



# Village of Churchville

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## Financial Management

2025M-128 | February 2026

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# Audit Results

## Village of Churchville



### Audit Objective

### Audit Period

Did the Village of Churchville (Village) Board of Trustees (Board) effectively manage fund balance?

March 1, 2022 – October 30, 2025

### Understanding the Audit Area

A key measure of a village's financial condition is its level of fund balance, which represents the difference between revenues and expenditures accumulated over time. Fund balance should be effectively managed to ensure financial stability, maintain essential services and be transparent with residents and taxpayers. Effective management helps protect a village from unforeseen financial risks, helps maintain a favorable credit rating, and enables long-term financial planning. Maintaining a reasonable amount of unrestricted fund balance within operating funds is an important financial consideration for village officials, because it is available for appropriation to reduce taxes, fund one-time expenditures and other uses.

As of February 28, 2025, the Village's unrestricted fund balance totaled \$866,628 in the general fund and \$53,289 in the sewer fund and the Village's reserves totaled \$912,440 in the general fund and \$397,827 in the sewer fund.

## Audit Summary

The Board did not effectively manage fund balance in accordance with its fund balance policy. This resulted in the general fund's unrestricted fund balance exceeding the 30 percent maximum limit for the past three fiscal years. For example, when adding back unused appropriated fund balance in the general fund, the Village exceeded the 30 percent maximum limit by 14 percentage points in the 2025-26 fiscal year budget.

In addition, for the sewer fund's 2025-26 fiscal budget, the Village fell below the 20 percent minimum limit by 13 percentage points. In addition, the Board did not treat taxpayers and sewer customers equitably. The Board inappropriately allocated Board member and Village Attorney (Attorney) salaries and benefits totaling \$117,709 to the sewer fund instead of the general fund in the 2022-23 through 2024-25 fiscal years. As a result, there is an inaccurate depiction of the actual financial condition of the general and sewer funds.

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The Board also did not adopt or develop comprehensive, written, multiyear financial or capital plans, or a written reserve policy, or receive and review budget status reports, which could have assisted in developing and adopting more accurate budgets and planning for the Village's financial future. In addition, the Board's resolutions did not always provide targeted funding levels or address how or when reserves would be funded, used or replenished.

The report includes eight recommendations that, if implemented, will improve the Village's financial management. Village officials generally agreed with our recommendations, and their response is included in Appendix B. Appendix C includes our comment on issues raised in the Village's response letter.

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the Office of the New York State Comptroller's (OSC) authority as set forth in Article 3 of the New York State General Municipal Law (GML). Our methodology and standards are included in Appendix D.

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 GML. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Clerk-Treasurer's office.

# Financial Management: Findings and Recommendations

A village board is responsible for effectively managing the village's fund balance including maintaining reasonable levels of fund balance, adopting an adequate written fund balance policy, developing and adopting reasonably estimated and structurally balanced budgets, and developing and adopting comprehensive, written multiyear financial and capital plans that assist the village board in assessing long-term needs and financial management strategies, and monitoring the budget throughout the year. A realistic budget begins with sound estimates and well-supported budgetary assumptions based on historical data or known trends. A village board may establish reserves to restrict a reasonable portion of fund balance for a specific purpose, in compliance with statutory directives.

