



Town of Lee

Financial Management

2025M-63 | September 2025

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Audit Results

Town of Lee



Audit Objective

Audit Period

Did the Town of Lee (Town) Town Board (Board) effectively manage the general and highway fund balances?

December 31, 2021 – April 25, 2025

Understanding the Audit Area

A key measure of a town's financial condition is its level of fund balance, which represents the difference between revenues and expenditures accumulated over time. Unrestricted fund balance is the portion of total fund balance that is not restricted for a particular purpose. Maintaining a reasonable level of unrestricted fund balance provides a cushion against unforeseen expenditures or revenue shortfalls, enabling town officials to continue providing necessary services during times of uncertainty. It is a town board's (board) responsibility to determine what is a reasonable level after considering factors like the timing of receipts and disbursements, the volatility of revenues and expenditures, and the availability of reserve funds. The board should manage fund balance to help ensure levels do not exceed a reasonable amount and funds are not unnecessarily being withheld from productive use.

The Town's general and highway funds had a total of \$8.3 million in fund balance as of December 31, 2024 (\$8 million in the general fund and \$300,000 in the highway fund). Appropriations in the Town's 2025 budget totaled \$2.3 million (\$1 million for the general fund and \$1.3 million for the highway fund).

Audit Summary

The Board did not effectively manage the general and highway fund balances, allowing excessive unrestricted fund balances to accumulate in both funds. In addition, the Board did not develop or adopt written fund balance or reserve policies, as well as written multiyear financial and capital plans. By developing these policies and plans, the Board would provide more transparency regarding the Town's long-term financial needs and goals and help guide the Board and officials as they develop the Town's annual budgets.

At the end of 2024, the general and highway funds had a total of \$8.3 million in unrestricted fund balance. When compared to the general and highway fund appropriations in the Town's 2025 budget, the amount of unrestricted fund balance at the end of 2024 could fully fund over three and a half years of operations at current spending levels.

Although the Town levied no real property taxes for the general and highway funds, the unrestricted fund balance has continued to increase due to annual operating surpluses. If reasonable fund balance levels are not established, and beneficial uses of fund balance are not identified and implemented, this unnecessarily withholds funds from productive use. Officials should consider using the identified excess fund balance in a manner that benefits taxpayers.

The report includes three recommendations that, if implemented, will improve the Town's management of fund balance. 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.

Financial Management Finding and Recommendations

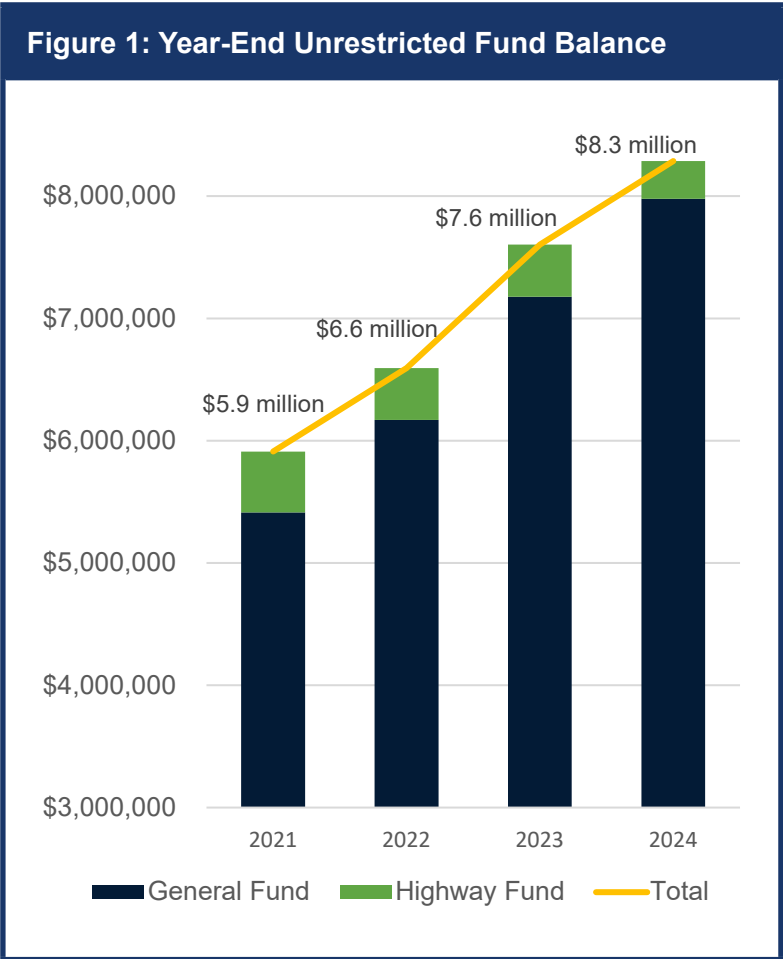
To manage fund balance, a board should develop and adopt a written fund balance policy that specifies the desired level of unrestricted fund balance to carry over in each fund from year to year. Fund balance may also be restricted and accumulated in legally established reserves to save funds for specific future expenditures. In addition, written multiyear financial and capital plans help the board assess and plan for the town’s long-term operating and capital needs, and the options for financing those needs, such as using fund balance.

