



Town of Pleasant Valley

Financial Mangement

2024M-158 | May 2025

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Report Highlights

Town of Pleasant Valley

Audit Objective

Determine whether the Town of Pleasant Valley (Town) Town Board (Board) developed realistic budgets and properly managed reserve funds.

Key Findings

The Board did not develop realistic budgets or properly manage reserves. As a result, the Town had significant recurring operating surpluses and may have levied more taxes than necessary. From fiscal years 2019 through 2023, the Board:

- Did not consider historical or known revenues and expenditure trends when preparing annual budgets. As a result, revenues were underestimated and expenditures were overestimated in the general and highway funds generating operating surpluses totaling \$5.1 million and \$1.2 million, respectively.
- Appropriated fund balance to offset annual deficits that was not needed to fund operations, including \$439,870 in the general fund for the audit period and \$603,395 in four of the five years reviewed for the highway fund.
- Accumulated surpluses resulting in unrestricted fund balances totaling \$4.5 million and \$2.4 million in the general and highway funds, respectively, as of December 31, 2023. The Board did not adopt a fund balance policy and lacked a plan on how the funds will be used. As a result, there was no rationale for accumulating significant fund balances.
- Did not adopt a long-term plan or reserve policy that provided transparency to taxpayers when funding or using reserve fund balances.

Key Recommendations

- Adopt budgets that contain realistic estimates based on available current data and historical trends.
- Develop a plan to use excess fund balance to benefit taxpayers.
- Adopt fund balance and reserve policies.

Town officials generally agreed with our findings and recommendations and indicated they have initiated or plan to initiate corrective action.

Audit Period

January 1, 2019 – March 31, 2024

Background

The Town is located in Dutchess County. The elected five-member Board, which is composed of the Town Supervisor (Supervisor) and four Board members, is responsible for the general management and control of the Town’s financial affairs, which includes adopting the annual budget, managing reserve funds and establishing financial policies.

The Supervisor is the chief executive and financial officer and is responsible, along with other administrative staff, for the Town’s day-to-day financial operations.

The Town has two main operating funds: the general and highway funds. The general fund is funded primarily by real property taxes and sales tax, and the highway fund is funded primarily with real property taxes and Consolidated Local Street and Highway Improvement Program (CHIPS) revenues.

Quick Facts	
2024 Budgeted Appropriations	
General Fund	\$2.8 million
Highway Fund	\$2.1 million
Reserves as of March 31, 2024	
Total of Six Reserves	\$2.7 million

Financial Management

What Is a Realistic Budget?

A town board (board) is responsible for developing and adopting realistic budgets. A realistic budget is based on historical trends, sound estimates and well-supported budgetary assumptions. Budgetary estimates must be clear and realistic, and the total financing sources from estimated revenues, appropriated fund balance and appropriated reserves must equal a town's estimated appropriations for the fiscal year. A realistic budget can help ensure that recurring revenues finance recurring expenditures.

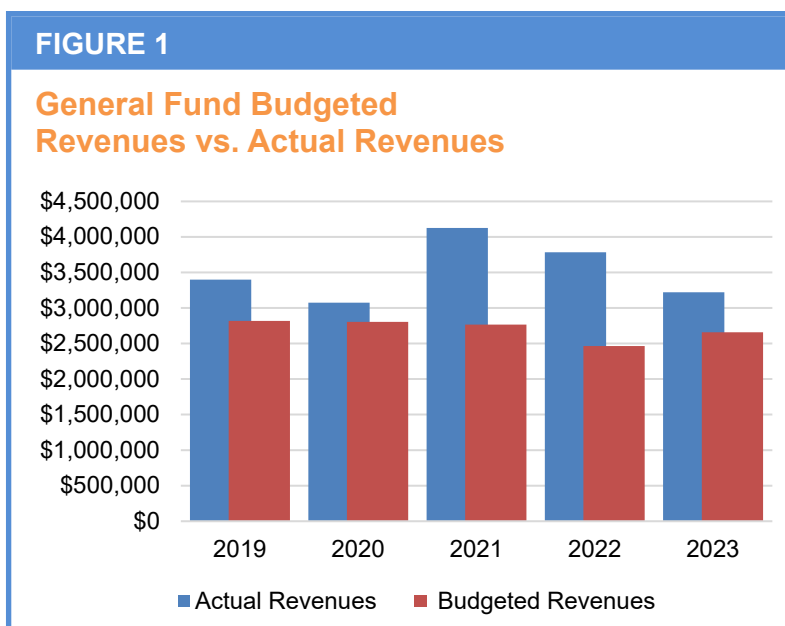
When a board appropriates fund balance in the budget to finance operations, this means that the board is budgeting for a planned operating deficit (expenditures exceeding revenues), which is equal to the amount of fund balance that is appropriated. To avoid the accumulation of excess fund balance, a realistic budget should only include appropriated fund balance when a deficit is expected.

