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January 22, 2024

Mayor Tom Devinko and Village Board of Trustees
Village of Washingtonville
9 Fairlawn Drive
Washingtonville, NY 10992

Report Number: B24-6-1

Dear Mayor Devinko and Members of the Board of Trustees:

Chapter 206 of the Laws of 2023 authorizes the Village of Washingtonville (Village), subject to the provisions of Local Finance Law (LFL) Section 10.10, to issue debt not to exceed \$4.5 million to liquidate the accumulated (actual) deficits in the general fund, water fund, sewer fund and capital projects fund as of May 31, 2023, including the remaining principal amount of any budget, deficiency and/or revenue anticipation notes outstanding at the time the deficit bonds or notes are issued. Under LFL Section 10.10(d), when a village is authorized by a special or general law to incur debt to liquidate an operating deficit, it must submit to the State Comptroller each year, starting with the fiscal year during which the municipality is authorized to issue deficit obligations, and for each subsequent fiscal year during which the deficit obligations are outstanding, the Village's tentative budget for the next succeeding fiscal years.

The tentative budget must be submitted no later than 30 days before the date scheduled for the Village Board of Trustees' (Village Board's) vote on the adoption of the final budget or the last date on which the budget may be finally adopted, whichever is earlier. The State Comptroller must examine the tentative budget and make recommendations, as deemed appropriate. Recommendations, if any, are made after the examination of the Village's estimates of revenues and expenditures.

The Village Board, no later than five days prior to the adoption of the budget, must review all recommendations made by the State Comptroller and must make adjustments to its tentative budget consistent with those recommendations contained in this report.

Our Office completed an independent evaluation (review) of the Village's tentative budget for the 2024-25 fiscal year. The review addressed the following question:

- Are the significant revenue and expenditure projections in the Village's tentative budget reasonable?

The lack of complete, accurate, and current accounting and financial records precludes us from determining the reasonableness of the Village's significant revenue and expenditures projections. Our review disclosed the following matters which should be reviewed by Village officials for appropriate action. Chapter 206 requires the Village Board to make adjustments to the tentative budget consistent with our recommendations. We believe that such adjustments will help improve the Village's financial condition.

To accomplish the review's objective, we requested your tentative budget, salary schedules, debt payment schedules, as well as other pertinent information. We also held conversations with the Mayor and the Village Treasurer (Treasurer). In our conversations, we were informed that very little of the requested information was available due to the lack of complete, accurate and current accounting and financial records. We identified and examined significant estimated revenues and expenditures for reasonableness with emphasis on significant and/or unrealistic increases or decreases. We attempted to analyze, verify and/or corroborate trend data and estimates, where appropriate; however, due to the lack of available accounting records, we were unable to complete these procedures. We identified any significant new or unusually high revenue or expenditure estimates, made appropriate inquiries and reviewed supporting documentation to determine the nature of the items and to assess whether the estimates were realistic and reasonable.

We reviewed the provided Village records, which are maintained on a cash basis, and evaluated them against bank statements for accuracy, then based our review of the reasonableness of revenue and expenditure projections on those records.

The scope of our review was significantly limited by the lack of complete, accurate, and current accounting records maintained by the Village. Specifically:

- Village officials have not maintained up-to-date budget-to-actual reports to aid in the monitoring of its fiscal performance or an up-to-date debt schedule.
- The most recent submission of the Village's tax levy limit was for the 2020-21 fiscal year and its most recent Annual Financial Report, which is required to be submitted to the State Comptroller within 90 days after fiscal year end,¹ was submitted for the 2019-20 fiscal year in March of 2023.
- The Village's most recent external audit of financial statements was completed by an independent accountant for the 2018-19 fiscal year.
- Although the Village has hired an independent consultant to assist in the reconstruction of the Village's accounting records going back to fiscal year 2020, the tentative 2025 Village

¹ A 30-day extension is possible upon a written request received by the State Comptroller by the municipal chief executive officer before the end of the original filing period.

budget was put together based on discussions between Village officials and department heads, who reviewed the recent expenditures of their department and applicable contractual obligations and then estimated what appropriations would be needed for their respective departments for the 2024-25 fiscal year.

