



Town of Parish

Financial Condition

Report of Examination

Period Covered:

January 1, 2010 — February 28, 2011

2012M-29



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

May 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 Parish, entitled Financial Condition. 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 Parish (Town) is located in Oswego County and has a population of 2,558 residents. The Town contains the incorporated Village of Parish. The Town Board (Board), which is composed of five members, is the legislative body responsible for the general management and control of the Town's financial and operational affairs. The Town Supervisor (Supervisor), who is a member of the Board, is responsible for the receipt, disbursement and custody of Town moneys. The Supervisor also has responsibility for the Town's accounting records, preparing and signing checks and providing financial reports to the Board. The Town employs a part-time bookkeeper¹ to assist the Supervisor with these responsibilities.

The Town provides park maintenance, snow plowing and road maintenance services to Town residents. In addition, it partially funds a library and pays for fire protection and ambulance service. The Town primarily funds its services through real property taxes, sales taxes and grants. The Town's 2010 budgeted operating expenditures totaled approximately \$474,000 in the general fund.

Objective

The objective of our audit was to review the Town's financial condition and address the following related question:

- Does the Board adopt realistic budgets that are structurally balanced, routinely monitor financial operations and take appropriate action to maintain the Town's financial stability?

Scope and Methodology

We interviewed appropriate Town officials, examined financial records, and reviewed various Town procedures for the period January 1, 2010 to February 28, 2011. We expanded the scope of our audit back to January 1, 2008 and forward to June 2011 to review financial 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.

¹ A new bookkeeper started in January 2011.

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 Condition

The Board is responsible for making sound financial decisions that are in the best interest of the Town and the taxpayers who fund its operations. This responsibility 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. The Board must adopt structurally balanced budgets for all of the Town's operating funds that provide for sufficient recurring revenues to finance recurring expenditures. The Board also must monitor the budget throughout the year and take action when revenue estimates are not being realized or expenditures reach the amounts originally appropriated. The Board must have adequate financial reports to make informed decisions when preparing and monitoring the budget throughout the year.

We found that the financial condition in the Town's general town-wide fund has declined in recent years while the general part-town fund is accumulating excessive fund balance.

General Town-Wide Fund

Part of the Board's duties in managing Town operations is the monitoring of budget to actual revenues and expenditures, and projecting revenues and expenditures for the fiscal year to determine the amount of fund balance available for appropriation in the subsequent year's budget. Duties also include the timely transfer of funds prior to an appropriation being over-expended.

The Town's financial condition in the general town-wide fund has declined in recent years from a fund balance of \$214,204 at the end of 2008 to a fund balance of \$735 at the end of 2010, as illustrated in Table 1.

Table 1: General Town-Wide Fund Balance			
	2008	2009	2010
Beginning Fund Balance	\$192,646	\$214,204	\$106,148
Operating Surplus (Deficit)	\$21,558	(\$108,056)	(\$105,413)
Year-Ending Fund Balance ^a	\$214,204	\$106,148	\$735
Less: Fund Balance Appropriated for Ensuing Year's Budget	\$0	\$0	\$49,445
Unreserved, Unappropriated Fund Balance	\$214,204	\$106,148	(\$48,710)
^{a)} The 2008 and 2009 numbers are from audited financial reports. The 2010 numbers are from the Town's records adjusted to the modified accrual basis.			

The deteriorating financial condition in the general town-wide fund is primarily the result of the appropriation of fund balance during the year and in the budget. The adopted 2009 and 2010 budgets did not contain any appropriated fund balance as a source of financing; however, during the 2009 budget year (after the budget was adopted), the Board appropriated an additional \$98,000 in fund balance. Likewise, during the 2010 budget year (after the budget was adopted), the Board appropriated an additional \$66,000 in fund balance. This reduced the available fund balance to \$735 at the end of 2010.

The increase in appropriated fund balance was necessary to cover expenditures that were not included in the original budgets. For example, the Town did not budget any money for audit services in 2009 or 2010. However, Town officials hired an auditor in 2009 to audit the records back to 2005 and to assist with developing certain information the Town needed, including complying with Governmental Accounting Standards Board requirements and analyzing retirement and health insurance claims. As a result, the Town spent \$38,379 in 2009 and \$31,846 in 2010 on audit services, a total of \$70,225 that was not included in the original budgets.

During the preparation of the 2011 budget, the Board appropriated \$49,445 in fund balance. This resulted in a \$48,710 shortfall in financing sources for the 2011 fiscal year. The Supervisor indicated that at the time the budget was prepared, the Supervisor's monthly cash report showed the Town had the available fund balance that was appropriated. However, Town officials failed to project revenues and expenditures through the end of the Town's 2010 fiscal year. A reasonable projection of revenues and expenditures through the end of the fiscal year would have shown the lack of available fund balance for appropriation.

Furthermore, as of June 2011, the Board had not yet developed a financial plan to address the over-appropriation of fund balance for 2011. The Supervisor indicated he was waiting for a report from the Efficiency Committee. The Efficiency Committee (two Town Board members, two Village Board members, and three private citizens) was given the task of reviewing the budget and making recommendations for cuts or consolidations. The Board should have addressed the unavailability of fund balance as a financing source as soon as it was identified early in the year. The sooner the Board addresses the shortfall, the more flexibility it has in developing a financial plan.

As a result of the Board's poor budgeting decisions, the general town-wide fund is now in fiscal stress. Unless the Board addresses the general town-wide fund's lack of fund balance, its financial condition will continue to deteriorate.

