

Town of Roseboom

Long-Term Planning

SEPTEMBER 2018



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

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Report Highlights

Audit Objective

Determine whether the Board effectively planned for future needs.

Key Findings

- Town officials have no long-term plans for funding equipment and infrastructure needs.
- The Town's major pieces of equipment are beyond their recommended useful lives.

Key Recommendations

- Develop long-term financial and capital plans to ensure financial resources are available to replace capital assets in a timely manner.
- Adopt a comprehensive fund balance policy that establishes the levels of fund balance and reserves to be maintained.

Town officials agreed with our recommendations and indicated they planned to take corrective action.

Background

The Town of Roseboom (Town) is located in Schoharie County. The elected five-member Board is responsible for managing Town operations, including maintaining and planning for the Town's long-term capital needs. The Town Supervisor is a member of the Board and serves as the chief executive officer and chief financial officer. The Town's Highway Superintendent is primarily responsible for the maintenance and repair of Town roads and equipment.

Quick Facts

2018 Appropriations	\$623,806
2017 Year-End Unreserved Fund Balance	\$154,315
Town Centerline Miles	36

Audit Period

January 1, 2017 – April 30, 2018

We extended our audit period back to January 1, 2015 to perform financial analyses.

Long-Term Planning

How Does the Board Effectively Plan for Future Financial and Capital Needs?

It is important for the board to plan for the future by setting adequate long-term priorities and goals. Multiyear plans can help taxpayers and town officials see the impact of their financial decisions over time. Effective multiyear plans project operating and capital needs and financing sources over a three-year to five-year period. It also allows them to assess the impact and merits of alternative approaches to financial issues, such as accumulating money in reserves and using fund balance to finance operations. A fund balance policy, which provides guidance on how fund balance will be used, as well as reasonable levels of fund balance and reserves to be maintained, is an important component of any long-term financial plan. When developing long-term plans, town officials should consider useful life estimates and the quality of the equipment, and the application and environment in which it will be used.

The Board Should Improve Its Long-Term Planning

While Town officials have plans for the levels of unreserved fund balance they maintain, they have no long-term plans for funding equipment and infrastructure needs. Town officials have an informal plan to maintain unreserved fund balance at approximately three to four months' worth of expenditures. Accordingly, over the past three years, officials have maintained an average of 22 percent (\$135,000) of appropriations in their general and highway funds combined. Furthermore, while they maintain capital and repair reserves totaling \$117,000 as of December 31, 2017, they do not have multi-year plans for funding or using the reserves to ensure financial resources are available to finance future capital needs, such as highway equipment.

Although the condition of the Town's roads was generally fair, the Highway Superintendent and Deputy Supervisor stated the Town's western roads need some repairs and will be the focus of the Highway Department for 2018. Furthermore, the Town owns 11 pieces of major¹ highway equipment which, in total, are over their useful life by an average of three years (Figure 1). While useful life may not be an indication of how long a particular piece of equipment will last, Town officials should consider this information when developing long-term plans.

Town officials should consider the useful life of equipment when developing long-term plans.

¹ Major highway equipment includes dump trucks and the road maintenance and repair equipment listed. It does not include the Town's chipper.

Figure 1: Age of Major^a Highway Equipment

Type	Quantity	Average Age (Years)	Useful Life ^a (Years)	Difference (Years)
Dump Trucks	5	14.4	12	(2.4)
Grader	1	30	20	(10)
Roller	1	33	20	(13)
Pickup	1	6	8	2
Tractor	1	10	20	10
Excavator	1	25	15	(10)
Loader	1	10	10	0
Average	N/A	16.7	N/A	(3.0)

^a This is the optimal useful life as defined by the New York State Department of Transportation. It is intended as a guide.

While Town officials have maintained fund balance levels close to the planned amounts, without sufficiently addressing the Town’s long-term capital needs, Town officials may be spending more than necessary on equipment repairs. Further, in the event of a failure of multiple pieces of equipment, the Town may not be able to provide necessary services to taxpayers or may face significant unfunded future expenditures.