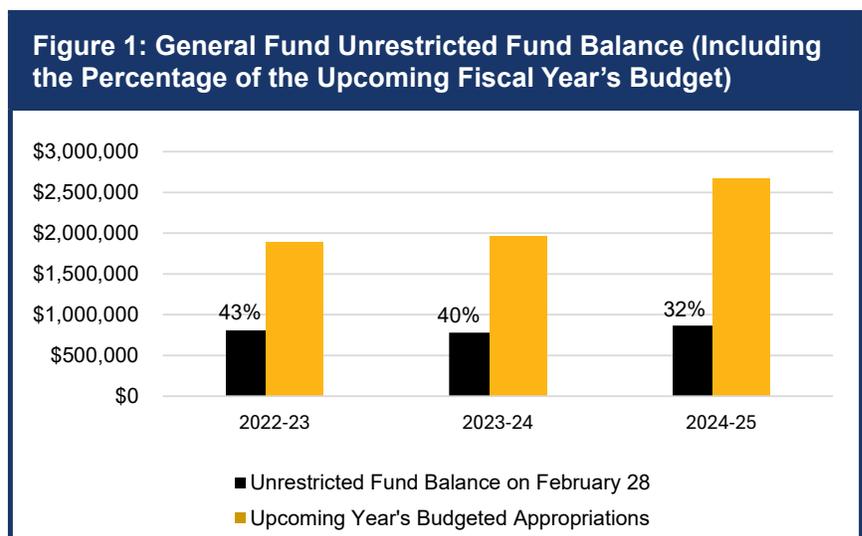
Combining a reasonable level of unrestricted fund balance with specific legally established reserve funds provides resources for both unanticipated events and other identified or planned needs, such as future infrastructure and equipment needs. Additionally, to effectively manage fund balance village officials must ensure that revenues and expenditures are allocated to the correct operating funds.

More details on the criteria used in this report, as well as resources/publications we make available to officials that can help officials improve operations (Figure 4), are included in Appendix A.

The Village has two major governmental operating funds with the following appropriations for the 2025-26 fiscal year: general fund - \$2.7 million and sewer fund - \$739,421. The general fund is funded primarily by real property taxes, sales tax, State and federal aid, rental and interest earnings and departmental fees. The sewer fund is funded primarily by sewer rents and interest earnings. The Village also has an enterprise electric utility (electric) fund with budgeted expenses of \$2.2 million. The electric fund is funded primarily by the sale of electricity.

## Finding 1 – The Board did not effectively manage fund balance.

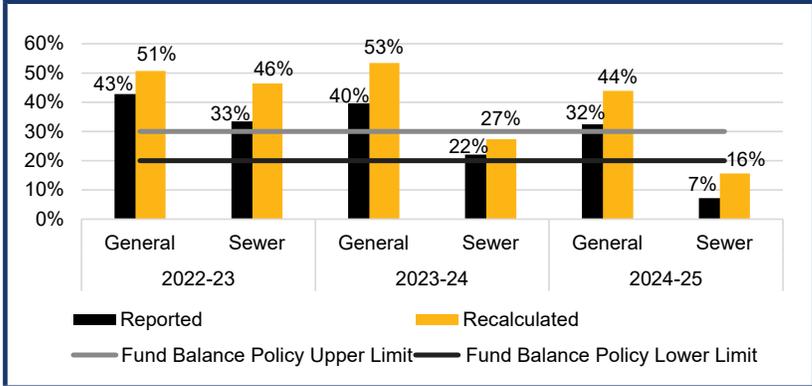
Over the last three fiscal years, the Village's unrestricted fund balance in the general fund, the portion of fund balance available for appropriation to reduce real property taxes and for other uses, exceeded the reasonable amount established in the Board-adopted fund balance policy (Policy). While the Policy limited unrestricted fund balance to between 20 to 30 percent of budgeted appropriations, unrestricted fund balance ranged between 32 and 43 percent of the upcoming fiscal year's budgeted appropriations (Figure 1).



Unrestricted fund balance in the sewer fund did not fall within the Policy's range in two of the three fiscal years, exceeding the upper limit in 2022-23 (33 percent) and falling below the lower limit in 2024-25 (7 percent). The sewer fund balance declined by \$125,287 over the three fiscal years, largely due to an annual \$176,050 County payment, with the final payment due in the 2026-27 fiscal year. Without these annual payments, the Village would have incurred operating surpluses in each of the three fiscal years, increasing the unrestricted fund balance.

When adding back unused appropriated fund balance, unrestricted fund balance as a percentage of the 2025-26 fiscal year budget increased to 44 percent in the general fund and 16 percent in the sewer fund as of February 28, 2025 (Figure 2).