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 2), are included in Appendix A.

Finding 1 – The Board allowed excessive unrestricted fund balance to accumulate in the general and highway funds and did not develop or adopt a fund balance and reserve policy or multiyear plans.

At the beginning of our audit period, the Town had unrestricted fund balance of \$5.9 million, or 335 percent of the next year’s budgeted appropriations, in the general and highway funds combined. From 2022 through 2024, this amount increased by \$2.4 million (41 percent) to a total of \$8.3 million, which was equivalent to 354 percent of the next year’s budgeted appropriations (Figure 1). At current spending levels, this amount could fully fund operations for more than three and a half years.

The Town’s significant level of unrestricted fund balance occurred primarily because of the amount of sales tax revenue the Town received each year. From 2022 through 2024, the Town received \$5.7 million in sales tax, which was enough to cover 86 percent of general and highway fund expenditures. The significant amount of sales tax received, combined with other revenues, exceeded actual expenditures each year, resulting in annual operating surpluses.



Surplus funds generally may be used as a financing source for funding certain one-time expenditures, funding appropriate reserves, paying off debt and reducing real property taxes. The Town does not have any outstanding debt related to the general or highway fund and the Board does not levy any real property taxes related to the general or highway fund.¹ However, the Board has not used fund balance to establish and fund reserves to save for future projects, acquisitions and other identified needs. Four Board members and the Deputy Supervisor told us that they were proud of their fiscal prudence and ability to pay cash for capital expenditures, including two new highway vehicles. However, accumulating more funds than is needed can effectively withhold those funds from other productive uses.

The Deputy Supervisor, Board members and Highway Superintendent proposed using fund balance to make several one-time expenditures, including the purchase of fire apparatus,² replacement of highway equipment and various upgrades to the Town's buildings and park. They estimated these expenditures will cost approximately \$2.1 million, leaving approximately \$6.2 million in unrestricted fund balance which, at 263 percent of 2025 budgeted appropriations, would still be enough to fully fund annual expenditures for more than two and a half years. However, officials did not develop any formal plans for the use of the Town's excessive unrestricted fund balance.

Additionally, the Board did not develop or adopt a written fund balance policy establishing the desired level of fund balance to be maintained in each fund and a written reserve policy indicating needed reserves, funding levels and circumstances under which reserve funds will be used or replenished. The Board also did not develop or adopt written multiyear financial or capital plans outlining future needs and intended uses for the accumulated fund balance. Multiyear plans would help provide transparency to Town taxpayers and residents on the Town's long-term needs and goals. Without developing fund balance and reserve policies or multiyear plans, the Board lacked fundamental tools necessary to help effectively manage fund balance. As a result of our audit, four Board members and the Deputy Supervisor told us that they are considering developing these policies and plans and establishing needed capital reserves.