- There was no historical trend analysis available in the Village’s accounting records which could have been used for the purpose of budgeting.

The scope of our review does not constitute an audit under generally accepted government auditing standards (GAGAS). We do not offer comments or make specific recommendations on public policy decisions, such as the type and level of services under consideration to be provided.

The tentative budget package submitted for review for the 2024-25 fiscal year consisted of the following:

- 2024-25 Tentative Budget
- Supplementary Information

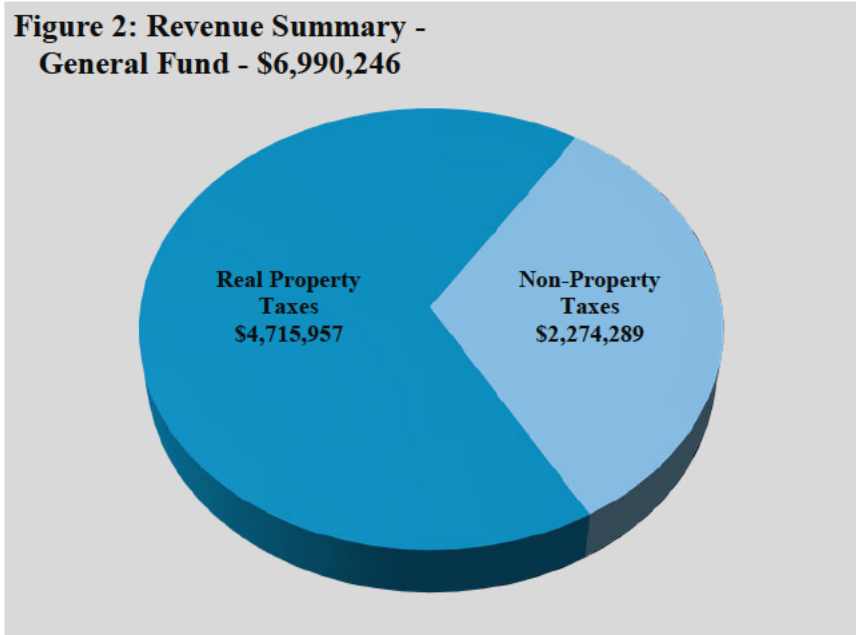
The tentative budget submitted to our Office is summarized in Figure 1:

Figure 1: 2024-25 Village of Washingtonville Tentative Budget				
Fund	Appropriations and Provisions for Other Uses	Estimated Revenues	Appropriated Fund Balance	Real Property Taxes
General	\$6,990,246	\$2,274,289	\$0	\$4,715,957
Sewer	1,561,617	1,561,617	0	0
Water	1,128,993	1,128,993	0	0
Total	\$9,680,856	\$4,964,899	\$0	\$4,715,957

Revenues

The tentative budget submitted to our Office for the Village’s general fund revenues is summarized in Figure 2.

Sewer Meter Rents – The 2024-25 tentative budget includes sewer meter rents revenue of \$1.6 million, which is an increase of approximately \$590,000 from the 2023-24 adopted budget. We were unable to project the amount the Village will receive in the 2024-25 fiscal



year as most of the revenue received has not been posted in the financial software for 2022-23 or 2023-24. For example, the Village’s 2022-23 actuals show only \$6,000 for sewer rent revenue

(as of January 19, 2024). Therefore, we are unable to determine if this amount is reasonable and the Village could face a shortfall if revenue estimates are not realized.

