



# Town of Pamelaia

## Financial Management

### Report of Examination

Period Covered:

January 1, 2014 – March 31, 2015

2015M-276



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

January 2016

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 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 Pamela, 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 New York State 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*



## State of New York Office of the State Comptroller

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# EXECUTIVE SUMMARY

The Town of Pamela (Town) is located in Jefferson County (County) with a population of approximately 3,160. The Town provides various services to its residents, including street maintenance, fire protection, water, sewer and general government support. The Town's budgeted appropriations for 2015 were approximately \$1.5 million for all funds. These expenditures are primarily funded with revenues from sales tax and State aid. The Town does not levy real property taxes to finance its operations. The Town has eight water special districts, with budgeted appropriations totaling approximately \$400,000 for the 2015 fiscal year. The Town purchases water for its districts and bills residents for water usage. In addition, property owners pay an annual benefit assessment to finance the cost of water special district debt.

The Town Board (Board), composed of five members, is the legislative body responsible for managing Town operations and for making sound financial management decisions that are in the best interests of the taxpayers. The Town Supervisor (Supervisor), who is a member of the Board, serves as chief executive officer and chief fiscal officer. The Supervisor appointed a clerk who performs the financial accounting and recordkeeping duties on the Supervisor's behalf.

### **Scope and Objective**

The objective of our audit was to evaluate the Town's financial management for the period January 1, 2014 through March 31, 2015. We expanded the scope of our audit back to January 1, 2012 to analyze financial trends and back to 2011 to review supporting documents for interfund loans. We also extended the scope to May 31, 2015 to review current year budget versus actual results. Our audit addressed the following related question:

- Did the Board effectively manage and monitor the Town's financial condition?

### **Audit Results**

The Board did not effectively manage and monitor the Town's financial condition. The town-wide general fund has accumulated excessive unrestricted fund balance totaling approximately \$2 million as of December 31, 2014, which is enough to fund about six years' appropriations at current spending levels. The Town accumulated excess fund balance primarily because the Board underestimated revenues by \$795,019 (61 percent) in total from 2012 through 2014. Sales tax revenues were underestimated by approximately \$634,000, or 105 percent. The practice of underestimating revenues has resulted in average operating surpluses of \$284,723 each year from 2012 through 2014.

The Board has not appropriated any fund balance as a financing source in the 2013 through 2015 budgets. Had the Board appropriated fund balance, it could have relied less on sales tax revenues and applied some of it to reduce the County taxes. In addition, the Supervisor does not provide an estimate of the amount of fund balance that is expected to be available at year end in the proposed budget. As a result, the Board does not have the necessary information available during the annual budgeting process to help ensure that the level of fund balance maintained is reasonable.

Conversely, the water special district fund has had a deficit unrestricted fund balance for the past three years. As of December 31, 2014, the deficit totaled more than \$1.2 million. The deficit unrestricted fund balance is largely due to interfund loans payable to the town-wide general fund, which totaled approximately \$1.2 million as of December 2014. There is no authority for the Board to loan money from the town-wide general fund to Town water special districts to help finance them over a period of years.

The Supervisor assigned his recordkeeping duties to a clerk, but the clerk does not maintain accurate and complete records. In the Supervisor's monthly report that is given to the Board, the clerk reports budget-to-actual results for revenues and expenditures, cash balances and total receipt and total disbursement activity for main operating accounts. However, the clerk does not maintain detailed revenue and expenditure subsidiary ledgers or a general ledger to support the balances reported. In addition, the clerk does not maintain separate records for each water and sewer district and does not know the individual cash and fund balances of each district. The inadequate accounting records impair the Board's and Town officials' ability to monitor and plan the Town's financial operations and increase the risk that errors could be made and go undetected.

The Board did not develop or adopt a comprehensive, multiyear financial and capital plan, and it had no other mechanism in place to adequately address the Town's long-term operational and capital needs. The Board did not audit the Supervisor's records or obtain an audit for 2014. This precluded the Board from having assurance that all of the Town's financial resources were properly accounted for.

### **Comments of Local Officials**

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 take corrective action.