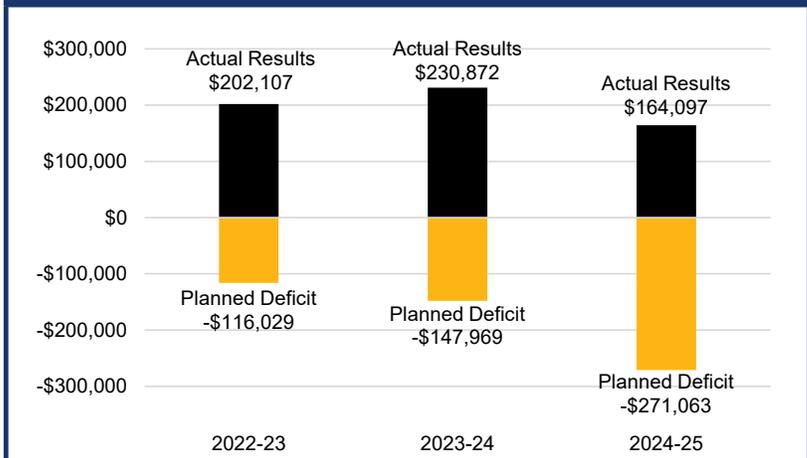
**Figure 2: Reported vs. Recalculated Unrestricted Fund Balance as a Percentage of the Upcoming Fiscal Year's Budget**



Maintaining unrestricted fund balance levels outside the Policy limits occurred, in part, because the Board did not:

- Adopt, comprehensive, written, multiyear financial or capital plans to project the Village's operating and capital needs in future years. One Board member told us that developing comprehensive multiyear plans was not a high priority for the Board. However, adopting multiyear plans is essential to effectively manage fund balance, because it helps the Board to assess long-term needs and alternative approaches to managing fund balance.
- Adopt realistic budgets based on historical trends. Over the past three fiscal years, the Board appropriated fund balance totaling \$535,061 in the general fund and \$275,293 in the sewer fund, which should have resulted in planned operating deficits each year. However, the Village instead incurred operating surpluses totaling \$597,076, resulting in using none of the general fund appropriated fund balance (Figure 3). In addition, the

**Figure 3: General Fund Planned Operating Deficits vs. Actual Operating Results**



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sewer fund operating deficits were less than planned, resulting in \$150,006 (54 percent) of the appropriated fund balance going unused. This occurred because the Board underestimated revenues in the general fund by 12 percent and overestimated appropriations in the general fund by 8 percent and in the sewer fund by 7 percent. This made it appear as though the Board needed to appropriate fund balance to finance operations. The Board's consistent practice of appropriating fund balance that is not needed to finance operations is not transparent.

In addition, the Board improperly budgeted and the Clerk-Treasurer allocated \$117,709 (33 percent) of the Board members' and Attorney's total salaries and benefits from the 2022-23 through 2024-25 fiscal years to the sewer fund instead of the general fund.

- Review budget status reports to monitor the budget and fund balance throughout the year. The three Board members we spoke to could not provide a reason why the Board did not require the Clerk-Treasurer to provide budget status reports prior to the commencement of our audit in May 2025, after we brought to the Clerk-Treasurer's attention that the Board should regularly review budget status reports.

The Board continued the practice of overestimating appropriations, underestimating revenues and budgeting for Board member and Attorney salaries and benefits in the sewer fund in the 2025-26 fiscal year budget and budgeted an additional \$30,000 from the sewer fund to pay for a portion of a roof replacement for the Village hall. Allocating revenues and expenditures to the correct operating fund helps ensure that all taxpayers and sewer customers are treated equitably, have the benefit of all resources due to them and pay only the real property taxes, rents and charges required of them. Because these expenditures were improperly budgeted and allocated, taxpayers and sewer customers were not treated equitably and there was an inaccurate depiction of the actual financial condition of the general and sewer funds. Furthermore, the Board's continued unrealistic 2025-26 fiscal year budgeted appropriations made it appear that the Village had less unrestricted fund balance as a percentage of the upcoming fiscal year's budget.

Without realistic budgets, comprehensive, written, multiyear financial and capital plans and adequate interim budget-to-actual reports submitted in a timely manner, it is difficult for the Board to properly manage the Village's fund balance to help ensure taxpayer equity, that real property taxes are not more than necessary and future sewer needs are financed without significantly overburdening customers. However, overly conservative budgets result in higher than necessary real property taxes. The Board increased real property taxes in the general fund by 4 percent over the three fiscal years.