Orange County Sales Tax – The 2024-25 tentative budget includes sales tax revenue of \$1.2 million, which is a decrease of approximately \$140,000 from the 2023-24 adopted budget. We were unable to project the amount the Village will receive in the 2024-25 fiscal year as none of the revenue received has been posted in the financial software for 2022-23 or 2023-24. For example, the Village’s 2022-23 actuals show \$0 for sales tax revenue (as of January 19, 2024). Therefore, we are unable to determine if this amount is reasonable and the Village could face a shortfall if revenue estimates are not realized.

Water Meter Rents – The 2024-25 tentative budget includes water meter rents revenue of \$1.1 million, which is an increase of approximately \$281,000 from the 2023-24 adopted budget. We were unable to project the amount the Village will receive in the 2024-25 fiscal year as not all of the revenue received has been posted in the financial software for 2022-23 or 2023-24 and some of the revenue appears to have been posted inaccurately. For example, the Village’s 2022-23 actuals show \$461,504 for water rent revenue (as of January 19, 2024). Therefore, we are unable to determine if this amount is reasonable and the Village could face a shortfall if revenue estimates are not realized.

Expenditures

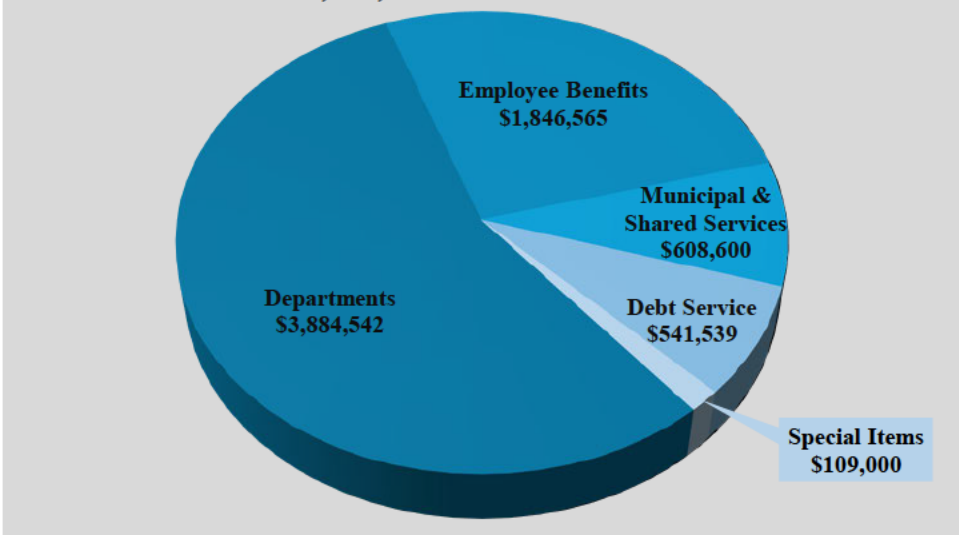
The tentative budget submitted to our Office for the Village’s general fund expenditures is summarized in Figure 3.

Personal Services – The 2024-25 tentative budget includes personal services of \$3.4 million. We were unable to project the amount

the Village may expend as the Village did not provide salary schedules and most of the expenditures have not been posted in the financial software for 2022-23 or 2023-24. For example, the full-time police/night differential budgeted at \$1.4 million for 2024-25 has actuals of \$0 (as of January 19, 2024). As a result, we were unable to determine if this amount is reasonable and the Village may be underestimating the expenditure.

Employee Benefits – The 2024-25 tentative budget includes employee benefits of \$1.8 million. We were unable to project the amount the Village may expend as most of the expenditures have

**Figure 3: Expenditures Summary -
General Fund - \$6,990,246**



not been posted in the financial software for 2022-23 or 2023-24. For example, the hospital and Medicare insurance budgeted at \$146,048 for the water fund for 2024-25 has actuals of \$0 (as of January 19, 2024). As a result, we were unable to determine if this amount is reasonable and the Village may be underestimating the expenditure.

