



Village of Fleischmanns

Financial Condition and Clerk-Treasurer's Duties

Report of Examination

Period Covered:

June 1, 2015 – August 5, 2016

2017M-30



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 2017

Dear Village 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 Village of Fleischmanns, entitled Financial Condition and Clerk-Treasurer's Duties. 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 Village of Fleischmanns (Village) is located in the Town of Middletown in Delaware County and has approximately 350 residents. The Village is governed by an elected Board of Trustees (Board) which is composed of four elected Trustees and the Mayor. The Board is responsible for the overall management and oversight of the Village's financial operations. The Mayor, as the chief executive officer, is responsible for the Village's day-to-day management under the Board's direction.

The Clerk-Treasurer, who is appointed by the Mayor, is the chief fiscal officer and is responsible for maintaining custody of all Village funds, maintaining the accounting records, preparing financial reports and collecting, recording and disbursing money. The Board hired a part-time account clerk to assist with maintaining the accounting records, performing bank reconciliations and reporting to the Board. The current account clerk was hired in July 2015.

Scope and Objectives

The objectives of our audit were to assess the Village's financial condition and the maintenance of the financial records and reports for the period June 1, 2015 through August 5, 2016. We extended our scope back to June 1, 2011 and forward to May 31, 2017 to trend and project revenues, expenditures and fund balances for the general and water funds. Additionally, we extended our scope back to June 1, 2008 to calculate the total delinquent real property taxes and water user charges. Our audit addressed the following related questions:

- Did the Board effectively manage the Village's financial condition?
- Did the Clerk-Treasurer maintain complete and accurate financial records and provide sufficient financial information to the Board?

Audit Results

The Board did not effectively manage the Village's financial condition. The Board did not adopt effective budgets because it did not receive accurate and sufficient financial information from the Clerk-Treasurer. As a result, the general fund experienced operating deficits in two of the three most recent years and the water fund experienced operating deficits in the three most recent years. In addition, unpaid property taxes (\$101,000) and water bills (\$64,000) have severely impacted the Village's financial condition. Village officials are actively addressing this issue.

The Clerk-Treasurer did not maintain complete and accurate financial records. As a result, the financial reports provided to the Board were not accurate. The Clerk-Treasurer and the account clerk made numerous and various billing errors related to real property taxes and water rents. In addition, the Clerk-Treasurer and a laborer were paid the wrong hourly wage. Both were paid a lower hourly wage than was included in the budget. However, with their unbudgeted overtime, they both received more than the budgeted amount for their respective positions. The Clerk-Treasurer has not filed the Village's 2014-15 and 2015-16 annual update documents with our office.

The Mayor recognized that financial information was not accurate and purchased a new basic accounting software system for the Clerk-Treasurer. However, the system was never installed and used for its intended purpose. Finally, although the Mayor was aware of the annual audit requirement, the Board did not conduct, or cause to conduct, an audit of the Clerk-Treasurer's records and reports.

Comments of Village Officials

The results of our audit and recommendations have been discussed with Village officials and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials agreed with our recommendations and indicated that they plan to initiate corrective action.

Introduction

Background

The Village of Fleischmanns (Village) is located in the Town of Middletown in Delaware County and has approximately 350 residents. The Village is governed by an elected Board of Trustees (Board) which is composed of four elected Trustees and the Mayor. The Board is responsible for the overall management and oversight of the Village's financial operations. The Mayor, as the chief executive officer, is responsible for the Village's day-to-day management under the Board's direction.

The Clerk-Treasurer, who is appointed by the Mayor, is the chief fiscal officer and is responsible for maintaining custody of all Village funds, maintaining the accounting records, preparing financial reports and collecting, recording and disbursing money. The Board hired a part-time account clerk to assist with maintaining the accounting records, performing bank reconciliations and reporting to the Board. The current account clerk was hired in July 2015.

The Village provides various services, including road maintenance, snow removal, water distribution, sewage treatment and general government support. The Village's 2016-17 budgeted appropriations for the general, water and sewer funds totaled \$1.2 million, funded primarily by real property taxes, State and federal aid and user fees.

