

Town of Neversink

Multiyear Planning and Fund Balance Management

FEBRUARY 2018



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

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Report Highlights

Town of Neversink

Audit Objective

Determine whether the Board has multiyear plans for the fund balance and reserves in the general and highway funds.

Key Findings

- The Board adopted realistic budgets from 2014 through 2016.
- The Highway Superintendent created a multiyear equipment replacement schedule for the Board's use when budgeting.
- Town officials appropriately used the machinery capital reserve to replace equipment as planned.
- Real property tax levies have remained relatively stable.
- Although the Board has not developed formal written fund balance and reserve policies or comprehensive multiyear financial and capital plans, it has used available fund balance and reserves, as appropriate, to avoid significant real property tax increases.

Key Recommendations

- Adopt comprehensive multiyear financial, capital and fund balance and reserve policies and use them in conjunction with the annual budget process.

Town officials agreed with our findings and indicated they plan to initiate corrective action.

Background

The Town of Neversink (Town) is located in Sullivan County.

The Town is governed by an elected Town Board (Board) composed of a Town Supervisor (Supervisor) and four Board members. The Board is responsible for the general management and control of the Town's financial affairs, including adopting the annual budget and establishing financial policies. The Supervisor serves as the chief executive and chief fiscal officer. The Supervisor has appointed a bookkeeper who maintains the accounting records and acts as budget officer.

The Town's Highway Superintendent is responsible for repairs and maintenance to Town roads and equipment.

Quick Facts

Population	3,600
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2017 Combined General Fund and Highway Fund Budgeted Appropriations	\$4,747,100
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Audit Period

January 1, 2016 – August 17, 2017. We extended our audit period back to January 1, 2014 and forward to September 30, 2017 to analyze financial trends.

Multiyear Planning and Fund Balance Management

What is Effective Multiyear Planning and Fund Balance Management?

The Board is responsible for making financial decisions that are in the best interest of the Town and its taxpayers. This includes planning for the future and setting adequate long-term priorities and goals. Having a multiyear financial plan helps the Board assess alternative approaches to financial issues, such as accumulating fund balance, obtaining financing or using surplus funds to finance annual operations. Multiyear planning consists of several components including realistic budget estimates, multiyear capital plans and/or replacement schedules and a fund balance policy. A fund balance policy provides guidance on optimal funding levels for fund balance and reserves, along with plans for circumstances that may dictate the use of fund balance and/or reserves.

The Board Implemented Several Components of Multiyear Planning

The Board adopted realistic budgets from 2014 through 2016. We compared budget amounts to actual results for the combined general and highway funds and found that revenue estimates were within 6 percent of actual revenues, and expenditure estimates were within 1 percent of actual expenditures.

In addition, the Highway Superintendent established a multiyear equipment replacement schedule that the Board used for budgeting purposes. Town infrastructure and equipment appeared to be maintained and up-to-date. For example, all three pieces of equipment (a loader and two trucks) that were scheduled to be replaced in 2017 have been replaced. Moreover, the loader was replaced using \$189,000 from the machinery capital reserve. The equipment replacement schedule calls for the replacement of \$896,000 worth of equipment over the next five years; the reserve's current balance is sufficient to fund these replacements.

Fund Balance and Reserves Have Remained Stable

From 2014 through 2016, fund balances and reserves have remained relatively stable in the general and highway funds (Figures 1 and 2).