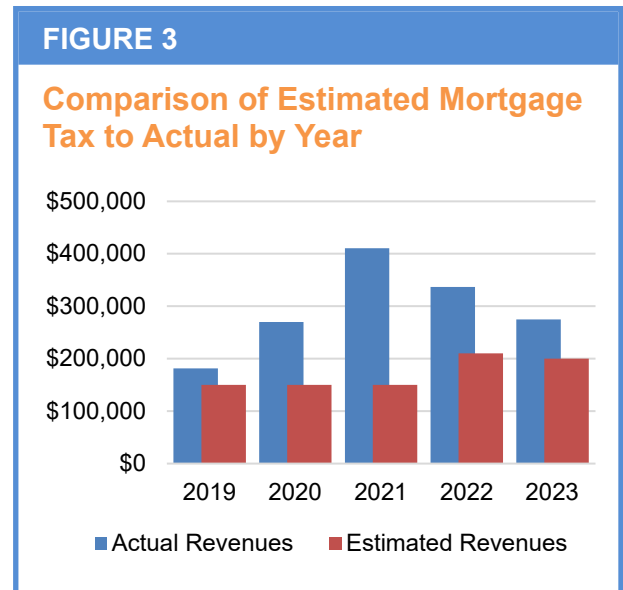
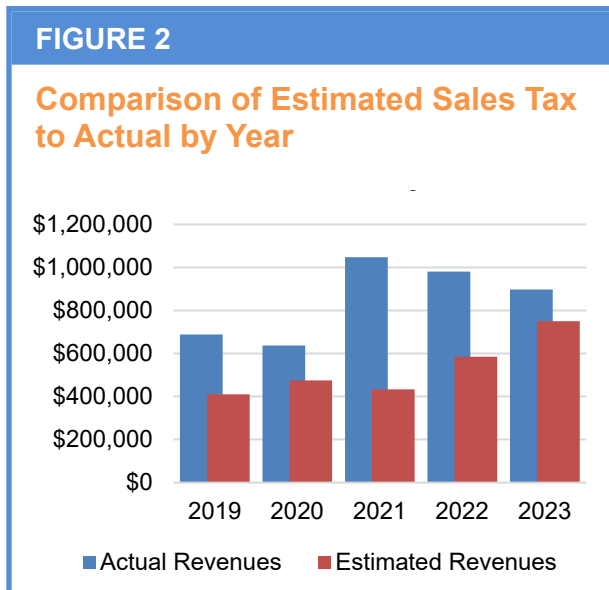
Fund balance represents the residual amount of funds carried over from prior fiscal years' operating surplus. A town may retain a reasonable portion of unrestricted and assigned unappropriated fund balance as a financial cushion for unforeseen circumstances. Fund balance can also be appropriated in a town's annual budget to help finance operations when necessary. A fund balance policy that addresses the appropriate level of fund balance to be maintained in each fund can provide a board with guidelines to use during the budget process.