Objectives

The objectives of our audit were to assess the Village's financial condition and the Clerk-Treasurer's maintenance of the financial records and reports. Our audit addressed the following related questions:

- Did the Board effectively manage the Village's financial condition?
- Did the Clerk-Treasurer maintain complete and accurate financial records and provide sufficient financial information to the Board?

Scope and Methodology

We examined the Village's financial condition and records and reports for the period June 1, 2015 through August 5, 2016. We extended our scope back to June 1, 2011 and forward to May 31, 2017 to trend and project revenues, expenditures and fund balances for the general and water funds. Additionally, we extended our scope back to June 1, 2008 to calculate the total delinquent real property taxes and water user charges.

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. 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.

**Comments of Local Officials
and Corrective Action**

The results of our audit and recommendations have been discussed with Village officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials agreed with our recommendations and indicated that 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 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 Clerk-Treasurer's office.

Financial Condition

The Board is responsible for making sound financial decisions that are in the best interest of the Village and its residents. The Board should develop and adopt reasonable budgets and maintain reasonable levels of fund balance to ensure that a financial cushion is available for unanticipated expenditures, revenue shortfalls or cash flow purposes. In addition, the Board must monitor the budgets during the course of the year and make any budgetary amendments that become necessary due to revenue shortfalls or actual costs exceeding budgeted appropriations. To assist the Board in these decisions, it should develop a multiyear financial plan to estimate the future costs of ongoing services and to set long-term priorities and funding goals.

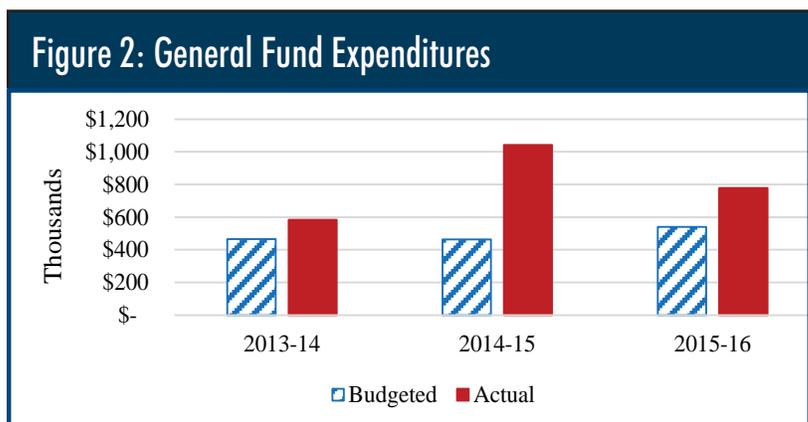
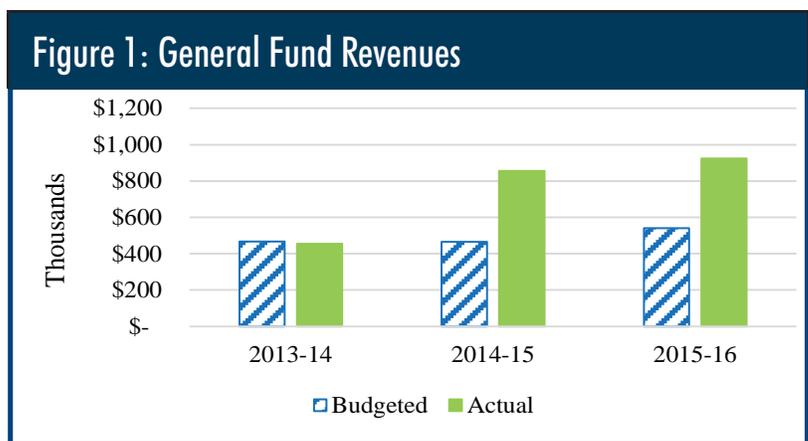
The Board needs complete, accurate and current financial records and reports to effectively monitor the Village's financial operations. The Board should compare these records and reports to the bank statements to ensure that they are accurate and all transactions are for Village purposes. The Board should also establish and enforce procedures to guide operations, including ensuring the consistent application of late fee penalties and the collection of all taxes and fees due to the Village.

