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June 2021

Edward Wehrheim, Supervisor
Members of the Town Board
Town of Smithtown
99 West Main Street
Smithtown, NY 11787

Report Number: S9-21-14

Dear Supervisor Wehrheim and Members of the Town Board:

The COVID-19 pandemic (pandemic) has had various levels of impact on the financial operations of local governments across New York State. Some local governments have seen little to no impact on their financial operations, while others have seen more significant impacts due to reductions and/or increases to their revenues and/or expenditures. This has led to some local governments having to reduce or eliminate some services and temporarily or permanently reduce staff positions. In addition, some local officials have decided to delay capital projects, which could result in future delays to other projects to maintain and improve local government infrastructures.

The pandemic has also created a difficult environment for officials to develop annual budgets given the unknowns of future financial impacts. The pandemic increases the need for local officials to more closely monitor their budgeted estimates for revenues and expenditures against actual results and modify their budgetary estimates accordingly, when warranted, during the course of their fiscal year.

To assess whether local officials adequately considered the impact of the pandemic on their financial operations while developing their 2021 fiscal year budgets, our office conducted reviews of 20 adopted budgets of various counties, cities, towns and villages across the State. The Town of Smithtown (Town) is one of the local governments included in our review.

The objective of the review was to provide an independent evaluation of certain aspects of the adopted budget. Our review addressed the following question related to the Town's adopted budget for the 2021 fiscal year:

- Did officials adequately assess the impact of the pandemic on financial operations while developing estimates for significant revenues and expenditures in the 2021 adopted budget?

Summary of Findings

Our review found that officials adequately assessed the impact of the pandemic on financial operations while developing estimates for significant revenues and expenditures in the 2021 adopted budget.

However, in consideration of the continually new and evolving impacts caused by the pandemic, Town officials should carefully monitor their budgeted to actual revenues and expenditures and make amendments to the budget as needed throughout the year.

Methodology

To accomplish our objective in this review, we requested your adopted budget and other pertinent information. We interviewed officials and reviewed the adopted budget to gain an understanding of the budget development process and to determine whether any estimates in the adopted budget were adjusted by officials due to the potential impact the pandemic could have on financial operations. We identified and examined for reasonableness significant estimated revenues and expenditures¹ and estimated revenues and expenditures below our established threshold that could more likely be impacted by the pandemic. We also identified any significant new revenue or expenditure estimates, made appropriate inquiries and reviewed supporting documentation to assess whether the estimates were realistic and reasonable. In addition, we evaluated the amount of fund balance and/or reserves appropriated in the adopted budget to be used as a financing source and determined whether these amounts were available and sufficient for that purpose.

The scope of our review does not constitute an audit under generally accepted government auditing standards (GAGAS). We do not offer comments or make specific recommendations on public policy decisions, such as the type and level of services under consideration to be provided.

Background

The Town is located in Suffolk County. An elected five-member Town Board (Board), composed of the Town Supervisor (Supervisor) and four Board members, is responsible for the general oversight of the Town's operations and finances. The Board appointed the Town Comptroller (Comptroller) to serve as the Town's budget officer. As the budget officer, the Comptroller requests estimates from department heads to use in the preparation of the tentative budget. Once the Comptroller prepares the tentative budget, it is reviewed with the Town Supervisor and adjustments may be made before it is presented to the Board. The Board makes any necessary revisions to the tentative budget and prepares the preliminary budget. The Town holds a public hearing on the preliminary budget and then makes any necessary final revisions prior to adopting the budget.

¹ For this review, we established significant estimated revenues and expenditures to be those consisting of 5 percent or more of a fund's total budget estimates.

The Town’s operating funds include a general fund, a town outside village fund, four highway funds, a community development fund and 12 special districts. The special districts consist of two ambulance districts, two street lighting districts, a solid waste district, two park districts and five water districts. The Town provides various services to its residents, including maintaining and improving Town roads, snow removal, public improvements, planning and zoning, recreation and cultural activities, water, sewer, public health and safety, and general governmental support. The Town’s operations are predominately financed by real property taxes, fees, user charges, and water and sewer charges.

Following are the 2021 adopted budget figures, broken down by funds, along with the 2020 adopted budget total for all funds for comparative purposes.

Figure 1: 2021 Adopted Budget				
Fund	Appropriations and Provisions for Other Uses	Financing Sources		
		Estimated Revenues	Appropriated Reserves	Real Property Taxes
General	\$50,429,502	\$22,271,838	\$47,696	\$28,109,968
Town Outside Village	8,211,352	3,007,321	0	5,204,031
Highway (4)	27,861,160	4,301,846	24,702	23,534,612
Community Development	297,725	297,725	0	0
Ambulance Districts (2)	2,139,289	1,117,744	0	1,021,545
Street Lighting Districts (2)	1,915,800	37,941	0	1,877,859
Solid Waste District	18,507,739	18,418,852	88,887	0
Park Districts (2)	440,259	440,259	0	0
Water Districts (5)	5,765,492	5,523,018	0	242,474
Total for 2021	\$115,568,318	\$55,416,544	\$161,285	\$59,990,489
Total for 2020	\$112,336,524	\$52,947,066	\$378,207	\$59,011,251

Our review found that while developing 2021 budgetary estimates for significant revenues and expenditures, Town officials adequately considered the pandemic’s impact on financial operations. If you have any questions on the scope of our work, please feel free to contact Julie Landcastle, Chief Examiner of the Statewide and Regional Projects Unit, at (607) 721-8306.

Sincerely,

Elliott Auerbach
Deputy Comptroller

cc: Paul Rubano, MPA, Town Comptroller
Vincent Puleo, Town Clerk
Ira McCracken, Regional Chief Examiner