The Board Did Not Develop Realistic Budgets

We compared the Town's estimated revenues and appropriations with actual operating results for the general and highway funds for fiscal years 2019 through 2023 and determined that the Board underestimated revenues in the general fund by \$4.1 million and overestimated appropriations in the general fund by \$1.5 million and highway fund by \$1.2 million. During that period, the general and highway funds, when combined, generated a total of \$6.4 million in operating surpluses. Furthermore, the Board did not adopt a fund balance policy and appropriated \$971,123 in fund balance that was not needed to fund operations, which contributed to an increase of \$3.9 million in fund balance.

Estimated Revenues – The Board consistently underestimated general fund revenues by an average of \$819,047 per year over the five-year period reviewed (Figure 1).

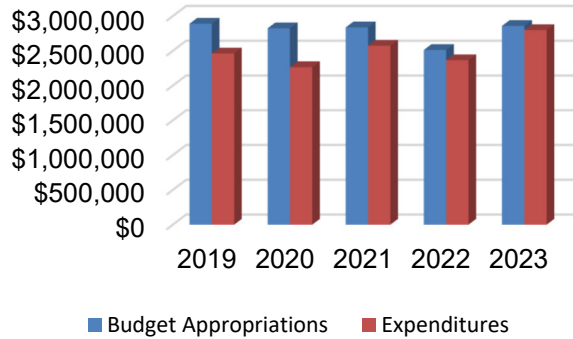
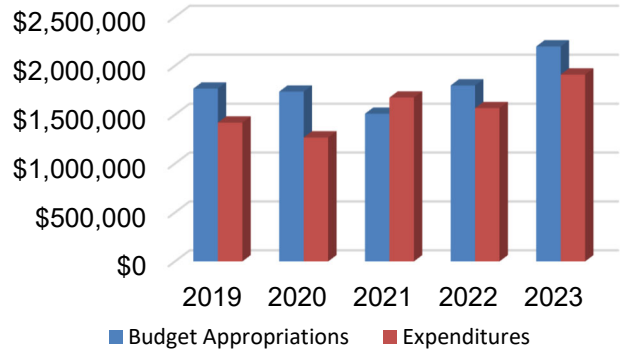




We reviewed the Town’s budget-to-actual reports and identified two examples of general fund revenue accounts that were significantly underestimated. Sales tax revenues exceeded estimates by a total of \$1.6 million (Figure 2) and mortgage tax revenues exceeded estimates by a total of \$612,639 (Figure 3) for a combined total of \$2.2 million over the five years reviewed.

While variances in estimated revenues occurred in the highway fund, we determined that the amounts were generally reasonable. Although the Supervisor knew that certain revenues had been underestimated in previous budgets, the Board continued to underestimate revenues following prior years’ budgeting practices. Utilizing historical trends could have helped the Board prepare more realistic revenue estimates and help ensure the tax levies were not greater than necessary to meet operational needs.

Budgeted Appropriations – From fiscal year 2019 through 2023, the Board overestimated appropriations in the general and highway funds by a total of \$1.5 million (Figure 4) and \$1.2 million (Figure 5), respectively.

FIGURE 4**Comparison of General Fund Budgeted Appropriations to Actual Expenditures****FIGURE 5****Comparison of Highway Fund Budgeted Appropriations to Actual Expenditures**

We reviewed the Town's budget-to-actual reports and identified general and highway fund expenditure accounts that accounted for the budget variances.

In the general fund, four expenditure accounts accounted for \$830,479 (57 percent) of the overestimated appropriations. Specifically, the Board overestimated:

- Engineering fees by a total of \$324,051 from 2020 through 2023,
- Attorney fees by a total of \$182,237 from 2019 through 2022,
- The contingency appropriation by \$182,000 from 2019 through 2023, and
- Judgement and claims by \$142,191 from 2019 through 2022.

