



Town of Benson

Financial Condition

Report of Examination

Period Covered:

January 1, 2010 — December 31, 2012

2013M-77



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 2013

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 Benson, 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.

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Town of Benson (Town) is located in Hamilton County and has a population of approximately 190 people. The Town is governed by a Town Board (Board) which consists of four elected Board members and an elected Town Supervisor (Supervisor). The Town provides road maintenance, snow removal and general government support to its residents. The Town's 2012 budgeted expenditures totaled \$226,742 for the general fund and \$222,402 for the highway fund. These expenditures were funded primarily through local taxes, State aid and charges to other governments for highway services.

The Supervisor serves as both the Chief Executive Officer and the Chief Fiscal Officer. As Chief Fiscal Officer, the Supervisor is responsible for virtually all of the Town's financial duties, including receipt and disbursement of Town moneys, maintaining financial records, and preparing various financial reports. The Board is responsible for overseeing the Town's operations and finances.

Objective

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

- Are Town officials effectively monitoring the Town's financial condition?

Scope and Methodology

We examined the Town's financial condition for the period January 1, 2010 through December 31, 2012. 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. Except as specified in Appendix A, Town officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comments on 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 Condition

The Board has responsibility for making sound financial decisions that are in the best interest of the Town and the taxpayers. This responsibility requires Board members to balance the level of services desired and expected from Town residents with the ability and willingness of the residents to pay for such services. It is essential that the Board adopt structurally balanced budgets for all of its operating funds that provide recurring revenues to finance recurring expenditures.

The Town may retain a reasonable amount of fund balance, referred to as unexpended surplus funds,¹ to use as a financial cushion in the event of unforeseen financial circumstances. The Board should adopt budgets that include realistic estimates of revenues and expenditures, with fund balance used as a funding source when appropriate. In addition, the Board should monitor actual revenues and expenditures throughout the year, compare them to budget estimates and make adjustments as necessary. In order for the Board to monitor results of operations against the budget during the year, accounting records must be maintained timely and accurately. By following these practices, the Board can ensure that the amount of real property taxes raised is no greater than necessary.

The Board is not able to routinely monitor actual revenues and expenditures against budgeted estimates throughout the year because the Supervisor does not maintain accounting records in a timely manner. As of December 2012, the Supervisor had not made postings to the accounting records since March 2012. Because the Supervisor did not maintain the accounting records in a timely manner, she could not prepare periodic financial reports necessary for the Board to compare actual revenues and expenditures to the budgeted amounts on a regular basis and make applicable budgetary amendments. Without adequate and current financial information, the Board can not adopt budgets that are based on actual results of operations.

¹ The Governmental Accounting Standards Board (GASB) issued Statement 54, which replaces the fund balance classifications of reserved and unreserved with new classifications: nonspendable, restricted, and unrestricted (comprising committed, assigned, and unassigned funds). The requirements of Statement 54 are effective for fiscal years ending June 30, 2011, and beyond. To ease comparability between fiscal years ending before and after implementation of Statement 54, we will use the term “unexpended surplus funds” to refer to that portion of fund balance that was classified as unreserved, unappropriated (prior to Statement 54), and is now classified as unrestricted, less any amounts appropriated for the ensuing year’s budget (after Statement 54).

In 2010, the general and highway funds realized operating deficits of \$34,911 and \$33,694, respectively. Although these funds had operating surpluses in 2011, it is anticipated that the highway fund will also realize a minor operating deficit of \$4,021 for 2012, as detailed in Table 1.

Table 1: Results of Operations			
General Fund			
	2010	2011	2012^a
Revenues	\$228,133	\$222,548	\$219,643
Expenditures	\$263,044	\$207,262	\$219,015
Operating Surplus/ (Deficit)	(\$34,911)	\$15,286	\$628
Highway Fund			
Revenues	\$130,715	\$178,429	\$224,817
Expenditures	\$164,409	\$177,375	\$228,838
Operating Surplus/ (Deficit)	(\$33,694)	\$1,054	(\$4,021)
Combined Funds			
Revenues	\$358,848	\$400,977	\$444,460
Expenditures	\$427,453	\$384,637	\$447,853
Operating Surplus/ (Deficit)	(\$68,605)	\$16,340	(\$3,393)

^a 2012 information was obtained while conducting our fieldwork. The accounting records were not completely posted for 2012. These are projections based on the bank statements and accounting records made available to us during fieldwork.

The operating deficits have resulted in a decline in the level of fund balance in each fund and an overall decline in the Town's financial health. The Town has accumulated surplus funds in the general fund; however, this is off-set by the deficits in the highway fund. As illustrated in Table 2, total general fund balance has declined from \$195,472 at the beginning of 2010 to \$93,681 at the end of 2011.² Total highway fund balance has gone from a deficit of \$49,552 at the beginning of 2010 to \$1,329 at the end of 2011.

