

# Town of Corning

## Financial Condition

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**AUGUST 2020**

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

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# Report Highlights

## Town of Corning

### Audit Objective

Determine whether the Board effectively managed the Town's financial condition.

### Key Findings

The Board:

- Adopted budgets that underestimated revenues (until 2019), overestimated appropriations and failed to use most of the appropriated fund balance for operations.
- Did not effectively manage the Town's financial condition, which resulted in the townwide (TW) general fund having unassigned fund balance totaling \$768,926 as of December 31, 2019, or 79 percent of actual expenditures.
- Did not develop multiyear financial and capital plans or adopt a reasonable fund balance policy.

### Key Recommendations

The Board should:

- Ensure the estimates for revenues and appropriations are reasonable based on historical or known trends.
- Develop multiyear financial and capital plans and revise its fund balance policy.
- Reduce unassigned balance in the TW general fund and use excess funds in a manner that benefits taxpayers.

Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action. Appendix B includes our comment on an issue raised in the Town's response letter.

### Subsequent Event

Audit fieldwork was completed prior to the COVID-19 pandemic (pandemic). This report does not reflect the financial impact the pandemic may have on the Town's finances.

### Background

The Town of Corning (Town) is located in Steuben County. The Town is governed by an elected Town Board (Board), which consists of the Town Supervisor (Supervisor) and four Board members.

The Town provides services to its residents including street maintenance and improvements, snow removal, street lighting, fire protection, justice court, water and general government support. 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 officer, chief fiscal officer and budget officer and is responsible for day-to-day financial operations and for the development and administration of the budget. The Supervisor has appointed a bookkeeper to maintain the accounting records and assist in financial reporting and filing.

#### Quick Facts

2020 Appropriations	\$3.1 million
2020 Tax Levy	\$1.9 million
Population	6,426

### Audit Period

January 1, 2016 – December 17, 2019

# Financial Management

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## What Is Proper Financial Management?

A board is responsible for making financial decisions that are in the best interest of the town and its taxpayers. To properly manage financial condition, a board should adopt reasonably estimated and structurally balanced budgets based on historical data or known trends. In preparing the budget, a board must estimate the amounts that will be spent and received and the amount of fund balance that may be available to fund appropriations. A board should adopt multiyear financial and capital plans to set long-term priorities and help assess alternative approaches to financial issues, such as accumulating fund balance and obtaining financing or using surplus funds to finance annual operations or establishing reserves for future capital plans. A fund balance policy, which provides guidance on how fund balance will be used, is an important component of a multiyear financial plan.

A board may retain a reasonable amount of fund balance for unforeseen circumstances and to provide cash flow – for example, to compensate for timing differences between revenues and expenditures. A board can also legally set aside or reserve portions of fund balance to finance future costs for a variety of purposes (for example, capital projects or equipment purchases), which should be considered when preparing multiyear financial plans. These plans and policies are important planning tools for the board and an effective means of communicating the board's goals and priorities to taxpayers.

## The Board's Actions To Manage Fund Balance Were Not Effective

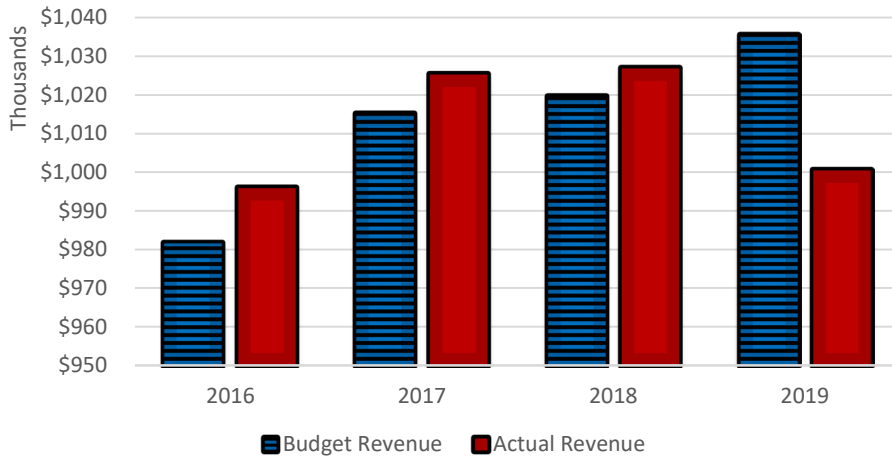
Although the Board receives timely and accurate interim financial reports to monitor current operations and assist with developing the ensuing year's budget, the Board adopted budgets for the TW general fund that underestimated revenues until 2019, overestimated appropriations and raised real property taxes.<sup>1</sup>

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<sup>1</sup> In 2013, the TW general fund real property tax levy of \$432,417 was substantially reduced from previous levels but has generally increased every year since to \$728,169 in 2020.

