



Village of Washingtonville Financial Condition

Report of Examination

Period Covered:

March 1, 2011 — February 29, 2012

2013M-346



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

April 2014

Dear Village Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Village Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Village of Washingtonville, entitled Financial Condition. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Village of Washingtonville (Village) is located in Orange County, covers approximately 2.5 square miles and serves approximately 7,000 residents. The Village Board (Board) is responsible for managing Village operations, including establishing internal controls over financial operations, and for maintaining sound financial condition. The Village Mayor (Mayor) is a Board member and serves as the chief executive officer. The Mayor is responsible for receiving, disbursing and maintaining custody of Village moneys; maintaining accounting records; and providing financial reports to the Board. Although the Board is primarily responsible for the effectiveness and proper functioning of internal controls, the Mayor and department heads share in this responsibility.

The Village has 47 employees and provides services to its residents, including water and sewer, public safety and general government support. Expenditures are accounted for in the general, water and sewer funds. The Village's budgeted expenditures for the 2011-12 fiscal year were approximately \$3.9 million for the general fund, \$700,000 for the water fund and \$1.1 million for the sewer fund, funded primarily with real property taxes, sales tax, user charges and State aid.

Scope and Objective

The objective of our audit was to assess the Village's financial condition for the period of March 1, 2011 through February 29, 2012. We extended our scope period back to March 1, 2008 to analyze financial trends. Our audit addressed the following related question:

- Did the Board adopt realistic budgets, adequately monitor financial operations and take appropriate action to maintain the Village's financial stability?

Audit Results

The Board did not properly monitor and manage the Village's financial condition. As a result, fund balance for all three major funds (general, water and sewer) decreased significantly from 2008-09 to 2011-12 due to operating deficits caused primarily by poor budgeting which resulted in revenue shortfalls and overspent appropriations. The Board also relied on fund balance and interfund loans to fund recurring operating expenditures. General fund balance dropped from \$927,214 in fiscal year 2008-09 to a \$39,827 deficit at the end of the 2010-11 fiscal year before showing some improvement in the 2011-12 fiscal year. The water fund balance dropped from \$1,012,506 on March 1, 2009 to \$660,975 on February 29, 2012. However, the water fund balance of \$660,975 may not be entirely available because the water fund had an interfund loan receivable of \$505,000 outstanding as of fiscal year ended February 29, 2012, of which \$455,000 was due from the general fund and \$50,000 was due

from the sewer fund. The sewer fund balance dropped from \$538,299 at the 2009-10 fiscal year end to \$175,615 at the 2011-12 fiscal year end.

The Board did not adequately monitor the budget and allowed appropriations to be over expended for many line items and in total for the general fund budget. We reviewed the budgeted and actual expenditures from the 2008-09 through 2011-12 fiscal years. General fund appropriations were overexpended by \$143,908 in 2011-12, \$197,420 in 2010-11 and \$313,832 in 2008-09. Although the 2009-10 budget was not overspent in total, several individual line items were overspent. The lack of monitoring also caused expenditures to consistently exceed appropriations in the water and sewer funds. Finally, the Board has not developed comprehensive, multiyear financial and capital plans to improve the budget development process. As a result, Village officials do not have a roadmap to help manage Village costs and resources.

Comments of Village Officials

The results of our audit and recommendations have been discussed with Village officials and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials generally agreed with our recommendations and indicated that they plan to take corrective action.

Introduction

Background

The Village of Washingtonville (Village) is located in Orange County, covers approximately 2.5 square miles and serves approximately 7,000 residents. The Village Board (Board) is responsible for managing Village operations, including establishing internal controls over financial operations, and for maintaining sound financial condition. The Village Mayor (Mayor) is a Board member and serves as the chief executive officer. The Mayor is responsible for receiving, disbursing and maintaining custody of Village moneys; maintaining accounting records; and providing financial reports to the Board. Although the Board is primarily responsible for the effectiveness and proper functioning of internal controls, the Mayor and department heads share in this responsibility.

