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November 20, 2026

Mayor Kate Wdowiasz
Members of the City Council
City of Dunkirk
342 Central Avenue
Dunkirk, NY 14048

Report Number: B26-1-10

Dear Mayor Wdowiasz and Members of the City Council:

Pursuant to Chapter 56 of the Laws of 2024, Part DD (The City of Dunkirk Fiscal Recovery Act; "Deficit Financing Act") and Chapter 183 of the Laws of 2025 (City of Dunkirk Revenue Anticipation Note Refinancing Act: "RAN Refinancing Act"), the City's Fiscal Affairs Officer is required to submit the proposed budget for the next succeeding fiscal year to the Office of the New York State Comptroller (State Comptroller) each year that the Acts are in effect.

The proposed budget must be submitted no later than 30 days before the date scheduled for the City Council'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 proposed budget and make recommendations, as deemed appropriate. Recommendations, if any, are made after the examination into the City's estimates of revenues and expenditures.

No later than five days before adopting the budget, the City Council must review all recommendations made by the State Comptroller and adjust its proposed budget consistent with the recommendations contained in this report.

Our office completed an independent evaluation of the City's 2027 fiscal year proposed budget that the Fiscal Affairs Officer provided to our office on October 16, 2026. Our review addressed the following questions:

- Are the significant revenue and expenditure projections in the City's proposed budget reasonable?
- Did the City take appropriate action to implement or resolve recommendations in the budget review report issued in November 2025?

Based on the results of our review, we determined that certain significant revenue and expenditure projections in the proposed budget were unreasonable. In addition, we determined that, of the 10 recommendations in our November 2025 budget review letter, the City fully implemented only three recommendations (see Appendix A). We also identified additional findings, as outlined in this budget review letter, that City officials should review and address, in accordance with the requirements of the Deficit Financing Act and RAN Refinancing Act.

Our observations and recommendations were influenced, to a great extent, by the quality and quantity of the materials that officials submitted to us, their willingness and interest to meet with us and provide us with information in a timely manner, and by the limited amount of time between budget submission and adoption. Our review was significantly limited by the City's

incomplete, inaccurate and unreliable financial information and by the responsiveness and willingness of certain Council members and City officials to meet with our auditors. For example, we contacted all five Council members, but only the Councilman at Large and two other Council members met with us.

Due to the City's incomplete and inaccurate accounting and financial records and limited cooperation from certain City officials, we could not complete certain review procedures or adequately assess the reasonableness of significant 2026 revenue and expenditure projections and certain estimates in the proposed 2027 budget. In particular, we could not effectively analyze revenue and expenditure trends, and verify the assumptions supporting budget estimates, due to the City's unreliable accounting and financial information. These deficiencies also limit City officials' ability to effectively monitor expenditures, manage cash flow, assess the City's financial condition and make informed budgetary decisions, including determining an appropriate real property tax levy to meet the City's financial needs. 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.

To accomplish our objective in this review, we:

- Requested your proposed budget, salary schedules, debt payment schedules and other pertinent information.
- Identified and examined significant estimated revenues and expenditures for reasonableness with an emphasis on significant and/or unrealistic increases or decreases.
- 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 in question and to assess whether the estimates were realistic and reasonable.
- Inquired and checked whether officials implemented or resolved written recommendations from the previous year's budget review and, therefore, incorporated them in the current year's budget.
- Reviewed the allocation of certain costs among different funds to determine whether the allocations were reasonable and appropriate. Although each of these appropriations may not be significant, officials must properly allocate the amounts to the proper funds to ensure that the revenues in each fund are sufficient to fund actual recurring expenditures.

The City's most recent available audited financial statements, which were completed by an independent accountant, were for the 2024 fiscal year and were finalized in October 2025. The independent external auditors' findings reported in the 2022, 2023 and 2024 financial statements further support that the City's accounting records are unreliable or outdated. The independent external auditors also acknowledged the rapid deterioration of the City's finances and reported that officials did not effectively monitor the City's cash position or results of operations. Inaccurate and incomplete records make it incredibly difficult for officials to properly manage financial operations and develop realistic budgets.

Furthermore, because the City has significant internal control weaknesses that affect the reliability of its accounting records and financial reports (and that City officials have not addressed, in some cases, since at least 2022), the City has an increased risk that its records and reports may contain material errors and omissions that remain undetected. Although our office has told the Mayor, former Treasurer, Fiscal Affairs Officer and members of the City Council on multiple occasions, including during the previous two budget reviews, that the City's financial records were incomplete and inaccurate, they have not taken sufficient action to address these deficiencies and continued to make key financial decisions, including developing this budget, without adequate or reliable information.