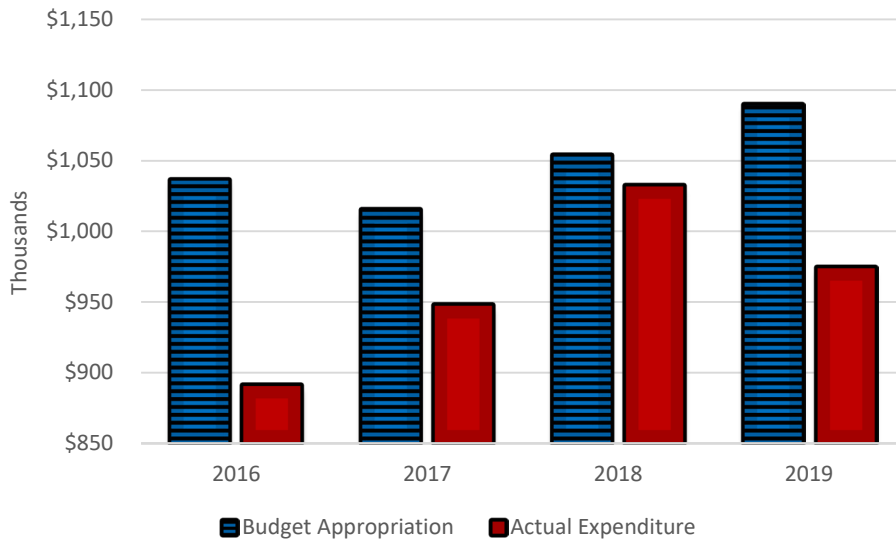
**FIGURE 1**

**Budgeted vs Actual Revenue**



**FIGURE 2**

**Budgeted vs Actual Expenditures**



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Because of the Board’s conservative budgeting, operating surpluses totaling \$209,344 occurred in three of the last four years, instead of the planned operating deficits.<sup>2</sup> As a result, appropriated fund balance was not needed to fund operations. As of December 31, 2019, the TW unassigned fund balance totaled \$768,926, or 79 percent of actual expenditures, which was excessive.

Annually appropriating unneeded fund balance to finance operations diminishes the financial transparency to the Town’s taxpayers.

We found similar issues with the consolidated water district. Revenues were underestimated and expenditures overestimated, resulting in growing fund balance. The assigned, unappropriated fund balance totaled 136 percent of 2020 appropriations or 184 percent of 2019 expenditures. Town officials indicated the excessive water fund balance will fund reserves in 2020; however, the Board did not include any provisions to fund reserves in the 2020 water fund budget.

### **The Board Did Not Develop a Multiyear Financial or Capital Plan**

The Board failed to develop and adopt comprehensive, multiyear financial and capital plans that set long-term objectives and goals and the means to finance them even though their corrective action plan (CAP) for our previous audit stated such plans would be developed and implemented by August 1, 2012. As a result, the Board lacked useful tools to address the large fund balance in the TW general fund. It also has not established meaningful reserves for future purposes as also identified in their CAP. The Board established a town hall building reserve in October 2019 and included provisions to fund it totaling \$10,000 in the general fund adopted budgets for 2019 and 2020. However, these amounts did not reduce the amount of unassigned, unappropriated fund balance significantly.

### **The Board’s Adopted Fund Balance Policy Is Not Well Defined**

Instead of implementing the CAP, the Board adopted a fund balance policy effective January 1, 2017, stating that unassigned, unappropriated fund balance of the TW and town outside village (TOV) general funds should not be less than 50 percent of the ensuing year’s total appropriations. In addition, the assigned fund balance of the TW and TOV highway funds and water funds should not be less than 20 percent of the ensuing year’s total appropriations. However, the fund balance policy does not address why the fund balances should be at the stated levels or define the timing and means of replenishment for the funds.

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Annually appropriating unneeded fund balance to finance operations diminishes the financial transparency to the Town’s taxpayers.

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<sup>2</sup> A planned operating deficit occurs when available fund balance is appropriated to pay for expenditures. The Town had planned operating deficits for 2016, 2018 and 2019.

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We reviewed the 2018 and 2019 TW and TOV general fund revenues and expenditures for volatility and how the timing of revenues and expenditures impacted cash flow. Our analysis found that the majority of the TW and TOV general funds' revenues and expenditures were consistent in their amounts and timing from year to year. Therefore, we question the Board's decision to maintain such excessive fund balances as the Town does not historically have unexpected fluctuations in revenues and expenditures. Allowing available fund balance to accumulate beyond reasonable needs without a plan bypasses the opportunity to establish reserves for future expenditures and resulted in levying more taxes than necessary.

A fund balance policy does not replace the need to develop multiyear financial and capital financial plans to provide guidance for future operational and capital needs and developing budgets that meet those needs. We reviewed the Board's adopted 2020 TW general fund budget and found that the Board continued its conservative budgeting. The adopted budget included increased appropriations of \$46,458, funding for the town hall building reserve of \$10,000 and appropriated fund balance of \$100,000. Even if the additional appropriations are paid and before considering the effect of the pandemic on the town's finances, the TW general fund will most likely not use \$100,000 in appropriated fund balance.

