



Town of Ira

Financial Management

Report of Examination

Period Covered:

January 1, 2013 — November 13, 2014

2014M-280



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 2015

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 Ira, 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

EXECUTIVE SUMMARY

The Town of Ira (Town), located in Cayuga County, has a population of approximately 2,200. A portion of the Village of Cato (Village) is located within the Town's boundaries. The Town provides various services to its residents, including street maintenance, lighting, fire protection and a Justice Court. The Town's 2014 budgeted appropriations totaled approximately \$1.16 million, which were primarily funded through real property taxes, sales tax and State aid. The town-wide (TW) funds have tax bases that encompass the entire Town, including the Village. The town-outside-village (TOV) funds have tax bases that encompass only the portion of the Town that lies outside the Village.

The Town Board (Board) consists of the Town Supervisor (Supervisor) and four Council members. The Board is the legislative body responsible for the overall management of the Town, including oversight of Town operations and finances and adopting and monitoring the budget. The Supervisor serves as the Town's chief fiscal officer and is responsible for maintaining a record of all receipts, expenditures and account balances, and provides the Board with timely, accurate and useful financial information. The Supervisor, as budget officer, is responsible for compiling the initial budget estimates and producing the tentative budget, subject to the Board's approval.

Scope and Objective

The objective of our audit was to review the Town's budgeting practices and its resultant financial condition for the period January 1, 2013 through November 13, 2014. We extended the scope back to January 1, 2009 and projected forward through December 31, 2014 to review fund balance levels and budgeting trends. Our audit addressed the following related question:

- Did the Board adopt realistic budgets and maintain reasonable levels of fund balance?

Audit Results

The Board has not developed policies and procedures to govern budgeting practices and the level of unexpended surplus funds,¹ and, as a result, the Town has accumulated a significant amount of

¹ The Governmental 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 the 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).

unexpended surplus funds in its operating funds. For example, the TW general and TW highway funds had unexpended surplus funds totaling \$288,819 and \$170,487 at the end of 2013. These amounts represented 75 and 42 percent of 2014 appropriations in those funds. Further, we found that the unexpended surplus funds in the TOV general fund and TOV highway fund reached \$65,448 (106 percent) and \$264,118 (120 percent), respectively, of 2014 appropriations. The accumulation of unexpended surplus funds in the Town's operating funds was primarily due to consistent operating surpluses and underestimation of sales tax revenues. The net total of underestimated sales tax revenue for all operating funds was \$147,400, about 11 percent of total budgeted sales tax for the past five years.

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 plan to initiate corrective action.

Introduction

Background

The Town of Ira (Town), located in Cayuga County (County), has a population of approximately 2,200. A portion of the Village of Cato (Village) is located within the Town's boundaries. The Town provides various services to its residents, including street maintenance, lighting, fire protection and a Justice Court. The Town's 2014 budgeted appropriations totaled approximately \$1.16 million, which were primarily funded through real property taxes, sales tax and State aid. The town-wide (TW) funds have tax bases that encompass the entire Town, including the Village. The town-outside-village (TOV) funds have tax bases that encompass only the portion of the Town that lies outside the Village.

The Town Board (Board) consists of the Town Supervisor (Supervisor) and four Council members. The Board is the legislative body responsible for the overall management of the Town, including oversight of Town operations and finances and adopting and monitoring the budget. The Supervisor serves as the Town's chief fiscal officer and is responsible for maintaining a record of all receipts, expenditures and account balances, and provides the Board with timely, accurate and useful financial information. The Supervisor oversees a bookkeeper who carries out the Supervisor's responsibilities of maintaining the accounting records and providing financial reports to the Supervisor and the Board. 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 prior Highway Superintendent discussed in this report began his term on January 1, 2012 and left office on December 31, 2013.

Objective

The objective of our audit was to review the Town's financial management and budgeting practices and its resultant financial condition. Our audit addressed the following related question:

- Did the Board adopt realistic budgets and maintain reasonable levels of fund balance?

Scope and Methodology

We examined the Town's budgeting practices and its resultant financial condition for the period January 1, 2013 through November 13, 2014. We extended the scope back to January 1, 2009 and projected forward through December 31, 2014 to review fund balance levels and budgeting trends.

