides the board with guidelines during the budget process. When fund balance is appropriated to finance expenditures, the expectation is that there will be a planned operating deficit (budgeted expenditures exceeding budgeted revenues) financed by the appropriated fund balance. A board can also legally set aside, or reserve, a portion of fund balance to finance future costs for specific purposes such as capital improvements or vehicle replacements. Properly funded reserves can reduce reliance on debt to finance capital projects and other acquisitions and can help town officials finance the costs of capital expenditures without the need to increase property taxes.

Prudent fiscal management requires the board to establish long-term financial and capital plans. Planning on a multiyear basis allows town officials to identify developing revenue and expenditure trends, set long-term priorities and goals, and consider the impact of current budget decisions on future fiscal years. Effective multiyear plans project operating and capital needs and financing sources over a three- to five-year period. Continually monitoring and updating these plans provides a reliable framework for preparing budgets and to ensure that information used to guide decisions is current, accurate and transparent.

A board should ensure that budget estimates of revenues and expenditures are reasonable and based on historical or known trends.

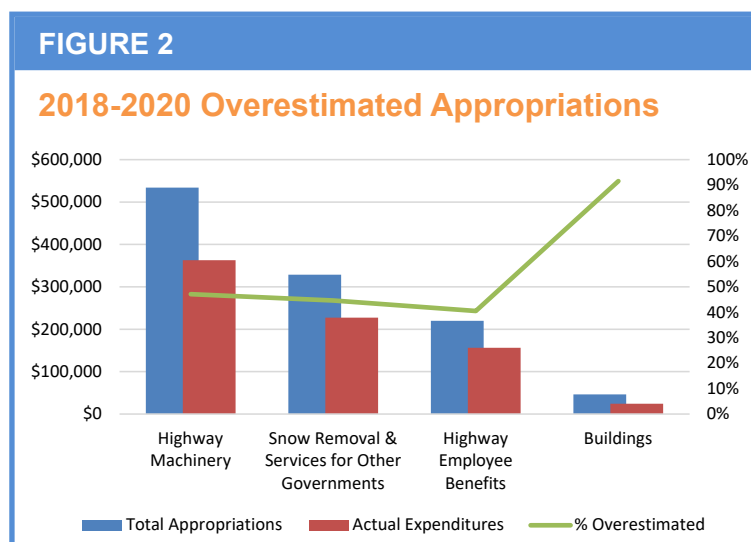
The Board Did Not Effectively Manage Financial Condition

The Board adopted unrealistic budgets for its general and highway funds for the 2018 through 2020 years. We compared budgeted appropriations and estimated revenues in the adopted budgets with actual operating results for 2018 through 2020. While the Town received more revenue than budgeted in both funds each year, the revenue variances were generally reasonable. However, the Board consistently overestimated appropriations in both the general and highway funds (Figure 1).

Figure 1: Budget to Actual Expenditures

	2018	2019	2020	Total
General Fund:				
Appropriations	\$166,970	\$176,374	\$189,310	\$532,654
Actual Expenditures	\$142,665	\$156,448	\$151,270	\$450,383
Overestimated Appropriations	\$24,305	\$19,926	\$38,040	\$82,271
Percentage Overestimated	17.0%	12.7%	25.1%	18.3%
Highway Fund:				
Appropriations	\$505,977	\$510,477	\$564,500	\$1,580,954
Actual Expenditures	\$362,951	\$433,570	\$460,743	\$1,257,264
Overestimated Appropriations	\$143,026	\$76,907	\$103,757	\$323,690
Percentage Overestimated	39.4%	17.7%	22.5%	25.7%

We identified several expenditure categories in the general and highway funds where appropriations were overestimated in each of the last three years. The significant three-year total budget variances included: highway machinery by \$171,022 (47 percent); snow removal and services to other governments by \$101,385 (45 percent); highway employee benefits by \$63,284 (41 percent) and buildings by \$22,004 (92 percent) (Figure 2). The remaining overestimated appropriations were distributed throughout the budget.



The Supervisor told us the Board intentionally budgets excess appropriations for buildings (a general fund expenditure) and highway machinery in the event repairs are needed to the aging Town hall or highway garage, or new highway equipment is needed. She told us the Town also prefers to estimate high for highway employee benefits, and for snow removal for Town roads and services to other governments for snow removal for County roads in case the Town has a harsh winter.