The general and water funds' financial condition has declined significantly to a point of fiscal stress. This occurred primarily because the Board adopted ineffective budgets that did not include sufficient revenues to finance operations. The ineffective budgets were due, in part, to the Board's lack of adequate oversight of the recordkeeping by the Clerk-Treasurer and account clerk (see Clerk-Treasurer's Duties finding). Because the Clerk-Treasurer and account clerk did not maintain accurate financial records, financial reports presented to the Board were not always accurate and the Board relied on this information to develop the budgets. Moreover, the Board has not developed a multiyear financial plan.

Further, although Village officials have recently become more proactive in enforcing and collecting delinquent real property taxes and water rents, these collections were not sufficient to ensure that the amounts levied and charged were available to finance operations. In February 2015, the Board started mailing out letters to all property owners with delinquent property taxes, and, as of the end of our fieldwork, this is still the process used to enforce the payment of delinquent tax bills. Prior to this, the Board had not enforced the collection of delinquent real property taxes or water bills. For those property owners who still did not pay their delinquent taxes, the Board started the foreclosure process. This has increased the collection of delinquent real property taxes and has contributed to the operating surplus in 2015-16. However, general fund expenditures continuously exceeded budgeted appropriations.

The Board also has a shut-off policy for those with delinquent water bills. The Clerk-Treasurer mails notices of the delinquent water bills. If the water user fails to pay, the Clerk-Treasurer then mails a shut-off notice with the amount owed and the due date for payment to avoid the water from being shut off. The notice is also affixed to the delinquent water user’s residence. Additionally, in May 2015, the Board increased water rates. Although water fund revenues have increased, they have not increased enough to cover expenditures. Though the Board has recently taken some corrective action, the risk of financial mismanagement remains high.

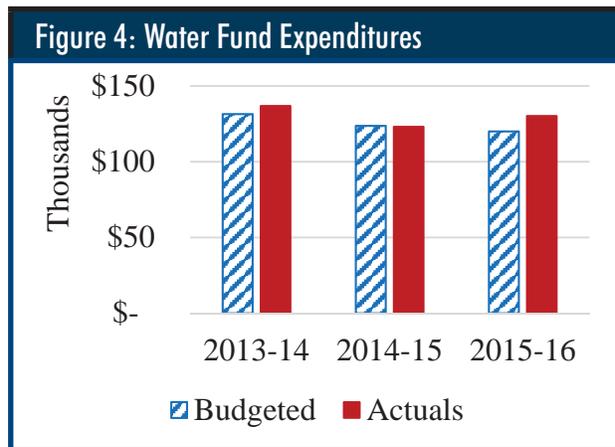
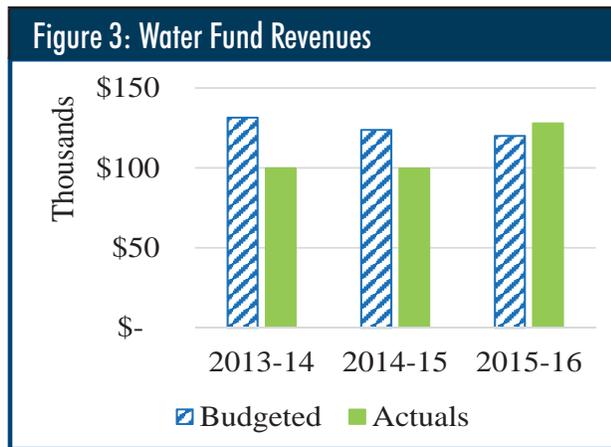
Because the financial information presented to the Board was not accurate, the Board adopted budgets that did not reflect the past trends of each fund’s financial activity.