In lieu of other planned purchases, and in conjunction with fund balance and reserve policies, multiyear plans, and annual operating budgets, the Board should consider using the identified excess fund balance in a manner that benefits taxpayers. This may include applying those funds to Oneida County (County) real property taxes to reduce the County tax burden on Town taxpayers. If reasonable fund balance levels are not established, and beneficial uses of fund balance are not identified and implemented, the Town may continue to accumulate significant amounts of fund balance and unnecessarily withhold funds from productive use.

1 Property taxes were levied in the Town's street lighting special districts.

2 The fire apparatus purchase is for use in a fire district located within the boundaries of the Town.

Recommendations

The Board should:

1. Reduce the amount of unrestricted fund balances in the general and highway funds in a manner that benefits Town taxpayers and residents. Uses of surplus fund balance may include establishing authorized reserves, financing one-time expenditures and reducing Town taxpayers' share of County real property taxes.
2. Develop and adopt a written fund balance policy that establishes a reasonable level of fund balance to be maintained in each fund and a written reserve policy that identifies needed reserves, the funding levels for the reserves and circumstances under which reserves will be used or replenished.
3. Develop and adopt comprehensive written multiyear financial and capital plans to establish the goals and objectives for funding long-term operating and capital needs and monitor and update these plans on an ongoing basis.

Appendix A: Profile, Criteria and Resources

Profile

The Town, located in Oneida County, has a population of 6,171 residents and is governed by the elected five-member Board composed of the Town Supervisor (Supervisor) and four Board members. The Board is responsible for the general oversight of Town operations and financial activities, including managing fund balance. The Supervisor serves as the Town's chief financial officer, and he appointed a Deputy Supervisor to assist him with performing his duties.

Criteria – Fund Balance Management

Towns may carry over a reasonable level of unrestricted fund balance from one year to the next. The board must assess what would be considered reasonable for the town's situation and should adopt a written fund balance policy that addresses the appropriate levels of unrestricted fund balance to be retained in each fund. The board should also adopt a written reserve fund plan or policy that establishes the financial objectives for reserves, optimal funding levels and conditions under which the reserves will be used. The board should use these policies and plans as a guide to properly manage fund balance to help ensure that amounts in excess of the desired fund balance levels are used in a manner that benefits taxpayers and residents.

The board may reserve portions of fund balance, legally setting aside money to finance all or part of identified future expenditures. Combining a reasonable level of unrestricted fund balance with specific legally established reserves provides resources for both unanticipated events and other identified or planned needs. In addition, if a town has surplus fund balance, the board may use the surplus to reduce the amount of county taxes to be levied.


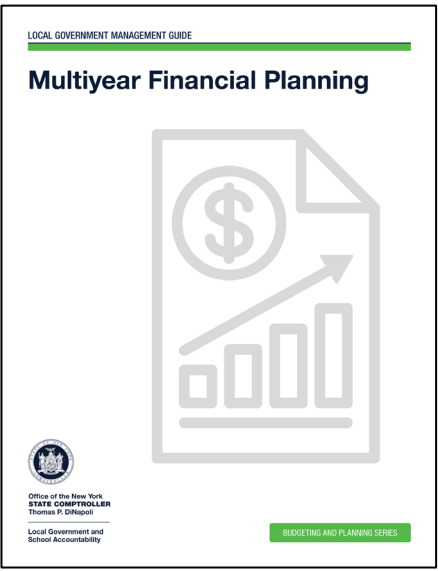
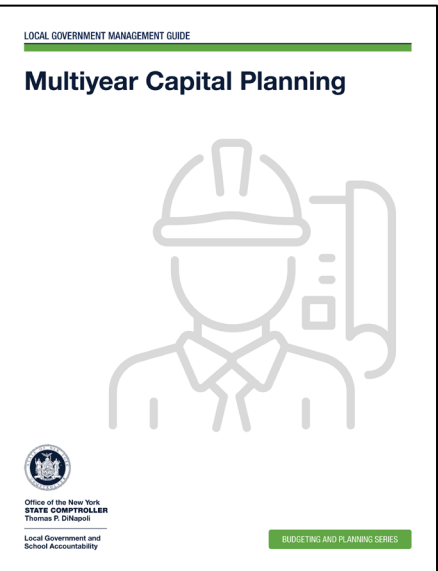
It is important for the board and town officials to develop comprehensive written multiyear financial and capital plans to estimate the future costs of ongoing services and capital needs. Effective multiyear plans project operating and capital needs and financing sources over a three- to five-year period. A written multiyear financial plan enables officials to identify revenue and expenditure trends, establish long-term priorities and goals, consider the impact of current budgeting decisions on future years and assess the impact and merits of alternative approaches to address financial needs. A written multiyear capital plan enables officials to identify all capital and major equipment needs, establish a maintenance cycle to sustain current assets and develop a process for prioritizing and financing capital projects and equipment purchases.