The Village has 47 employees and provides services to its residents, including water and sewer, public safety and general government support. Expenditures are accounted for in the general, water and sewer funds. The Village's budgeted expenditures for the 2011-12 fiscal year were approximately \$3.9 million for the general fund, \$700,000 for the water fund and \$1.1 million for the sewer fund, funded primarily with real property taxes, sales tax, user charges and State aid.

Objective

The objective of our audit was to assess the Village's financial condition. Our audit addressed the following related question:

- Did the Board adopt realistic budgets, adequately monitor financial operations and take appropriate action to maintain the Village's financial stability?

Scope and Methodology

We examined the Village's financial condition for the period of March 1, 2011 through February 29, 2012. At the time of our audit, financial information for 2013 was not available. We extended our scope period back to March 1, 2008 to analyze financial trends.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix B of this report.

Comments of Local Officials and Corrective Action

The results of our audit and recommendations have been discussed with Village officials and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials generally agreed with our recommendations and indicated that they plan to take corrective action.

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 forwarded to our office within 90 days, pursuant to Section 35 of the 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 this plan available for public review in the Village Clerk's office.

Financial Condition

The Board is responsible for making sound financial decisions that are in the best interest of the Village and the taxpayers who fund its operations. This responsibility requires the Board to balance the level of services desired and expected by Village residents with the ability and willingness of the residents to pay for such services. To maintain good fiscal health, the Board must receive timely and accurate financial information, develop and adopt budgets that include realistic estimates for revenues and expenditures, and monitor the budget throughout the year. The Board must take action when revenue estimates are not being realized or expenditures reach the amounts originally appropriated. The Board should also plan for service and capital needs beyond the current year by developing and adopting comprehensive, multiyear financial and capital plans.

The Board did not properly monitor and manage the Village's financial condition. As a result, fund balance for all three major funds (general, water and sewer) decreased significantly from 2008-09 to 2011-12 due to operating deficits caused primarily by poor budgeting which resulted in revenue shortfalls and overspent appropriations. The Board also relied on fund balance and interfund loans to fund recurring operating expenditures. For example, the general fund balance dropped from \$927,214 in fiscal year 2008-09 to a \$39,827 deficit at the end of the 2010-11 fiscal year before showing some improvement in 2012. In addition, the Board has not developed comprehensive, multiyear financial and capital plans to improve the budget development process. As a result, Village officials do not have a roadmap to help manage Village costs and resources.

Fund Balance

A key measure of a local government's financial condition is the level of fund balance that it maintains. Fund balance is the difference between revenues and expenditures accumulated over time. Fund balance represents moneys remaining from prior fiscal years that can be appropriated to finance the next year's budget and/or to be set aside as reserves for specific purposes. Villages may carry over the remaining unexpended surplus fund balance¹ from year-to-year to

¹ The Governmental Accounting Standards Board (GASB) issued Statement 54, which replaces the fund balance classifications of reserved and unreserved with new classifications: nonspendable, restricted and unrestricted (comprising committed, assigned and unassigned funds). The requirements of Statement 54 are effective for fiscal years ending June 30, 2011 and beyond. To ease comparability between fiscal years ending before and after the implementation of Statement 54, we will use the term 'unexpended surplus funds' to refer to that portion of fund balance that was classified as unreserved, unappropriated (prior to Statement 54) and is now classified as unrestricted, less any amounts appropriated for the ensuing year's budget (after Statement 54).

help mitigate the effect of unforeseen contingencies, to ensure orderly operations and for the continuity of necessary services. The prudent use of fund balance as a funding source to reduce real property taxes is a basic component of local government budgeting. However, if fund balance is continuously used to finance ongoing operations, it will eventually be depleted and an alternate revenue source will be needed to finance operations. Therefore, it is important that fund balance be maintained at reasonable levels and that fund balance is not relied on to finance recurring expenditures. It is also vital that the Board ensure that revenue and expenditure estimates are realistic.

All three operating funds (general, water and sewer) experienced significant reductions in fund balance between 2008-09 and 2011-12 due to operating deficits in those funds, as shown in Table 1.