City officials are currently transitioning to using new accounting software and indicated that they are confident that the new software will help make the City's accounting records and reports accurate and complete. While new accounting software may help officials to maintain more accurate accounting records and improve financial reporting, new software alone will not resolve incorrect accounting practices, the City's control environment, or the systemic control weaknesses that are still present in key accounting functions and processes. For example, the Clerk-Treasurer's Office does not properly account for billable revenues, maintain accurate accounts receivable balances or reconcile billed revenues with collections and deposits. City officials must adopt clear written procedures that provide guidance to individuals in these roles and establish an effective system of internal controls.

Generally, the budget process starts with establishing a budget calendar. The budget calendar promotes transparency and provides all interested parties, including the public, with a schedule of when information will be available, when public hearings will be held and the date on which the Council intends to adopt the budget. Additionally, a budget calendar helps to ensure that all City officials and department heads have sufficient time to develop reasonable estimates and budget requests.

The Councilman at Large submitted a proposed budget calendar that included the proposed budget submission date, dates for public hearings and City Council meetings and the final date on which City Council must adopt the budget. However, City officials and the City Council did not adhere to the proposed budget calendar. For example, the proposed budget calendar indicated that the Mayor was to submit the proposed budget on or before September 25, 2026. However, the Fiscal Affairs Officer submitted the Mayor's proposed budget on October 16, which was 21 days after the submission date in the proposed budget calendar and two days beyond the required submission date, as indicated in the City Charter.

In addition, on October 14, 2026 we requested the date that the City Council intended to adopt the budget. However, the Councilman at Large did not advise us of the City Council's planned adoption date until November 6, 2026, which was three weeks after we began the budget review. The budget calendar is essential for communicating critical dates to officials and the New York State Office of the State Comptroller (OSC) because the timing of our review and the amount of time that we have to perform the review is affected by the date on which the Mayor submits the proposed budget to OSC and the date on which the City Council plans to adopt the budget.

Not establishing and adhering to a budget calendar that defines critical dates in the budget process could lead to department heads missing deadlines to develop and submit estimates for the proposed budget to the Mayor and to the City Council not having sufficient time to thoroughly review the proposed budget.

The proposed budget package submitted for review for the City's 2027 fiscal year consisted of the following:

- 2027 Proposed Budget
- Supplementary Information

The proposed budget submitted to our Office is summarized in Figure 1.

Figure 1: 2027 Proposed Budget

Fund	Appropriations and Provisions for Other Uses	Estimated Revenue	Appropriated Fund Balance	Real Property Taxes
General	$22,813,913	$11,718,304	$0	$11,095,609
Water	4,966,550	4,966,550	0	0
Wastewater	4,589,912	4,589,912	0	0
Totals	**$32,370,375**	**$21,274,766**	**$0**	**$11,095,609**

The Mayor, City Council, Comptroller, Clerk-Treasurer and Fiscal Affairs Officer are all responsible for managing and maintaining the City's fiscal health. To maintain the City's fiscal stability, City officials must develop and adopt realistic and structurally balanced budgets that provide sufficient recurring revenues to finance recurring expenditures.

Based on our review, we make the following observations and recommendations. The Council must review the recommendations and take appropriate action, as necessary, in accordance with the requirements in the Deficit Financing Act and the RAN Refinancing Act.

Fund Balance

Fund balance represents the cumulative residual resources from previous fiscal years' operations and may be appropriated in the annual budget to help finance operations and reduce the tax levy.

While fund balance can be appropriated in the budget, there must be sufficient fund balance available to do so. Consistently appropriating fund balance – instead of identifying and using recurring revenue sources – can deplete fund balance to levels that are insufficient to cover unexpected contingencies and routine cash flow, as is the City's current situation.

The City's most recently completed audited financial statements reported a deficit balance totaling $15,321,202 (Figure2).

Figure 2: Unassigned Fund Balance as of December 31, 2024

Fund	Fund Balance
General	-$11,600,000
Water	-$2,500,000
Wastewater	-$1,100,000
Refuse	-$109,232
Boardwalk	-$11,970
Total	**-$15,321,202**

In other words, the City's liabilities exceeded assets in each of these funds. The City's 2025 audited financial statements were not completed at the time of our review, and City officials did not have an estimate for when they will receive them.

