

Town of Kingsbury

Multiyear Planning for Fund Balance and Reserves

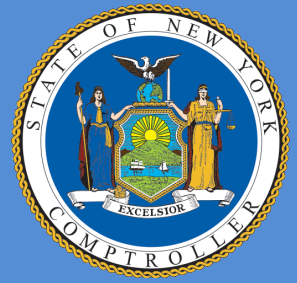
2025M-66 | November 2025

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Audit Results

Town of Kingsbury



Audit Objective

Audit Period

Did the Town of Kingsbury (Town) Board (Board) and officials develop and adopt a multiyear financial plan and fund balance and reserve policies?

January 1, 2022 – March 31, 2025

Understanding the Audit Area

Multiyear financial planning can be a vital tool that allows decision-makers, such as town boards (boards), to set long-term priorities, work toward goals several years into the future and increase transparency. Fund balance and reserve policies provide a framework to help guide budgetary decisions and multiyear plans, and also provide taxpayers with information about why resources have been set aside.

The Board is responsible for the overall management of the Town's fund balance, including maintaining a reasonable level of fund balance and reserves as well as developing a written multiyear financial plan. As of December 31, 2024, the Town's unrestricted fund balances totaled \$1.7 million, and the Town's one capital reserve totaled \$207,055.

Audit Summary

The Board and officials did not develop and adopt a multiyear financial plan, a fund balance policy or a reserve policy. As a result, officials continued to accumulate unrestricted fund balance without defining the amounts the Board deemed necessary and without documenting future goals or expectations for the accumulation of funds.

Had the Board and officials developed and adopted a multiyear financial plan and fund balance and reserve policies, the goals of maintaining an adequate level of fund balance and improving the Town's capital assets over time would have been more transparent to the Town's residents and taxpayers. Furthermore, without such plans or policies, the Board cannot assess revenue trends, expenditure commitments, financial risks and the affordability of new services and/or capital investments over time.

The report includes four recommendations that, if implemented, will improve the Town's multiyear financial planning for fund balance and reserves. Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

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. Our methodology and standards are included in Appendix C.

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 the New York State 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.

Multiyear Planning for Fund Balance and Reserves: Findings and Recommendations

Although the size, complexity, narrative and level of detail can vary from one multiyear plan to the next, essential elements of multiyear financial plans include revenue and expenditure projections, annual surpluses/deficits and fund balance amounts. Fund balance represents the difference between revenues and expenditures accumulated over time and includes restricted (e.g., reserved amounts set aside for specific purposes) and unrestricted amounts.

A board is responsible for the overall management of a town's fund balance, including maintaining a reasonable level of fund balance and developing a written multiyear financial plan that assists the board in assessing long-term needs and alternative approaches to financial issues, such as accumulating fund balance, or relying on fund balance to finance annual operations. More details on the criteria used in this report, as well as resources we make available to local officials that can help officials improve operations (Figure 4), are included in Appendix A.

The Town has six governmental funds which include the five main operating funds,¹ which are the general fund town-wide (TW); highway fund TW; general fund town-outside-village (TOV); highway fund TOV; and water district fund. Although the Board adopts the annual budget, the Board-appointed Comptroller maintains the financial records, serves as the budget officer and is responsible for day-to-day operations.

Finding 1 – Officials did not develop a written multiyear financial plan and the Board did not adopt a fund balance or reserve policy.

Officials did not develop a written multiyear financial plan projecting financial or capital needs for the Town. The Comptroller told us that she tried to develop a multiyear financial plan when she was appointed in July 2019 but felt she needed to understand the Town's operations and trends before completing the plan. However, the Board should have had a written multiyear financial plan in place prior to her appointment. The Town Supervisor (Supervisor) stated that although the Board discussed developing a multiyear financial plan, the Board was waiting until the Town's comprehensive plan, which includes goals that focus on the development of a capital plan to accommodate the Town's long-term needs, was adopted in January 2024. Since this adoption, the Board and officials did not address a multiyear financial plan.