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 is 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 plan to initiate 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 New York State 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 Town Board to make this plan available for public review in the Town Clerk's office.

Financial Management

The Board is responsible for making sound financial decisions that balance the level of services desired and expected by the Town's residents with the ability and willingness of the residents to pay for such services. 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, including established reserves. The Board should adopt budgets that include realistic estimates of revenues and expenditures, are based on actual financial results from prior years along with other relevant available data and use unexpended surplus funds² as a funding source, when appropriate. The Board may retain a reasonable portion of unexpended surplus funds to be used as a funding source in the event of unforeseen circumstances. The Board may also establish and place moneys into reserve funds to finance the future costs of a variety of purposes.

We found that the Board and Town officials have not developed policies and procedures to govern budgeting practices and the level of unexpended surplus funds to be maintained. Further, they have not developed long-term financial and capital plans. Lacking established long-term plans and budgetary guidance, Town officials were unable to effectively plan for the use of unexpended surplus funds. As a result, the Board has adopted budgets that are not based on sound and realistic estimates of revenues. The Board underestimated sales tax revenue from fiscal years 2009 through 2013 by a total of \$147,400, which contributed to the operating surpluses.

The Town has excessive fund balance in all of its operating funds. Specifically, the TW general and TW highway funds had unexpended surplus funds totaling \$288,819 and \$170,487 at the end of the 2013 fiscal year, which were 75 percent and 47 percent, respectively, of these funds' 2014 appropriations. Further, the unexpended surplus

² The Governmental 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 the 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).

funds in the TOV general fund and TOV highway fund were \$65,488 and \$264,118, respectively, which were 106 percent and 120 percent, respectively, of 2014 appropriations.³

Fund Balance and Budget Monitoring

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. Surplus funds represent moneys accumulated from prior fiscal years. The Town may retain a reasonable level of unexpended surplus funds to provide cash flow and as a financial cushion in the event of unforeseen financial events. Each town needs to assess what is reasonable for its particular situation, considering various factors such as timing of receipts and disbursements, volatility of revenues and expenditures and planning for contingency appropriations. Town officials can also legally set aside fund balance to finance all or part of future capital outlays and other allowable purposes and may designate a portion of fund balance in each fund as a financing source for the next year's budget or to be retained for future use. If unexpended surplus funds are retained at excessively high levels, moneys that could benefit the taxpayers are not being used, thereby placing an unnecessary burden on the taxpayers. Therefore, it is important that the Board develop budgeting procedures to ensure that revenue and expenditure estimates are realistic so that the amount of unexpended surplus funds accumulated is reasonable and real property taxes do not exceed necessary amounts.

TW General Fund – The TW general fund has accumulated an excessive amount of unexpended surplus funds. When the unexpended surplus is appropriated as a funding source, the expectation is that there will be a planned operating deficit in the ensuing fiscal year, financed by the amount of the appropriated unexpended surplus funds. Financial activity for the past five years is shown in Figure 1.

³ After we brought to the Supervisor's attention an accounting error in the amount of \$53,334 that occurred in 2012, the Board passed a resolution on November 5, 2014 to correct this accounting error. Going forward, unexpended surplus funds in the highway funds will be adjusted accordingly.

Figure 1: TW General Fund - Results of Operations

	2009	2010	2011	2012	2013	Totals
Beginning Unexpended Surplus	\$165,628	\$191,690	\$215,568	\$285,743	\$323,467 ^a	\$1,182,096
Revenues	\$377,430	\$373,299	\$404,352	\$375,946	\$363,788	\$1,894,815
Expenditures	\$351,368	\$349,421	\$334,177	\$338,225	\$351,677	\$1,724,868
Operating Surplus	\$26,062	\$23,878	\$70,175	\$37,721	\$12,111	\$169,947
Year-End Unexpended Surplus	\$191,690	\$215,568	\$285,743	\$323,464	\$335,578	\$1,352,043
Appropriated For Ensuing Year	\$27,000	\$5,120	\$28,275	\$36,473	\$46,759	\$143,627
Year-End Unappropriated, Unexpended Surplus	\$164,690	\$210,448	\$257,468	\$286,991	\$288,819	\$1,208,416
Real Property Taxes Levied For Ensuing Year	\$222,665	\$247,376	\$238,140	\$214,869	\$211,596	\$1,134,646
Year End Surplus as a Percentage of Real Property Tax Levy For Ensuing Year	74%	85%	108%	134%	136%	