The general fund’s budgeted revenues were consistently less than what was actually received¹ because the Board did not budget for Federal Emergency Management Agency (FEMA) aid revenues of

¹ The total actual revenues included misclassified delinquent taxes that were collected during this period but should have been recorded as revenues in prior years. The Clerk-Treasurer did not maintain sufficient records to readily segregate current year real property tax collections and delinquent tax collections.

\$89,400 in 2014-15 and \$323,500 in 2015-16 and a bond anticipation note totaling \$326,000 received in 2014-15. Also, the general fund’s appropriations (estimated expenditures) did not include significant appropriations for debt payments of \$89,000 in 2014-15 and \$181,000 in 2015-16 and \$325,000 in playground repairs and upgrades completed in 2014-15 due to damage incurred during the 2011 flood, of which the Board should have been fully aware. Without sufficient appropriations, the Village lacked authority to expend money for these purposes and should have amended the budget prior to incurring these costs. However, because of a lack of budgetary control, the Village overspent the budget without adopting an appropriate financial plan.



Similarly, the water fund revenue estimates were not in line with actual results. Even though the Board increased the 2015-16 rates charged to water customers, the total budgeted revenues were decreased in an attempt to reduce the gap between the budgeted and actual amounts. The water fund appropriations were more reasonable, varying by an average of 4 percent over the last three years.

The ineffective budgeting and expenditure control practices, coupled with the lack of a multiyear financial plan, resulted in unplanned operating deficits for both the general and water funds.

Figure 5: General Fund – Fund Balance

Fiscal Year	2013-14	2014-15	2015-16
Beginning Total Fund Balance	\$370,740	\$242,851	\$57,408
Revenues	\$454,830	\$856,274	\$923,476
Expenditures	\$582,719	\$1,041,717	\$777,864
Results of Operations	(\$127,889)	(\$185,443)	\$145,612
Ending Total Fund Balance	\$242,851	\$57,408	\$203,020
Total Reserves	\$242,882	\$141,926	\$161,736
Unrestricted Fund Balance	(\$31)	(\$84,518)	\$41,284

The general fund has experienced operating deficits of 18 percent and 22 percent of annual expenditures in two of the last three fiscal years, which is concerning. The unrestricted general fund balance was depleted to a negative \$84,518 balance as of fiscal year ended May 31, 2015. However, the fund has recovered in 2015-16 with an unrestricted fund balance that is 5.5 percent of its 2016-17 appropriations.

In addition, although Village officials budgeted \$125,000 for FEMA aid in 2016-17, they were unable to provide us with documentation supporting this receivable. Because of their lack of support for their recorded receivable, it is questionable if this is a valid receivable. If this aid is not received, the Village will suffer an operating deficit in 2016-17, as it is relying on these funds to pay back a \$500,000 bond anticipation note received in the same year. Moreover, delinquent real property taxes from June 2008 through October 2016 totaled over \$101,000, or approximately 21 percent of the average annual general fund appropriations from 2013-14 through 2015-16.

Figure 6: Water Fund – Fund Balance

Fiscal Year	2013-14	2014-15	2015-16
Beginning Total Fund Balance	\$57,173	\$20,142	(\$3,274)
Revenues	\$99,798	\$99,721	\$127,974
Expenditures	\$136,829	\$123,137	\$130,240
Results of Operations	(\$37,031)	(\$23,416)	(\$2,266)
Ending Total Fund Balance ^a	\$20,142	(\$3,274)	(\$5,540)

^a The water fund has no reserves.

The water fund’s fund balance has been depleted and continues to fall even after increasing water rent rates. The last three years of operating losses² has consumed nearly \$63,000 of fund balance in the last three years, or roughly half of the 2015-16 fiscal year’s total expenditures. We project the water fund will end 2016-17 with another operating deficit of approximately \$6,000. Furthermore, as of October 31, 2016, unpaid water bills dating back to 2008 totaled over \$64,000, or over 51 percent of the average annual water fund appropriations from 2013-14 through 2015-16. This occurred because the Board did not establish policies or procedures to address delinquent water accounts, nor did it levy unpaid balances onto real property tax bills.