The Board also included a \$10,000 contingency appropriation in the budget each year that was never used. These budgetary practices continued despite the large budget-to-actual variances that occurred year after year. The Board did not request or receive budget-to-actual reports from the Supervisor and did not actively monitor the budget and compare it to actual results.

In addition, the Supervisor did not provide the Board with projections of year-end fund balances during the budget development process. Further, the Board has not adopted a fund balance policy that addresses the reasonable levels of fund balance it wants to maintain in each fund. This would be useful information to help the Board make informed decisions during the budgeting process and manage fund balance levels.

Board members informed us that they believed in conservative budgeting practices such as overestimating appropriations for “just in case” scenarios and that the Town should end each year with a surplus. While positive budget variances and annual operating surpluses are normally desirable for local governments, the intentional, consistent and significant variances in the Town’s budgets have led to the accumulation of excessive levels of surplus fund balance (the portion of fund balance that is not restricted in reserves or appropriated to finance the next year’s budget) and levying higher taxes than needed to fund operations.

From January 1, 2018 through December 31, 2020, the general fund balance increased by \$46,647 (40 percent) and the highway fund balance increased by \$182,980 (43 percent). While the Board budgeted planned operating deficits by annually appropriating \$20,000 to \$30,000 of fund balance to finance the general fund budgets and \$100,000 to finance the highway fund budgets for 2018 through 2020, the Town never actually used any of the fund balance. Instead of the operating deficits planned in the budgets, the Town generated operating surpluses (revenues exceeded expenditures) each year, primarily because officials overestimated appropriations. Annually appropriating unneeded fund balance to finance operations diminishes financial transparency to the Town’s taxpayers.

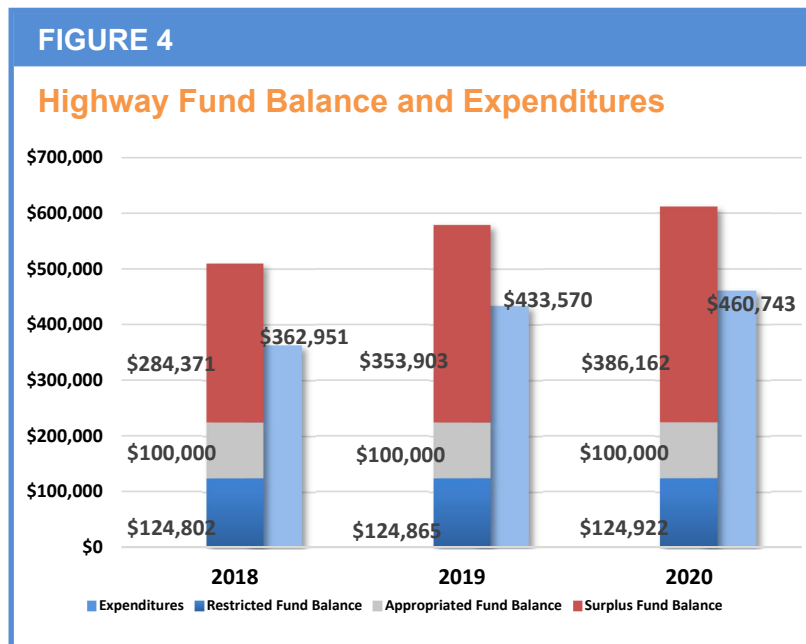
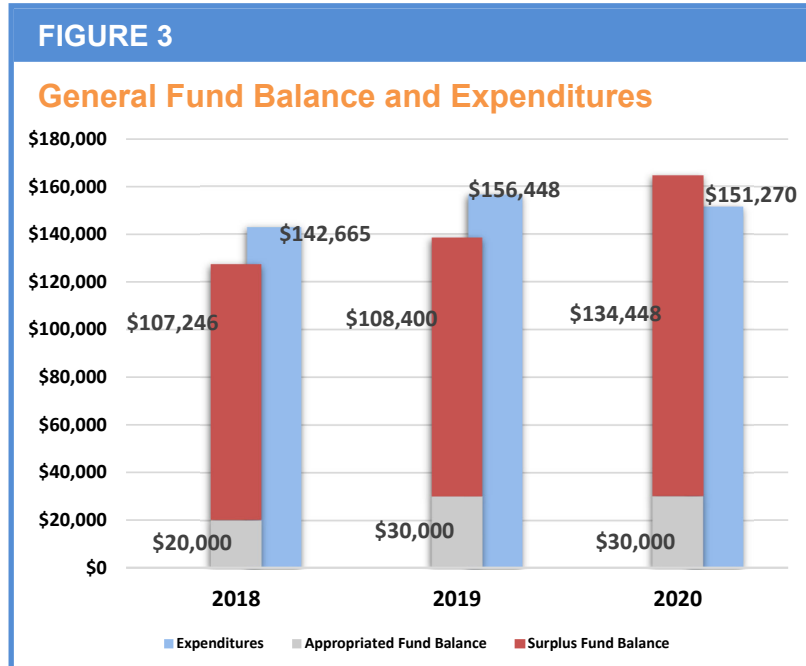
Annually
appropriating
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Figures 3 and 4 show the components of the general and highway fund balances for the last three completed years in comparison to each fund's expenditures.