In addition, the Board did not develop a fund balance or reserve policy to address the levels of unrestricted fund balance and specific reserves the Board deemed necessary for each fund. While the Town maintains one reserve fund established in 1998 in the highway fund TW to finance the cost of highway equipment, officials could not provide us with documentation outlining optimal funding levels or the intent regarding the reserve fund's future purpose, use or replenishment of funds. In addition, the Board meeting minutes for October 17, 2024 documented the Comptroller's recommendation to create three new capital reserve funds using \$860,000 of fund balance from the general fund TW,

¹ The Town also maintains a fire protection fund and levies taxes to cover annual contractual amounts.

highway fund TW and water district fund in fiscal year 2025. The Board-adopted 2025 budget included provisions for funding reserves totaling \$920,000. However, these reserves have not been formally established by the Board.

The Supervisor and one Board member told us that the Board informally discusses fund balance levels and monitors reserves throughout the budget process. However, these discussions were not documented and have not been written into formal plans or policies. Without written multiyear financial plans and fund balance and reserve policies, it is difficult for the Board to properly and transparently manage the Town's fund balance, including reserve designations.

Recommendations

The Board and officials should:

1. Develop, adopt and routinely update a written multiyear financial plan that sets goals and objectives for long-term financial and capital needs.
2. Develop, adopt and periodically update a written fund balance policy that defines the reasonable amounts of unrestricted fund balance that the Town should maintain in each fund.
3. Develop, adopt and routinely update a written reserve fund policy that communicates why the money is being set aside and the intent and optimal funding levels for each reserve.

Finding 2 – Unanticipated operating surpluses led to the accumulation of fund balance without the proper plans in place.

We compared estimated revenues and appropriations to actual revenues and expenditures for fiscal years 2022 through 2024. Although the Board adopted realistic budgets during that period, the Town's fund balance in the general fund TW, highway fund TW, highway fund TOV and water district fund continued to accumulate due to unanticipated operating surpluses or operating deficits less than planned (Figure 1). As of December 31, 2024, unrestricted fund balance in these four funds totaled approximately \$1.5 million.

Figure 1: Results of Operations, Appropriated Fund Balance, and Unrestricted Fund Balance^a as a Percentage of the Upcoming Fiscal Year's Budgeted Appropriations

	2022	2023	2024
General Fund TW			
Operating Surplus/(Deficit)	\$233,946	\$107,004	\$634,828
Appropriated Fund Balance	\$0	\$0	\$494,653
Total Unrestricted Fund Balance at Year End	\$619,541	\$725,156	\$775,649
Next Year's Appropriations	\$1,437,305	\$1,285,631	\$1,836,201
Unrestricted Fund Balance as a Percentage of Next Year's Appropriations	43%	56%	42%
Highway Fund TW			
Operating Surplus/(Deficit)	\$23,979	\$77,425	\$128,761
Appropriated Fund Balance	\$0	\$0	\$385,000
Total Unrestricted Fund Balance at Year End	\$300,469	\$368,984	\$102,645
Next Year's Appropriations	\$281,715	\$238,825	\$807,372
Unrestricted Fund Balance as a Percentage of Next Year's Appropriations	107%	155%	13%
Highway Fund TOV			
Operating Surplus/(Deficit)	(\$116,360)	\$30,359	\$14,463
Appropriated Fund Balance	\$193,000	\$48,000	\$88,000
Total Unrestricted Fund Balance at Year End	\$224,378	\$398,904	\$373,040
Next Year's Appropriations	\$895,858	\$1,026,481	\$974,797
Unrestricted Fund Balance as a Percentage of Next Year's Appropriations	25%	39%	38%
Water District Fund			
Operating Surplus/(Deficit)	\$81,687	\$97,079	\$39,588
Appropriated Fund Balance	\$0	\$28,348	\$367,810
Total Unrestricted Fund Balance at Year End	\$470,362	\$538,954	\$239,026
Next Year's Appropriations	\$228,300	\$275,348	\$628,010
Unrestricted Fund Balance as a Percentage of Next Year's Appropriations	206%	196%	38%
a) Fund balance amounts designated as nonspendable and restricted are not reflected in this table.			