FIGURE 1

Fiscal Year End Fund Balances - General Fund

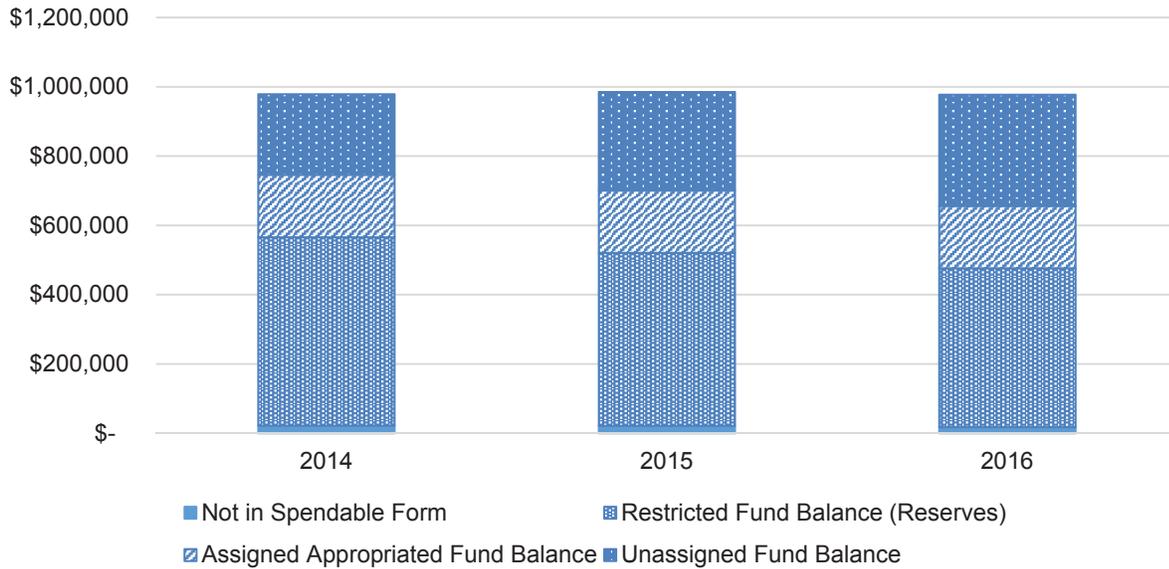
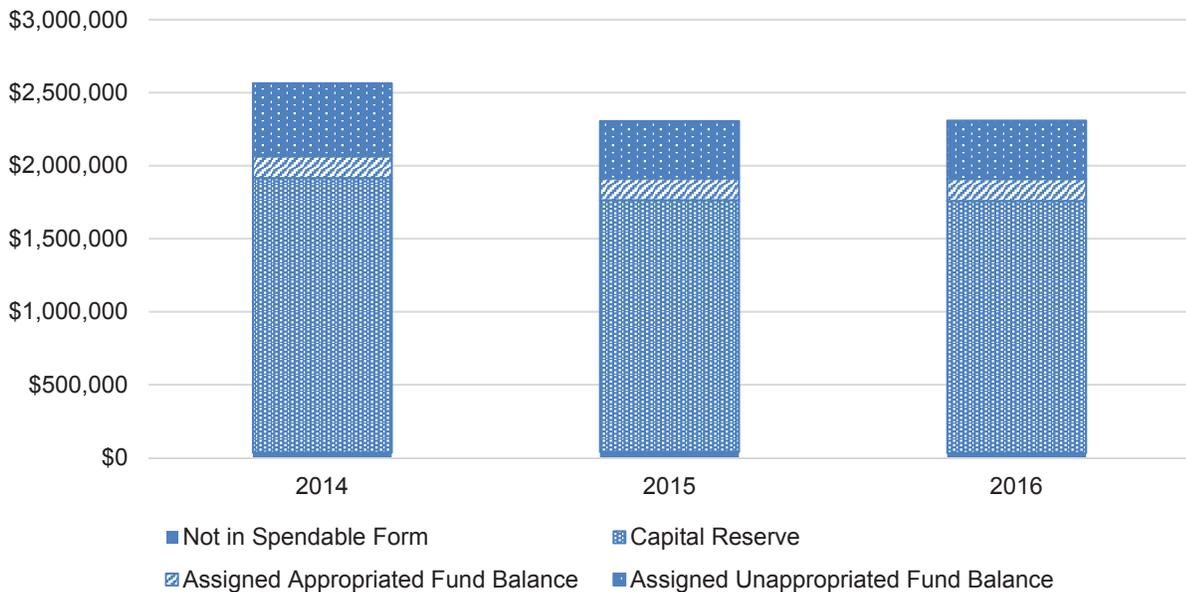