For 2012, based on a small projected operating surplus, we anticipate the general fund will have an ending surplus fund balance totaling approximately \$94,000. Furthermore, based on a projected operating deficit of approximately \$4,000, we anticipate the year-ending fund balance for the highway fund will be a deficit of approximately \$2,700. Combined, the general and highway funds are projected to report unexpended surplus funds totaling approximately \$91,000 at the end of 2012.

² A large prior period adjustment made for both the general and highway funds in 2011 also contributed to the substantial decrease in the general fund balance.

Table 2: Fund Balance			
General Fund			
	2010	2011	2012
Beginning Fund Balance	\$195,472	\$160,561	\$93,681
Prior Period Adjustment	\$0	(\$82,166)	\$0
Adjusted Beginning Fund Balance	\$195,472	\$78,395	\$93,681
Operating Surplus / (Deficit)	(\$34,911)	\$15,286	\$628
Ending Fund Balance	\$160,561	\$93,681	\$94,309
Highway Fund			
Beginning Fund Balance	(\$49,552)	(\$82,946)	\$1,329
Prior Period Adjustment	\$0	\$83,221	\$0
Adjusted Beginning Fund Balance	(\$49,552)	\$275	\$1,329
Operating Surplus / (Deficit)	(\$33,394)	\$1,054	(\$4,021)
Ending Fund Balance	(\$82,946)	\$1,329	(\$2,692)
Combined Funds			
Beginning Fund Balance	\$145,920	\$77,315	\$94,710
Prior Period Adjustment	\$0	\$1,055	\$0
Adjusted Beginning Fund Balance	\$145,920	\$78,370	\$94,710
Operating Surplus/ (Deficit)	(\$68,605)	\$16,340	(\$3,393)
Ending Fund Balance	\$77,315	\$94,710	\$91,317

Furthermore, the combined cash balances for the general and highway funds have declined from approximately \$145,000 at the beginning of 2010 to approximately \$95,000 at the end of 2011, a decrease of approximately 34 percent. The Town will end 2012 with approximately \$95,000 in cash again.

We reviewed the 2013 budget and found that Town officials budgeted similar to 2012. As such, the highway fund will likely realize another small operating deficit. In addition, Town officials appropriated approximately \$40,000 in combined fund balance. Assuming actual results of operations for 2013 are in line with budgeted estimates and the Town uses the fund balance that was appropriated, cash will decrease to about \$55,000.

The lack of timely accounting records and periodic financial reports providing actual amounts of revenues and expenditures prevents the Board from monitoring the Town's financial activity throughout the year and initiating budgetary amendments as warranted. As a result, the Town has realized negative fiscal trends in its general and highway funds over the past several years. Unless the Supervisor maintains current financial records and provides periodic financial reports to the Board so that it can monitor and address the Town's

financial condition, the Board cannot make timely financial decisions and negative financial trends could go unnoticed.

Recommendations

1. The Supervisor should maintain current accounting records.
2. The Supervisor should provide the Board with up-to-date periodic financial reports detailing revenues and expenditures and the Board should use these reports to compare actual operating results to budgeted amounts.
3. The Board should ensure necessary budget modifications are made throughout the year to stabilize the Town's financial status and reverse the trend of financial decline.

APPENDIX A
RESPONSES FROM LOCAL OFFICIALS

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

TOWN OF BENSON
Office of Supervisor
P. O. Box 100
Northville, NY 12134-0100
Phone: 518-863-4969
FAX: 518-863-4913

June 24, 2013

[REDACTED]
NYS Office of the State Comptroller
Division of Local Government
And School Accountability
One Broad Street
Glens Falls, NY 12801

Dear Sir:

This letter is in response to your recently issued report entitled "Town of Benson Financial Condition, Report of Examination for the Period Covered January 01, 2010 – December 31, 2012." The Town of Benson agrees with the findings of this Audit Report, as far as the information goes. However, there are some extenuating circumstances that should be pointed out.

I realize that the audit is based on generally accepted government auditing standards and is unbiased. It can only be based on the facts as the accounting system and the Supervisor are able to present them and, at the time of the audit, my postings were not up-to-date. For that, as Chief Financial Officer of the Town, I take full responsibility. However, there are many things that were not mentioned in the report which makes the report and the way it was presented seem unfair. Since the following is taken directly from the budgets for your consideration and is not debatable, I offer these figures and percentages as some of the reasons for our town's minimal "financial cushion".