Without the 2025 audited financial statements, and due to the City's incomplete and inaccurate accounting records, we could not project the City's 2026 operating results and ending fund balances. The Mayor told us that all funds will "break even" for 2026. However, the City Comptroller and Fiscal Affairs Officer said that the general fund will "break even," and the water fund and wastewater fund will likely experience operating deficits.

In addition to the City's regular monthly operating expenditures, the City is responsible for paying its New York State Local Retirement System (NYSLRS) bill, totaling nearly $3 million, in February 2027. The Fiscal Affairs Officer estimated that the City's cash balance will total $5 million on December 31, 2026. Additionally, the City receives a minimal amount of revenue each year in the first three months (January through March) until it issues real property tax bills in April and begins receiving payments.

According to the City's 2026 cash flow report, the City received an average of $1.5 million per month during the first three months but spent on average about $2.2 million per month during those three months. However, this amount did not include the NYSLRS payment that was due in February 2026. The Fiscal Affairs Officer recorded the NYSLRS payment as paid in April in the cash flow report, but it was actually paid in May 2026. Because the payment was not recorded properly in the cash flow report, expenditures used for analyzing cash flow were understated. The City Council and other officials cannot effectively monitor the City's cash flow without a reliable, accurate cash flow report.

Therefore, we caution that the $5 million remaining cash balance that officials are projecting as of December 31, 2026, plus an additional $4.5 million in revenues received in the first three

months of 2026, may not be sufficient to pay for the City's average monthly operating expenditures totaling $6.6 million and the current estimated NYSLRS bill totaling nearly $3 million.

Furthermore, at the time of our review, the City was delinquent in paying its past NYSLRS bills and owed $5.3 million to NYSLRS. The 2027 proposed budget does not include a provision for paying NYSLRS, and City officials told us that they have not developed a financial plan to pay the past due bills, which are accruing a daily average of $849 in interest, or nearly $6,000 per week.

With its fund balance depleted, the City has limited options to fund any increases in operating costs. At the time of our review, City officials adopted a resolution to increase water rates in 2027, but they did not adopt a resolution to increase wastewater rates to address the deficits in the wastewater fund. The 2027 budget includes a proposed real property tax levy increase of $1,123,588 (11 percent), which exhausts 68.4 percent of the City's constitutional tax limit (CTL), which is the maximum amount of real property tax that may be levied in any fiscal year. In the 2026 fiscal year, the City exhausted 66.1 percent of the City's CTL.

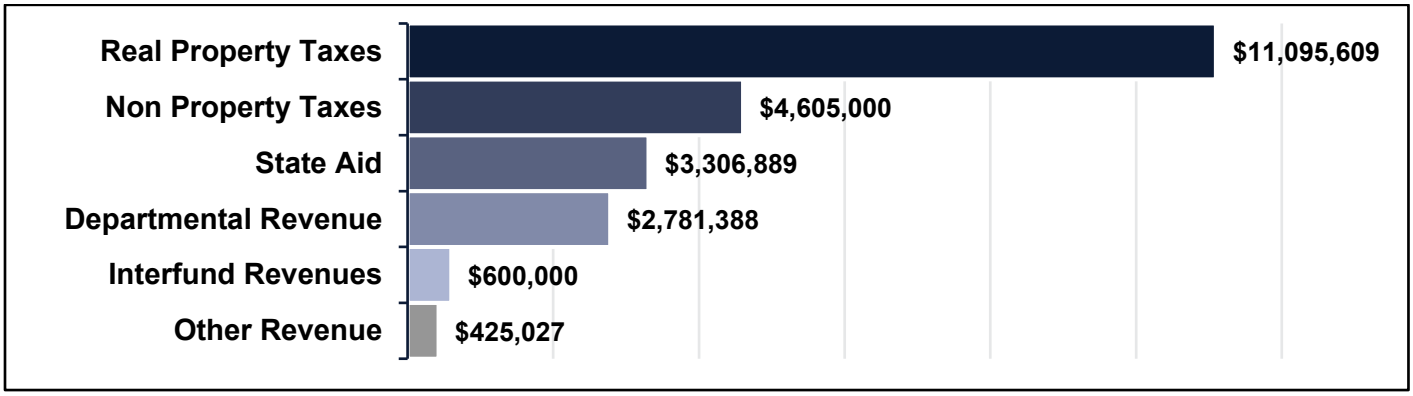
Because the City does not have accurate, complete and up-to-date accounting records, City officials do not know the City's current financial position and cannot properly monitor the City's financial condition or its cash flow. In addition, while the Deficit Financing Act and RAN Refinancing Act require the Fiscal Affairs Officer to prepare and file a three-year financial plan with the State Comptroller's Office, which covers the budget year and two fiscal years thereafter, the Fiscal Affairs Officer did not submit a plan for any year while the Deficit Financing Act and RAN Refinancing Act have been effective.

