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May 2021

Mr. Dominic J. Frank, Supervisor
Members of the Town Board
Town of Herkimer
114 North Prospect Street
Herkimer, NY 13350

Report Number: S9-21-4

Dear Supervisor Frank 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 Herkimer (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 any estimates in the adopted budget that were adjusted by officials due to the potential impact that the pandemic could have on financial operations. We identified and examined significant estimated revenues and expenditures¹ and estimated revenues and expenditures below our established threshold that could be impacted by the pandemic for reasonableness. We identified any significant new revenue estimates, made appropriate inquiries and reviewed supporting documentation to assess whether the estimates were realistic and reasonable. We also evaluated the amount of fund balance and/or reserves appropriated in the adopted budget to be used as a financing source and determined if the amount of fund balance and/or reserves was 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 Herkimer 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 Town also has a budget officer who assists the Supervisor in producing financial reports for the Board and preparing the Town budget. The budget officer requests estimates from department heads to use in the preparation of the tentative budget. Once the tentative budget is prepared, it is presented to the Board. The Board reviews the tentative budget, meets individually with each department head to discuss their estimates and makes any necessary revisions and prepares the preliminary budget. The Town holds a public hearing on the preliminary budget and makes any necessary final revisions prior to adopting the budget.

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

The Town’s operating funds consist of a general town-wide fund, general part-town fund, highway town-wide fund, highway part-town fund, sewer district, two lighting districts and four water districts. The Town provides various services to its residents, including maintaining and improving roads, snow removal, public improvements, planning and zoning, recreation and cultural activities, water, sewer, and general governmental support. The Town’s operations are predominately financed by real property taxes, sales tax and sewer and water charges.

Following are the 2021 adopted budget figures, broken down by operating 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 Fund Balance	Real Property Taxes
General Town Wide	\$1,302,723	\$443,500	\$193,497	\$665,726
General Part Town	167,839	4,500	59,389	103,950
Highway Town Wide	1,022,904	373,600	125,967	523,337
Highway Part Town	481,148	360,500	32,228	88,420
Lighting Districts (2)	16,100	0	0	16,100
Sewer District	14,828	10,500	0	4,328
Water Districts (4)	400,414	327,490	72,924	0
Total for 2021	\$3,405,956	\$1,520,090	\$484,005	\$1,401,861
Total for 2020^a	\$3,081,217	\$1,483,442	\$274,915	\$1,317,041

a) The 2020 budget did not balance. The budgeted appropriations were more than revenues by \$5,819.

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, at (607) 721-8306.

Sincerely,

Elliott Auerbach
Deputy Comptroller

cc: Jennifer DeMetro, Town Clerk
Marcia Baylor, Budget Officer
Rebecca Wilcox, Regional Chief Examiner