See
Note 1
Page 14

1. Benson Town boards in the past five or six years have made some very serious errors in judgment. One year they agreed to move \$100,000 from the town's surplus funds into the budget to fill a gap so they wouldn't have to tell the taxpayers about a raise in taxes. In fact this happened in several years, in different amounts. The following years' budgets are furnished for your comparison: they compare the amount of each fund balance transfer and the percentage of the new budget it represents.

2005	\$ 50,000	11.2% of the budget total of \$445,439.00
2006	\$ 80,000	19.69% of the budget total of \$406,218.00
2007	\$ 89,000	19.47% of the budget total of \$457,016.00
2008	\$ 77,000	17.56% of the budget total of \$438,384.00
2009	\$100,000	21.58% of the budget total of \$463,366.00
2010	\$ 55,000	12.43% of the budget total of \$442,470.00
2011	\$ 40,000	8.54% of the budget total of \$467,953.00
2012	\$ 9,678	2.15% of the budget total of \$449,144.00

2. We all know about the rise in the inflation rate and the fall in revenues which have been adversely affecting our towns for quite a few years. Each town used to get Federal Revenue Sharing monies and State Revenue Sharing monies; these were both eliminated by the federal government and the state government. Let me explain another very real revenue problem I have dealt with for six years. The Highway Department is the only Department capable of generating revenue, but often our Highway Superintendent failed to adequately charge Hamilton County for work done on the Hamilton County Highway Maintenance contract. In 2001, the billing brought in a total of \$12,282.07, in 2003, the figure was at \$20,777.03, the 2005 total is not available, but in 2006, County Snow receipts only totaled \$9,358.16. For 2008, a total of \$16,698.81 was realized, but 2010 was back down with the total reimbursed being \$9,516.50. 2012 luckily saw billing and County Snow reimbursements of \$15,775.00. Billing, when correctly done, many times results in receipts totaling in excess of \$18,000.00. When this is mentioned, it is usually followed by an individual saying, "But some years, Hamilton County doesn't get much snow, so you can't expect a lot to be billed every year". Well, some years many winter days are rainy and we have ice covered roads. Then the trucks run every day, all day and most of the night. That is also covered by our County Maintenance Contract. A rainy icy year can often cost the County as much as a snowy year. Nobody even mentioned that fact in the audit, even though the auditor knew about the lack on the Superintendent's part. When the auditor tried to talk to the Superintendent during the audit, he somehow "missed" the man when he called the highway barn. Of course, the auditor couldn't make reference to the Highway Superintendent's performance because he "must deal with proven facts", and the whole folder containing roughly 20-years of records that the former Town Clerk kept, conveniently disappeared from the Town Clerk's records kept at the Town Hall. Now that two board members have been "helping" the Highway Superintendent keep current with his records, the 2012-2013 Season has seen revenues received totaling over \$25,000. How much would we have received for a total from all those other years from 2006 to now? Nobody knows, so the auditor could not make reference to it. In 2013, the town board gave the Highway Superintendent a 21% raise in his yearly salary, thinking the raise would encourage him to do what had been expected of him for years, and it worked. He "came to life". This is said in order to emphasize to you that every person in the equation must do

See
Note 2
Page 14

See
Note 3
Page 14

his own job so it all “fits together”. I don’t believe it is fair for an auditor to present only one aspect of the overall problem.

See
Note 4
Page 14

In making reference to the Audit Report, a board member read excerpts from the Audit Report at a town board meeting mentioning “allegations” and “serious charges” made in the report. The Audit Report does not deal in “allegations” and the auditor made no “charges” against me because no crime was committed. The board members intended to create concern on the part of our citizens by using words that allude to criminal acts. The Audit Report only makes particular mention of my failure to furnish them with a timely accounting. I readily admit to having done that, which is not a crime.

There is no money missing and no errors in the bank records, both of which were never mentioned in the Audit Report. I resent that very much. Those two statements, had they been made by the auditor, would have prevented the use of the Report for political gain by our town board members. I also know that, though I am made to look like a “culprit”, somebody has to take a hit when these audits are done. The auditor has to prove he’s doing his job and “taking out” these “bad politicians”. The only thing I did was the same that most Supervisors of these small Hamilton County towns do; they operate in as frugal a manner as possible, and attempt to do everything themselves, which really is not possible. We all get behind. Our residents and our boards do not appreciate the savings of \$20,000 to \$25,000 per year when the Supervisor tries to do it all.