Table 1: Operating Results and Fund Balance					
Fund		2008-09	2009-10	2010-11	2011-12
General	Beginning Fund Balance	\$927,214 ^a	\$682,604 ^b	\$259,170	(\$39,927)
	Operating Surplus/(Deficit)	(\$368,298)	(\$423,434)	(\$299,097)	\$81,395
	Ending Fund Balance	\$558,916	\$259,170	(\$39,927)	\$41,468
Water	Beginning Fund Balance	\$1,012,506	\$953,732	\$896,821	\$762,051
	Operating Surplus/(Deficit)	(\$58,774)	(\$56,911)	(\$134,770)	(\$101,076)
	Ending Fund Balance	\$953,732	\$896,821	\$762,051	\$660,975 ^c
Sewer	Beginning Fund Balance	\$483,807	\$485,018	\$538,299	\$376,931
	Operating Surplus/(Deficit)	\$1,211	\$53,281	(\$161,368)	(\$201,316)
	Ending Fund Balance	\$485,018	\$538,299	\$376,931	\$175,615
^a Amount includes a prior period adjustment of \$159,878 (\$1,087,092 - \$159,878 = \$927,214) ^b Amount includes a prior period adjustment of \$123,688 (\$558,916 + \$123,688 = \$682,604) ^c See Interfund Loans section					

General Fund — The general fund had operating deficits of \$368,298 in 2008-09, \$423,434 in 2009-10 and \$299,097 in 2010-11. To offset these deficits, Village officials used fund balance for operations. The cumulative effect of the successive deficits depleted the general fund balance from \$927,214 at the beginning of 2008-09 to a \$39,827 deficit at the end of 2010-11. The Village's financial condition further deteriorated when officials appropriated fund balance in excess of the amount available. Specifically, the Board appropriated \$285,000 of fund balance for the 2010-11 budget when \$259,170 was available, and it appropriated \$100,000 for the 2011-12 budget although it had a deficit fund balance at the end of 2010-11. In fiscal year 2011-12, general fund operations improved slightly, due to spending reductions, and ended with a surplus of \$81,395, which brought the total general fund balance to \$41,468. In addition, due to cash flow problems, an interfund transfer from the water fund was necessary in 2009-10 and 2010-11 to fund general fund operations, which negatively impacted the water fund's financial condition.

Water Fund – The water fund had operating deficits of \$58,774 for fiscal year 2008-09, \$56,911 for 2009-10, \$134,770 for 2010-11 and \$101,076 for 2011-12. As a result, the water fund balance declined from \$1,012,506 at March 1, 2009 to \$660,975 at February 29, 2012. In addition, the water fund balance of \$660,975 may not be entirely available because the water fund had an interfund loan receivable of \$505,000 outstanding as of fiscal year ended February 29, 2012, of which \$455,000 was due from the general fund and \$50,000 was due from the sewer fund.

Sewer Fund — The sewer fund had operating deficits of \$161,368 and \$201,316 for fiscal years 2010-11 and 2011-12, respectively. These deficits caused the fund balance to drop from \$538,299 at the end of 2009-10 to \$175,615 at the end of 2011-12.

Village officials addressed the need for cash to fund general fund operations in the short-term by using interfund loans. However, if Village officials do not take actions to remedy declining fund balance, the Village will face possible disruptions in the services provided to its residents.

Budget Estimates

The Board is responsible for establishing budgeted expenditures at a level sufficient to finance planned services, estimating Village revenues and other financing sources, determining whether the Village will have unexpended surplus fund balance to help fund the ensuing year's operations, and establishing the tax levy. It is important that revenues and appropriations be conservative and realistic. Overly optimistic revenue estimates or underestimated appropriations can result in operating deficits that require the use of fund balance to fund operations.

Village officials did not always adopt realistic budget estimates and monitor the budget, resulting in operating deficits in the Village's three operating funds (general, water and sewer). During the period covered by our analysis, Village officials overestimated certain revenues and allowed appropriations to be overexpended causing deficits in these funds.

General Fund — Our review of budgeted and actual expenditures for fiscal years 2008-09 through 2011-12 showed that the Board budgeted expenditures at a level that was less than the prior year's actual expenditures, even though the prior year's appropriations were overspent, except in 2009-10.