Multiyear financial planning is a vital tool for local governments, especially those struggling with difficult financial conditions. It enables officials to identify developing revenue and expenditure trends, establish long-term priorities and goals and consider the impact that one-time financing sources or other short-term budgeting decisions may have on future fiscal years.

Revenues

The City derives the majority of its general fund revenues from real property taxes, sales tax and State aid. The proposed budget submitted to our Office for the City's general fund revenues is summarized in Figure 3.

Figure 3: 2027 Proposed Budget Revenue Summary – General Fund



Interfund Revenues – The general fund's 2027 proposed budget includes interfund revenues due from each of the other operating funds for administrative fees as follows:

- $425,000 from the water fund.
- $175,000 from the wastewater fund.

However, these figures were not mathematically correct based on the schedule that the Fiscal Affairs Officer provided to support these figures. The correctly calculated figures are as follows:

- $431,032 from the water fund (a difference of $6,032).

- $167,623 from the wastewater fund (a difference of $7,377).

The Fiscal Affairs Officer provided us with a schedule showing that the administrative fees budgeted for 2027 as expenditures in the water and wastewater funds and interfund revenues in the general fund. The Fiscal Affairs Officer told us that the amount due to the general fund was calculated using specific expenditure line items within the general fund that contribute to the administration of water and wastewater operations, which total approximately $2.4 million. However, City officials also included potentially inappropriate costs in these interfund budget lines that should not be allocated to the water and wastewater funds because they represent general fund operating expenditures, such as:

- $181,500 for central garage costs that were included twice.
- $178,186 for a portion of the City Comptroller's salary and fringe benefits, and the new accounting software implementation and subscriptions costs, which will be reimbursed by a grant.
- $160,000 for fuel. However, the water and wastewater funds fuel appropriations are included in the water and wastewater department budgets and, therefore, should not be included in the administrative fees.
- $12,000 for contracted legal services, which exceeds the contract amount.

As a result, the City's calculation and allocation of costs are potentially inaccurate by up to $1 million (Figure 4).

Figure 4: Interfund Administrative Fee Appropriations

Fund	Percent Allocation	2027 Proposed Budget Allocation	State Comptroller Estimate	Amount Overestimated
General	75%	$1,795,966	$1,014,117	$781,849
Water	18%	431,032	243,388	187,644
Wastewater	7%	167,623	94,651	72,973
Totals	**100%**	**$2,394,621**	**$1,352,156**	**$1,042,465**

Also, the wastewater and water funds have not had cash available to pay the administrative fee to the general fund for the last five years and will likely be unable to make these payments in 2026. In addition, officials have not included provisions in the 2027 budget to pay these allocations. Therefore, we question the continued practice of budgeting for interfund activity that will not materialize. As a result, the proposed budget has more than $1 million in interfund revenue that likely may not materialize, based on historical trends, inaccurate budget estimations and inadequate budget preparation. We recommend that the City Council adjust this allocation to reflect only the revenue that they will actually allocate to the general fund in 2027.

Sales Tax – The Mayor's proposed budget includes sales tax revenue of $4,275,000, which is nearly 5 percent more than what we projected for the City's total sales tax revenue for 2026, based on historical amounts received. County officials told us that the City is likely to receive approximately $4 million in sales tax revenue in 2027, based on their projected sales tax revenue estimates. We recommend that the City Council adjust the sales tax estimate to more conservatively reflect the County's projections.

Appalachian Grant – The 2027 proposed budget includes $140,000 in miscellaneous grant revenue which does not accurately reflect the $178,186 of grant revenue that the City will be able to submit for and be eligible to receive in 2027 for the Appalachian grant. We recommend that the City Council adjusts the budget in accordance with the grant amounts that the City expects to receive in 2027.

During our previous budget review, we recommended that the City Council review the Appalachian grant award, determine whether the City would use the grant revenue in 2026 and adjust the budget accordingly. While officials included miscellaneous grant revenue of $269,408

in the 2026 general fund adopted budget, they did not record $144,033 in Appalachian grant revenue, in the appropriate fund, that the City received in 2026.

