

TOWN OF HILLSDALE, NEW YORK  
SEWER FUND

REPORT ON  
AGREED-UPON PROCEDURES

JANUARY 1, 2014 THROUGH DECEMBER 31, 2020

TOWN OF HILLSDALE, NEW YORK  
SEWER FUND

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ROBERT H. PATTERSON

CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

Town of Hillsdale  
2609 State Route 23  
Hillsdale, NY 12529

We have performed the procedures enumerated below on the accounting records of the sewer fund of the Town of Hillsdale over the period January 1, 2014 through December 31, 2020. The Town of Hillsdale is responsible for the accounting records of the sewer fund.

The Town of Hillsdale has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose, which is to determine the amount of the interfund loans from the general fund to the sewer fund over the designated period. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

***Our procedures are summarized in the accompanying Schedule A.***

***Our findings and recommendations of the procedures are summarized in the accompanying Schedule B.***

We were engaged by the Town of Hillsdale to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records of the sewer fund of the Town of Hillsdale. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Town of Hillsdale and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Town of Hillsdale and is not intended to be and should not be used by anyone other than those specified parties.

***Robert H. Patterson, Certified Public Accountant***

Hillsdale, New York

**UPON ACCEPTANCE BY BOARD DATE**

2666 State Route 23  
Hillsdale, New York 12529  
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TOWN OF HILLSDALE, NEW YORK  
SEWER FUND

SCHEDULE A  
SUMMARY OF PROCEDURES FOR THE SEWER FUND

1. Obtain the following sewer fund records from the Town
  - a. QuickBooks backup file
  - b. BAS software abstract reports
  - c. Bank statements and reconciliations
  - d. Board minutes, email correspondence, third party reports, engagement letters
2. Vouch bank statement activity
  - a. Verify payments clearing bank by check number, check or transfer amount, agree to general ledger
3. Trace BAS abstract report activity
  - a. Verify amounts on abstracts agree to QuickBooks
  - b. Verify expenditures paid were incurred by the sewer fund
  - c. Review Board meeting minutes, emails, and other correspondence for discussion and/or resolutions regarding sewer fund transfers
4. Compare QuickBooks reports to reports filed with the Office of the State Comptroller (Open Book NY).
  - a. Trace and verify revenue and expenditures reported in QuickBooks agree to Open Book reports.
  - b. Correspond with the Office of the State Comptroller regarding laws on interfund loans and transfers, Board approval, and debt responsibility of the sewer fund and related district.
5. Summary of findings that occurred while performing procedures applied in 1-4 above.

TOWN OF HILLSDALE, NEW YORK  
SEWER FUND

SCHEDULE B  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS FOR THE SEWER FUND

**Procedure 1:**

Request backup QuickBooks file, BAS abstract reports, bank statements and reconciliations, Board minutes, email correspondence, third party reports, and engagement letters.

*Findings-no exceptions noted.*

**Procedure 2:**

Vouch bank activity to the general ledger to verify transactions that cleared the bank are recorded in QuickBooks.

*Findings-no exceptions noted.*

**Procedure 3:**

Trace BAS abstract activity to QuickBooks to verify amounts paid to vendors were incurred by and correctly allocated to the sewer fund.

Traced 407 transactions totaling \$352,038.57 from 2014 through 2020.

*(See **Schedule C-Supplemental Schedule-Procedural** as an example of procedures performed. This testing Matrix exists for every year covered by the engagement).*

*Findings-no exceptions noted.*

**Procedure 4:**

Trace and verify revenues and expenditures reported in QuickBooks to verify amounts agree to Open Book reports on the State Comptroller database.

*Findings-no exceptions noted.*

Correspond with the Office of the State Comptroller regarding laws on interfund loans and transfers, Board approval, and Town responsibility for handling the sewer fund.

*Findings-exceptions noted. The State Comptroller stated the sewer fund is responsible for repayment of loans from the general fund per General Municipal Law, (§9-a). See procedure 5 for additional findings.*

TOWN OF HILLSDALE, NEW YORK  
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SCHEDULE B

SCHEDULE OF FINDINGS AND RECOMMENDATIONS FOR THE SEWER FUND (continued)

**Procedure 5:**

**General fund loan(s) to sewer:**

***Finding*** – during procedures it was discovered that the general fund loaned money to the sewer fund for operational, payroll, and other expenditures. Although interfund loans are permissible, the loans should be short term in nature. By the end of fiscal year 2020, \$115,264.81 was owed to the general fund by the sewer fund. Of the \$115,264.81, 100% is considered to be long term. Per General Municipal Law, (§9-a) all interfund loans should be repaid as soon as possible, ***but in no event*** later than the close of the fiscal year in which the advance was made.