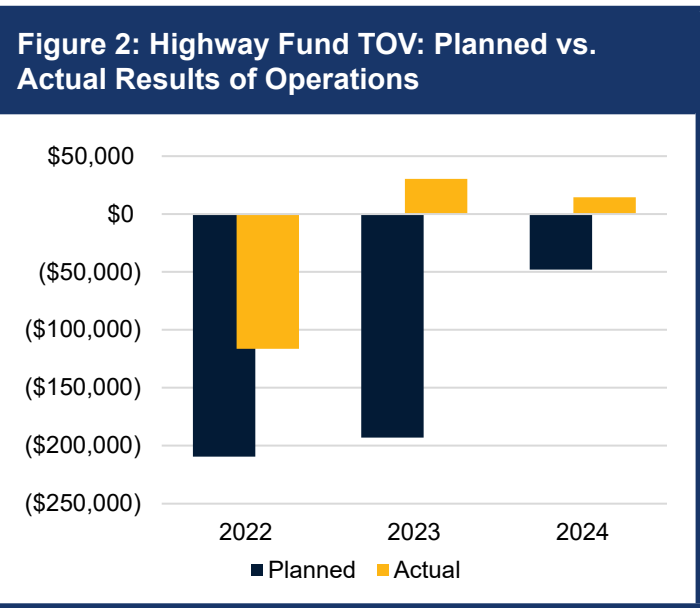
The Town realized unanticipated increases in revenue during the three-year period which contributed to the accumulation of unrestricted fund balance. These unanticipated revenue increases were mainly attributed to mortgage tax and interest earnings in the general fund TW. For example, the Board underestimated mortgage tax revenue in this fund by \$409,294. The increase occurred due to the construction of a new apartment complex that was mortgaged instead of being funded by cash in 2024. The Comptroller told us that it is hard to predict mortgage tax and interest earnings because many factors go into what the Town will receive.

Officials appropriated fund balance in the 2025 adopted budget in the highway fund TW and water district fund totaling \$385,000 and \$367,810, respectively, to fund reserves and finance 2025 operations, giving the appearance that unrestricted fund balance in these funds is declining as of December 31, 2024. However, if the Town experiences operating surpluses in fiscal year 2025 as it did during the audit period, the unrestricted fund balance in these funds will continue to accumulate.

In addition, officials annually appropriated fund balance as a financing source in the highway fund TOV from 2022 through 2024 totaling \$450,460, which should have resulted in operating deficits in the same amount. However, the Town realized an operating deficit in 2022 that was less than the appropriated fund balance amount and operating surpluses in 2023 and 2024 totaling \$30,359 and \$14,463, respectively. As a result, the Town only used \$116,360 of the appropriated fund balance in 2022 and continued to accumulate unrestricted fund balance in the highway fund TOV (Figure 2).

The Supervisor and one Board member told us that the Board prefers to retain a higher level of fund balance to protect the Town against unforeseen expenditures or economic downturns. However, without written plans or policies identified in Finding 1, the Board lacked the transparency to explain the need for the current level of fund balance.

Although the Town's total tax levy remained relatively stable during the audit period, increasing a total of \$41,143 (2.8 percent) from 2022 through 2025 across four of the five main operating funds, the Board may have placed a higher tax burden on taxpayers than necessary. More details on the Town's tax levies are included in Appendix A.



Recommendation

4. The Board and officials should monitor operations and use accumulated unrestricted fund balance in excess of reasonable amounts in a manner that benefits Town taxpayers. Such uses could include, but are not limited to:
- Funding one-time expenditures,
 - Funding needed reserves,
 - Paying off debt, and
 - Reducing Town property taxes.

Appendix A: Profile, Criteria and Resources

Profile

The Town, located in Washington County, is governed by the elected five-member Board composed of the Supervisor and four Board members. The Village of Hudson Falls is within the borders of the Town. The Board is responsible for general management of the Town's operations and finances, which includes adopting the annual budget and establishing financial policies. The Comptroller, under the direction of the Board, maintains accounting records and performs financial operations for the Town, including responsibilities related to cash management, financial reporting and budget preparation.

The TW funds are funded primarily by real property taxes, while the general fund TOV is funded primarily by real property taxes and building permit fees, the highway fund TOV is funded primarily by real property taxes, sales tax and Consolidated Local Street and Highway Improvement Program (CHIPS) revenues, and the water district fund is funded primarily with metered water sales. The Town levies taxes in four of the five main operating funds (Figure 3).

Figure 3: Real Property Tax Levies During the Audit Period

Fund	2022	2023	2024	2025
General Fund TW	\$818,612	\$877,591	\$885,367	\$915,814
Highway Fund TOV	\$364,813	\$342,887	\$355,822	\$355,404
Highway Fund TW	\$239,763	\$276,715	\$223,825	\$207,372
General Fund TOV	\$69,952	\$23,520	\$62,080	\$55,693

Criteria – Multiyear Planning for Fund Balance and Reserves

A board is responsible for the overall management of a town's fund balance, including maintaining a reasonable level of fund balance and developing a written multiyear financial plan that assists the board in assessing long-term needs and alternative approaches to financial issues, such as accumulating fund balance, or relying on fund balance to finance annual operations.