Furthermore, although Council members represented to the public that the Appalachian grant would cover the City Comptroller's annual salary for two years, it will cover only a total of $132,300, or 95 percent of one year's worth of the Comptroller's $140,000 salary, over the span of three years. Additionally, the Mayor, Fiscal Affairs Officer and new City Comptroller told us that they were unaware of the conditions of the Appalachian grant.

We recommend that City officials record revenues where they were budgeted for, including revenues for the Appalachian grant. Not doing so is inappropriate and results in inaccurate and misleading financial records. Because this revenue was not recorded properly, it was not reflected in the financial reports and, subsequently, not used to make financial decisions, such as while developing the proposed 2027 budget.

Metered Water Sales – The 2027 proposed budget includes metered water sales of approximately $4.9 million, which is an increase of approximately $1.2 million from the 2026 adopted budget. Although the recently adopted water rate increase may generate additional revenues, the City's incomplete and inaccurate billing and collection records prevented us from reliably estimating the increase, or determining whether the proposed revenue estimate was reasonable.

The City's accounting practices also do not provide reliable information to support its estimated water rent revenues. Although officials record water rent revenues when billed, they do not post collections to accounts receivable balances or reconcile collections to amounts billed. In addition, City officials said that some water accounts may not have been billed and that collections may not have been recorded properly. As a result, officials cannot readily determine the amounts billed, collected or outstanding, and it prevents them from adequately assessing historical collection trends and developing reasonable revenue estimates. Due to these deficiencies, we could not determine whether the $4.5 million in estimated metered water sales revenues included in the proposed 2027 budget were reasonable.

City officials told us that they hoped that the transition to the new accounting software will improve the timeliness and accuracy of water sales records and reports. However, we recommend that officials ensure that the Clerk-Treasurer's office properly bills, records and collects all water rent revenues; updates accounts receivable balances in a timely manner; and periodically reconciles billed amounts, collections and deposits.

We recommend that City officials establish procedures to ensure that all water accounts are billed, collections are accurately recorded and reported, accounts receivable balances are maintained and updated and that amounts billed, collected and outstanding are periodically reconciled. These procedures should provide reliable financial information to support revenue estimates and enable officials to monitor collections and identify discrepancies. We also recommend that the City Council review the impact that the increase in residential water rates will have on residential metered water revenues, adjust the 2027 budget accordingly, closely monitor water rent revenues during 2027 and take appropriate action if actual collections differ significantly from budget estimates.

Sewer Rents – The 2027 proposed budget includes sewer rent revenues of approximately $4.4 million, which is an increase of approximately $161,312 from the 2026 adopted budget. Similar to metered water sales, we could not determine whether estimated sewer rent revenues were reasonable due to the City's incomplete and inaccurate records.

However, because the sewer fund has operated at a deficit for the last eight years, we recommend that the City Council evaluate the City's appropriations and determine what actions are necessary for the wastewater fund to operate without relying on the general fund.

Also, because the control weaknesses and accounting practices were similar to those present and used for water rent revenues, we recommend that City officials closely monitor sewer billing and collections and adopt policies and procedures to improve controls and ensure that sewer

rent revenues are accurately accounted for, safeguarded and reflected accurately in the records.