^a Contains a prior period adjustment of \$3

The Board decreased the real property tax levy by 14 percent since fiscal year 2011 and has consistently appropriated unexpended surplus funds, which should have resulted in a declining fund balance. However, from fiscal years 2009 through 2013, the TW general fund has experienced cumulative operating surpluses totaling almost \$170,000, due, in large part, to underestimated sales tax and Justice Court revenues. As a result, the Town's 2013 unappropriated, unexpended surplus of \$288,819 was excessive; it was 75 percent of the 2014 appropriations of \$384,710, or 136 percent of the 2014 real property tax levy. Additionally, we reviewed operating results through October 31, 2014 and projected results for the remaining two months of 2014. We estimate the Town will have revenues of \$352,589 and expenditures of \$391,978 for the year. This operating deficit of \$39,389 will result in an estimated 2014 year end unexpended surplus in the amount of \$296,189.

The Board, in adopting the 2015 budget, has taken steps to reduce fund balance. Specifically, the Board appropriated \$42,203 of surplus fund balance as a financing source in the 2015 TW general fund budget, thereby reducing the tax levy from the prior year by \$29,194. The Board also increased estimated sales tax revenue by \$73,429 in the TW general fund and reduced the allocation of sales tax revenue in the TOV funds by the same amount. Furthermore, the Board has estimated 2015 Justice Court revenues in the amount of \$15,000, which is more in line with estimated 2014 revenues.

TW Highway Fund – The Board also allowed the TW highway fund to accumulate an excessive amount of unexpended surplus funds. Although the Board had planned for operating deficits, evidenced by the appropriation of fund balance, we found that the fund consistently generated operating surpluses totaling \$95,945 for all five years. In fact, operating surpluses were large enough that they eliminated any need for the appropriated fund balance in fiscal years 2010 through 2013.

Figure 2: TW Highway Fund - Results of Operations

	2009	2010	2011	2012	2013	Totals
Beginning Fund Balance	\$139,539	\$142,286	\$189,247	\$199,698	\$214,009 ^a	\$884,779
Revenues	\$226,523	\$340,479	\$274,047	\$329,599	\$340,634	\$1,511,282
Expenditures	\$223,776	\$293,518	\$263,596	\$315,291	\$319,156	\$1,415,337
Operating Surplus	\$2,747	\$46,961	\$10,451	\$14,308	\$21,478	\$95,945
Year-End Fund Balance	\$142,286	\$189,247	\$199,698	\$214,006	\$235,487	\$980,724
Less: Restricted Fund Balance	\$30,000	\$50,000	\$75,000	\$25,000	\$50,000	\$230,000
Appropriated For Ensuing Year	\$3,500	\$10,000	\$10,000	\$5,000	\$15,000	\$43,500
Year End Unappropriated, Unexpended Surplus	\$108,786	\$129,247	\$114,698	\$184,006	\$170,487	\$707,224
Real Property Taxes Levied For Ensuing Year	\$176,288	\$163,423	\$182,692	\$219,837	\$239,655	\$981,895
Year End Surplus as a Percentage of Real Property Tax Levy For Ensuing Year	62%	79%	63%	84%	71%	

^a Contains a prior period adjustment of \$3

Although we found that the Town spent close to the amount budgeted each year, because the Board adopted budgets with conservative estimates for revenues, the TW highway fund accumulated excessive surplus funds. The Supervisor informed us that the Board intentionally budgets conservatively to protect the Town from unforeseen events. It is prudent to either maintain enough fund balance to protect against unforeseen circumstances or to budget conservatively. However, maintaining a substantial fund balance in addition to budgeting conservatively results in a higher tax levy than necessary.