See
Note 4
Page 14

See
Note 5
Page 14

The main reason for my record keeping being behind is simple: The audit was being conducted at the start of a serious illness for me which nearly proved fatal. Soon after the physical portion of the audit was finished at our town hall, I was in the hospital followed by a stay in a nursing home. I have surgery scheduled for June 25th, 2013 at Albany Medical Center. I expect a three week recovery period. Then, once I am able, every effort will be made to bring my books current.

Sincerely,

Ermina M. Pincombe, Supervisor

TOWN BOARD
TOWN OF BENSON
JUNE 18, 2013

TO: OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
1 BROAD ST. PLAZA
GLENS FALLS, N.Y. 12801

TOWN OF BENSON FINANCIAL CONDITION REPORT
DATED JAN. 1, 2010 to DEC. 31, 2012
NYS OFFICE OF COMPTROLLER
2013MO77

RE: DRAFT RESPONSE

IN REVIEW OF THE FINDINGS AND RECOMMENDATIONS FOUND IN THE ABOVE MENTIONED
AUDIT, IT IS OUR OPINION THAT ALL ITEMS ADDRESSED IN THE AUDIT ARE A TRUE AND
ACCURATE REPRESENTATION OF THE FINANCIAL INSTABILITY OF THE TOWN OF BENSON.
THE ITEMS OUTLINED IN THIS AUDIT HAVE CONTRIBUTED DIRECTLY TO THE INABILITY OF
OF THE TOWN BOARD TO SELF AUDIT, CONTROL BUDGETARY SPENDING AND HAVE THE
FINANCIAL TOOLS TO MORE ACCURATELY CREATE YEARLY TAXPAYER BUDGET.

IT IS OUR OPINION THAT, THE BENSON TOWN BOARD EMBRACE AND FORMULATE A
CORRECTIVE ACTION PLAN THAT ADDRESSES EACH OF THESE LINE ITEMS
RECOMMENDED IN THE AUDIT.

RESPECTFULLY,
BENSON TOWN BOARD MEMBERS:

JOHN SHEPARD III

JOHN STORTECKY

ROBERT COX

DOUGLAS GREGOR

2 6-20-2013

06/20/13

6/20/13

6/20/13

APPENDIX B

OSC COMMENTS ON THE SUPERVISOR'S RESPONSE

Note 1

Our audits are based on numerous sources of information in addition to what the accounting system and the Supervisor present to us. These sources include interviews with various local officials; reviewing other Town records, such as Board meeting minutes, and reviewing other information and documentation from third parties. We also subject all sources of information to tests to ensure the information provided is reliable and relevant to the objectives of our audit.

Note 2

Federal revenue sharing moneys have not been distributed to towns since the late 1980's, and State revenue sharing was reduced in the early 1990's. While these decreases in aid may have impacted the Town's financial budgets and related financial operations over 20 years ago, Town officials had plenty of time to develop strategies to address the impact of the reductions that were made many years ago and, as a result, the reductions have not had any impact the Town's financial position during our audit period or in the recent years preceding our audit period.

Note 3

While conducting our audit, we asked to review records related to the highway maintenance contract with Hamilton County; however, Town officials could not provide us with the documentation. We also attempted to contact the Highway Superintendent on several occasions but he did not return our requests to discuss this issue with him. Furthermore, as clearly stated in the second paragraph of this letter, the Supervisor is the Chief Financial Officer of the Town; as such, the Supervisor has the authority to act in the same capacity as the Highway Superintendent and County officials to bill for all services the Town provided to the County and ensure the Town is receiving all the revenues it is entitled to.

Note 4

The audit objective focuses on the overall financial condition of the Town and fairly represents the financial position that the Town was in as of December 31, 2012.

Note 5

Without exception, we strongly adhere to the auditing standards governing how we conduct our audits and maintain our independence and objectivity while gathering, testing and verifying data provided to us and reporting on our audit findings. We have issued numerous 'no-findings' reports when our audits have not identified any weaknesses in a local government's policies, procedures and financial status. The work performed by audit staff is consistent regardless whether we objectively identify weaknesses and provide recommendations for officials to strengthen their operations, or whether we acknowledge the good work of local government officials and employees when we do not find any weaknesses in the locality's operations.

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 for the period January 1, 2010 through December 31, 2012. Our examination included the following:

- We interviewed appropriate Town officials and reviewed pertinent documents, such as Board minutes.
- We reviewed the Town's financial records, budgets, and annual reports.
- Due to the lack of financial records available for 2012, we traced all transactions through the Town's six bank accounts to develop the revenue and expenditure data for the fiscal year ended December 31, 2012.
- We analyzed the changes in the Town's general fund and highway fund for the years 2010, 2011 and 2012.

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

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Andrew A. SanFilippo, Executive Deputy Comptroller
Nathalie N. Carey, Assistant Comptroller

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