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## Recommendations

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The Board should:

1. Develop a plan to reduce the amounts of unrestricted fund balance in the general fund in a manner that benefits Village taxpayers. Surplus unrestricted fund balance can be used as a financing source for:
  - Funding one-time expenditures (e.g., capital improvements),
  - Funding needed reserves, and
  - Reducing real property taxes.
2. Develop, adopt, and periodically update comprehensive, written, multiyear financial and capital plans that sets the goals and objectives for long-term operating and capital needs.
3. Develop and adopt budgets that include reasonable estimates based on current data and historical trends.
4. Obtain periodic budget status reports and use them to monitor the budget and fund balance.
5. Properly budget for allocating Board and Attorney salaries and benefits and other expenditures in the correct fund.

The Clerk-Treasurer should:

6. Continue to provide the Board with periodic budget status reports as she began doing in May 2025.

## Finding 2 – The Board did not fund reserves in a transparent manner.

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As of February 28, 2025, the Village reported six capital reserves in the general fund totaling \$912,440 and one capital reserve in the sewer fund totaling \$397,827.

Although the reserve funds generally had establishing resolutions, the resolutions did not always provide targeted funding levels or address how or when reserves would be funded, used or replenished.<sup>1</sup> The Board's budgeting practices allowed it to allocate the Village's annual operating surpluses to various reserve funds, to save more than \$1.3 million in taxpayer dollars for future use. While funding capital reserves is a prudent method to accumulate money for future planned capital

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<sup>1</sup> One disbursement from the reserves occurred during the audit period, and it was used properly.

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projects or purchases at a decreased borrowing cost, the Board should budget for the routine funding of these reserves, which is more transparent.

Finally, the Board did not adopt a written reserve policy that communicates its plans for funding and using established reserves. Because the Board did not adopt comprehensive, written financial and capital plans or a reserve policy, we could not determine whether general and sewer fund capital reserves totaling approximately \$1.3 million were reasonably funded. Furthermore, the Board's funding of reserves was not transparent.

## Recommendations

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The Board should:

7. Plan for future needs by establishing a written reserve policy and reasonably funding properly established reserves.
8. Budget for funding reserves.

# Appendix A: Profile, Criteria and Resources

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## Profile

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The Village is located in the Town of Riga in Monroe County (County).

The elected five-member Board, composed of the Mayor and four trustees, is responsible for the general management and control of the Village's financial affairs, which includes adopting the annual budget and establishing financial policies. The Clerk-Treasurer is responsible for the Village's day-to-day financial activities.

The Village's population is 2,091 with 1,200 sewer customers. In 2003, the Village contracted with the County for wastewater treatment; this required making infrastructure capital improvements to tie into the County's system. To cover the cost of these improvements, the Village makes annual payments to the County, with the final payment due in the 2026-27 fiscal year.

The Clerk-Treasurer is the chief fiscal officer and the Mayor is the budget officer.

## Criteria – Financial Management

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A village board is responsible for effectively managing the village's fund balance including maintaining reasonable levels of fund balance, adopting an adequate written fund balance policy, developing and adopting reasonably estimated and structurally balanced budgets, and developing and adopting comprehensive, written multiyear financial and capital plans that assist the village board in assessing long-term needs and financial management strategies, and monitoring the budget throughout the year. A realistic budget begins with sound estimates and well-supported budgetary assumptions based on historical data or known trends. A village board may establish reserves to restrict a reasonable portion of fund balance for a specific purpose, in compliance with statutory directives.

A village board should adopt a policy establishing a reasonable amount of unrestricted fund balance to maintain in each fund from year to year. A village board should adopt comprehensive, written, multiyear financial and capital plans that assess long-term needs and alternative approaches to financial operations. A multiyear financial plan projects revenues and expenditures for several years in the future to illustrate what will happen to a village's ability to pay for and provide services, while a written capital plan should have a clear mission to maintain and improve a village's capital assets over time.