The board should monitor and update these policies and plans on an ongoing basis to help ensure that decisions are guided by current information.

Additional Fund Balance Management Resources

Figure 2: OSC Publications

The following OSC *Local Government Management Guides* are available on our website to help officials understand and perform their responsibilities.

Reserve Funds	Multiyear Financial Planning	Multiyear Capital Planning
 <p>https://www.osc.ny.gov/files/local-government/publications/pdf/reserve-funds.pdf</p>	 <p>https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf</p>	 <p>https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-capital-planning.pdf</p>

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

Office of the Supervisor
TOWN of LEE

6011 CEMETARY ROAD
LEE CENTER, NEW YORK 13363

JOHN C. URTZ
Supervisor

August 27, 2025

Ms. Rebecca Wilcox
Chief of Municipal Audits
State Office Building, Room 409
333 East Washington Street
Syracuse, New York 13202-1428

Dear Ms. Wilcox:

In response to the audit of the Town of Lee covering the period of December 31, 2021 through April 25, 2025, the Town Supervisor as well as the Town Board respectfully submit the following response to the Audit Summary.

It is understood that the audit objective was to answer whether the Town of Lee (Town) Town Board (Board) effectively managed the General and Highway fund balances. The Audit Summary states that the Board did not effectively manage the General and Highway fund balances, allowing excessive, unrestricted fund balances to accumulate in both funds.

The Town Supervisor and Town Board's opinion of that statement is that it has set a negative tone that will stay with the reader throughout the text no matter what else is written.

To make it clear, all funds are strictly accounted for on a day-to-day basis with detailed information on all receipts and disbursements as well as duplicate deposit tickets written and individual registers retained for each account describing in detail every transaction recorded. Bank statements are reconciled each month. There has never been a discrepancy of the monthly bank statement ending balance compared to the register monthly ending balance. There is also a monthly detailed Supervisor Transaction Report provided by the Town's Accountant to the Town Board.

The Supervisor and Town Board expected that a positive first response stated from the audit would have been to acknowledge the effort of sound fiscal management of all funds by the Town Supervisor/Budget Officer, John C. Urtz, over the past 50+ years. When Mr. Urtz became Town Supervisor in 1975, the Town was in debt. Because of his ability to effectively manage and oversee the Town of Lee's financial resources, the debt was quickly paid in full. The Town has been debt free and homeowners have had no Town taxes for 44+ years. The Town Hall was built in 1991 and paid for at a cost of \$1.3 million including furnishings. Our Town Park has been enhanced over the years and is complimented by all who come to enjoy it. The Highway Department has a fleet of up to date equipment. Each year before the budget is written, the Highway Superintendent is asked what roads are on the schedule for repair and what equipment will be needed for the upcoming and subsequent years. We are also grateful to have the New York State Trooper's presence in the Town.