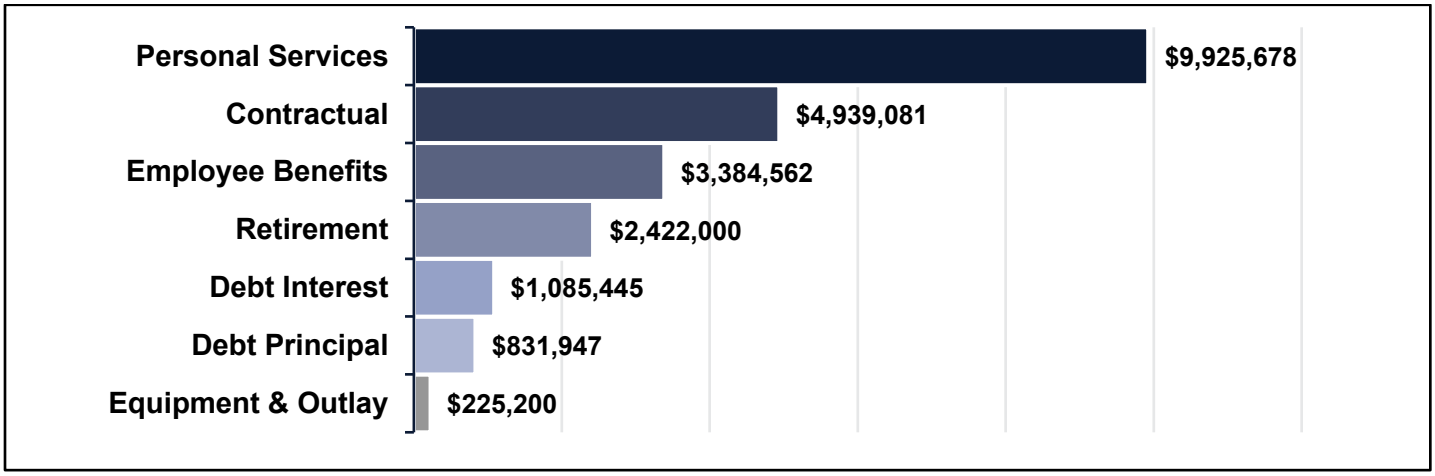
In addition, although the unpaid water and sewer rents were relevied on the 2026 real property tax roll, City officials did not use the funds collected to fund water and sewer operations. Instead, officials used them to fund general fund operations. This practice contributed to the further decline of the water and sewer funds' financial condition. We recommend that City officials use amounts received from relevied water and sewer real property taxes for water and sewer fund operations.

City officials told us that these revenues were retained in the general fund to help repay interfund advances provided to the water and sewer funds in previous years. As of December 31, 2025, the water and sewer funds reportedly owed $6.8 million to the general fund. The proposed budget does not include provisions for either fund to repay the general fund. We recommend that City officials review these outstanding interfund loan balances and develop a repayment plan or, in consultation with legal counsel, determine how to address balances that cannot reasonably be repaid and make the necessary adjustments to the accounting records.

Appropriations

The proposed budget submitted to our office for the City's general fund appropriations is summarized in Figure 5.

Figure 5: 2027 Proposed Budget Appropriations Summary – General Fund



Overtime – During our review of the City's 2026 proposed budget, we recommended that the City Council review the overtime appropriations for police, fire and public works departments to ensure that they were reasonable before adopting the budget. While the City Council adjusted the appropriations, the amounts budgeted for police and fire departments were insufficient.

During the first nine months of 2026, police overtime expenditures exceeded the budgeted amount by $30,424, while fire overtime expenditures exceeded the budgeted amount by $38,558. Both departments anticipate additional overtime expenditures during the remainder of 2026.

Based on actual 2026 overtime expenditures and the departments' anticipated needs for 2027, the proposed 2027 budget appears to include reasonable overtime appropriations for both departments.

Workers' Compensation – The 2027 proposed budget includes a $322,698 appropriation for workers' compensation costs. However, based on the estimates provided, the appropriation for workers' compensation payments is likely overestimated by $48,555. We recommend that City officials review the workers' compensation cost estimates and adjust the 2027 proposed budget accordingly.

Health Insurance – The 2027 proposed budget includes appropriations totaling approximately $2.8 million for health insurance payments, which include flexible benefit plan payments and health insurance opt-out payments for those employees who choose not to join the City's plan.

We calculated the City's estimated health insurance costs by multiplying the number of employees currently enrolled plus six anticipated new hires by the anticipated cost per employee and allocating the costs to the funds in which the employees' salaries are distributed. We calculated the flexible benefit plan estimated costs by multiplying the number of employees currently enrolled in the plan plus six anticipated new hires by the amount provided in the respective collective bargaining agreement (CBA) for each enrolled employee and allocating the costs to the funds in which the employees' salaries are distributed. In addition, we calculated the estimated opt-out payments by eligible employee per CBAs.

We determined that the City underestimated the health insurance appropriations in all funds by a combined total of $139,213. We recommend that the City Council review and adjust the budget to align with actual anticipated costs.

Retiree Health Insurance – The 2027 proposed budget includes appropriations of $351,537 for the health insurance costs of the City's retirees. We calculated the City's estimated retiree health insurance costs by multiplying the number of retirees on the City's health insurance plan by the anticipated cost per retiree and allocating the costs to the departments from which the employees retired.

Based on this analysis, we determined that the appropriation for total retiree health insurance costs are likely underestimated by $24,150. We recommend that the City Council review and adjust the budget to align with anticipated costs.

