



# Town of Exeter

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## Town Supervisor's Records and Reports

2024M-25 | May 2024

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# Report Highlights

## Town of Exeter

### Audit Objective

Determine whether the Town of Exeter (Town) Town Supervisor (Supervisor) maintained complete, accurate and timely financial records and reports.

### Key Findings

The Supervisor did not maintain complete, accurate and timely financial records and reports, which hindered the Board from monitoring the Town's financial condition.

- While revenues and expenditures were recorded accurately and in a timely manner, balance sheet accounts were not properly maintained due to carrying over unsupported balances for interfund activity, receivables and cash balances from prior years. As a result, the general fund balance was overstated by \$81,929.
- Annual financial reports (AFRs) have not been filed since 2016, as required by New York State General Municipal Law (GML) Section 30.
- The Supervisor did not provide the Board with his records for audit, as required by New York State Town Law (Town Law) Section 123.

The issues identified may have been detected if the Supervisor presented his accounting records to the Board and the Board conducted the required annual audit of the Supervisor's records.

### Key Recommendations

- Correct inaccuracies in the accounting records and develop plans to address uncollectable receivables.
- File delinquent AFRs and ensure subsequent AFRs are filed in a timely manner.
- Annually audit the Supervisor's records.

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

### Audit Period

January 1, 2022 – June 30, 2023

We extended the audit period back to January 1, 2015 to review cash balances, interfund activity and AFR filings and forward to April 26, 2024 to determine how late the unfiled AFRs were.

### Background

The Town is located within Otsego County and is governed by an elected five-member Board including the Supervisor. The Board is responsible for overseeing Town finances and operations, including conducting annual audits of the Supervisor's records.

The Supervisor and appointed bookkeeper are responsible for entering financial transactions in the Town's accounting software and preparing and submitting the AFR.

We also issued Report 2024M-15, *Town of Exeter – Town Clerk/Tax Collector*, in which we determined the Town Clerk/Tax Collector did not:

- Timely deposit 39 real property tax collections, totaling \$505,197.
- Remit real property taxes to the Supervisor weekly.
- Complete bank reconciliations and an accountability analysis by preparing a list of liabilities and comparing it to reconciled bank balances and money on hand.
- Provide the Board with her records for audit.

#### Quick Facts

Population	845
2023 Appropriations	\$799,740

# Town Supervisor's Records and Reports

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## **How Should a Town Supervisor Maintain Complete, Accurate and Timely Records and Reports?**

A town supervisor (supervisor) is responsible for maintaining complete, accurate and timely financial records that summarize the town's financial activity. The accounting records should document assets, liabilities, fund balance and results of operations (revenues and expenditures) for each town fund. Monthly bank reconciliations must be performed to help ensure all receipts and disbursements are properly recorded and provide a way to identify, correct and document differences between the town's records and bank transactions.

If the supervisor assigns these duties to a bookkeeper, the supervisor still maintains the responsibility for the accuracy and timeliness of the financial records. As such, the supervisor must provide sufficient oversight to ensure the bookkeeper maintains suitable records, documents financial information accurately and in a timely manner, and provides useful reports to the town board. These reports should include a balance sheet and detailed budget-to-actual comparisons of revenues and expenditures, totaled by account code, for each fund. The records and reports should also provide sufficient detail to ensure that revenues and expenditures, as budgeted and collected or expended, are recognized and recorded in the proper fund.

GML Section 30 requires that supervisors of towns with populations less than 5,000 file the town's AFR with the Office of the New York State Comptroller (OSC) within 60 days of the end of the town's fiscal year (December 31) or request an extension which, if granted, would extend the deadline an additional 60 days. The AFR provides the town board, OSC, town residents and other interested parties with a transparent tool to monitor and evaluate financial operations.

Town Law Section 123 requires that supervisors submit their accounting records to the town board on or before January 20th for all money received and disbursed during the prior year and produce all books, records, receipts and canceled checks for the town board's inspection, unless a certified public accountant or public accountant has been hired to audit the town supervisor's records within 60 days after the close of the fiscal year. The annual accounting helps the town board fulfill its overall fiscal oversight responsibilities by providing it with an opportunity to assess the reliability of the books, records and supporting documents. It also serves to identify conditions that need improvement and provides useful information to help the town board oversee the town's financial operations.

## The Supervisor Did Not Maintain Adequate Accounting Records

While the bookkeeper prepared bank reconciliations, budget-to-actual reports and balance sheet reports monthly, the Supervisor did not review the bank reconciliations. Additionally, the Supervisor provided budget-to-actual and balance sheet reports to the Board each month for review.

We examined the Town's accounting records for the fiscal year ending December 31, 2022 and determined that, while revenues and expenditures were recorded accurately and in a timely manner, balance sheet accounts were not properly maintained due to carrying over unsupported balances for interfund activity, receivables and cash balances from prior years. As a result, the general fund balance was overstated by \$81,929 (Figure 1).

**Figure 1: December 31, 2022 General Fund Balance Sheet Reported vs. OSC Calculated Balance**

Account Description	Balance Reported by Town	OSC Calculated Balance	Increase/ (Decrease) to Fund Balance
<b>Assets</b>			
<b>Savings Account</b>	\$11,012	\$0	(\$11,012)
<b>Petty Cash</b>	200	0	(200)
<b>Accounts Receivable</b>	20,000	0	(20,000)
<b>Due From Highway Fund</b>	124,495	73,778	(50,717)
<b>Totals</b>	<b>\$155,707</b>	<b>\$73,778</b>	<b>(\$81,929)</b>
<b>Fund Balance</b>			
<b>Unrestricted Fund Balance</b>	\$540,766	\$458,837	(\$81,929)

These overstated account balances were unsupported carryovers from prior years, and the Supervisor and bookkeeper told us they plan to correct them in the 2023 financial records and reports.