# Introduction

## Background

The Town of Pamela (Town) is located in Jefferson County (County) with a population of approximately 3,160. The Town provides various services to its residents, including street maintenance, fire protection, water, sewer and general government support. The Town's budgeted appropriations for 2015 were approximately \$1.5 million for all funds. These expenditures are primarily funded with revenues from sales tax and State aid. The Town does not levy real property taxes to finance its operations. The Town has eight water special districts, with budgeted appropriations totaling approximately \$400,000 for the 2015 fiscal year. The Town purchases water for its districts and bills residents for water usage. In addition, property owners pay an annual benefit assessment to finance the cost of water special district debt.

The Town Board (Board), composed of five members, is the legislative body responsible for managing Town operations and for making sound financial management decisions that are in the best interests of the taxpayers. The Board is also responsible for the effectiveness and proper functioning of the Town's internal controls, including its financial condition and budgeting. The Town Supervisor (Supervisor), who is a member of the Board, serves as chief executive officer and chief fiscal officer. The Supervisor is responsible for the receipt, disbursement and custody of the Town's money and for providing financial reports. The Supervisor, as budget officer, is responsible for compiling the initial budget estimates and producing the tentative budget, subject to the Board's approval. The Supervisor appointed a clerk who performs the financial accounting and recordkeeping duties on the Supervisor's behalf.

## Objective

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

- Did the Board effectively manage and monitor the Town's financial condition?

## Scope and Methodology

We examined the Town's financial management practices from January 1, 2014 through March 31, 2015. We expanded the scope of our audit back to January 1, 2012 to analyze financial trends and back to 2011 to review supporting documents for interfund loans. We also extended the scope to May 31, 2015 to review current year budget versus actual results.

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 take corrective action.

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

A basic component of local government budgeting is the prudent use of fund balance, which is the difference between revenues and expenditures accumulated over time. It is important for the Board to adopt long-term plans that set forth the Town's financial objectives and goals and to have written policies and procedures to govern budgeting practices and the level of fund balance to be maintained in each fund.

General Municipal Law (GML) generally allows the temporary loan of moneys from one fund to another which must be repaid no later than the close of the fiscal year in which the loan was made. Any delay in the repayment of a loan could have a significant financial impact on the funds involved. The Supervisor is responsible for maintaining accounting records and preparing accurate reports that are clear and understandable. If the Supervisor assigns these duties to a clerk, the Supervisor should provide sufficient oversight to ensure that the records are properly maintained. New York State Town Law (Town Law) requires that the Board annually audit, or have an independent public accountant audit, the Supervisor's records.

The Board and Town officials have not developed policies and procedures to govern budgeting practices and the level of fund balance to be maintained. As a result, the Board adopted budgets that were not based on sound and realistic revenue estimates. The Board underestimated sales tax revenue from fiscal years 2012 through 2014 by a total of \$634,000 (105 percent), which contributed to the operating surpluses and excessive fund balance in the town-wide general fund. At the end of 2014, the Town reported an unrestricted fund balance in the town-wide general fund of about \$2 million, which is six times the amount of the next year's budget for that fund.

From 2011 through 2014, the Board inappropriately used surplus funds from the town-wide general fund to make long-term interfund loans, totaling approximately \$1.5 million, to the water special district fund. These loans contributed to the \$1.2 million deficit fund balance in the water special district fund at the end of 2014. Further, the Board has not developed long-term financial and capital plans to help identify and work toward its goals. The Supervisor did not ensure that the clerk maintained all the necessary accounting records, including subsidiary revenue expenditure ledgers and general ledgers, and that each fund and special district were accounted for separately. Lastly, the Board did not annually audit, or have an independent public accountant audit, the Supervisor's records, which hindered its ability to adequately monitor the Town's financial operations.

## Fund Balance and Budgeting

In preparing the budget, it is important for the Board to develop realistic revenue and expenditure estimates, along with an estimate of available fund balance at fiscal year-end. Fund balance represents moneys accumulated from prior fiscal years. The Town may retain a reasonable level of fund balance to provide cash flow and as a financial cushion in the event of unforeseen financial events. Each local government needs to assess what is reasonable for its particular situation, considering various factors such as timing of receipts and disbursements and volatility of revenues and expenditures. Town officials can legally set aside, or reserve, portions of fund balance to finance future costs for specified purposes, or can appropriate fund balance to help finance the next year's budget. In addition, if the Town receives more sales tax than necessary to operate its annual budget, officials could apply the excess sales tax to County taxes to reduce the County tax burden on its taxpayers. Long-term interfund loans are not an acceptable use of fund balance.

