



Town of Enfield

Financial Management

Report of Examination

Period Covered:

January 1, 2010 — August 2, 2011

2011M-192



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	2
INTRODUCTION	3
Background	3
Objective	3
Scope and Methodology	3
Comments of Local Officials and Corrective Action	3
FINANCIAL MANAGEMENT	4
Recommendations	5
APPENDIX A Response From Local Officials	6
APPENDIX B OSC Comments on the Town’s Response	10
APPENDIX C Audit Methodology and Standards	11
APPENDIX D How to Obtain Additional Copies of the Report	12
APPENDIX E Local Regional Office Listing	13

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 2012

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 Enfield, 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*

Introduction

Background

The Town of Enfield (Town) is located in Tompkins County. The Town is governed by an elected five-member Board of Trustees (Board), which comprises the Town Supervisor (Supervisor) and four Trustees. The Supervisor is the chief fiscal officer and is responsible for creating the Town budget under the direction of the Board. The Board is responsible for the general management and control of the Town's financial affairs. The Board has the power and responsibility to adopt realistic budgets and levy taxes on real property located in the Town.

The Town's 2011 budgeted appropriations in the general fund were approximately \$654,400. These appropriations were funded with revenues from local taxes, grants, fines and forfeited bail, Town Clerk fees and other fees collected by the Town.

Objective

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

- Did the Supervisor and Board properly manage Town finances by ensuring budgets are realistic and accurate?

Scope and Methodology

We examined budgets and financial records of the Town for the period January 1, 2010 to August 2, 2011. We extended our audit scope back to January 1, 2009 for budget analyses purposes.

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 C 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 disagreed with our recommendations. Appendix B includes our comments on the issues raised in the Town's response letter.

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

It is essential that the Supervisor and Board develop annual operating budgets that consider historical activity and/or known and necessary expenditure estimates. These budgets must also include reasonable estimates of revenues and other financing sources to pay for planned expenditures, including transfers to reserve funds. It is important that all of these estimates be presented as clearly and accurately as possible in order to provide the Town residents with a sound understanding of the intended use of their money.

Fund balance represents moneys remaining from prior fiscal years that can be appropriated to finance the next year's budget. When calculating fund balance that will be available to be appropriated during the budget process, the budget officer should consider the current fiscal year's projected year-end revenues and expenditures. After the Board makes budgetary appropriations and sets moneys aside for any legally authorized reserves, the Town may retain a reasonable portion of fund balance (i.e., unreserved, unappropriated fund balance) as a financial cushion for unforeseen expenses.

The Board does not properly manage Town finances by ensuring that budgets are reasonable and accurate. The Supervisor and Board included an excess of \$617,000¹ of appropriations in the 2009 and 2010 budgets in order to generate surplus money as a means to finance a planned building project. The Board estimated the 2010 building appropriations at \$270,000, which was more than five times the average of the building appropriations for each of the four prior years (\$53,000).² The budgets also included planned transfers to a reserve of more than \$400,000. However, the transfers never occurred during 2009 and 2010. During the same years, the Supervisor appropriated a total of \$630,000 of surplus fund balance, which included the surplus intended for the building project, to finance the budgets. This eliminated the excess that was planned to finance the building project.

The Supervisor did not consider the purpose of the intentionally-generated surpluses when he estimated the available amount of surplus fund balance. Therefore, since 2009 the available fund balance was incorrectly estimated and created a false financial position for the Town during the budget process.

¹ \$670,000 (\$270,000 + \$400,000) less the \$53,000 needed for building appropriations

² The Board approved this budget amount in anticipation of making bond payments on a capital project. However, this project was not approved until 2011, and the payments will not begin until 2012.

These budgeting practices compromise the transparency of the Town's financial operations, may deny the taxpayers a voice in how their moneys are spent and result in an unnecessary tax burden for Town taxpayers. Furthermore, we found that while Town officials reduced the amount of appropriated fund balance for the 2012 budget, it still could be in excess of the amount available if the budgeted appropriations of \$654,447 for 2011 are expended as planned. Also, by not adopting accurate budgets with reasonable estimates of appropriations, there is potential for overspending, which could result in fiscal stress.