**Office of the Supervisor
TOWN of LEE**

6011 CEMETARY ROAD
LEE CENTER, NEW YORK 13363

JOHN C. URTZ
Supervisor

August 27, 2025

Town of Lee
Audit Response

The Town of Lee has been fortunate to share a percentage of the Sales Tax Revenue that Oneida County receives. When this subject was first introduced, John Urtz was an advocate for this additional revenue and spoke to other municipalities of its value for them. These monies are a large part of why the Town has such substantial reserves to the tune of \$8.3 million at year end 2024.

Not until this audit have the Board members been questioned or given any indication that these balances were too excessive to hold in the fund accounts they are presently in. These funds are invested in good interest bearing accounts. A meeting is held each year with the bank's Municipal Officer to review these rates. All monthly expenditures are reviewed and approved for payment by each Board member.

During this audit discussion process, it was brought to the Town Board's attention the benefits and importance of improving the management of these funds. This money was prudently saved by the Town Supervisor and the Town Board. Therefore, before 12/31/2025, this Town Board will commit an appropriate amount of funds for the well being of the entire community. A multi year financial and capital plan as well as a written fund balance policy will be maintained for each account. The Town of Lee Board has begun this process and will continue to implement the recommendations brought forth from this audit.

Thank you to the Audit Team for providing us with assistance and support to aid in our developing these improvements to our financial policies.

Sincerely,

John C. Urtz
Town of Lee Supervisor

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 Board members and Town officials to gain an understanding of how they manage fund balance and identify any intended uses for the fund balance accumulated, and to determine whether multiyear plans and fund balance and reserve policies were developed and adopted.
- We reviewed fiscal year-end (December 31) fund balance in both the general and highway funds from 2021 through 2024 to determine whether any amounts were held in reserves and to calculate the increase in unrestricted fund balance from year to year. We also calculated unrestricted fund balance as a percentage of the next year's budgeted appropriations.
- We reviewed the 2022 through 2025 budgets to determine whether the Town levied property taxes in the general and highway funds or included appropriations within these funds for principal or interest on debt.
- We reviewed the Town's results of operations for 2022 through 2024, for both the general and highway funds, to calculate annual operating surpluses and identify the primary reason for the surpluses.

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.

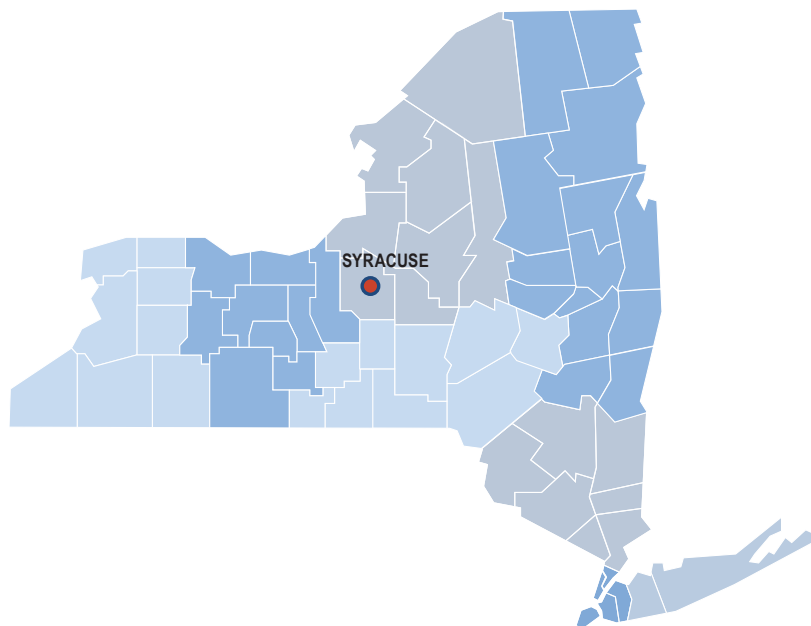
Contact

SYRACUSE REGIONAL OFFICE – Rebecca Wilcox, Chief of Municipal Audits

State Office Building, Room 409 • 333 E. Washington Street • Syracuse, New York 13202-1428

Tel (315) 428-4192 • Fax (315) 426-2119 • Email: Muni-Syracuse@osc.ny.gov

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