In the highway fund, three expenditure accounts accounted for \$713,530 (61 percent) of the overestimated appropriations. Specifically, the Board overestimated:

- Medical insurance by \$336,781 from 2019 through 2023,
- Maintenance of roads (materials) by \$215,452 in 2019, 2020 and 2023, and
- Maintenance of roads (sealer) by \$161,297 from 2019 through 2023.

Although the Supervisor knew that certain appropriations had been overestimated in previous budgets, the Board continued to overestimate appropriations for these line items. The Board should base their estimates on known factors such as pending litigation or planned projects. In addition, the Town maintained operating surpluses every year and, therefore, there was no need to appropriate funds for contingency. Historical trends consistently demonstrated that actual expenditures in these line items have been less than appropriations. For that reason, the Board should adopt more accurate estimates of anticipated appropriations to help ensure that the real property tax levy is not greater than necessary.

Appropriated Fund Balance – The Board adopted budgets that included spending portions of the available surplus fund balance to finance the respective budgets. However, because the Board consistently underestimated revenues and overestimated appropriations in the general fund, the Town

realized operating surpluses totaling \$5.1 million in the general fund. As a result, although officials appropriated fund balance totaling \$439,870 to offset annual deficits, none of the appropriated fund balance was used or needed to finance operations over the five-year period (Figure 6).

Figure 6: General Fund Results of Operations and Appropriated Fund Balance

	2019	2020	2021	2022	2023	Total
Actual Revenues	\$3,398,272	\$3,074,766	\$4,125,387	\$3,783,106	\$3,220,277	\$17,601,808
Less: Actual Expenditures	2,461,052	2,264,650	2,573,189	2,365,334	2,797,880	12,462,105
Operating Surplus/(Deficit)	\$937,220	\$810,116	\$1,552,198	\$1,417,772	\$422,397	\$5,139,703
Appropriated Fund Balance	\$73,727	\$74,000	\$20,000	\$72,143	\$200,000	\$439,870
Amount of Appropriated Fund Balance Used	\$0	\$0	\$0	\$0	\$0	\$0
Total Amount of Appropriated Fund Balance Not Used	\$73,727	\$74,000	\$20,000	\$72,143	\$200,000	\$439,870

Except for 2021, the Board also overestimated appropriations in the highway fund resulting in operating surpluses totaling \$1.2 million. As a result, \$531,253 (88 percent) of the appropriated fund balance from 2019 through 2023 was not used to finance operations (Figure 7).

Figure 7: Highway Fund Results of Operations and Appropriated Fund Balance

	2019	2020	2021	2022	2023	Total
Actual Revenues	\$1,689,914	\$1,634,501	\$1,574,605	\$2,042,030	\$2,110,671	\$9,051,721
Less: Actual Expenditures	1,418,879	1,266,968	1,675,173	1,567,198	1,909,994	7,838,212
Operating Surplus/(Deficit)	\$271,035	\$367,533	(\$100,568)	\$474,832	\$200,677	\$1,213,509
Appropriated Fund Balance	\$152,433	\$148,820	\$72,142	\$0	\$230,000	\$603,395
Amount of Appropriated Fund Balance Used	\$0	\$0	\$72,142	N/A	\$0	\$72,142
Total Amount of Appropriated Fund Balance Not Used	\$152,433	\$148,820	\$0	N/A	\$230,000	\$531,253

Fund Balance – Because the Board underestimated revenues and overestimated appropriations, it appeared that the Town needed to use fund balance to close projected budget gaps. However, the Board’s unrealistic budget estimates created annual operating surpluses, resulting in the accumulation of significant fund balance. Although the Town’s tax levy has decreased by three percent, or \$535,964, from 2019 through 2023, the Board may have placed a higher tax burden on taxpayers than necessary to provide services. As a result, the Town’s general fund unrestricted fund balance and highway fund assigned unappropriated fund balance increased by \$2.7 million (148 percent) and \$1.2 million (106 percent), respectively (Figures 8 and 9).