The Board was not aware of the dire financial trends that the general and water funds were experiencing. The Board believed the budget estimates were reasonable based on the financial information presented by the account clerk. Moreover, the monthly financial reports did not compel the Board to take any actions of control. However, the financial information was not an accurate representation of the Village’s financial activities.

² 27 percent, 19 percent and 2 percent of annual expenditures

Recommendations

The Board should:

1. Develop and adopt a multiyear financial plan, including estimated future costs of ongoing services and funding goals.
2. Adopt reasonable budgets based on accurate historical or known trends for revenues and expenditures.
3. Continue to actively pursue collections for outstanding real property taxes and water rents.
4. Seek out appropriate training for Board members and other Village officials and staff for budgeting, financial administration and recordkeeping.
5. Require the Clerk-Treasurer to provide accurate monthly financial reports.
6. Ensure that the Clerk-Treasurer maintains supporting documentation for FEMA receivables.

Clerk-Treasurer's Duties

The Clerk-Treasurer, as the Village's chief financial officer, is responsible for managing the Village's financial operations. These responsibilities include maintaining custody of all Village financial assets, ensuring that disbursements are properly accounted for and maintaining accurate, complete and timely records of such activity. The Clerk-Treasurer is responsible for most³ of the day-to-day financial activities, including billing for services, making cash disbursements including payroll and receiving, recording and depositing receipts.

The Clerk-Treasurer, along with the account clerk, is also responsible for summarizing these activities in various interim reports. The Clerk-Treasurer should use as many resources as available, such as financial accounting software, to assist in the recordkeeping duties. The Clerk-Treasurer is required to complete and file the Village's annual update document (AUD), a detailed financial report, with the Office of the State Comptroller (OSC) no later than 60 days after the close of the fiscal year. Finally, the Board must audit or cause an audit of the Clerk-Treasurer's records annually.

The Clerk-Treasurer and the account clerk did not maintain accurate financial records. As a result, the financial reports submitted to the Board were inaccurate. For example, the account clerk reported the collection of delinquent real property taxes and overdue water rents as current revenues, which resulted in the overstatement of actual revenue for a given period. Because of the inaccurate accounting it was not practical to determine the amount of this overstatement.

The Clerk-Treasurer and account clerk made numerous and various revenue billing and recording errors. These errors were pervasive and, most of the records, were so unreliable it was not possible to readily determine the amounts of the misstatements. However, one example that we could quantify, based on wording in the Board-approved billing rate structure, was the Clerk-Treasurer incorrectly billed water users and inconsistently applied late payment penalties. The Clerk-Treasurer charged all users a \$31 minimum fee instead of charging this fee when users consumed less than the minimum usage amount. According to the Clerk-Treasurer and Mayor, they thought this minimum fee was intended to be an operation and maintenance fee to be charged to all users. We reviewed 125 water payments and found they all included this fee, which caused users to be overbilled by approximately \$2,600. Additionally, for the 49 water bills assessed

³ A third-party vendor is responsible for the accounting of sewer fund financial activities.

penalties, 26 bills were undercharged \$269 in penalties. In addition, two employees were paid the incorrect hourly wage, and overtime for those two employees was not budgeted.

The Mayor recognized that the records were not accurate and purchased a new basic accounting software system for the Clerk-Treasurer's office. However, the software system was never installed. In addition, although the Mayor was aware of the annual audit requirement, the Mayor and Board did not conduct, or cause to have, an audit of the Clerk-Treasurer's records. Although the Mayor was aware that the records were unreliable and took some steps to try to address the situation, he did not monitor the results and assure that the records improved. As a result, Board members used unreliable financial information to monitor financial operations and to budget for future periods.

Financial Reports — The monthly budget-to-actual reports provided to the Board had numerous discrepancies, such as inaccurate revenues and expenditures and interest earned not being recorded. In addition, budgeted amounts did not always match the amounts in the adopted budgets. For example, the Board was presented with budget-to-actual reports that overstated general fund budgeted appropriations by \$425,200 in 2014-15 and \$332,600 in 2015-16. In addition, the Clerk-Treasurer and account clerk did not provide the Board with any interim balance sheets. Finally, the Village's 2014-15 and 2015-16 AUDs were not prepared and filed with OSC or available for use by the Board or interested parties.