During 2014, the Board took steps to reduce unexpended surplus funds by transferring \$125,000 to an equipment reserve fund⁴ and \$53,334 to

⁴ We estimate this highway equipment reserve will total approximately \$70,800 at the end of 2014.

the TOV highway fund to correct a prior period accounting error.⁵ We estimate the TW highway fund's unexpended surplus will be \$59,841 at year end, a decrease from the \$170,487 amount in 2013. This will result in unexpended surplus funds being reduced to a reasonable 20 percent of 2015 appropriations.⁶ The Board discontinued the practice of allocating a portion of the sales tax revenues to the TW highway fund in its adopted 2015 budget.

TOV Funds – We also reviewed financial activity for the past five fiscal years in the TOV general fund and TOV highway fund and found that both funds had excessive levels of unexpended surplus funds. Although the Town does not levy real property taxes in these funds, the funds do receive sales tax revenue.⁷ As of 2013, unexpended surplus funds reached \$65,448 and \$264,118 for the TOV general fund and TOV highway fund, respectively. Surplus funds are 106 percent of 2014 TOV general fund appropriations of \$61,600 and 120 percent of 2014 TOV highway fund appropriations of \$220,675. Unexpended surplus funds grew to excessively high levels because the Board budgeted conservatively for both funds. As a result, primarily due to underestimated sales tax revenues, the TOV general and highway funds had net cumulative operating surpluses totaling \$36,645 and \$134,087 from 2009 through 2013. Due to these operating surpluses, the Board is allowing unexpended surplus funds to accumulate rather than using the surplus in a way that could benefit the taxpayers.

The Board began to address the excessive unexpended surplus funds when it adopted the 2015 TOV budgets by reducing estimated sales tax revenue by \$73,429 for these funds and increasing the allocation of sales tax revenue in the TW general fund by the same amount. However, due to a one-time prior year accounting adjustment, we believe the TOV highway fund's estimated unexpended surplus will be \$297,800 at the end of 2014. The Board has appropriated \$75,000 of surplus fund balance as a funding source in the 2015 budget, which will result in a still excessive unexpended surplus fund balance of \$222,800, or 70 percent of 2015 appropriations. Additionally, when adopting the 2015 TOV general fund budget, the Board did not appropriate any of the estimated 2014 year end unexpended surplus of \$68,410, an amount equivalent to 159 percent of the budgeted appropriations for 2015.

⁵ In 2012, the Town failed to properly allocate a portion of the acquisition costs of a new truck to the TW highway fund.

⁶ \$303,559

⁷ When real property taxes for TOV funds are reduced to zero, the remaining sales and use taxes may be used for the reduction of TW taxes, the reduction of county taxes levied in TOV areas, additional TOV activities or any combination thereof.

Long-Term 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 comprehensive multiyear financial and capital plans to estimate the future costs of ongoing services and future capital needs. Effective multiyear plans project 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 updating highway equipment and the use of fund balance to finance operations. In planning for future needs, the Board can also establish reserves. Reserve funds provide a mechanism for legally saving moneys to finance all or part of future capital outlays and other allowable purposes.⁸ It is essential that any long-term financial plans 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 comprehensive multiyear financial and capital plans and did not have any other mechanism in place to adequately address the Town's long-term operational and capital needs. Town officials informed us that repairs and maintenance on several pieces of aged highway equipment have become more frequent and costly during the past few years. An existing highway equipment reserve in the TW highway fund is used to accumulate moneys to aid in the replacement costs of highway equipment and vehicles. The Supervisor informed us that the Board meets annually at the highway garage to look at all highway equipment and vehicles, noting the mileage and condition.⁹ The Board determines which equipment items will be replaced by reviewing repairs and maintenance costs each year; however, Town officials have not implemented procedures to track repairs and maintenance expenditures for individual machinery and equipment items. Furthermore, the prior Highway Superintendent did not provide the Board with a detailed highway inventory report

⁸ Reserve funds must be properly established and used in accordance with New York State General Municipal Law. To establish a capital reserve fund, the Board must adopt a resolution for either a "specific or type" capital improvement. The Board may adopt a resolution, without referendum to establish a reserve for a "type" of capital improvement or equipment, with certain exceptions. Generally, a permissive referendum is required prior to expenditure, unless the period of probable usefulness is less than five years. Expenditures from reserve funds must also be authorized by Board resolution.