FIGURE 8

**Effects of Budgeting Practices on Unrestricted General Fund Balance
(including the Percentage of the Ensuing Year's Budget)**

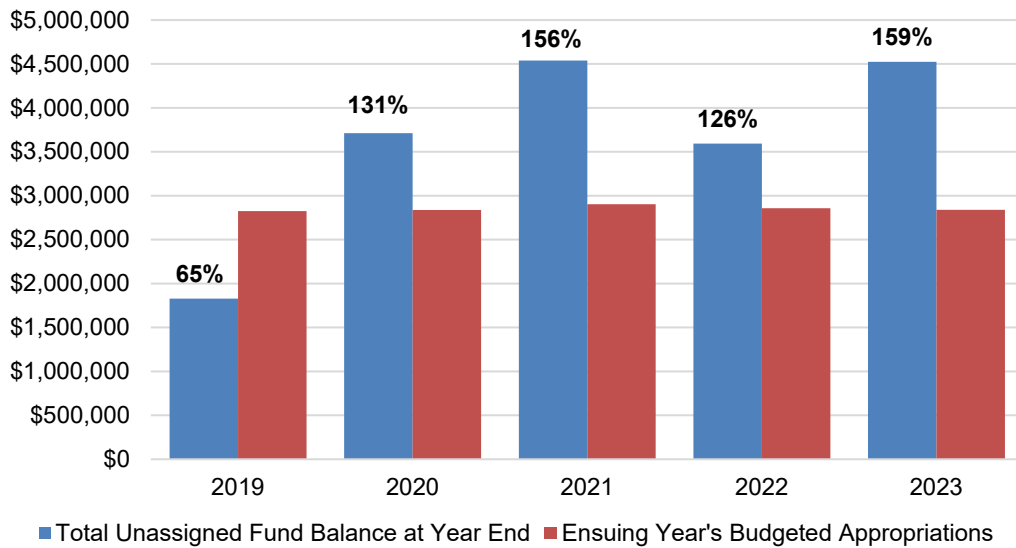
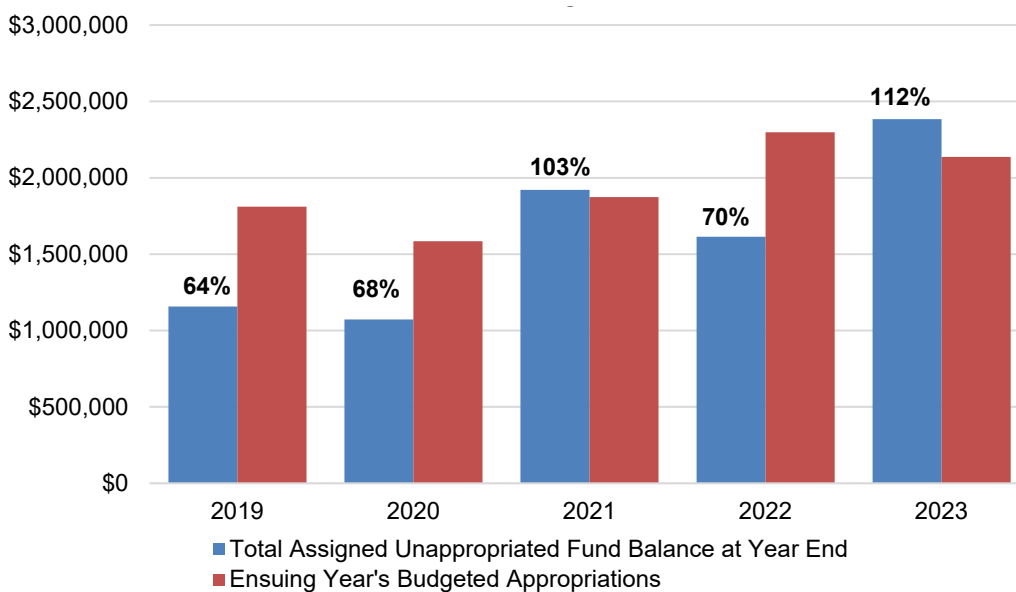


FIGURE 9

**Effects of Budgeting Practices on Assigned Unappropriated Highway
Fund Balance (including the Percentage of the Ensuing Year's Budget)**



The Supervisor told us that the Board continued the same budgeting practice from prior years but agreed that they can improve budget estimates by considering historical trends. In addition, because the Board did not adopt a fund balance policy, it lacked a plan on how the funds will be used and there was no rationale for maintaining this level of unrestricted fund balance.