Billing and Receipts — We found that, based on wording in the Board-approved billing rate structure, the Clerk-Treasurer improperly charged each water user a \$31 minimum quarterly water fee in addition to the users' charges, regardless of whether the users' quarterly water bill was below the minimum charge. The Clerk-Treasurer also did not use the postmark date to record payments for real property taxes and water rents, resulting in penalties being applied inconsistently.

We reviewed 66 real property tax receipts totaling \$101,000 and determined 44 of these should have had penalties. Of the 44, we found the Clerk-Treasurer correctly charged penalties totaling \$10,000 for 30 receipts, failed to charge sufficient penalties totaling \$300 for 13 receipts and overcharged a penalty by \$20 for one receipt.

Payroll — We reviewed gross payroll payments to 11 employees totaling \$120,800, including overtime paid to the Clerk-Treasurer and the full-time laborer. Two employees were paid at rates inconsistent with the Board-approved budget. The laborer was paid \$12.90 per hour in 2015-16, but the Board-approved budget called for a rate of

\$13.46 per hour. Additionally, the Clerk-Treasurer was paid \$17.64 per hour in 2015-16 and \$18.16 per hour in 2016-17 (through August 11, 2016) for her duties as Clerk. However, based on the Board-approved budget, she should have been paid \$20.88 per hour and \$21.51 per hour, respectively.

The Board also did not budget for overtime for either the laborer or Clerk-Treasurer's position in 2015-16. As a result, the budgeted amounts for these positions were overspent by \$600 and \$11,000, respectively, due to overtime charges.

The Mayor told us he recognized that the accounting for the Village's financial activities was not sufficient. Village officials purchased new basic accounting software in June 2016 to eliminate the need for manual recordkeeping, but it remains uninstalled and not used by the Clerk-Treasurer or account clerk. In September 2016, the Mayor realized that the budget-to-actual reports contained errors. Furthermore, the Board did not provide for an annual audit of the Clerk-Treasurer's financial records, even though the Mayor was aware that an annual audit was required.

These numerous errors in the Clerk-Treasurer's and account clerk's accounting records made the financial reports unreliable for the Board to use to monitor general and water fund financial operations and make crucial financial decisions. Because of the consistently inaccurate budget-to-actual reports, the Board did not have accurate historical data on which to base the ensuing year's budget estimates. This has negatively impacted the Village's financial condition.

Recommendations

The Board should:

7. Periodically review the Clerk-Treasurer's financial records to ensure errors and irregularities do not exist in the accounting records.
8. Require the Clerk-Treasurer to prepare and submit the delinquent AUDs with OSC and prepare future AUDs in a timely manner.
9. Review and update the water billing rate structure to ensure the minimum quarterly water fee is worded clearly and aligned with the Board's intentions.
10. Audit, or provide for an audit of, the Clerk-Treasurer's financial records and reports on an annual basis.

The Clerk-Treasurer should:

11. Attend training to develop introductory skills for recordkeeping, budgeting, budgetary control and financial management.
12. Correct the errors identified in this report in the Village's accounting records.
13. Maintain accurate financial records and reports, including bank reconciliations and balance sheets, and provide the Board with accurate budget-to-actual reports for each operating fund.
14. Monitor the budget and inform the Board before any appropriation accounts are overexpended so that budget amendments can be adopted.
15. Prepare and file the overdue AUDs with our office immediately and in future years within 60 days after the close of the fiscal year.
16. Enforce the Board-approved water rates and apply all applicable penalties.
17. Use the financial accounting software previously purchased or develop alternative, more efficient recordkeeping practices.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

Village of Fleischmanns

Delaware County, NY

Phone (845) 254 5514

Fax (845) 254 4574

Mayor: Donald E Kearney

Clerk: Lorraine DeMarfio

Fred Woller: Deputy Mayor

Board of Trustees: Harriet Grossman David Yates Larry Reilly

Re: Response to Comptrollers Audit.