Combining a reasonable level of unrestricted fund balance with specific legally established reserve funds provides resources for both unanticipated events and other identified or planned needs, such as future infrastructure and equipment needs. Additionally, to effectively manage fund balance village officials must ensure that revenues and expenditures are allocated to the correct operating funds.

A village board that is planning to establish and finance reserve funds on a regular basis should develop a written reserve plan that communicates to residents and taxpayers why the money is set aside, a village board's financial objectives for the reserves, optimal funding levels and conditions for

using the assets. A village board should also periodically assess the reasonableness and sufficiency of accumulated reserve amounts.

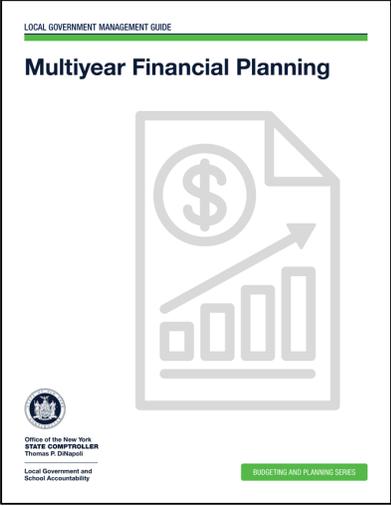
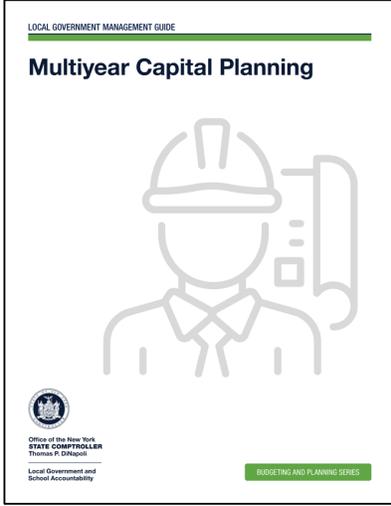
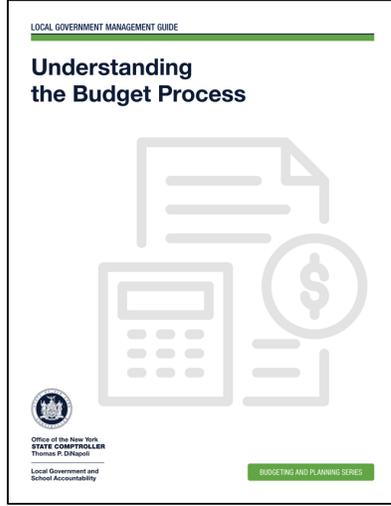
A village board should use these policies and plans as guidelines to develop and adopt reasonably estimated and structurally balanced budgets based on historical trends and other known factors, in which recurring revenues finance recurring expenditures. In addition, a village board should include a provision in the budget for funding reserves. A village board should also ensure the budget allocates revenues and expenditures to the correct operating fund. Accurate budget estimates help ensure the real property tax levy is sufficient to meet needs and is not greater than necessary.

The Board adopted a Policy establishing a reasonable amount of unrestricted fund balance to maintain in each fund from year to year of between 20 to 30 percent of budgeted appropriations.

## Additional Financial Management Resources

**Figure 4: OSC Publications**

OSC *Local Government Management Guides* and other informational resources are available on our website to help officials understand and perform their responsibilities and implement effective internal controls.

<b>Multiyear Financial Planning</b>	<b>Multiyear Capital Planning</b>	<b>Understanding the Budget Process</b>
		
<p><a href="https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf">https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf</a></p>	<p><a href="https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-capital-planning.pdf">https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-capital-planning.pdf</a></p>	<p><a href="https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf">https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf</a></p>

In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

# Appendix B: Response From Village Officials



## Village of Churchville

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January 29, 2026

Stephanie Howes, Chief of Municipal Audits  
Office of State Comptroller  
The Powers Building  
16 West Main St., Suite 522  
Rochester, NY 14614-1608

Re: Village of Churchville Audit Report  
Financial Management 2025M-128

Dear Ms. Howes:

On January 5, 2026, the Village of Churchville office received the Office of the State Comptroller Financial Management Report of Examination, covering the period beginning March 1, 2022, and ending October 30, 2025. Village officials, including the Mayor, Board of Trustees, and the Clerk/Treasurer, have carefully reviewed the report and recommendations. This letter will serve as the Village of Churchville's response to the audit.