Table 2: General Fund Budget vs. Actual Expenditures

Year	Budgeted Appropriation	Actual Expenditures	Difference
2008-09	\$3,903,951	\$4,217,783	(\$313,832)
2009-10	\$4,120,295	\$4,098,963	\$21,332
2010-11	\$4,069,002	\$ 4,266,422	(\$197,420)
2011-12	\$3,915,250	\$4,059,016	(\$143,766)

For 2011-12, \$3.9 million was budgeted although the previous year's actual expenditures were approximately \$4.3 million. Actual expenditures for 2010-11 were \$197,420 more than budgeted, resulting in deficits which had an adverse effect on the Village's financial condition.

In addition, several general fund revenues were overestimated during the period covered by our analysis. For example:

- Intergovernmental charges were overbudgeted by \$74,343 for fiscal years 2009-10 and 2010-11 and by \$83,280 for 2011-12. The Board budgeted the same or a larger amount each year even though records indicated that the Village had not collected any revenue in the prior year.
- Interest earnings were overbudgeted by \$45,145 for 2009-10 and by \$47,577 for 2010-11. The Village budgeted \$51,300 for both the 2009-10 and 2010-11 fiscal years. However, the actual amount of interest earned was \$6,155 for 2009-10 and \$3,723 for 2010-11.
- Mortgage tax revenue was overestimated by \$50,192 and \$35,867 for 2010-11 and 2011-12, respectively.

Water Fund — Metered water sales are the main source of revenue for the water fund. The water fund also experienced operating deficits over the four years we examined. The deficits were caused primarily by overestimated revenues and underestimated expenditures. As shown in Table 3, even though budget shortfalls have grown from \$46,472 in 2008-09 to \$96,256 in 2011-12, the Board has continued to budget almost the same amount. Also, the Board budgeted expenditures that were less than the prior year actual expenditures, even though the prior year's appropriations were overspent except in 2009-10. In 2011-12 for example, \$665,050 was budgeted even though the 2010-11 actual expenditures were \$743,067.

Table 3: Water Fund Budgeted vs. Actual Revenues and Expenditures

	2008-09	2009-10	2010-11	2011-12
Budgeted Revenues	\$671,394	\$734,100	\$695,650	\$665,050
Actual Revenues	\$624,922	\$647,528	\$608,297	\$568,794
Overestimated Revenues	(\$46,472)	(\$86,572)	(\$87,353)	(\$96,256)
Budgeted Appropriations	\$671,394	\$734,100	\$695,650	\$665,050
Actual Expenditures	\$683,696	\$704,439	\$743,067	\$669,870
Over/Underestimated Appropriations	(\$12,302)	\$29,661	(\$47,417)	(\$4,820)
Operating Deficit	(\$58,774)	(\$56,911)	(\$134,770)	(\$101,076)

In addition, water revenues have been insufficient to cover the cost of providing the service. Village officials stated that water rates have not been increased in the last 10 years or so, but they are considering water rate increases.

Sewer Fund — Sewer rents and charges are the main revenues of this fund. Unplanned deficits in the sewer fund during 2010-11 and 2011-12 were due to revenue shortfalls and underestimated expenditures. As Table 4 shows, actual revenue has been unchanged or falling since 2009. However, the Board has been increasing budgeted revenue over the same period with the exception of the 2010-11 budget. For example, for 2011-12, the Board budgeted \$1,085,297 although the maximum revenue collected over the three prior years was \$1,046,902. In addition, expenditures have increased since 2009-10. These budgeting practices have adversely affected the sewer fund.

Table 4: Sewer Fund Budgeted vs. Actual Revenues and Expenditures

	2008-09	2009-10	2010-11	2011-12
Budgeted Revenues	\$1,033,320	\$1,041,820	\$1,026,687	\$1,085,297
Actual Revenues	\$1,046,487	\$1,046,902	\$1,004,553	\$946,857
Over/Underestimated Revenues	\$13,167	\$5,082	(\$22,134)	(\$138,440)
Budgeted Expenditures	\$1,033,320	\$1,041,820	\$1,026,687	\$1,085,297
Actual Expenditures	\$1,045,276	\$993,621	\$1,165,921	\$1,148,173
Over/Underestimated Appropriations	(\$11,956)	\$48,199	(\$139,234)	(\$62,876)
Operating Surplus/(Deficit)	\$1,211	\$53,281	(\$161,368)	(\$201,316)

Village officials stated that the Village has incurred higher operating costs due to compliance issues with the New York State Department of Environmental Conservation. Because Village officials have not yet been able to secure the funding to make the required sewer plant improvement, controlling operating costs will be difficult. As a result, the future of the sewer fund's financial condition is uncertain.