Recommendations

1. The Supervisor and Board should develop and adopt budgets that accurately and clearly reflect their planned uses and intentions. Funds that are planned to be used to finance capital projects should be shown as such in the budget.
2. The Board should transfer moneys intended for reserves to reserve accounts so they are not available for appropriation.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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

TOWN OF ENFIELD

Roy L. Barriere
Town Supervisor
168 Enfield Main Rd
Ithaca, New York 14850
t. 607.273-8256
c 607-592-0557
f 607-253-3530

Unit Name: Town of Enfield
Audit Report Title: Financial Management/Report of Examination
Audit Report Number: 2011M-192

This response to the Draft Audit Report also includes the Town Board's Corrective Action Plan (CAP).

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

Audit Recommendation:

1. *The Supervisor and Board should develop and adopt budgets that accurately and clearly reflect their planned uses and intentions. Funds that are planned to be used to fund reserves should be shown as such in the budget.*

See
Note 1
Page 10

Just to clarify, the Supervisor and Board do in fact "Develop and adopt budgets that accurately and clearly reflect their planned uses and intentions.". The Enfield Town Board adheres to NYS law concerning the adoption of Town budgets. Our budgets are developed by reviewing previous years' spending and in consultation with department heads, including projected anticipated spending. I'm assuming this comment was intended to refer to ONLY the concerns about fund reserves. If that was the case, it would be helpful to re-write the sentence to make that point.

Planning for funds to be transferred into reserves has been the normal practice for the current Board, however funds were not transferred, as budgeted, into the capital reserve fund in 2010 only because of the unknown expenses for the new highway facility, including bond payments; when payments would be due, etc.... For 2010, the Town had budgeted \$15,000 to transfer into reserves, however we did not make the transfer in order to have those funds available for the project, if needed. If we had known that the project was not going to start until the spring of 2011, we would have transferred the funds. However, at the time, the Bond Resolution was petitioned to go up for referendum, therefore delaying the project. Regardless, the unknowns were still there – project start date, bond payment start date, additional engineering fees, etc... So instead of locking those funds in the Capital Reserve Fund, the Board was more comfortable with leaving those funds for the general building line item (A1620.4) for 2011. Knowing what we know now, moving those funds into the reserve account would have been the proper move. Since I was not the Town Supervisor at the time, I cannot speak for the budget process prior to 2010, as it pertains to why funds that were budgeted to transfer, were not.

See
Note 2
Page 10

2. *The Board should transfer moneys intended for reserves to reserve accounts, so they are not available for appropriations.*

For the most part, this was addressed above. After serving in the position of Town Supervisor and Chief Fiscal Officer for a little over 2 years, I have a better understanding the budget process for municipalities. This audit, especially, has provided me with a better understanding of the process, and for planning ahead.

Implementation Plan of Action(s):

Now that the Board has a better understanding of the budget process, to include bookkeeping for capital projects and a clear vision for bond payments for the new highway facility, and now that the new facility is near completion, we can separate those expenditures in the budget, to include planning for future capital projects. As you will see in the 2012 budget, funds are clearly defined for the bond payment, separated from the general building contractual line item. Bond money has been separated since the start of the highway facility project, and those remaining funds will remain in the H-Fund for future bond payments.

Implementation Date: November, 2011 – adoption of the final budget for 2012.

I would like to end my response to the draft report with a couple comments. First, as I mentioned above, this audit was beneficial for me. It gave me a better understanding of the overall budget process, especially dealing with fund balances and planning for the future. I feel comfortable with slowly decreasing the amount used from the fund balance each year for the next 4-5 years, to offset the property taxes. At the same time, we will slowly increase the property taxes to continue providing at least the same services as we are currently.