The Board's budgeting practices have resulted in the accumulation of surplus fund balance levels that are excessive when compared to the fund's annual expenditures. For example, as of December 31, 2020, surplus fund balance was \$134,448, or 89 percent of expenditures for the general fund, and \$386,162, or 84 percent of expenditures for the highway fund.

Despite the high levels of surplus fund balance maintained

in the general and highway funds, the Board increased the combined tax levy for both funds from \$369,786 in 2018 to \$377,945 in 2021 (an increase of \$8,159 or 2 percent). While it may be prudent to have a cushion against unforeseen events,



continuing to build additional fund balance even after such a cushion has been established puts an undue burden on taxpayers because the Board levied more taxes than necessary to meet the Town's needs.

The Board Did Not Develop Multiyear Plans

The Board did not develop written, comprehensive multiyear financial and capital plans, or equipment replacement schedules, that set long-term objectives and goals. Such plans may be useful to address the large fund balances in the Town's operating funds and to maintain a reasonable level of surplus fund balance at year-end. The plans could outline the Board's intentions for financing future capital improvements and maintaining the existing infrastructure. The plans also could help the Board plan for the funding and use of reserve funds.

For example, the Board could outline plans for equipment replacement. Officials told us that the Town prefers to buy used surplus equipment, such as snowplows, from other municipalities rather than purchase new equipment. Also, officials informed us that the Town municipal building needs extensive improvements and the highway barn would likely need to be improved or replaced in the future. Board members told us they discussed their plans for vehicle purchases and highway garage improvements at Board meetings, but they did not think it was necessary to document the plans in writing.

The Board established a capital reserve for equipment in the highway fund that had a balance of about \$124,900 over the last three years (Figure 4). Officials have not established reserve funds to accumulate money for other purposes such as building repairs or improvements. As part of the multiyear planning process, it would be prudent for the Board to consider establishing, funding and utilizing reserve funds to address future Town needs.

Well-designed multiyear plans that include specific estimates for revenues, expenditures, reserves, fund balance and long-term capital needs can assist the Board and Town officials in effectively managing the Town's finances, addressing the use of excess fund balance and planning for the use of reserve funds.

What Do We Recommend?

The Board should:

1. Adopt realistic budget estimates that are based on available current data and historical trends.
2. Adopt a written policy that addresses the reasonable amount of fund balance the Town should maintain in each fund.

Officials have not established reserve funds to accumulate money for other purposes such as building repairs or improvements.

-
3. Develop a plan to reduce the amounts of surplus fund balance in a manner that benefits Town taxpayers. Surplus funds can be used as a financing source for:
 - a. Funding one-time expenditures;
 - b. Funding needed reserves;
 - c. Reducing property taxes.
 4. Develop comprehensive multiyear financial and capital plans to provide a framework for preparing future budgets and managing the financing of future capital needs. These plans should be monitored and updated on an ongoing basis.

The Supervisor should:

5. Provide the Board with fund balance projections and budget-to-actual reports to assist with developing and monitoring the budget.

Appendix A: Response From Town Officials

**Town of Boylston
580 County Route 13
Lacona, NY 13083
(315) 387-2330
supervisor.boylston@frontier.com**

Office of the State Comptroller
333 E. Washington Street #409
Syracuse, NY 13202

RE: Audit Response Letter

To whom it may concern:

While we appreciate that time and effort put into the audit of our town, we would like to elaborate on the “Key Findings” of the audit.