Had the Board used the Town's current available data or historical trends to develop budget estimates and adopted a fund balance policy, officials would have had adequate guidance on what was considered a reasonable level of unrestricted fund balance. Furthermore, the Board may not have continued to overestimate revenues and underestimate appropriations and appropriate fund balance that was not needed and may have adopted more realistic budgets. As a result, the Board maintained real property taxes at a level higher than necessary for operations and missed opportunities to lower real property taxes.

How Should a Board Manage Reserve Funds?

Towns are legally allowed to set aside, or reserve, portions of fund balance to finance future costs for specific purposes. A board should develop a formal written reserve policy that includes the rationale for establishing reserves, optimal or targeted funding levels, and the conditions under which the reserves will be funded and used. A board should also periodically analyze the reasonableness of the balances in the reserves and take appropriate actions to ensure the reserves are maintained at reasonable levels. Combining a reasonable level of unrestricted fund balance with specific legally established reserves provides resources for both unanticipated events and other identified or planned needs to help ensure that tax levies are not greater than necessary.

To ensure transparency to the public, amounts to be placed in reserve funds should be included in the board's annual budget. When appropriations for transfers to reserve funds are not anticipated in the annual budget, a board resolution is generally necessary to authorize the transfer of unexpended balances or surplus money into a reserve fund. The resolution should include specific details about the amount to be transferred and the reserve fund to be credited. These resolutions help promote visibility of the board's actions to taxpayers.

The board should also create a multiyear financial plan to aid in long-term financial planning. Planning on a multiyear basis allows town officials to identify developing revenue and expenditure trends, set long-term priorities and goals and consider the impact of current budgeting decisions on future years. It also allows officials to assess the impact and merits of alternative approaches to address financial needs, such as the use of fund balance and reserve funds to finance operations.

The Board Did Not Properly Manage Reserve Funds

We reviewed the Town's six reserve funds totaling approximately \$2.7 million as of March 31, 2024 and determined that the Board did not properly manage any of their six reserve funds.

Although the compensated absence, highway equipment and highway repair reserves were reasonably funded, the Board did not maintain estimates to support the balances or have a plan to use the capital, infrastructure, and parks and recreation reserves. Furthermore, the Board did not:

-
- Use the infrastructure (\$709,639), parks and recreation (\$304,902), highway repair (\$79,996) and compensated absence (\$38,866) reserves totaling \$1.1 million during our audit period. Additionally, the Board funded the capital reserve with \$520,000 between 2019 and 2021 without an official plan for its use. Although the Board expended \$966,966 from the capital reserve in 2022, there was a balance of \$1.2 million as of March 31, 2024 and only potential plans for its use, which included projects like a highway garage and the relocation of Town hall.
 - Approve funding the highway repair reserve through the sale of equipment and scrap metal totaling \$53,424.
 - Maintain documentation supporting the establishment of the capital and compensated absence reserves. Therefore, we were unable to determine if they were properly established.

Because the Board did not develop a multi-year financial plan, capital plan or a comprehensive, written reserve plan that included funding sources and targeted balances to effectively manage reserves, the Board's ability to make informed decisions regarding the funding and use of the reserve funds is limited. Although it is prudent to plan and save for unforeseen circumstances, overfunding and/or not using reserves for their intended purpose results in real property taxes being higher than necessary because the funds are not being used to fund related expenditures.