⁹ On the Town's highway inventory sheets, the condition for each piece of equipment is identified by descriptors such as "new," "good" and "fair."

in 2013, as required by New York State Highway Law (Highway Law).¹⁰ The current Highway Superintendent informed us that he is working on a new inventory list to present to the Board during the 2015 budget process.

By not developing comprehensive multiyear financial and capital plans, the Board hinders its ability to effectively manage the Town's finances and plan for future needs. Also, without a formal plan for equipment replacement, an updated highway inventory report and procedures to track repairs and maintenance expenditures for individual equipment items, the highway department's ability to provide services may be impacted in the future.

Recommendations

The Board should:

1. Adopt budgets with realistic estimates of anticipated revenues for the Town's operating funds.
2. Use the unexpended surplus fund balance in a manner that benefits taxpayers. Such uses include, but are not limited to:
 - Increasing or establishing necessary reserves,
 - Financing one-time expenditures,
 - Reducing property taxes (ad valorem) and
 - Reducing County taxes.
3. Develop long-term financial and capital plans that project operating and capital needs and financing sources for a three-to-five year period.
4. Ensure that the Highway Superintendent provides an annual, detailed highway inventory report to the Town. The Board should ensure that expenditures for repairs and maintenance are tracked for each piece of equipment and consider these expenditures when planning highway equipment upgrades or replacements.

¹⁰ Highway Law requires that the Highway Superintendent make an annual written inventory of machinery, tools, implements and equipment by September 30th, indicating the value of each and the estimated cost of necessary repairs for each. The Highway Superintendent is also required to submit to the Board written recommendations as to what machinery, tools, implements and equipment should be purchased for the Town's use and their estimated cost.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

TOWN OF IRA
2487 W. Main St
Cato, New York 13033
(315) 626-6905 ext. 1

James Lunkenheimer, Town Supervisor
Jill Campbell, Town Clerk

Board Members:
James Edelstein
Charles Kyle
Lawrence Wallace
Ricky Wilson

January 27, 2015

Mr. Edward Grant, Jr.
Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, New York 14614-1608

RE: Response to Report of Examination

Dear Mr. Grant:

The Town of Ira has received a draft copy of the Report of Examination for the period January 1, 2013 – November 13, 2014. The Town Board and Supervisor appreciate your cooperation and will develop a Corrective Action Plan to address your recommendations while maintaining fiscal responsibility to our taxpayers.

The Town Board and Supervisor understand the limited resources of our taxpayers and have worked hard to maintain low tax rates while meeting the needs of our community. We understand that fund balance did increase from 2010 through 2013 but also realize that much needed road and equipment maintenance was not completed as budgeted. In August 2014, the Town Board developed a plan to manage and appropriate fund balance in a manner that will provide for the road and equipment needs of our highway department over the next five years, while concurrently maintaining a stable tax levy. We are confident that the new Highway Superintendent will cooperate and assist the Board in this endeavor.

The Board has worked hard to maintain the structural integrity of our agricultural community, keep tax rates stable and provide a place in which every resident can be proud to call 'home'.

Sincerely,

James Lunkenheimer
Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Town assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on the areas most at risk. During the initial assessment, we interviewed Town officials, performed limited tests of transactions and reviewed pertinent documents such as Town policies and procedures, Board minutes and financial records and reports relating to the following areas: Board oversight, financial management, cash receipts and disbursements, purchasing, payroll, information technology and internal financial operations of individual Town departments.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud, theft or professional misconduct. We then decided on the reported objective and scope by selecting for audit those areas most at risk. We selected financial management for further audit testing. To achieve our audit objective and obtain valid audit evidence, we performed the following procedures:

- We interviewed Town officials and employees to gain an understanding of Town operations.
- We reviewed the Town's financial records and reports, including the 2009 through 2015 adopted budgets and annual reports.
- We analyzed changes in unexpended surplus funds in the Town's operational funds for fiscal years 2009 through 2014 and evaluated major factors contributing to operating surpluses for those years.
- We analyzed the variances in budget-to-actual revenues and expenditures.
- We reviewed Board minutes for evidence of the Board's budgeting practices, budget monitoring process and use of the highway equipment reserve.
- We reviewed 2012 highway inventory records to determine the age and condition of the Town's highway equipment.

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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