

Walton Fire District

Financial Operations

FEBRUARY 2018



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Walton Fire District

Audit Objective

Determine whether the Board provided adequate oversight of the District's financial operations.

Key Findings

- District officials established adequate controls over higher risk receipts and disbursements and have an annual certified public accountant audit of all financial activity.
- District officials adopted unrealistic budgets with significant variances in appropriations.
- The District does not have a documented fund balance policy or capital plan.
- The Treasurer has not filed the District's annual financial report since 2012.

Key Recommendations

- Adopt realistic budgets based on expected expenditures.
- Develop a fund balance policy and capital plan.
- Ensure the annual financial reports are filed in a timely manner.

District officials agreed with our recommendations and indicated they plan to initiate corrective action.

Background

The Walton Fire District (District) is a district corporation of the State, distinct and separate from the Town and Village of Walton, in Delaware County. The Board of Fire Commissioners (Board) is composed of five elected members and is responsible for the District's overall financial management and safeguarding its resources. The Board appoints a Treasurer, who acts as the District's chief fiscal officer.

Quick Facts

2016 Expenditures	\$226,831
2016 Total Fund Balance	\$485,939

Audit Period

January 1, 2016 – June 30, 2017

Financial Operations

How Should the Board Provide Oversight?

The Board is responsible for providing oversight of the District's fiscal operations and making sound financial decisions in the residents' best interest. This includes establishing internal controls to provide reasonable assurance that District resources are adequately safeguarded and accounted for and financial transactions are properly authorized. The Board should adopt realistic budgets and adopt fund balance policies and capital plans. Additionally, the Board should ensure the Treasurer files the annual financial report (AUD) with the Office of the State Comptroller within 60 days of fiscal year end.

Resources Are Adequately Safeguarded

Officials established adequate controls over higher risk receipts and disbursements and have an annual certified public accountant (CPA) audit of all financial activity. The Treasurer reconciles bank accounts and the Board reviews the Treasurer's monthly financial reports. The majority of revenues are low risk as they are derived from real property taxes and a fire protection contract. The majority of disbursements recur monthly and are made to proper District vendors.

Receipts – Officials maintain hall rental agreements and list hall rentals on the District calendar for all members to see what is scheduled. We verified the 2016 hall rentals in the accounting records totaling \$1,610 with the CPA report. In addition, we tested four hall rentals totaling \$500 out of \$2,910 for the audit period and found they were supported by a rental agreement and deposited to the bank. We also traced the tested 2017 rentals totaling \$400 to the District calendar.

Disbursements – The Board documents approval of disbursements in the minutes and initials invoices. The Treasurer and one Board member dual sign checks. We verified the December 31, 2016 cash balance in the accounting records agreed with the reconciled bank statement and the CPA report. We also scanned bank statements, canceled check images and claims packets for the scope period as well as tested seven out of 457 disbursements totaling \$1,660 and determined that the designed controls were operating effectively.

The Board Did Not Adopt Realistic Budgets or Have Fund Balance Policies

Although revenue estimates were reasonable, expenditures were not. District officials consistently adopted budgets with overestimated expenditures throughout our audit period. Further, expenditure variances increased each year. Actual expenditures were 17 percent less than budgeted in 2014 and were 38 percent less than budgeted in 2016. These variances occurred mainly because District officials conservatively budgeted for equipment in each of those years. For example, equipment expenditures were overestimated by \$154,000 (38 percent)

over this three year period. This led fund balance to increase from \$375,000 to \$486,000 (23 percent increase) from 2014 through 2016. This leaves the District with more than a year's worth of appropriations in fund balance.

Furthermore, the Board has not adopted a fund balance policy outlining fund balance levels to be maintained or threshold amounts for reserves to determine the use for these surplus funds. Although the District has a capital reserve of \$300,000, officials do not have a formal capital plan in place. As a result, it is difficult for the Board to determine the tax levy in the residents' best interest without such plans.

The Board Did Not Ensure the AUDs Were Filed In a Timely Manner

The AUD is the annual report of the District's financial position and results of operation. The Treasurer did not file the 2013 through 2016 AUDs because of computer difficulties when attempting to file the 2013 AUD. Board members told us that they reviewed the monthly Treasurer's reports during this time to monitor the District's financial condition. In 2017, prior to our audit, the Board contracted with a CPA firm to file the outstanding AUDs. As of fiscal year-end 2017, all outstanding AUDs have been filed.

What Do We Recommend?

The Board should:

1. Adopt realistic budgets based on actual expected expenditures.
2. Develop a fund balance policy and capital plan.
3. Ensure the AUDs are filed in a timely manner.

Appendix A: Response From District Officials

Walton Fire District

59-61 West Street
Walton, New York 13856

January 29, 2018

Office of the State Comptroller

[REDACTED]
Binghamton, New York

Re: Walton Fire District Audit

Dear [REDACTED]

This letter is to confirm receipt of the revised draft audit report from your office. What follows is our response.

Audit finding: The Board did not adopt realistic budgets or have Fund Balance Policies.

District response: Since the formation of the fire district in 1992 we have had an informal policy of replacing fire apparatus every 20 years and ambulances every 10 years. At the end of each year fund balances are combined and put in CDs that the district uses to fund the replacement of equipment.

In recent years we have found that equipment vendors have been horrible at meeting delivery schedules. In one specific case a manufacturer paid the district late delivery penalties in excess of \$30,000 after missing the scheduled delivery date by nearly a year. So we have not budgeted for these large expenditures, but have amended the appropriate budget to reflect these expenditures.

We will discuss your recommendations with our accountants and follow their guidance.

In closing we would like to thank your audit team for their professionalism, thoroughness and courtesy during our audit. The audit is an opportunity to ensure proper oversight of the district's financial procedures.

Very truly yours,

Carl Fancher, Chairman
Board of Fire Commissioners
Walton Fire District

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed District officials and reviewed Board minutes, accounting records, rental agreements and the District's CPA report to gain an understanding of financial operations.
- We analyzed the District's financial condition by reviewing trends in results of operations, fund balance and budget variances.
- We discussed with District officials their future plans for the District's fund balance.
- We verified the 2016 reported hall rental receipts agreed with the CPA report. We tested a random sample of four rental receipts during our audit period to determine whether they were supported by a rental agreement.
- We verified the December 2016 cash balance reconciled to the bank statement and agreed to the CPA report. We tested a random sample of seven disbursements during our audit period to determine whether they were approved by the Board and supported by invoices.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of New York State Town Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets

– A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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