The Board of Trustees welcomes the Office of the State Comptroller's audit and appreciates the opportunity to strengthen the Village's fiscal policies and procedures. The Board values the OSC's role in promoting accountability and transparency and thanks the auditors for their thorough review and constructive recommendations.

Historically, the Village of Churchville has not experienced chronic or significant financial difficulties, and as a result, certain practices established by prior boards were continued. The Board notes that the previous OSC audits were conducted before any current Board members were elected and before the appointment of the current Clerk/Treasurer. Nonetheless, the Board appreciates the identification of areas where policies and procedures can be improved and is committed to implementing appropriate corrective actions.

In developing annual budgets, the Board has consistently sought to balance fiscal responsibility with taxpayer stability. Specifically, the Board has:

- Attempted to limit fluctuations in the tax rate;
- Used conservative revenue and expenditure estimates to minimize fiscal risk;
- Funded reserves for anticipated expenditures based primarily on input from department heads; and
- Maintained flexibility in fund balance to address emergencies and unforeseen expenditures.

Over the past ten years, the Village tax rate has decreased by almost 46 percent, while the tax levy has increased by about 21 percent during the same period. During the three fiscal years reviewed in the audit, the tax levy increased at a rate below inflation, and the Board has never had the need to override & exceed the New York State property tax cap. The Board retains a professional budget consultant with specialized expertise in municipal budgeting and relies on this guidance in preparing the Village's budgets.

Stacy L. Stanton  
Clerk/Treasurer  
John B. Fitzsimmons  
Village Attorney

John T. Hartman  
Mayor

Diane F. Pusateri  
Deputy Mayor

Michael H. Brown  
Trustee

Scott A. Cullen  
Trustee

Julie L. Michalko  
Trustee

Mike J. Robinson  
DPW Superintendent

John A. Mancuso  
ZAP Board Attorney

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**Finding 1: The Board Did Not Effectively Manage Fund Balance**

The Board acknowledges that unappropriated fund balance in the General Fund exceeded the limits established in the Village's Fund Balance Policy for several years. The Board has acted in good faith to increase the use of fund balance in recent budgets to move toward compliance with the policy and recognizes the need for clearer alignment between policy and practice.

The Board also acknowledges that the Sewer Fund balance fell below the level established in the Fund Balance Policy. Because the final payment of sewer intercept debt will be made in April 2026, the Board determined that the temporary reduction in fund balance was reasonable to avoid increasing sewer rents in 2025–2026. With this debt soon to be retired, it is expected this fund balance will be replenished and returned to compliance with the Fund Balance Policy.

The Board respectfully disagrees with the characterization that it was not transparent in its budgeting practices. All budget workshops and meetings are publicly noticed and conducted in compliance with the Open Meetings Law, and meeting minutes are published and readily available to the public. While the Board acknowledges that past practices may not have reflected best practices, there was no intent to mislead or deceive taxpayers.

In response to the audit recommendations, the Board will review and update the Fund Balance Policy to ensure that target fund balance levels are reasonable, clearly defined, and appropriate for the Village's operational and capital needs. The Board will also take steps to formally allocate unappropriated fund balance to bring the General Fund into compliance with the revised policy. Additionally, the Board agrees that the development of a comprehensive five-year capital plan would be beneficial and will initiate efforts to create such a plan.

With respect to the allocation of Board and attorney salaries, upon being advised by OSC auditors that these costs were improperly allocated among the General, Sewer, and Electric Funds, the Clerk/Treasurer implemented the corrected allocation in the 2026–2027 budget. The Board appreciates the auditors bringing this matter to the Village's attention during the audit process, which allowed for prompt corrective action. Further, in response to auditor recommendations, the Clerk/Treasurer has begun providing the Board with monthly budget-to-actual reports for ongoing review and oversight.