Town-Wide General Fund – The Board has accumulated excessive unrestricted fund balance totaling approximately \$2 million as of December 31, 2014. As shown in Table 1, the Town had enough unrestricted fund balance as of December 31, 2014 to fund about six years' appropriations at current spending levels.

Fiscal Year	Town-Wide General Fund	
2012	\$1,451,277	299%
2013	\$1,726,029	516%
2014	\$2,009,622	600%

The Town's accumulation of excessive levels of fund balance has mostly resulted from the Board underestimating revenues when preparing the annual budget. The Board underestimated revenues by \$795,019 (61 percent) in total from 2012 through 2014. Sales tax revenues were underestimated by approximately \$634,000, or 105 percent. The practice of underestimating revenues has resulted in average operating surpluses of \$284,723<sup>1</sup> each year from 2012 through 2014. We reviewed budget to actual activity from January 1 through May 31, 2015 and found that the Board's practice of underestimating sales tax revenue has continued. For example, the Town has already received \$169,423 (or 138 percent more) than the \$71,272 in sales tax it budgeted for the town-wide general fund. As a result, the Town will

<sup>1</sup> An operating surplus occurs when total revenues exceed total expenditures for the year. The annual operating surpluses in the town-wide general fund were as follows: 2012 – \$299,395; 2013 – \$272,366; and 2014 – \$282,409.

likely have another operating surplus in 2015, which will add to the already excessive fund balance.

The Supervisor told us the Town typically receives \$150,000 to \$200,000 above the budgeted sales tax amount each year, but he continues to underestimate sales tax revenue in the budget because he likes the Town to earn the revenue before it spends it. However, the practice of adopting unrealistic budgets to generate operating surpluses and accumulate surplus funds to spend at a later date is not in the best interest of Town taxpayers. Rather than receiving more sales tax revenue from the County than is needed to fund current operations, the Board could elect to have the County apply a portion of the Town's share of the sales tax to reduce the County tax levy burden on Town residents.

Although the general town-wide fund has generated operating surpluses during the past three years, which have increased fund balance, the Board did not appropriate any fund balance as a financing source in the 2013 through 2015 budgets. Had the Board appropriated fund balance, it could have relied less on sales tax revenues and applied some of it to reduce the County taxes. Board members told us the Board does not have a written fund balance policy to help determine an appropriate level of fund balance to maintain. In addition, the Supervisor does not provide an estimate of the amount of fund balance that is expected to be available at year end in the proposed budget. As a result, the Board does not have the necessary information available during the annual budgeting process to help ensure that the level of fund balance maintained is reasonable.

The Supervisor and other Board members told us they have used some of the excess fund balance in recent years to provide long-term loans to various water special districts. The town-wide general fund had outstanding loans to the water special districts totaling more than \$1.2 million as of December 31, 2014. Although the cash associated with these loans is not available for current use in the town-wide general fund, it still had a \$745,000 cash balance at the end of 2014. This cash balance is more than two times the amount of budgeted expenditures in the town-wide general fund for 2015 (\$335,422) and is well beyond the level of cash reasonably needed for cash flow or to retain as a financial cushion or for managing unforeseen events.

Town officials said they have no plans to place the surplus funds into reserve funds. They told us they would like to continue to use the accumulated surplus funds to make future loans to the water special districts for repairs to water pipes because the water special districts currently do not have enough money to finance the repairs on their own. However, funding water special district projects with long-term

loans from the town-wide general fund is not a permissible use of the moneys.

Water Special District Fund<sup>2</sup> – The Town’s water special district fund consists of eight individual water special districts. The clerk does not segregate the portion of the combined water special district fund’s cash or fund balance that relates to each individual water special district. Because separate records are not maintained, we evaluated the financial condition of all the water special districts combined.<sup>3</sup>

The water special district fund has had a deficit unrestricted fund balance for the past three years, as shown in Table 2.

<b>Fiscal Year</b>	<b>Water Special District Fund</b>	
2012	(\$929,539)	(265%)
2013	(\$851,854)	(251%)
2014	(\$1,211,924)	(304%)

The deficit unrestricted fund balance is largely due to the interfund loans payable to the town-wide general fund, which totaled approximately \$1.2 million as of December 2014. The Board loaned surplus funds in the town-wide general fund to the water special district fund in 2011 to pay off an interest bearing long-term loan for one water special district, totaling \$441,558. In 2012, the town-wide general fund loaned \$803,104 to pay off interest bearing long-term loans for two water special districts. Combined, the town-wide general fund loaned a total of \$1,244,663 to the water special districts from 2011 through 2012. Additionally, in 2014, the town-wide general fund loaned \$225,000 to the water special district fund to help finance the construction of a building with filtration equipment as part of the maintenance and operation of a well to be used as a water supply for multiple water special districts. The loans from the town-wide general fund were made on a long-term basis (with interest). The outstanding balance due to the town-wide general fund from the water special district fund as of December 31, 2014 was \$1,264,144.