Employee Retirement – During our previous budget review, we recommended that the City Council adjust appropriations for employee retirement expenditures to reflect the anticipated NYSLRS payments. The City Council made the recommended adjustments before adopting the budget.

However, during our review of the proposed 2027 budget, we identified inaccuracies in the City's 2026 accounting records. For the first nine months of 2026, the City recorded expenditures of $196,532 for the Employee Retirement System (ERS)[1] and $489,556 for the Police and Fire Retirement System (PFRS).[2] However, the City actually paid $786,128 for ERS and $1,958,226 for PFRS in May 2026, toward amounts due in February 2026.

As a result, the City's accounting records understated employee retirement expenditures by approximately $2.1 million, which affects their ability to reliably monitor expenditures for amounts due in February 2026. As a result, these expenditures are inaccurately represented and further demonstrate City officials' inadequate accounting knowledge and their inability to maintain accurate accounting records and budget appropriately. We recommend that City officials review and correct the accounting records to accurately reflect retirement expenditures and ensure that future budget estimates are based on reliable financial information.

Debt Service – Wastewater Fund – During our previous budget review, we recommended that the City Council increase the wastewater fund's debt service appropriation by $5,201 to provide sufficient funding for anticipated debt payments. However, the City Council did not make the recommended adjustment before adopting the budget. Consequently, the City will need to use $5,201 of its 2026 contingency budget to cover the shortfall.

Our review of the proposed 2027 budget identified a similar deficiency. The wastewater fund's debt service appropriation is underestimated by $10,387, based on anticipated debt payments. We recommend that the City Council increase the proposed 2027 appropriation by $10,387 to ensure that sufficient funding is budgeted to meet the City's debt obligations.

1 NYSLRS is comprised of two different systems: the Police and Fire Retirement System (PFRS) and the Employees' Retirement System (ERS).

2 Ibid.

Contingency – Contingency appropriations provide funding for unexpected expenditures and revenue shortfalls. The proposed 2027 budget includes contingency appropriations of $365,912 (2 percent) in the general fund, $477,579 (10 percent) in the water fund and $150,000 (3 percent) in the wastewater fund. Given the City's financial challenges and significant deferred maintenance of City property and infrastructure, adequate contingency appropriations are important.

During our review of the City's 2026 proposed budget, we recommended that the City Council evaluate the adequacy of contingency appropriations in each fund. Before adopting the budget, the City Council increased the general fund contingency appropriation from $0 to $547,180 and the water fund appropriation from $15,298 to $73,990, but decreased the wastewater fund appropriation from $238,778 to $181,719.

However, City officials inaccurately recorded operating expenditures during the first nine months of 2026 and did not make budget transfers to address overexpended appropriations in a timely manner. Also, the City's accounting records did not accurately reflect the use of contingency appropriations. Consequently, we could not determine whether the 2026 contingency appropriations were sufficient, or assess the adequacy of the amounts included in the 2027 budget.

We recommend that City officials maintain accurate and up-to-date accounting records, monitor and compare expenditures to budgeted appropriations and make necessary budget transfers in a timely manner. We also recommend that the City Council evaluate the proposed 2027 contingency appropriations based on the City's financial condition, anticipated expenditures, potential revenue shortfalls and other available financial information.

Tax Cap Compliance

General Municipal Law Section 3-c establishes a tax levy limit on local governments and school districts. The law generally precludes local governments from adopting a budget with 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 Council adopts a local law to override the tax levy limit.

The City's proposed budget includes a tax levy of $11,095,609, which is not within the tax levy limit. In adopting the 2027 budget, we recommend that the Council be mindful of the legal requirement to maintain the tax levy increase to no more than 2 percent, as permitted by law, unless it properly overrides the tax levy limit before adopting the budget.

Recommendations

The City Council should:

1. Make updating and correcting the City's accounting records a priority and ensure that records are updated as soon as possible, so that the City Council has appropriate financial information needed to monitor the City's finances and make informed decisions.
2. Establish and adopt a budget calendar to promote transparency and provide all interested parties (including the public) with a schedule of when budget information will be available and when public hearings will be held.
3. Review appropriations identified in this report as needing additional review and consideration, or that have not been allocated to the appropriate funds.
4. Adopt and periodically update comprehensive, written multiyear financial plans that include realistic measures for rebuilding fund balance and restoring the City's long-term fiscal health, and use the plans to adopt annual budgets and evaluate the effect that the City Council's spending and financing decisions may have on fund balance levels.
5. Develop a realistic repayment plan for paying NYSLRS for past due bills.
6. Before adopting the 2027 budget, ensure that the budget is structurally balanced and includes realistic estimates and sufficient recurring revenues to fund recurring expenditures in all funds.