**Finding 2: The Board Did Not Fund Reserves in a Transparent Manner**

The Board disagrees with the finding that reserves were funded in a non-transparent manner. The Board has consistently acted openly and in good faith to ensure that reserve funds are adequately funded to meet future obligations. However, the Board agrees that formal, written reserve policies will improve clarity, consistency, and transparency.

Accordingly, the Board will review each existing reserve and develop written policies addressing the purpose, funding methodology, and appropriate use of each reserve.

The Board appreciates the OSC's recommendations and views this audit as a constructive tool to further enhance the Village's financial management practices. The Board remains committed to transparency, fiscal prudence, and continuous improvement in the stewardship of public resources.

Respectfully submitted, /

John Hartman  
Mayor

See  
Note 1  
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See  
Note 1  
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# Appendix C: OSC Comment on the Village's Response

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## Note 1

The Board was not transparent in its budgeting practices, because it consistently appropriated fund balance that it did not need to fund operations and did not budget for the routine funding of reserves.

# Appendix D: Audit Methodology and Standards

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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 Village officials and employees and reviewed Board meeting minutes and the Village's Policy to gain an understanding of the Village's financial management processes, including budget preparation and monitoring, fund balance maintenance and multiyear capital and financial planning.
- We analyzed general and sewer funds' unrestricted fund balance for the 2022-23 through 2024-25 fiscal years and calculated unrestricted fund balance as a percentage of the upcoming fiscal year's budget to determine whether unrestricted fund balance was within the reasonable limit established in the Policy.
- We recalculated unrestricted fund balance by adding the unused appropriated fund balance from the 2022-23 through 2024-25 fiscal years and compared the amount as a percentage of the upcoming fiscal year's appropriations.
- For the 2022-23 through 2024-25 fiscal years, we compared budget estimates to actual results to determine whether budgets were reasonable. We also reviewed the 2025-26 fiscal year adopted budgets to determine whether trends in the Village's budgeting practices continued.
- We reviewed the 2022-23 through 2024-25 fiscal years' reserve activity to determine whether reserves were properly used, and whether balances as of February 28, 2025 were reasonable or sufficient based on historical use or planned future needs.
- We reviewed general and sewer fund revenues and expenditures to determine whether they were recorded in the correct fund. For identified expenditures (Board and Attorney salaries and benefits) improperly allocated, we calculated the amount improperly allocated to the sewer fund in the 2022-23 through 2024-25 fiscal years.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

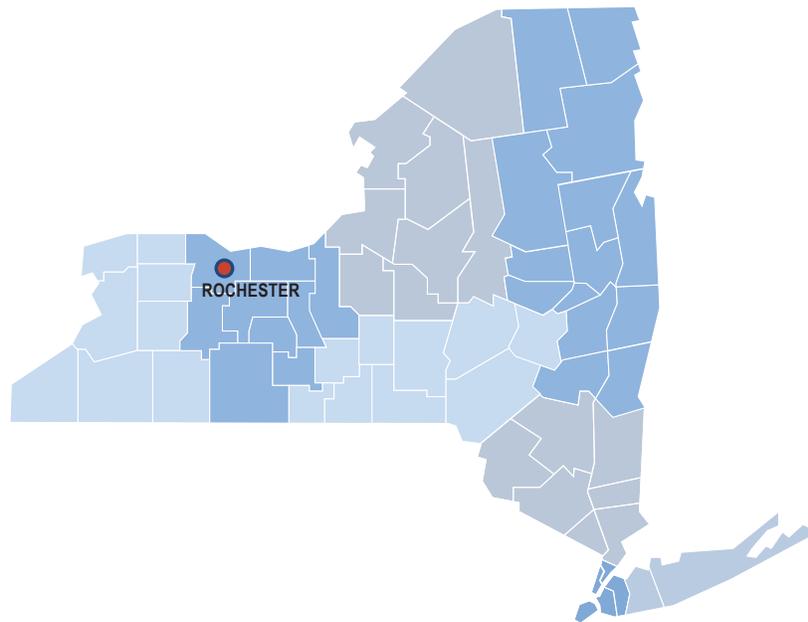
## Contact

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