<sup>2</sup> Special districts such as water districts are established to provide an improvement or service within a specific area of the town. Properties within the boundaries of a special district have been deemed benefited by the improvement or service and are charged for such services or improvements through assessments, fees or both. Therefore, it is essential for the Town to maintain separate accounting records for each individual special district.

<sup>3</sup> See the section of the report titled Supervisor’s Records and Reports for more information on deficiencies found in the accounting records.

There is no authority for the Board to loan money from the town-wide general fund to Town water special districts to help finance them over a period of years. GML allows the Town to temporarily loan moneys between funds; however, the moneys loaned must be repaid no later than the close of the fiscal year in which the loan was made. The purpose of interfund loans is to provide temporary cash flow relief, and not long-term financing.

Even though the Board and Supervisor intend for the water special district fund to repay the general fund for the individual loans over a period of several years, interfund loans are considered short-term liabilities (due to other funds) for financial reporting purposes until the loans are paid off. Because the water special district fund does not have enough money to repay the town-wide general fund, the water special district fund has had a deficit fund balance for at least the past three years.

The Supervisor told us he thought paying off the long-term interest bearing loans in the water special district fund would save the Town money because the town-wide general fund had accumulated excess funds that were available to pay off the water debt. Currently, property owners in the water special districts continue to pay annual benefit assessments for all water special district debt. The Town uses the assessment revenue received to repay any non-interest bearing long-term debt that remains outstanding in the water special district fund and to repay the town-wide general fund (with interest) on an annual basis. The Supervisor told us he would rather have the water special districts pay the interest to the town-wide general fund, instead of paying the interest to an outside financing source.<sup>4</sup>

Although a comparable interest rate has been established, there are no terms on the interfund loans to indicate when the loans will be repaid. Even if the long-term loans were legally permissible, without a formal repayment plan, interest and principal payments may not be applied consistently and correctly. Further, the assessment revenues collected may not be enough to pay off the outstanding loans within a reasonable amount of time. In addition, the Supervisor does not maintain any records to show how he determined the principal and interest amounts to apply to each loan annually.

Two water districts have been making annual payments against the original 2012 loans. The annual payment (principal and interest) was \$55,209 for 2013 and \$76,241 for 2014. The water special district fund paid \$16,962 in interest in 2014 to the town-wide general fund on the 2011 loan but did not pay any principal on the outstanding

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<sup>4</sup> Total interest recorded as received on the loans in the town-wide general fund from January 2012 through March 2015 equals \$152,735.

loan balance of \$357,099 as of December 31, 2014. The Supervisor has no supporting documentation for how payment amounts were calculated and why the amounts paid change from year to year. In both instances, it is possible that taxpayers could be paying a benefit assessment that is not being used to reduce the water special district debt. In addition, the water districts could incur unnecessary interest costs on the outstanding loans because there is no documented payment schedule to ensure the principal on the loans is repaid in a reasonable time frame.

In addition to the lack of legal authority for the Board to provide long-term loans from the town-wide general fund to the water special districts, we question whether the loans were in the best interest of Town taxpayers. The Board had an opportunity to apply some of its sales tax to reduce the County taxes for its residents over the years, but instead it chose to loan \$1.5 million of the accumulated excess fund balance to pay water special district expenditures. As a result, the balance of the outstanding loans<sup>5</sup> will not be available for use in the town-wide general fund until the loans are incrementally paid off in future years. The interest paid on the loans by the water special districts has increased the town-wide general fund balance, but because the Board continues to retain an excessive amount of fund balance, the additional revenue is not being used to directly benefit Town taxpayers through reductions in their County property taxes.

## **Supervisor's Records and Reports**

Towns must account for all money received and disbursed through separate funds, each of which is a fiscal and accounting entity with a self-balancing set of accounts. The Supervisor is responsible for maintaining adequate accounting records that consist of journals, ledgers and other financial documents that provide a record of all transactions and account balances. In addition to maintaining separate accounting records for each fund, the Supervisor must maintain separate records to identify the individual transactions and fund balance for each special district to maintain equity among the taxpayers and/or rate payers that fund each special district.