General Part-Town Fund

While the general town-wide fund is experiencing fiscal stress, the general part-town fund is accumulating excessive fund balance. At the end of 2010, there was \$372,142 in fund balance, which represented 430 percent of the 2011 budgeted appropriations totaling \$86,500.

Table 2: General Part-Town Unreserved, Unappropriated Fund Balance at Year End as a Percentage of the Ensuing Year's Budget			
Fiscal Year End	Unreserved Fund Balance Unappropriated (UFBU)	Ensuing Year's Budgeted Appropriations (EYBA)	UFBU As Percent of EYBA
12/31/2008	\$314,586	\$94,485	333%
12/31/2009	\$344,934	\$96,525	357%
12/31/2010	\$372,142	\$86,500	430%

The primary revenue in the general part-town fund is sales taxes² received from Oswego County. Actual revenues approximated budgeted revenue estimates for 2009 and 2010; however, expenditures were significantly below budget estimates from 2008 to 2010. For example, actual expenditures were below budgeted estimates by \$20,448 (22 percent) in 2008, by \$23,634 (25 percent) in 2009 and by \$19,162 (20 percent) in 2010. Budgeted expenditures for 2008 to 2010 included a contingency allowance of \$20,000, which the fund seldom used.

The highway part-town fund, which has the same tax base as the general part-town fund, continues to raise significant real property taxes (\$142,300 in 2008, \$133,500 in 2009, and \$113,300 in 2010) to fund its operations, while an already excessive fund balance continues to increase in the general part-town fund. While the general part-town fund transferred \$55,000 each year to the highway part-town fund from 2008 to 2010, it could have transferred a larger amount to offset a larger portion of the taxes being raised in the highway part-town fund.

The Supervisor indicated that the general part-town fund balance has built up because sales tax from Oswego County is recorded in the general part-town fund and the fund is limited in the expenditures that can be charged to it. However, the Town can lower property taxes in the highway part-town fund by allocating a portion of the sales tax directly to the highway part-town fund, or transferring more funds from the general part-town fund to the highway part-town fund.

Further, the February 18, 2010 Board meeting minutes reflected the Town's intent to set aside \$200,000 of general part-town fund balance for a new municipal office building; however, the general part-town fund does not have the authority to fund a new building.

² \$108,045 for 2008, \$93,566 for 2009, and \$94,683 for 2010

The construction of new buildings is properly funded by the general town-wide fund.

If not addressed, the general town-wide fund's financial condition is likely to continue to deteriorate, which will limit Town officials' ability to maintain adequate services and to manage emergencies and other unanticipated occurrences. Likewise, the maintenance of a large fund balance in the general part-town fund will cause an undue burden on part-town residents by continuing to raise taxes in the part-town highway fund when it would be more appropriate to direct the use of sales tax moneys into this fund to reduce the property taxes.

Recommendations

1. Town officials should prepare an accurate estimate of the unreserved fund balance at the end of the fiscal year for the Board's consideration in developing the ensuing year's budget and refrain from appropriating fund balance in excess of amounts reasonably expected to be available.
2. The Board should use the surplus fund balance in the general part-town fund in a manner that benefits Town taxpayers. Such uses could include, but are not limited to:
 - Increasing or establishing necessary reserves
 - Paying off debt
 - Financing one-time expenses
 - Reducing property taxes.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

TOWN OF PARISH
STEPHEN STELMASHUCK, SUPERVISOR
P.O. BOX 66 - 2938 E. MAIN ST.
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May 10, 2012

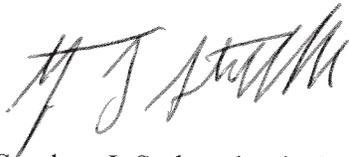
Office of the State Comptroller
Rebecca A. Wilcox, Chief Examiner
333 East Washington Street, Room 409
Syracuse, New York 13202

RE: Audit Reply

Dear Chief Examiner Wilcox:

Thank you for your recent Financial Condition Examination of the Town of Parish. All of the Comptroller's staff involved in this process were both courteous and professional. This audit will give us the opportunity to not only improve our operations and governance but also reduce costs for our taxpayers and give us ideas on how to both strengthen our internal controls and safeguard our assets. We will be working on implementing your recommendations. Thank you again.

Yours truly,



Stephen J. Stelmashuck, Supervisor
Town of Parish

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of this audit was to determine whether the Board adopted realistic budgets that were structurally balanced, routinely monitored financial operations, and took appropriate action to maintain the Town's financial stability. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed appropriate Town officials to obtain an understanding of the organization and the Town's accounting system and to identify key personnel.
- We analyzed the changes in fund balance of the Town's funds for the 2008 through 2010 fiscal years to determine the combined fund trends, and we evaluated major factors contributing to operating deficits for the applicable years.
- We analyzed revenue and expenditure trends for the operating funds for the 2008 through 2010 fiscal years.
- We reviewed audited financial statements for the fiscal years ended December 31, 2008 and December 31, 2009 and the Town's accounting records and reports for the period January 1, 2010 to December 31, 2010.
- We reviewed adjusting entries made by the certified public accountants for 2008 and 2009.
- We accrued expenditures and revenues for 2010 that were recorded in 2011.
- We compared budget estimates to actual revenues, expenditures, and fund balances to determine whether the estimates were reasonable and whether sufficient fund balances were available.
- We interviewed Board members to determine the process for creating and modifying the budget.
- We reviewed budget transfers approved by the Board and determined the amounts of unreserved, unappropriated fund balance appropriated by the Town.

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.

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