7. Review the City's practice of sharing administrative costs among operating funds and, if deciding to continue this practice, consider modifying water and wastewater rates, and/or reduce other operating costs as needed, to ensure that recurring revenues in the water and wastewater funds are sufficient to share the costs.
8. Review outstanding interfund loan balances in the water and wastewater funds and develop a repayment plan or, in consultation with legal counsel, determine how to address balances that cannot reasonably be repaid and make the necessary adjustments to the accounting records.
9. Closely monitor the City's finances, especially the available cash balance, to ensure that the City can continue to provide services and fund its operations.

City officials should:

10. Adopt and implement clear written procedures that provide guidance to individuals and address the systemic control weaknesses still present in key accounting functions and processes.
11. Review the proposed estimates for revenues and expenditures and amend the budget as necessary.
12. Assist the City Council in developing comprehensive, written multiyear financial plans, submit them to the State Comptroller (as required by the Acts) and use them to prepare annual budgets that are realistic and structurally balanced.
13. Ensure that the Clerk-Treasurer's office properly bills, records and collects water rent revenues, updates accounts receivable balances in a timely manner, and periodically reconciles billed amounts, collections and deposits.
14. Ensure that revenues received are recorded where they were budgeted for, including revenues received from the Appalachian grant.
15. Ensure that collections for unpaid water and sewer rents that are relevied on the tax roll are returned to, and used to fund, the water and wastewater funds' operations.
16. Closely monitor revenues and expenditures and make properly authorized adjustments to the budget in a timely manner as needed throughout the year.

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 City. If you have any questions on the scope of our work, please feel free to contact Melissa A. Myers, Chief of Municipal Audits of the Buffalo Regional Office, at (716) 847-3647.

Sincerely,

Robin L. Lois, CPA
Deputy Comptroller

cc: Nick Weiser, Councilman at Large
Tracy Smith-Dengler, City Comptroller
Ellen Luczkowiak, Fiscal Affairs Officer
Amy Dobek, City Clerk/Treasurer
Andrea Stewart-Cousins, Senate Majority Leader
Carl E. Heastie, Assembly Speaker
Liz Krueger, Chair, Senate Finance Committee
J. Gary Pretlow, Chair, Assembly Ways and Means Committee
Andrew M. Molitor, Local State Assembly Representative, 150th District
George M Borrello, State Senator, 57th District
Blake G., Washington, Director, Division of the Budget
Melissa A. Myers, Chief of Municipal Audits

APPENDIX A

Figure 6: 2025 Budget Review Recommendations

Recommendations	Implemented/Not Implemented
1. The Council should make updating and correcting the City's accounting records a priority and ensure records are updated as soon as possible so the Council has appropriate financial information to monitor the City's finances and make informed decisions	Not Implemented
2. The Council should establish and adopt a budget calendar to promote transparency and provide all interested parties including the public with a schedule of when information will be available and when public hearings will be held.	Not Implemented
3. The Council should review appropriations identified in this report as needing additional review and consideration or that have not been allocated to the appropriate funds.	Implemented
4. The Council should prior to adopting the 2026 budget, ensure the budget is structurally balanced and includes realistic estimates and sufficient recurring revenues to fund recurring expenditures in all funds.	Not Implemented
5. The Council should review the City's practice of sharing administrative costs amongst operating funds and, if continuing this practice, consider modifying water and wastewater rates and/or reduce other operating costs as needed to ensure recurring revenues in the water and wasterwater funds are sufficient to do so.	Not Implemented
6. The Council should closely monitor the City's finances, especially the available cash balance, to ensure the City can continue to provide services and fund its operations.	Not Implemented
7. The Council should work with the Mayor and other City officials to submit to our Office a report detailing the amount and cause of the deficits as required by the Deficit Financing Act.	Implemented
8. City officials should review the proposed estimates for revenues and expenditures and amend as necessary.	Not Implemented
9. City officials should ensure collections for unpaid water and sewer rents relevied on the tax roll are returned to and used to fund water and wastewater fund operations.	Not Implemented
10. Closely monitor revenues and expenditures and make timely and properly authorized adjustments to the budget as needed throughout the year.	Implemented