The clerk reports budget-to-actual results for revenues and expenditures, cash balances and total receipt and total disbursement activity for main operating accounts in the Supervisor's monthly report that is given to the Board. However, the clerk does not maintain detailed revenue and expenditure subsidiary ledgers or a general ledger to support the balances reported. The clerk updates the reported ending revenue and expenditure account balances in the budget-to-actual reports each month, but he does not maintain records showing the individual transactions that make up the balances.

<sup>5</sup> As of March 31, 2015, the outstanding balance due to the town-wide general fund was \$1,217,656.

Although the monthly reports do provide a summary of cash activity and balances, the reports are not a sufficient substitute for a general ledger because they do not show the individual transactions that make up the interfund loan receivable and payable balances, and they do not clearly indicate fund balance for each separate fund and special district. For example, the reports show the fund balance of the town-wide general fund, town-outside-village general fund and special fire protection district fund combined, and they show the fund balance of all water and sewer districts combined.

To track the interfund loan activity and balances, the Supervisor maintains a manual record of the water district loans due to the general fund on a page of a desk calendar. The Supervisor said he provides the ending loan balances to the clerk once a year so the clerk can update the loan balance on the monthly reports. The Supervisor's handwritten notes on the desk calendar are not adequate to track the nearly \$1.5 million in interfund loans made over the past three years.

Also, the clerk reports one cash balance for all eight water districts and five sewer districts combined in the monthly report. The clerk does not maintain separate records for each water and sewer district and does not know the individual cash and fund balances of each district. As a result, the Board and Town residents have no way to determine the financial condition of each district. Further, because all districts' funds are combined, it is possible some districts are subsidizing the operations of the other districts, which could result in inequities among taxpayers and those charged for services in each district. However, there is no way to determine if taxpayers are being treated equitably because of the poor records. Given the current deficit fund balance in the water special district fund, it is imperative that cash and fund balance for each water district be determined to assess each water district's ability to repay any outstanding debt.

The inadequate accounting records maintained by the Supervisor and clerk impair the Board's and Town officials' ability to monitor and plan the Town's financial operations and increase the risk that errors could be made and go undetected.

## **Multiyear Planning**

An important Board oversight responsibility is to plan for the future by setting adequate long-term priorities and goals. To address this responsibility, it is important to develop a comprehensive, multiyear financial and capital plan to estimate the future costs of ongoing services and future capital needs. An effective multiyear plan projects operating and capital needs and financing sources over a three- to five-year period. Planning on a multiyear basis allows Town officials to identify developing revenue and expenditure trends and set long-term priorities and goals. It also allows them to assess the impact

and merits of alternative approaches to financial issues, such as accumulating money in reserve funds and the use of fund balance to finance operations. Any long-term financial plan should be monitored and updated on an ongoing basis to ensure that decisions are guided by the most accurate information available.

The Board did not develop or adopt a comprehensive, multiyear financial and capital plan, and it had no other mechanism in place to adequately address the Town's long-term operational and capital needs. Although the Supervisor and other Board members indicated they plan to continue the practice of using accumulated surplus funds in the town-wide general fund to provide long-term loans to the water special districts to finance future repairs and replacement of water pipes, this is not an acceptable practice. A long-term plan would be a useful tool to help the Board assess future costs, suitable financing sources and capital needs, including any potential future costs of improvement in the water special districts. When developing a long-term plan, the Board should also address the large fund balance in the town-wide general fund. Such uses of the surplus funds could include, but are not limited to, formally establishing authorized reserve funds, financing one-time expenditures, or reducing County property taxes paid by Town taxpayers.

## **Annual Audit**

Town Law requires the Board to annually audit the Supervisor's books and records.<sup>6</sup> An annual audit helps the Board fulfill its fiscal oversight responsibilities by providing reasonable assurance that public money is handled properly (i.e., deposited in a timely manner and accurately recorded and accounted for) and identifying conditions that need improvement. A thorough annual review also provides the Board with additional assurance that financial records and reports contain reliable information on which to base management decisions.

The Board did not audit the Supervisor's records or obtain an audit for 2014. This precluded the Board from having assurance that all the Town's financial resources were properly accounted for. Had the Board performed an audit, it may have identified the inadequate accounting records and other deficiencies found during our audit and could have implemented corrective action sooner.