Additional information on budgeting and reserve funds can be found in publications offered by the Office of the State Comptroller, including our Local Government Management Guides entitled *Understanding the Budget Process* and *Reserve Funds* (Appendix A).

What Do We Recommend?

The Board should:

1. Adopt budgets that contain realistic estimates based on current data and historical trends, and appropriate fund balance only when needed to fund operations.
2. Discontinue the practice of appropriating fund balance that is not needed or used to fund operations.
3. Develop and adopt a written fund balance and reserve policy, including guidance on how to properly fund and establish reserve funds.
4. Develop a plan to use excess fund balance to benefit Town taxpayers. Surplus funds can be used as a financing source for:
 - Funding one-time expenditures,
 - Funding needed reserves,
 - Paying off debt, and
 - Reducing property taxes.

-
5. Review all reserves and determine if the amounts reserved are necessary and reasonable. To the extent that they are not, transfers should be made to unrestricted fund balance, where allowed by law, or to other reserves established and maintained in compliance with statute.

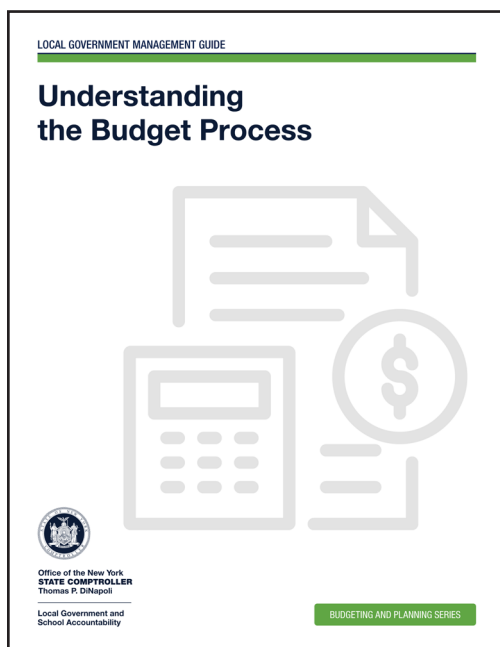
Appendix A: Budgeting and Reserve Fund Resources

FIGURE 10

OSC Publications

OSC Local Government Management Guides available on our website to help officials understand and perform their responsibilities.

Understanding the Budget Process



<https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf>

Reserve Funds



<https://www.osc.ny.gov/files/local-government/publications/pdf/reserve-funds.pdf>

Appendix B: Response From Town Officials



OFFICE OF THE SUPERVISOR

Town Hall
1554 Main Street
Pleasant Valley, NY 12569

Phone (845)635-1111 Ext. 100
Cell: 914-538-0838
Email pvs@pleasantvalley-ny.gov

[REDACTED]
Office of the State Comptroller
33 Airport Center Drive
New Windsor, NY 12553

April 23, 2025

RE: Town of Pleasant Valley – Audit Response Letter

[REDACTED]
The Town of Pleasant Valley respectfully submits it's response to the audit conducted by the Office of the State Comptroller for the period of 01/01/2019 – 03/31/2024.

1. Adopt a Budget that contains realistic estimates based on current data and historical trends, and an appropriate fund balance only when needed to fund operations.

In 2021, the board was informed by the then Accounting firm and Auditors of the significant fund balance being created by the overestimation of appropriation and the underestimation of revenues. The board started to work on better budgeting practices and reducing taxes. As per the comparison done by the State Comptroller's Audit, each year the board has been able to "tighten" the budget. It was very difficult to use historical information due to the COVID pandemic and the uncertainty at the time of revenue when everything closed down, the assumption was a reduction in sales and mortgage tax; however, the opposite happened, and both increased to extreme amounts that I don't believe anyone could have predicted. The expenses that had been budgeted were not incurred as programs were shut down, for example, Recreation programs for sports and summer camp.

Most recently, the board has closed the "gap" with better budgeting practices and has been working on using the fund balance for projects that better the community as a whole.

