

The Tribune

Howard audit addresses fund balance issue

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HOWARD — The Town of Howard received notice from the New York State Comptroller’s Office that it must change its fund balance management practices, resulting from a recent audit.

The purpose of the Comptroller’s audit was to determine whether the Board effectively managed fund balance — the difference between the Town’s assets and liabilities. The audit period covered operations from Jan. 1, 2015 – Aug. 31, 2018.

According to the Comptroller’s final report, “The Board’s Actions to Manage Fund Balance Were Not Effective.” As a result, general and highway fund balances increased significantly over the 2015 through 2017 fiscal years.

The report went on to explain that the board did not adopt fund balance, reserve or budgeting policies or multiyear financial and capital plans as recommended.

As a result, from Jan. 1, 2015 through Dec. 31, 2017, the fund balance of the general fund grew by \$159,501 or 52 percent. During the same period, the highway fund balance grew by \$291,740, or by over three times.

“The Board conservatively estimated revenues and appropriations for the 2015 through 2017 general and highway fund budgets,” the report said. “Further, the Board did not fund reserves or request fund balance analyses for budget development because it did not adopt fund balance, reserve or budgeting policies that established the levels of fund balance to be maintained. In addition, rather than actively monitor the budget during the year, the Board did not make budget amendments and transfers until year-end.”

The report recommended that the board periodically monitor adopted budgets and make necessary amendments and transfers as needed; establish budgeting, fund balance and reserve polices and develop multiyear financial and capital

plans; and to use surplus funds as a financing source for funding one-time expenditures, needed reserves and/or reducing property taxes.

Town officials generally agreed with the recommendations and indicated they planned to initiate corrective action. In a written response to the Comptroller's Office, Supervisor Donald Evia outlined a detailed plan for moving forward in a more effective manner. It included:

Designating a Highway Fund Balance of \$250,000 to "cover problems that may arise during the year."

Previously, the Supervisor acknowledged that incoming funds were regularly placed into the town's money market account, and would be transferred into the general and highway funds as needed, rather than having established reserves.

Additionally, Evia says the board is developing a 5-year plan for the highway department, as it sees critical needs to upgrade equipment on the horizon.

"Currently, all excess funds need to be used to help to get equipment upgrades. Trucks are the most critical," the supervisor stated.

In the General Fund, \$50,000 will be earmarked for reserves going forward.

Evia assured that the hiring of a new bookkeeper would improved monitoring of budget items on a monthly and quarterly basis, and to make appropriate fund transfers as needed at budget year end.

A review of the 2018 budget as of July 31, 2018 found major corrections, in that the budget estimates were deemed to be reasonable.