Without tools that take into consideration capital plans, cash flow and contingencies, the Board lacks guidance on where to use the excessive fund balance and the tools to effectively manage financial condition are lacking. As a result, fund balance may continue to be excessive and there is an increased risk that excess funds will not be used in a manner that benefits taxpayers.

### **The Board Did Not Fully Implement Prior Audit Recommendations**

Many of the same significant issues were identified in our prior audit report entitled, Town of Corning Budget Management 2011M-191. However, because the Board, which had many of the same members as those serving in 2011, failed to implement many aspects of its corrective action plan (CAP), Town officials continued to experience deficiencies in their fund balance management.

Our fieldwork was completed in December 2019, prior to the start of the pandemic. Given the negative financial effect of the pandemic, it is even more important for Town officials to develop and monitor appropriate annual budgets and begin multiyear financial and capital planning.

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Many of the same significant issues were identified in our prior audit report.

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## What Do We Recommend?

The Board should:

1. Ensure that estimates of revenues and appropriations are reasonable and based on historical or known trends.
2. Develop and adopt a comprehensive multiyear financial and capital plan to establish the goals and objectives for funding long-term operating and capital needs. These plans should be monitored and updated regularly.
3. Revise its fund balance policy to ensure levels of unrestricted fund balance are reasonable and define their timing and means of replenishment.
4. Reduce the amounts of unrestricted fund balance in the TW general and water funds to reasonable levels and use the excess funds to benefit taxpayers. Such uses could include, but are not limited to:
  - Funding one-time expenditures.
  - Funding needed reserves.
  - Paying off debt.
  - Reducing real property taxes.



# Appendix A: Response From Town Officials



Edward V. Grant, Jr., Chief Examiner  
State of New York  
Office of the State Comptroller  
16 W. Main Street, Suite 522  
Rochester NY 14614  
July 7, 2020

**Supervisor**

Kimberly Feehan  
607-936-6114 Ex 5  
607-542-7723

**Town Clerk**

Susan A. Edwards  
607-936-6114 Ex 4

**Deputy Town Clerk**

Avonne M. Dickerson  
607-936-6114 Ext 4

**Highway Superintendent**

Dylan DeWert  
607-962-2324

**Town Justices**

Glenford Rose Jr.  
Dale Leonard  
607-936-6114 Ext 1

**Councilmen**

R. Michael Brenning  
Stuart Sammis  
Michael Morrongello  
Jen Mullen

**Assessor**

Katherine Deal  
607-936-6114 Ext 3

**Code Enforcement**

Charles Coons  
607-936-6114 Ext 2

**Water Department**

Kenneth Fields  
607-936-6114 Ext 6

Re: Town of Corning Financial Condition Report of Examination Period  
Covering January 1, 2016- December 17, 2019  
2020M13

Dear Mr. Grant,

On behalf of the Town of Corning Town Board, I would like to thank you and your staff for the time, dedication and professionalism in conducting our audit. We feel that the audit was fair and accurate.

Although myself and the Town Board agrees with most of your findings and started setting up Reserve Accounts in both the General Fund and the Highway Fund in 2019, we feel that our Unassigned Fund Balance in the General Fund is reasonable due to the fact that this protects the taxpayers in the case of uncertainties that come up such as the pandemic that has occurred in 2020. Communities such as the Town of Corning that were carrying a little more in Unassigned Fund Balance can weather the storm of reduced revenues and will not need to raise taxes significantly on its residents. However, we are planning on lowering our Unassigned Fund Balance in the General Fund by implementing the use of reserves (See Corrective Action Plan) but still plan on keeping a healthy Unassigned Fund Balance in our General Fund and we will amend our Fund Balance policy to reflect this.

A corrective action plan will be forthcoming within the allotted 90 days from receipt of the final report link.

Again, thank you and your staff for their time, and dedication to New York State.

Sincerely,

TOWN OF CORNING BOARD

*Kimberly A. Feehan, Supervisor*

See  
Note 1  
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## Appendix B: OSC Comment on the Town's Response

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### Note 1

Although the Town may experience negative financial effects from the pandemic, accumulating and maintaining unrestricted fund balance over the last four years that is sufficient to fund on average 75 percent of the ensuing years' appropriations without a multiyear financial plan is not effective financial management. The Board's approach during this audit period and our last audit has resulted in taxpayers repeatedly paying more real property taxes than necessary.

## Appendix C: 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials about financial operations.
- We reviewed our prior audit and the Board's prior CAP and compared them to current activities.
- We reviewed adopted policies and procedures and Board minutes.
- We reviewed budgeted versus actual variances, fund balance components and unassigned fund balance as a percent of ensuing year's appropriations and current year expenditures for 2016-2019.
- We calculated the amount of unused appropriated fund balance at year-end for 2016-2019 and estimated the amount for year-end 2020.
- We reviewed the 2020 budget for issues noted in prior years.

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 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 Clerk's office.

## Appendix D: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional\\_directory.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf)

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

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263196&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All)

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263206&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All)

### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

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

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

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.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/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

### **Research Reports/Publications** – Reports on major policy issues facing local governments and State policy-makers

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263211&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All)

### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

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