What Do We Recommend?

The Board should:

1. Develop long-term financial² and capital plans³ to ensure financial resources are available to replace capital assets in a timely manner.
2. Adopt a comprehensive fund balance policy that establishes the levels of fund balance and reserves to be maintained.

² <http://www.osc.state.ny.us/localgov/pubs/lgmg/multiyear.pdf>

³ http://www.osc.state.ny.us/localgov/pubs/lgmg/capital_planning.pdf

Appendix A: Response From Town Officials



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Otsego County

Long-Term Planning

Report of Examination

2018M-115

Report Highlights

Audit Objective-Determine whether the Board effectively planned for future needs.

Key Findings-

- Town officials have no long-term plans for funding equipment and infrastructure needs.
- The Town's major pieces of equipment are beyond their recommended useful lives.

Key Recommendations

- Develop long-term financial and capital plans to ensure financial resources are available to replace capital assets in a timely manner.
- Adopt a comprehensive fund balance policy that establishes the levels of fund balance and reserves to be maintained.

APPENDIX A - Response from Town Officials

Key Finding: Town Officials have no Long-term plans for funding equipment and infrastructure needs.

Key Finding: The Town's major pieces of equipment are beyond their recommended useful lives.

Response (Capital Assets/Infrastructure): The Town Board for the Town of Roseboom will develop a long-term financial and capital plan to ensure financial resources are available to replace capital assets in a timely manner and address infrastructure needs.

Action (Capital Assets/Infrastructure): The Town Board will pass a resolution establishing financial resources in the annual Town Highway Budget. Effective for the 2019 Budget the following:

- Designated appropriation line (DA.5130.2x) will be established with a set amount of \$5,000. These funds will be deposited into the Equipment Reserve Savings Account and used to replace capital assets (Equipment) in a timely manner.
- Designated appropriation line (DA.5110.4x) will be established with a set amount of \$5,000. These funds will be deposited into the Road Repair Reserve Savings Account and used to address infrastructure (roads) needs of the Town.

Response: (Comprehensive Fund Balance Policy): The Town Board for the Town of Roseboom will develop a comprehensive fund balance policy that establishes the levels of fund balances and reserves to be maintained.

Action (Comprehensive Fund Balance Policy): The Town Board will pass a resolution establishing a comprehensive fund balance policy that establishes the levels of fund balances and reserves to be maintained. Effective for the 2019 Budget the following:

- The Town will maintain unreserved fund balance at approximately three to four months' worth of expenditures; to cover expenses in the coming year if a negative cash flow should arise.
- The Town will use the remaining fund balance to offset the tax levy as it tries to comply with the tax cap.

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- The Town will use the remaining fund balance of 50% to fund the Equipment Reserve Account.
 - The Town will use the remaining fund balance of 50% to fund the Road Repair Reserve Account.

Note: It is noted that the Town of Roseboom is a rural community with an aging population on fixed incomes. Further, the town is subject to a tax cap that is almost impossible to meet. The annual health insurance and wage increases usually exceed the tax cap. Thus, the Town will try to do its best to address the pieces of equipment that are beyond their recommended useful lives, as well as, infrastructure needs.

Respectfully Submitted,

Patti Gustafson
Town Supervisor

Dated: 08/15/18

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, our audit procedures included the following:

- We reviewed Board minutes and interviewed Town officials regarding fund balance and budgeting practices, including reserves, and the Town's long-term financial and capital plans.
- We analyzed the Town's financial condition and analyzed trends in budgeting, operating results, fund balance and property taxes.
- We judgmentally surveyed 11 roads of the 33 Department of Transportation (DOT) listed roads to determine the general condition of the roads.
- We interviewed the Highway Superintendent and observed the condition of the Town's equipment to determine current and long-term capital needs. We verified the listed age of equipment by tracing to source documents.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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

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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