The Supervisor and bookkeeper were unable to provide a reason why the Town continued to report a savings account balance of \$11,012 after the bank account associated with this balance was closed in 2019 and the balance transferred to a different general fund checking account. In addition, we determined that the petty cash balance of \$200 was likely included in the overage of the Town Clerk's bank account.<sup>1</sup>

<sup>1</sup> Refer to Report 2024M-15, *Town of Exeter – Town Clerk/Tax Collector*.

The bookkeeper told us the \$20,000 accounts receivable balance was initially recorded when the Town's bank accounts were compromised by a cyberattack in 2019, but the bank was unable to retrieve these funds, and the Supervisor and bookkeeper told us they do not expect the Town to receive this money. Because this asset is uncollectable, officials should write off this asset.

The amount owed to the general fund from the highway fund was overstated by \$50,717. However, as of December 31, 2022, the highway fund did not have the available resources to repay the general fund. We also reviewed the highway fund balance sheet as of December 31, 2022, which reported the amount owed to the general fund was \$29,068; we determined this was underreported by \$44,710. However, as previously stated, the highway fund did not have available cash to repay the general fund as of December 31, 2022. If Town officials decide to write off this currently reported unpayable liability, the highway fund's fund balance would increase from a reported \$103,216 to \$132,284.

Historically, Town officials have not filed the required AFRs, and the AFRs that have been filed were filed years after the date they should have been filed. While both the Supervisor and bookkeeper were aware of the requirements to submit the AFR, the bookkeeper stated they were unable to file the AFRs because the interfund activity did not balance dating back to 2015. The most recent AFR filed was for the 2016 fiscal year and was filed more than six years late (Figure 2). After the completion of our fieldwork, the bookkeeper reconciled the variances in interfund activity through 2016 and is continuing to file the past due AFRs.

**Figure 2: AFR Filings**

Year	Due Date	Date Filed <sup>1</sup>	Days Late <sup>1</sup>
2014	March 1, 2015	March 13, 2019	1,473
2015	February 29, 2016	July 3, 2023	2,681
2016	March 1, 2017	September 29, 2023	2,403
2017	March 1, 2018	Not Filed	2,248
2018	March 1, 2019	Not Filed	1,883
2019	February 29, 2020	Not Filed	1,518
2020	March 1, 2021	Not Filed	1,152
2021	March 1, 2022	Not Filed	787
2022	March 1, 2023	Not Filed	422
<sup>1</sup> As of April 26, 2024			

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## **The Supervisor Did Not Provide an Annual Accounting to the Board**

The Supervisor did not provide an annual accounting of records, and the Board did not audit, or contract with an independent public accountant to audit, the Supervisor's records for 2021 or 2022, as required by Town Law Section 123. The Supervisor and each Board member told us they were unaware of the annual audit requirement. Had the Board members fulfilled the annual audit requirement, they may have detected and corrected the previously discussed deficiencies. The lack of Board oversight may put the Town at risk of additional errors and irregularities remaining undetected and uncorrected.

### **What Do We Recommend?**

The Supervisor should:

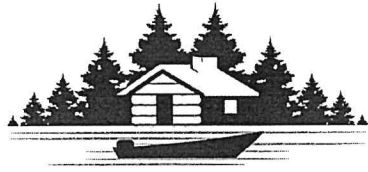
1. Review bank reconciliations prepared by the bookkeeper.
2. Correct errors identified in the accounting records and develop plans to address the uncollectable receivables.
3. File delinquent AFRs and ensure subsequent AFRs are filed in a timely manner.
4. Provide an annual accounting of his records to the Board so it can perform an annual audit.

The Board should:

5. Perform, or obtain, an annual audit of the Supervisor's records.

## Appendix A: Response From Town Officials

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TOWN OF  
**EXETER**

7411 State Highway 28, PO Box 23  
Schuyler Lake, New York 13439

May 21, 2024

Office of the New York State Comptroller  
Division of Local Government  
110 State Street, 12<sup>th</sup> Floor  
Albany, New York 12236

RE: Town Supervisor's Records and Reports  
2024M-25

To Whom it May Concern;

The Town Board has received and reviewed the findings of the Audit performed by your office in the Town of Exeter. The Town Board has reviewed the findings and shall begin the process of adopting and implementing the Corrective Action Plan. We look forward to working with you further to improve compliance and transparency in the Town of Exeter

Respectfully,

Doreé Baker  
Town of Exeter - Supervisor



## Appendix B: Audit Methodology and Standards

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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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed officials and reviewed various financial records, reports and Board meeting minutes to gain an understanding of the Town's procedures for reviewing financial reports, conducting annual audits and submitting the AFR.
- We reviewed monthly budget-to-actual reports and all bank reconciliations to determine whether transactions were recorded accurately and in a timely manner.
- We used our professional judgment to review all accounts reported on the balance sheet except for payroll liabilities due to materiality to determine whether they were properly recorded and accurate.
- We reviewed AFR submissions and calculated the number of days they were late.

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

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 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

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### **Regional Office Directory**

[www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf](http://www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf)

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

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

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[www.osc.ny.gov/local-government/resources/planning-resources](http://www.osc.ny.gov/local-government/resources/planning-resources)

**Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

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

[www.osc.ny.gov/local-government/required-reporting](http://www.osc.ny.gov/local-government/required-reporting)

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## Contact

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