The Mayor acknowledges the critical financial stress of the village and does not dispute the findings of the auditors. Steps have been taken to rectify problems with village budgeting. The Office of Clerk/Treasurer has been separated and an experienced Treasurer has been appointed.

The issues of overdue taxes and water bills has been addressed during the past year. Outstanding past due taxes although still far from reasonable have been reduced from \$101,000.00 to approximately \$47,000.00. The water Department bills are also being focused upon. As soon as accurate figures are obtained, the board will audit the Water Fund accounts. Although preliminary bookkeeping perusal indicates the figure of \$64,000.00 in overdue water bills, this has been significantly reduced.

The Village of Fleischmanns was devastated by the flood of August 2011. The disaster affected the Village both physically and fiscally. It should also be noted that the FEMA reimbursement timetable cannot be predicted, during a budget year when a payment is received the budget is met. When FEMA reimbursement is not issued as anticipated, it creates a deficit which must be bonded to enable payment to contractors. We realize FEMA has been overwhelmed the past several years and hope this situation will improve. With the appointment of a new Village Liaison with FEMA a closer relationship with the agency is hoped for.

In regards to training, the Mayor has recently participated in two Webinars, The first on the topic of Inter-fund Loans and the second on Multiyear Financial Planning. The new Treasurer is also greatly interested in attending OSC training programs. Board Members are also encouraged to attend training sessions when available.

Donald E Kearney, Mayor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed Village officials and employees and reviewed Board minutes to gain an understanding of the processes for disbursements including payroll, bank reconciliations, water rents, real property taxes billings and receipts and enforcement of unpaid bills and to determine if the Board completed an annual audit of the Clerk-Treasurer's records and if the AUD was filed timely.
- We reviewed all gross payroll payments to the 11 employees and Village officials totaling \$120,800 from June 1, 2015 through August 5, 2016 to determine if they were paid at Board-approved rates and, for hourly employees, that their hours paid were supported.
- We assessed the accuracy of the monthly financial reports the account clerks provided to the Board from 2013-14 through 2016-17.
- We sent confirmation letters to the property owners of all 50 properties with delinquent real property taxes from 2013-14 to 2015-16 to determine if the delinquent property taxes were accurately assessed.
- We judgmentally selected the first 20 delinquent real property tax bills paid in 2015-16 from cash receipts records and recalculated the penalties and total taxes owed and compared it to the amount billed and paid to determine if they were accurately calculated and billed.
- We reviewed the real property tax bills for the five Board members in 2015-16 and 2016-17 totaling \$6,000 and \$7,000, respectively, to determine if they were accurately billed, collected and deposited timely and intact. Additionally, we reviewed all five real property tax receipts received in August 2016 totaling almost \$5,000 to determine if they were accurately collected (including penalties), recorded and deposited fully and intact.
- We reviewed all 26 water receipts received in March 2016 totaling \$2,700 and all 20 water receipts paid by all Board members from June 2015 through August 2016 totaling \$1,800 to determine if they were accurately collected, recorded and deposited fully and intact.
- We selected for review the water bills for all five Board members and judgmentally selected 20 other water customers by selecting every fourth customer from the water account history report. We reviewed the quarterly water bills from June 2015 through August 2016 to determine if they were billed accurately, including penalties.
- We compared the Board-adopted budgeted amounts for 2013-14 through 2015-16 for the general and water funds as compared to the actual revenues and expenditures to determine if the Board adopted reasonable budgets and if the budget-to-actual reports included the proper

Board-adopted budget amounts.

- We calculated the results of operations and restricted and unrestricted fund balance for the general and water funds from 2013-14 through 2015-16. We also projected revenues and expenditures, results of operations and fund balances through June 30, 2017 using revenues and expenditures as of September 30, 2016.
- We calculated the general and water funds' unrestricted fund balance as a percentage of the ensuing year's appropriations to determine if they had sufficient fund balance.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX C

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