FIGURE 2

Fiscal Year End Fund Balances - Highway Fund



As of December 31, 2016, the general fund had four reserves totaling almost \$459,000, of which approximately \$85,000 was used from 2014 through 2016. The highway fund also has a reserve for road repairs and maintenance that allows the Town to address road needs not funded through other means. Currently, the Town receives sufficient amounts of State aid to finance the annual maintenance of its roads. The reserve provides for funds in the event of an emergency or for repairs that State aid may not cover. Although the Board has not developed formal written fund balance and reserve policies or comprehensive multiyear financial and capital plans, it has used available fund balance and reserves, as appropriate, to avoid significant real property tax increases.

As a result, the Town’s real property tax levies have remained relatively steady from 2014 through 2017 (Figure 3).

Figure 3: Real Property Tax Levies - General and Highway Funds

	2014	2015	2016	2017
Real Property Tax Levy, General and Highway Funds	\$3,600,279	\$3,626,675	\$3,711,744	\$3,797,289
Tax Levy Increase (\$)		\$26,396	\$85,069	\$85,545
Tax Levy Increase (%)		0.7%	2.3%	2.3%

We commend Town officials for implementing pertinent components of a multiyear plan and maintaining stable fund balances and reserves while keeping real property taxes relatively flat. However, officials could improve overall financial management and improve transparency if they adopted comprehensive multiyear planning.

Recommendation

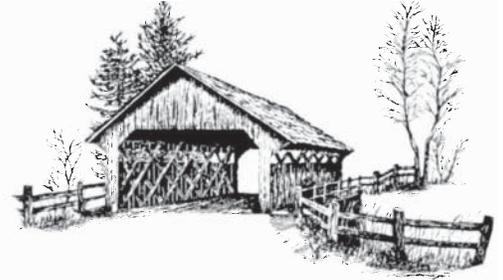
1. The Board should adopt comprehensive multiyear financial, capital and fund balance and reserve policies and use them in conjunction with the annual budget process.

Appendix A: Response From Town Officials

TOWN COUNCIL

SUPERVISOR - CHRISTOPHER MATHEWS
COUNCILMAN - RICHARD COOMBE, JR.
COUNCILMAN - MICHAEL BROOKS
COUNCILMAN - SCOTT GREY
COUNCILMAN - KEITH ZANETTI

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January 16, 2018

Att: H. Todd Eames, Chief Examiner
Office of the NYS Comptroller
State Office Bldg, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Re: Report of Examination (2017M-260)

Dear Mr. Eames:

This letter is in response to the NYS Comptroller's Audit of the Town of Neversink for the audit period of January 1, 2014 to September 30, 2017.

It is recommended by the Office of the NYS Comptroller that the Town of Neversink adopt comprehensive multiyear financial, capital and fund balance and reserve policies and use them in conjunction with the annual budget process.

The Town of Neversink Town Board and Supervisor will work with management to have these goals developed.

Respectfully,

Chris Mathews, Supervisor
Town of Neversink

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 Town officials and reviewed Board minutes to determine whether the Board adopted fund balance policies and multiyear financial plans, and to determine whether the Town has any significant infrastructure or capital needs.
- We compared the general fund's estimated revenues and appropriations from the Board-adopted budget to the actual revenues and expenditures for 2014 through 2016 to determine whether budgeted revenues and appropriations were realistic.
- We analyzed the trend in total fund balance in the general and highway funds for 2014 through 2016. We also calculated the fund balance as a percentage of expenditures.
- We reviewed the Board's use of reserves. We compared reserve balances as of December 31, 2016 to the previous two fiscal years to analyze trends. We estimated expenditures likely to be funded by reserves through 2022 and calculated the percentage of current reserve balances available to fund those expenditures.
- We analyzed revenue and expenditure trends using reports from the Town's accounting software as of September 30, 2017 and the previous three fiscal years to estimate fund balances and reserves for the general and highway funds through December 31, 2017.
- We calculated the real property tax levy increases in the general and highway funds from 2014 through 2017.

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.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided 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 the CAP available for public review in the Town Clerk's office.

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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