1. Did not adopt realistic budgets and failed to monitor budgetary results during the year.

Our town is located due east of Lake Ontario on the Tug Hill Plateau. While we historically average approximately 300 inches of snow per year, we never know whether the winter will bring 200 or 400 inches per winter season. Therefore, we run a conservative approach to adopting realistic budgets for worse-case scenarios including reasonable payroll and operating estimates. With these budgets, we have been able to stay within the property tax caps imposed by the State of New York in all but one year of its existence.

2. Allowed excessive levels of surplus funds to increase.

In the age of COVID-19 and New York State budget woes where State Aid and other funding has been drastically cut, there are many villages, towns, cities, counties and states that are in precarious financial positions with large debt loads. The Town of Boylston is not. These increases have run over 20+ years. The surplus was not accumulated over just the scope of this audit. Again, we have been able to stay within the property tax caps with ever increasing costs.

See Note 1 Page 10

3. Diminished transparency by annually appropriating fund balance not needed to fund operations

We appropriate fund balance to balance our budget, so not to increase the tax rates to balance the budget. Also, we appropriate fund balance for emergency purchases. The amounts appropriated are not enough to purchase new capital equipment, but are enough to get us through emergencies such as when one of

our plow trucks caught fire during the middle of our winter season and was completely totaled. We were able to replace the truck in a matter of days instead of months. The transparency of these purchases is still there and all is approved through our procurement cycle. These were put in place under the direction of the State Comptroller's Office.

See
Note 2
Page 10

4. Did not adopt budgeting or fund balance policies or multiyear financial plans.

We are currently redistributing the excess fund balance into Capital and Building Reserve accounts to manage the excesses more appropriately. Multi-year financial plans are, in theory, very good. When most town officials have two year term limits, much of the effort put forth compiling these multi-year plans is dismissed when new administrations enter and they become a waste of time and resources. However, if that is what is expected of our time and resources, we will comply to the best of our ability.

See
Note 3
Page 10

We appreciate the opportunity to give an additional explanation to the State Comptrollers Audit Findings.

Thank you.

Ann M. Stacy
Supervisor

Appendix B: OSC Comments on the Town's Response

Note 1

Although the Town began accumulating surplus fund balance prior to our audit period, the surplus continued to increase during the past three years (2018 through 2020) in both the general and highway funds. It is the current Town officials' responsibility to develop a plan to reduce the surplus fund balance to reasonable levels and to change the Town's budgeting practices so the Town does not continue to accumulate additional surplus fund balance beyond its needs. Additionally, while the Board has been able to stay within the tax cap, doing so does not correlate to reasonable budget estimates or take into consideration the Board still may have raised taxes in excess of what was actually needed to fund operations.

Note 2

It is unclear what the Supervisor means by "These were put in place under the direction of the State Comptroller's Office." Our Office does not direct Town budgeting or purchasing activities. These activities are the responsibility of the Board and other Town officials.

Note 3

Multiyear financial plans are an important tool for a Board, as they prioritize and project future capital needs and show the impact of a Board's fiscal decisions over time. Good multiyear plans also help voters understand the issues facing a municipality in the coming years and how officials plan to address them. Furthermore, having a plan in place when there is change on the Board assists new members in understanding the established long-term plans, and to continue the periodic review and modification of such plans when warranted. We also note that, while some officials may have a two-year term limit, the Supervisor has been in office since January 2016.

For guidance on developing multiyear financial and capital plans, officials can find available resources at:

www.osc.state.ny.us/local-government/resources/planning-resources

Appendix C: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials and reviewed Board meeting minutes to gain an understanding of the budget process and to determine whether written multiyear financial and capital plans were developed, adopted and used.
- We compared the general and highway funds' budgeted revenues and appropriations to the actual revenues and expenditures for 2018 through 2020 to determine whether budgets were realistic. We interviewed Board members and the Supervisor to identify reasons for significant budget variances.
- We reviewed the general and highway funds' fund balances for 2018 through 2020 to determine whether balances were reasonable.
- We reviewed reserve balances and activity for the period January 1, 2018, through December 31, 2020, to determine whether reserves were appropriately established, balances were reasonable and reserves were used for intended purposes.
- We reviewed the real property tax levy from 2018 through 2021 to determine the amount of taxes the Town raised each year.

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.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Town Clerk's office.

Appendix D: Resources and Services

Regional Office Directory

<https://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf>

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

<https://www.osc.state.ny.us/local-government/publications>

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

<https://www.osc.state.ny.us/local-government/publications>

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

<https://www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf>

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

<https://www.osc.state.ny.us/local-government/publications>

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

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