Secondly, a report such as this, creates more problems for municipalities, especially small municipalities such as the Town of Enfield. We cannot afford to pay the equivalency of a full time Chief Fiscal Officer/Town Supervisor. However the demands placed on this office requires someone to perform at more than full time capacity. A report, such as this report, creates “turn-over”, whether the individual filling the position wishes to move out or not. The notion of “we are here to help” is not present with this report. The main issues that the public will take home from this report are:

- *The Board does not properly manage Town finances by ensuring that budgets are reasonable and accurate. The Supervisor does not have a comprehensive understanding of financial management, especially in relation to fund balance.*
- *The Supervisor did not consider the purpose of the intentionally-generated surpluses when he estimated the available amount of surplus fund balance.*
- *These budgeting practices compromise the transparency of the Town's financial operations, may deny the taxpayers a voice in how their moneys are spent and result in an unnecessary tax burden for Town taxpayers.*

The first comment is almost completely inaccurate. The Board does in fact “ensure that budgets are reasonable and accurate”; see comments above. I would argue that the one error this report focuses on, “failure to move funds into the reserve account”, does not support the statement that “the Supervisor does not have a comprehensive understanding of financial management”.

See
Note 3
Page 10

As for the second comment, both the Board and the Supervisor did indeed consider “the purpose of the intentionally-generated surpluses when [we] estimated the available amount of surplus fund balance”.

See
Note 4
Page 10

And for the third comment, I believe we are talking about one “budget error”, not “budgeting practices”. Again, we follow NYS law pertaining to our budget process, which includes our draft budget being available to the public and a public hearing before budget is finally adopted.

It would be helpful to see some positive feedback, if any, especially when reports are provided to the citizens they serve. Secondly, training from your office would be beneficial, especially for new Supervisors, such as me. Even though I have served in this position for 2 years, it takes months, if not years, to learn the budget process, in addition to the OSC regulation we need to abide by.

Furthermore, the budget process was as transparent as possible. The Board, and the public who expressed the interest in the process, were fully aware of not transferring funds into the reserve account, keeping it available for the capital project, which was soon to start.

Person Responsible for Implementation:



Signature

2-7-12

Date

APPENDIX B

OSC COMMENTS ON THE TOWN'S RESPONSE

Note 1

The recommendation was changed after we received the Town's response. This recommendation is referring to the fact that the budget showed that the Board intended to use excess funds for a capital project but instead used those funds to reduce the ensuing year's tax levy.

Note 2

Transferring money into a capital reserve is a way to ensure money is available for the capital project and not used for other purposes.

Note 3

See Note 1. The Supervisor used surplus that was intended to finance a capital project to reduce the next year's tax levy. Therefore, it was not available for the intended use. If the surplus had been properly placed in a reserve fund, it would have allowed the money to be used as intended. We removed the statement about the Supervisor from our report.

Note 4

The intentionally generated surplus that the Town budgeted for to finance the capital project was instead used to offset the following year's taxes.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

To accomplish our audit objective, we interviewed appropriate Town officials and employees, tested selected records and transactions, and examined pertinent documents. Our examination included the following:

- We interviewed Town officials, and reviewed minutes and policies to gain an understanding of internal controls with respect to the budget process.
- We performed an analysis of 2009 and 2010 budgeted to actual revenues and expenditures including reserve transfers. We also performed an analysis, for the same time period, of the major revenues and expenditures (those account codes in 2010 that were more than 5 percent of the ensuing year's budget).
- We determined whether budgeted estimates were reasonable for major revenues and expenditures (those account codes in 2010 that were more than 5 percent of the ensuing year's budget) for the 2010 and 2011 fiscal years by reviewing trend analyses and other supporting documentation.
- We analyzed the 2010 and 2011 budgets to determine if they were balanced and to determine if the Supervisor appropriated fund balance correctly.
- We obtained documentation about the capital project. We determined the amount of money that was used out of the capital reserve and the bonded amount for the project.
- We reviewed bank statements from the capital reserve fund from January 2009 to June 2011 and budgeted transfers (from the 2009 to 2011 budgets) to determine if the money was transferred as intended and to identify expenditures out of the reserve.
- We reviewed fund balance from 2009 to 2010 to determine how the fund balance changed as a result of the Town's budgeting practices.

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.

APPENDIX D

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX E
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Steven J. Hancox, Deputy Comptroller
Nathalie N. Carey, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building - Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Robert Meller, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Bufferalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Christopher Ellis, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street – Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AND REGIONAL PROJECTS

Ann C. Singer, Chief Examiner
State Office Building - Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313