Below is a summary of amounts loaned to and paid back by the sewer district by fiscal year:

2014 - \$53,993.42 loaned to sewer; \$64,685.42 paid back to general\*

2015 - \$63,057.49 loaned to sewer; \$53,293.15 paid back to general

2016 - \$59,463.94 loaned to sewer; \$58,815.56 paid back to general

2017 - \$69,970.68 loaned to sewer; \$69,419.31 paid back to general

2018 - \$56,224.36 loaned to sewer; \$57,423.65 paid back to general

2019 - \$81,546.80 loaned to sewer; \$65,816.52 paid back to general

2020 - \$78,607.65 loaned to sewer; \$39,814.12 paid back to general

*\*At the start of the 2014 fiscal year the sewer fund owed the general fund \$61,668.20. This amount appears to be comprised of operational expenditures from the inception of the sewer district in 2008.*

TOWN OF HILLSDALE, NEW YORK  
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SCHEDULE B

SCHEDULE OF FINDINGS AND RECOMMENDATIONS FOR THE SEWER FUND (continued)

**Sewer fund review of abstracts:**

***Finding*** – during procedures it was discovered the sewer fund borrowed from the general fund to make all or a portion of the annual bond payment of \$30,650 in five of the seven years reviewed.

***Recommendation*** – debt obligations should be paid by the fund that incurred the debt. Therefore, sewer fund is required to repay the value of these bond payments to general fund.

***Finding*** – during procedures it was discovered there was discussion at the December 8, 2020 board meeting to reallocate \$13,500 paid for grant writing fees from the sewer fund to the general fund to secure grants and loans for ongoing projects. Upon review of the grant writing engagement letters dated February 21, 2019 and January 9, 2020, and the meeting minutes of March 12, 2019 and January 14, 2020, there is no mention of grant writing or loan services for projects outside of the sewer fund. Reallocation of expenditures from one fund to another should occur before the expenditure is incurred and not subsequent to completion of work at year end.

***Recommendation*** – a new letter of engagement should be presented to the Board for acceptance when amending or changing the scope of an engagement to shift the burden of cost from the sewer fund to the general fund. Engagement modifications and acceptance should be made prior to disbursing funds.

TOWN OF HILLSDALE, NEW YORK  
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SCHEDULE B

SCHEDULE OF FINDINGS AND RECOMMENDATIONS FOR THE SEWER FUND (continued)

**Sewer fund adopted budget:**

***Finding*** – during procedures it was discovered that in 2019 and 2020 the sewer fund expenditures exceeded the adopted budget by \$38,035 and \$15,940, respectively. In addition to exceeding the budget, it is also noted that the sewer fund collected less in revenue than budgeted in 2019 and 2020 by \$21,535 and \$22,458, respectively. This variance increased the sewer fund deficit by \$97,968 in two years.

***Recommendation*** – careful attention should be paid to the adoption, monitoring, and modification of the budget each year. Revenue estimates in the sewer fund should be exact as they are user based and re-levied by the County at year end if unpaid. Budget changes should be addressed publicly to provide transparency to the taxpayer and residents of the sewer district.



TOWN OF HILLSDALE, NEW YORK  
SEWER FUND

SCHEDULE B

SCHEDULE OF FINDINGS AND RECOMMENDATIONS FOR THE SEWER FUND (continued)

**Sewer plant construction:**

***Finding*** - during procedures it was discovered that in 2008 the capital fund borrowed \$321,363 from the general fund and \$21,250 from the park fund. Of the \$342,613 borrowed, \$70,057 remains unpaid and was “written off” in 2019. Although borrowing money from one fund to another is permissible, there is no provision for long term loans between funds. In addition to the \$342,613, the general fund transferred \$108,750 to the capital fund in 2011 for an unspecified reason.

The following is a summary of revenue and expenditures that occurred between 2008 and 2011 in the capital fund. The revenues and expenditures are presumed to be related to the construction of the sewer plant:

**Revenues:**

Serial bonds - \$919,500

Federal Aid - \$1,003,837

Interfund loans - \$342,613

Interfund transfers - \$108,750

**Total revenue - \$2,374,700**

**Expenditures:**

Engineer – \$1,770

Plant operation equipment – \$529,068

Sewage treatment - \$2,041,450

**Total expenditures - \$2,572,288**

***Recommendation*** - per General Municipal Law, (§9-a) interfund loans should be repaid as soon as possible, ***but in no event*** later than the close of the fiscal year in which the advance was made. Interfund debt should not be written off, especially in a case where the loan is between a special district (sewer fund) and taxpayers (general fund). The \$70,057 should be reinstated and added to the \$115,264.81, for a total principal amount due to general fund of \$185,321.81.