Budget Monitoring

It is the Board's responsibility to closely monitor actual revenues and expenditures throughout the year to identify any variances and take necessary actions to reduce the possibility of ending the year with an operating deficit. Any significant variances between the amended

budget and actual budget figures should be investigated in a timely manner and necessary corrective action should be taken.

The Board did not adequately monitor the budget and allowed appropriations to be overexpended for many line items and in total for the general fund budget. We reviewed the budgeted and actual expenditures from 2008-09 through 2011-12. General fund appropriations were overexpended by \$313,832 in 2008-09, \$197,420 in 2010-11 and \$143,908 in 2011-12. Although the 2009-10 budget was not overspent in total, several individual line items were overspent. Table 5 illustrates the major budget categories that were overspent in 2010-11 and 2011-12.

Table 5: General Fund - Overspent Budget Line Items						
	Fiscal Year 2010-11			Fiscal Year 2011-12		
	Adopted Budget	Actual	Variance	Adopted Budget	Actual	Variance
General Government Support	\$533,365	\$634,209	\$100,844	\$571,320	\$648,806	\$77,486
Public Safety	\$1,668,013	\$1,750,313	\$82,300	\$1,545,387	\$1,618,146	\$72,759
Employee Benefits	\$838,292	\$940,926	\$102,634	\$916,516	\$1,030,226	\$113,710

We reviewed Board minutes from August 2011 to August 2012 and found no evidence that the Board had approved budget transfers or modifications and there was no indication that the Board had taken any action when budget estimates were overexpended. We discussed the Village's financial condition with two Board members and the Mayor. They indicated that the current financial condition was the result of the 2008 financial crisis. In addition, they informed us that the previous Mayor refused to work with the Board to develop sound budgets and prevented Village staff from providing necessary financial information to the Board. Village officials also feel that the previous Mayor paid a significant amount for legal services not needed by the Village and gave significant pay raises to certain employees without Board approval as required. Village officials acknowledged that overestimating certain revenues and overtime costs in certain departments also contributed to the Village's poor financial condition.

Board members pointed out that they are now receiving all the financial information they need from the current Treasurer to make informed decisions. Board members receive monthly budget status reports, cash disbursement reports, outstanding vendor payment reports and a monthly trial balance. They have initiated steps to correct the Village's fiscal issues and are holding management accountable. For example, Board members have attended budget training and are now reviewing and approving budget transfers during the year. Further,

for certain departments, Village officials will be reviewing overtime expenditures and holding managers accountable for any abuses.

Interfund Loans

General Municipal Law allows municipalities to temporarily advance moneys from one fund to another. However, repayment of the borrowed cash must be made as soon as moneys are available, but no later than the close of the fiscal year in which the advance was made. While the use of interfund advances is a permissible form of short-term borrowing to meet current cash flow needs, it is not intended to be used as a long-term approach to provide financial resources from one fund to another operating fund.

The Village addressed its need for cash in the short-term by using interfund loans, mostly from the water fund, to pay for recurring expenditures mainly in the general fund. However, the loans have not been repaid as required. The water fund loaned the general fund \$350,000 in 2009-10 and \$150,000 in 2010-11. In the 2011-12 fiscal year, the general fund was able to repay the water fund \$45,000. In addition, the water fund loaned the sewer fund \$50,000 during 2011-12. At the end of 2011-12, the water fund was due \$455,000 from the general fund and \$50,000 from the sewer fund.

The outstanding loans from the water fund to the general and sewer funds contributed to the water fund's deteriorating financial condition. As of February 29, 2012, the \$660,975 water fund balance was offset by the interfund loan receivable balance of \$505,000, leaving \$155,975 of fund balance for water fund operations. Village records indicated that at the end of 2011-12 the general and sewer fund had cash balances of \$122,769 and \$16,947, respectively. Therefore, these funds do not have the resources to repay the loans they have received from the water fund.