## **Recommendations**

The Board should:

1. Cease the practice of making long-term interfund loans from the town-wide general fund for water special district projects.

<sup>6</sup> Town Law provides that the Board may perform the annual audit or engage the services of a certified public accountant or public accountant to perform the annual audit within 60 days of the close of the fiscal year.

2. Establish a formal repayment schedule for each outstanding water district loan that includes the interest rate, length of the loan, annual principal and interest amounts due and the final payment date.
3. Adopt budgets with realistic estimates for revenues and fund balance available for appropriation.
4. Develop a fund balance policy that establishes a reasonable amount of fund balance to maintain in each fund to meet the Town's needs.
5. Develop and adopt a formal plan to reduce the excessive unassigned fund balance in the town-wide general fund in a manner that benefits Town taxpayers. Such uses include, but are not limited to, establishing authorized reserve funds, financing one-time expenditures and reducing Town taxpayers' share of County property taxes.
6. Develop and adopt a comprehensive multiyear financial and capital plan to establish the goals and objectives for funding long-term operating and capital needs. The plan should be monitored and updated on an ongoing basis.
7. Annually audit the Supervisor's financial records, or have an independent public accountant do so, and document the results of its audit in the Board minutes.

The Supervisor should:

8. Provide additional oversight of the clerk to ensure that appropriate general and subsidiary ledgers are maintained separately for each fund and special district. The Supervisor should ensure these ledgers are used to generate the monthly reports provided to the Board.
9. Work with the clerk to determine the fund balance of each individual water district and sewer district so fund balance can be tracked separately for each district.
10. Ensure that formal records are maintained to track each loan between funds/special districts, payments on the loan and the remaining balance due.

## **APPENDIX A**

### **RESPONSE FROM LOCAL OFFICIALS**

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

# TOWN OF PAMELIA

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## SUPERVISOR

Scott J Allen

## TOWN CLERK

Gwen Call  
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## HIGHWAY SUPERINTENDENT

Bruce Call

## COUNCILMEN

Mark Eiss  
Timothy Kelly  
John Phelps  
Rusty Van Tassel

January 7, 2016

Office of the State Comptroller  
Syracuse Regional Office  
State Office Building Room 409  
333 E. Washington Street  
Syracuse, NY 13202-1428

To: The Office of the State Comptroller

The start of 2016 brings many challenges for a newly elected Town Supervisor. I was shocked to read the Comptrollers Draft findings report. The report reflects the way the past Supervisor and Town Board Members did their job. Being newly elected, I see many changes will have to be made in the very near future. I will meet with the Board Members to create a CAP plan and make the necessary changes to bring the Town's accounting methods up to compliance with proper government accounting standards, which will include separating funds and creating ledgers.

I am anxious to meet with the Town Board to address these issues and will be submitting our plan soon.

Thank you,

Scott J. Allen  
Town Supervisor-Town of Pamela

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## **APPENDIX B**

### **AUDIT METHODOLOGY AND STANDARDS**

We evaluated the Town's financial management from January 1, 2014 through March 31, 2015. We expanded the scope of our audit back to January 1, 2012 to analyze prior years' financial trends and to 2011 to review supporting documents for interfund loan balances. We extended the scope to May 31, 2015 to review current year budget versus actual results.

To achieve our audit objective and obtain valid evidence, we performed the following audit procedures:

- We reviewed Board minutes and interviewed Town officials regarding fund balance, budgeting practices, long-term plans and interfund loans between the town-wide general fund and water special district fund.
- We reviewed the Town's financial records and reports, including adopted budgets for 2012 through 2015, monthly Supervisor budget-to-actual reports and annual report and original loan documentation for the water special district fund.
- We analyzed the variances in budget-to-actual revenues and expenditures. We also calculated operating deficits or surpluses and completed an analysis of fund balance.
- We analyzed current financial trends and projected financial activity and fund balances for the town-wide general fund and water special district fund as of December 31, 2015.
- We interviewed Town officials to determine whether the Board had audited or caused to be audited the Supervisor's records and reports.

We conducted this performance audit in accordance with 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 C

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**OFFICE OF THE STATE COMPTROLLER**  
**DIVISION OF LOCAL GOVERNMENT**  
**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
Gabriel F. Deyo, Deputy Comptroller  
Tracey Hitchen Boyd, Assistant Comptroller

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