- Paving projects in 2024 for many roads that were in disrepair
- Update several parks that had fallen into disrepair
- Clear trees and debris
- New Playground Equipment
- Basketball courts installed
- New Bleachers
- Bathrooms
- Lighting updated for evening sport programs
- New Entrance & Exit, and creation of a new soccer field for the existing park
- New roof for the Pavilion and new picnic tables



OFFICE OF THE SUPERVISOR

Town Hall
1554 Main Street
Pleasant Valley, NY 12569

Phone (845)635-1111 Ext. 100
Cell: 914-538-0838
Email pvs@pleasantvalley-ny.gov

We are currently working on a building that was purchased many years ago to move the Town Hall building out of the flood zone. This building has been off the tax rolls for over 7 years, as the previous board could not get this project moving, and I am very proud to say that we plan on moving by the end of the year.

I would like to point out that we have been able to update the roads and parks using fund balance and reducing taxes at the same time.

2. Discontinue the practice of appropriating fund balance that is not needed or used to fund operations.

This practice has been stopped with the current board.

3. Develop and adopt a written fund balance and reserve policy, including guidance on how to properly fund and establish reserve funds.
 - Fund Balance Policy has been created and is currently being reviewed before board approval
 - The reserve policy is currently being worked on. Most of the reserves were set up many years ago, and we are researching the best way to have a public referendum to provide additional projects to better the residents of Pleasant Valley without a tax increase.
4. Develop a plan to use the excess fund balance to benefit town taxpayers. Surplus Funds can be used as a financing source.

Since meeting with the NYS Comptroller auditors and a previous meeting with accountants, we have been working on many projects in 2023, 2024, and now in 2025. These projects have been started or completed after the audit period of 01/01/2016 through March 31, 2024

5. Review all reserves and determine if the amounts reserved are necessary and reasonable. To the extent that they are not, transfers should be made to unrestricted fund balance, where allowed by law, or to the other reserves established and maintained in compliance with statute.

As previously stated, the town board is working on plans to use the reserves for additional projects for the betterment of all residents, without a tax increase.

The Town of Pleasant Valley would like to thank you with regard to your courtesy and professionalism exhibited during the audit.

Sincerely,

Mary E. Albrecht
Supervisor, Town of Pleasant Valley

Appendix C: Audit Methodology and Standards

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Town officials and reviewed Board meeting minutes to gain an understanding of the Town's budget development and monitoring process.
- We inquired with Town officials to determine whether the Town had a reserve fund policy, multiyear financial plan and capital plan.
- We compared the Town's general and highway fund budget estimates to actual operating results for fiscal years 2019 through 2023 to determine whether realistic budgets were adopted. We calculated variances for each budget line item to determine whether revenues and appropriations were overestimated or underestimated.
- We reviewed the Town's 2019 through 2023 budget-to-actual reports to identify the revenue and appropriation accounts that represented the majority of the budget variances and analyzed the variances of those line items (e.g., sales tax and mortgage tax) to identify trends.
- We compared the 2019 through 2023 CHIPS apportionment letter totals to the Town's budget estimates to determine whether CHIPS budgets estimates were based on the prior year's apportionment amounts.
- We reviewed the 2019 through 2024 adopted budgets to determine the amount of appropriated fund balance and ensuing years budget appropriation amounts for the general and highway funds.
- We calculated the results of operations for 2019 through 2023 to determine whether there was an operating surplus or operating deficit. We compared the operating surpluses or deficits to the amount of appropriated fund balance in the adopted budgets to determine whether the Town used the appropriated fund balance.
- We calculated surplus fund balance as a percentage of the next year's budgeted appropriations for 2019 through 2024.
- We reviewed the Town's reserve balances to assess whether they were properly established, used and reasonably funded based on historical expenditures and anticipated uses.

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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable,

information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

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 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 Town Clerk's office.

Appendix D: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/files/local-government/publications/pdf/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236
Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov
<https://www.osc.ny.gov/local-government>
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