Financing recurring operating expenditures with non-recurring revenue sources, such as interfund loans, is indicative of poor budgeting and financial management which often leads to poor financial condition.

Multiyear Financial Planning

An important Board oversight responsibility is to plan for the future by setting adequate long-term priorities and goals. Effective multiyear plans project operating and capital needs and financing sources over a three- to five-year period. Planning on a multiyear basis allows Village officials to identify developing revenue and expenditure trends and set long-term priorities and goals. Any long-term financial and capital plans should be monitored and updated on an ongoing basis to ensure that decisions are guided by the most accurate information available.

The Board did not develop and adopt comprehensive, multiyear financial and capital plans and did not have any other mechanism in

place to adequately address the Village's long-term operational needs. Had such plans been adopted, the Board would have had a valuable resource that would have allowed them to make more informed financial decisions, which may have prevented the Village's declining fiscal health. Nonetheless, the development and adoption of multiyear plans would be a useful tool for the Board to identify recurring sources of revenue sufficient to finance anticipated recurring expenditures in order to maintain a reasonable level of fund balance at year end. The failure of the Board to develop such plans may lead to undesirable constraints on the Village's financial flexibility in future years.

Recommendations

1. The Board should work to reduce the deficits in the operating funds.
2. The Board and Village officials should develop and adopt budgets that include realistic estimates for revenues and expenditures.
3. The Board and Village officials should monitor operations throughout the year and make the necessary adjustments to ensure that operating deficits do not occur.
4. Board and Village officials should appropriate fund balance only to the extent it is available or reasonably expected to be available.
5. The Board should establish procedures to prevent overspending budget lines and ensuring that the Village is not committed to any payment before verifying that a sufficient appropriation is available.
6. The Board should ensure that all interfund loans are repaid in a timely manner.
7. Village officials should develop a multiyear financial plan that establishes priorities and goals, considers revenue and expenditure trends, and plans for the future use of reserve funds. Additionally, the Board and Village officials should frequently monitor and update the plans to ensure that its decisions are based on the most accurate and up-to-date financial information.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following page.

*Village
of
Washingtonville*

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David J. Heintz

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March 7, 2014

State of New York

Office of the State Comptroller

110 State Street

Albany, New York 12236

Dear Comptroller Napoli:

The Village Board of the Village of Washingtonville has received and reviewed the Draft Financial Condition and Report of Examination Number 2013M – 346 for the period March 1, 2011 – February 29, 2012.

The Village acknowledges that the aforementioned recommendations are reasonable concerns, and will implement the State of New York Comptroller suggestions. The Village Board is thankful for the professional, courteous manner of the State Auditors, and appreciates the assistance in identifying areas in which improvements are advised.

Recommendations have been given serious consideration and a corrective action plan is in the process of being completed.

Very truly yours,

MAYOR DAVID J. HEINTZ

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The Office of the State Comptroller's Fiscal Stress Monitoring System evaluates local governments based on financial and environmental indicators. These indicators are calculated using the local government's annual update document and information from the United States Census Bureau, New York State Department of Labor, and the New York State Education Department, among other sources. The Village has demonstrated signs of fiscal stress in several areas.

Our overall goal was to assess the Village's financial condition and identify areas where the Village could realize efficiencies and protect assets from loss or misuse. To accomplish this, our initial assessment included a comprehensive review of the Village's financial condition.

To achieve our financial condition objective and obtain valid audit evidence, we performed the following audit procedures:

- We reviewed the Village's policies and procedures for developing and reporting information relevant to financial and budgeting activities. This included gaining information on the fiscal responsibilities of Village Board officials.
- We interviewed Village officials to determine what processes were in place and gain an understanding of the Village's financial situation and budget.
- We reviewed and analyzed the Village's financial records and reports for the three operating funds (general, water and sewer), including balance sheets, trial balances, budget status reports and statements of revenues and expenditures.
- We review Board minutes to determine whether the Board had taken any action regarding budget variances and fiscal matters.

We conducted this performance audit in accordance with 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.

APPENDIX C

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