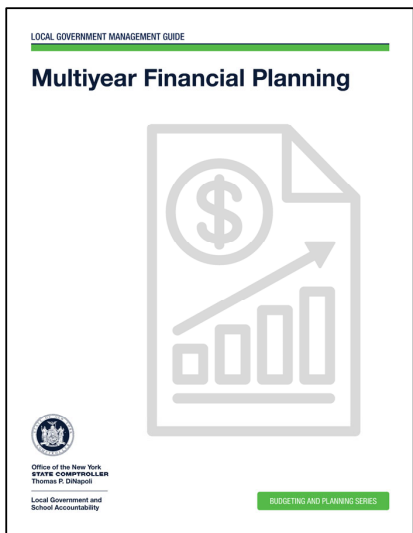
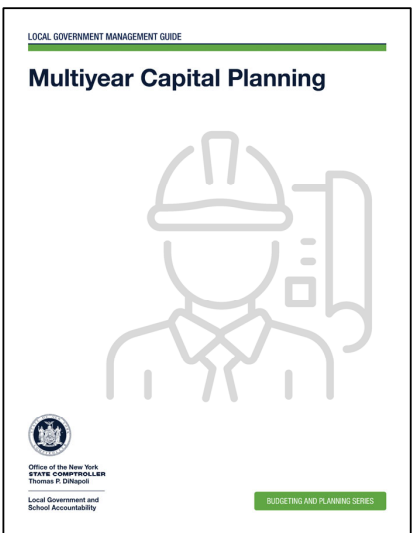
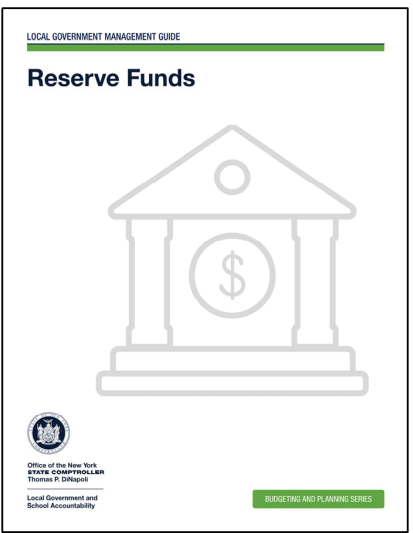
Multiyear plans help officials assess revenue trends, expenditure commitments, financial risks and the merits of appropriating fund balance or establishing and using reserves to finance operations and capital needs over time.

A town may retain a reasonable portion of unrestricted fund balance as a financial cushion for unforeseen circumstances. Developing a fund balance policy that addresses the appropriate level of fund balance to be maintained in each fund can provide the board with guidelines to use during the budget process. In addition, the board should adopt a reserve fund policy that communicates to residents and taxpayers the reasons money is being set aside, the intent for the reserves and optimal funding levels. Combining a reasonable level of unrestricted fund balance with specific legally established reserve funds provides resources for both unanticipated events and other identified or planned needs, such as future infrastructure and equipment needs.

Furthermore, when the board appropriates fund balance in the budget to finance operations, the board anticipates an operating deficit (expenditures exceeding revenues), which is equal to the amount of fund balance that is appropriated. To avoid the accumulation of fund balance, a budget should only include appropriated fund balance when a deficit is expected.

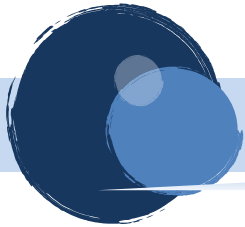
Additional Multiyear Planning Resources

Figure 4: OSC Publications

OSC Local Government Management Guides available on our website to help officials understand and perform their responsibilities.		
Multiyear Financial Planning	Multiyear Capital Planning	Reserve Funds
		
https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf	https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-capital-planning.pdf	https://www.osc.ny.gov/files/local-government/publications/pdf/reserve-funds.pdf

In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

Appendix B: Response From Town Officials



Town of Kingsbury

EIN: 14-6002266

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October 21, 2025

Gary G. Gifford, Chief of Municipal Audits
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Glens Falls, New York 12801-4396

Response to Draft Audit Report
Multiyear Planning for Fund Balance and Reserves
Audit Reference: 2025M-66

The Town of Kingsbury has reviewed the draft audit report issued by the Office of the State Comptroller regarding multiyear planning for fund balance and reserves.