Retirement – The 2024-25 tentative budget includes retirement expenditures of \$675,000. We were unable to project the amount the Village may expend as most of the expenditures have not been posted in the financial software for 2022-23 or 2023-24. For example, the state retirement - police budgeted at \$534,116 for 2024-25 has actuals of \$416,572 (as of January 19, 2024). As a result, we were unable to determine if this amount is reasonable and the Village may be underestimating the expenditure.

Debt Service – The 2024-25 tentative budget includes debt service of \$542,000. We were unable to project the amount the Village may expend as the Village did not provide debt schedules and most of the expenditures have not been posted in the financial software for 2022-23 or 2023-24. For example, the bond anticipation notes (BAN)/bond interest budgeted at \$370,681 for 2024-25 has actuals of \$0 (as of January 19, 2024). As a result, we were unable to determine if this amount is reasonable and the Village may be underestimating the expenditure.

Contingency – Contingency accounts are used by local governments as a means of providing funding for unexpected events. The amount needed for contingency depends on the amount of uncertainty with budgeted amounts and economic conditions. The Village's 2024-25 tentative budget includes a \$100,000 general fund contingency and a \$20,000 water fund contingency. There is no contingency for the sewer fund. Given the potential cost overruns from current economic conditions and the lack of complete, accurate, and current accounting and financial records, the Village Board needs to consider whether the contingency appropriations are adequate and appropriate for unanticipated events and uncertainties.

Tax Cap Compliance

General Municipal Law Section 3-c establishes a tax levy limit for local governments. The law generally precludes local governments from adopting a budget that requires a tax levy that exceeds the prior year tax levy by more than 2 percent or the rate of inflation, whichever is less, unless the governing board adopts a local law to override the tax levy limit.

The Village's 2024-25 tentative budget includes a tax levy of \$4,715,957. Similar to the revenue and expenditure estimates, the lack of complete, accurate, and current accounting and financial records precludes us from determining the Village's tax cap compliance. As a result, in adopting the 2024-25 budget, the Village Board should be mindful of the legal requirement to adopt a budget that includes a tax levy no greater than the tax levy limit, unless it adopts a local law to override the limit.

Recommendations

The Village Board should:

1. Adopt a budget that includes a tax levy no greater than the tax levy limit (tax cap) unless a local law is adopted to override the limit.

Village officials should:

2. Review the proposed estimates for revenues and expenditures and amend as necessary.

Due to the lack of complete, accurate and current accounting and financial records, Village officials should closely monitor revenues and expenditures and make adjustments to the budget as needed throughout the year. To assist the Village Board with this, the Village Treasurer should provide the Village Board with monthly budget-to-actual reports of Village revenue and expenditure accounts for review to ensure that monies are available and so that appropriate action, such as amending the adopted budget, if necessary, can be taken to avoid additional financial problems.

We request that you provide us with a copy of the adopted budget.

We hope that this information is useful as you adopt the upcoming budget for the Village. If you have any questions on the scope of our work, please feel free to contact Dara Disko-McCagg, Chief Examiner of the Newburgh office, at (845) 567-0858.

Sincerely,

Robin L. Lois
Deputy Comptroller

cc: Leslie Tillotson, Village Treasurer
Christine Shenkman, Village Clerk
Hon. Carl E. Heastie, Speaker of the House, NYS Assembly
Hon. Crystal Peoples-Stokes, Majority Leader, NYS Assembly
Hon. William Barclay, Minority Leader, NYS Assembly
Hon. Helene E. Weinstein, Chair, NYS Assembly Ways and Means Committee
Hon. Andrea Stewart-Cousins, President Pro Tempore and Majority Leader, NYS Senate
Hon. Robert Ort, Minority Leader, NYS Senate
Hon. Liz Krueger, Chair, NYS Senate Finance Committee
Blake G. Washington, Director, NYS Division of the Budget
Dara Disko-McCagg, Chief of Municipal Audits, Newburgh Regional Office