TOWN OF HILLSDALE, NEW YORK  
SEWER FUND

SCHEDULE B

SCHEDULE OF FINDINGS AND RECOMMENDATIONS FOR THE SEWER FUND (continued)

**Sewer plant expansion and flow meter:**

***Finding*** – during procedures it was discovered that in 2019 and 2020 the Town was planning an expansion/upgrade of the current treatment plant due to capacity issues which posed environmental concerns. Upon inquiry of the *New York State Department of Environmental Conservation - Office of Environmental Quality Region 4*, regarding their May 8, 2019 report, the engineer communicated that the NYSDEC and Town became aware of an improperly installed meter that was reading higher than normal flow. Once the correction was made, it was determined there was no longer need for expansion based on environmental factors. The date the flow meter was noticed and corrected remains unknown due to inconsistent responses by the NYSDEC, Town, and those working on the project.

***Recommendation*** – the need for expansion of the sewer plant should have been reconsidered following the correction of the flow meter. Moving forward with plans to expand may have created additional costs in 2019 and 2020 that could have been avoided.

TOWN OF HILLSDALE, NEW YORK  
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SCHEDULE B

SCHEDULE OF FINDINGS AND RECOMMENDATIONS FOR THE SEWER FUND (continued)

**Grant(s) for sewer expansion:**

***Finding*** – during procedures it was discovered that the Town was seeking grant funds for sewer plant expansion in 2019 and 2020. During this time, funds were being transferred from the general fund to pay unbudgeted sewer expenditures for engineering and grant writing fees. Upon further inquiry, it came to our attention the funds were being transferred with confidence the Town would be awarded grant funds. It was noted that grant funds were never awarded to the Town.

***Recommendation*** –the Town should plan how funds will be reimbursed from one fund to another when funds are applied for through a grant that may not be awarded.

***Finding*** – during procedures it was discovered that on August 14, 2019 the accountant emailed the Town notifying them the sewer fund did not have enough money in the bank to pay the current obligations. The Town responded suggesting the Town make a loan to the sewer district in the amount of \$28,000 to cover the bills and that it will be reimbursed from the grant and other funding.

***Recommendation*** –the Town should not loan funds from the general fund to the sewer district without grants or funding secured. Interfund loans should be initiated by the budget officer (Supervisor) and addressed in public meeting.

TOWN OF HILLSDALE, NEW YORK  
SEWER FUND

SCHEDULE B

SCHEDULE OF FINDINGS AND RECOMMENDATIONS FOR THE SEWER FUND (continued)

**Sewer debt accrued interest:**

***Finding*** – during procedures applied to the sewer fund accounting records it was noted that under municipal law the general fund should receive ***an amount in interest that would have been earned on the investment of monies in the fund making the advance had the advance not been made.*** By definition, the sewer fund owes interest at the applicable rate for the amount of outstanding principal owed to the general fund. This amount is estimated to be \$13,000 and continues to compound at a rate of approximately 2% until paid.

***Recommendation*** – per General Municipal Law, (§9-a) in addition to the principal balance, the sewer fund should pay interest at the applicable rate.

TOWN OF HILLSDALE, NEW YORK  
SEWER FUND  
SCHEDULE C  
SUPPLEMENTAL SCHEDULE-PROCEDURAL

Vendors	Abstract -2020													Totals
	1	2	3	4	5	6	7	8	9	10	11	12	13	
Albany County Water Purification				360.00								360.00		720.00
Bill Baldwin & Sons				1,200.00			394.20	633.65					2,520.00	4,747.85
Brian T. Johnson										200.00				200.00
Carmen Barbato										33.26				33.26
Consolidated Communications	40.92	40.99	40.99	40.76	40.76	40.76	41.77	85.55	2.01	43.86	43.86	43.86		506.09
Endeavor Municipal Development		6,000.00		6,000.00			6,000.00			6,000.00				24,000.00
Herrington's					19.57	56.73			507.70	65.03			20.22	669.25
Kinsley Power Systems			728.00									816.25		1,544.25
NYSEG		529.59	499.02						1,268.04		418.18			2,714.83
Oreco Systems Inc								688.81						688.81
Patrick Nolan		300.00	350.00		550.00	350.00	300.00	200.00	350.00	250.00	350.00	300.00	250.00	3,550.00
Phoenix Environmental	142.00		132.00	142.00	263.09		142.00	132.00	132.00	142.00		132.00	142.00	1,501.09
Robert Bradway's Plumbing and Heating					1,586.50									1,586.50
Ryan Biggs Clark Davis	481.25			306.25	393.75									1,181.25
Smith Control Systems		339.90	3,067.40						257.40					3,664.70
Taconic Valley Lawn & Garden									40.00		64.80			104.80
United Ag & Turf							38.70							38.70
USA Blue Book								98.78						98.78
Total	664.17	7,210.48	4,817.41	8,049.01	2,853.67	447.49	6,916.67	1,838.79	2,557.15	6,734.15	876.84	1,652.11	2,932.22	47,550.16

Abstract report does not include payroll or bond payment.