We are in general agreement with the findings and recommendations outlined in the report. We recognize the importance of developing and adopting a formal multi-year financial plan, as well as establishing written fund balance and reserve policies to guide long-term financial decision-making.

The Board acknowledges that unanticipated operating surpluses have contributed to the accumulation of fund balance in recent years. We agree that policy development is necessary to ensure fund balance levels are clearly defined, properly documented, and strategically used for the benefit of our residents.

The Town Board is committed to addressing the recommendations and will prepare a corrective action plan within the required timeframe. This plan will include the development and adoption of a multi-year financial plan, the establishment of fund balance and reserve policies, and ongoing monitoring of operations to ensure that accumulated fund balance is used in a manner consistent with the best interests of the Town and its taxpayers.

Respectfully submitted,

Dana Hogan
Supervisor, Town of Kingsbury
On behalf of the Town Board

Appendix C: Audit Methodology and Standards

We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed officials and reviewed Board meeting minutes and policies to gain an understanding of the Town's multiyear financial planning procedures and to determine whether the Board adopted a multiyear financial plan and fund balance or reserve policies.
- We reviewed the Highway Superintendent's annual equipment and machinery inventory listing and used our professional judgment to select 17 pieces of equipment, representing 23 percent of the total equipment listed, and seven equipment purchases, representing 29 percent of the total equipment purchases made during the audit period, to physically locate at the Town. We selected purchases based on equipment type and dollar amounts.
- We compared estimated revenues to actual revenues and budgeted appropriations to actual expenditures in the five main operating funds for fiscal years 2022 through 2024 to determine whether the estimates were reasonable. We interviewed officials to determine the cause of significant or unusual variances.
- We calculated the results of operations in the five main operating funds for fiscal years 2022 through 2024 to determine whether there was an operating surplus or deficit and whether appropriated fund balance was used. We calculated the percentage of the upcoming year's budgeted appropriations compared to the ending unrestricted fund balance for fiscal years 2022 through 2024.
- We reviewed year-end reserve balances for 2022 through 2024 and as of March 31, 2025 to determine how reserve funds were funded and used. We interviewed officials to determine the Town's intended purpose for the reserves.
- We analyzed the real property tax levy and results of operations in the general fund TW, general fund TOV, highway fund TW and highway fund TOV for 2022 through 2024 to determine whether tax levy increases were necessary to fund the Town's operations. We reviewed the 2025 adopted budget to calculate the change in the tax levy from 2024 to 2025.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or relevant population size and the sample selected for examination.

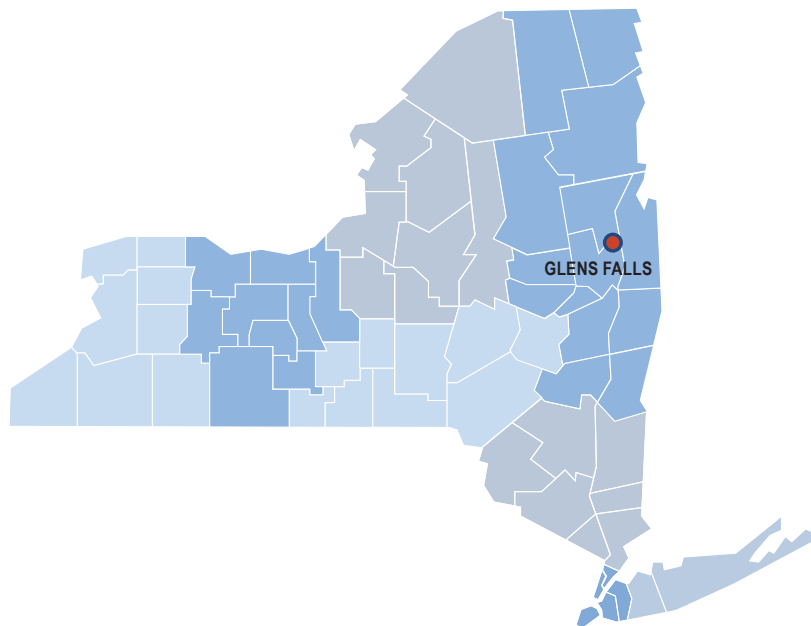
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