

New York State Comptroller
THOMAS P. DiNAPOLI

Town of Washington

Financial Operations

October 2026 | 2026M-51

Prepared by the Division of Local Government and School Accountability

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Audit Results

Town of Washington

Audit Objective

Did the Town of Washington (Town) Town Board (Board) and officials properly manage the Town's fund balances?

Audit Period

January 1, 2024 – December 31, 2024

We extended the audit period back to January 1, 2020 to analyze trends.

Understanding the Audit Area

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

The Town's three main operating funds are the general fund town-wide (TW), general fund town-outside-village (TOV), and highway fund TOV. The Town's 2024 budgeted appropriations and unrestricted fund balance, respectively, were as follows:

- General fund TW: \$1,901,968; \$1,034,251
- General fund TOV: \$531,688; \$823,958
- Highway fund TOV: \$1,423,343; \$288,962

Audit Summary

The Board and officials did not effectively manage the Town's fund balances. As a result, officials maintained unrestricted fund balance in the main operating funds that exceeded the Town's 25-percent fund balance policy limit and adopted unrealistic budgets that generated operating surpluses and accumulated excess fund balances. Inadequate budgeting practices, including appropriating fund balance that was not needed to fund operations, may have resulted in taxpayers paying more in real property taxes than necessary. In addition, while officials stated that excess fund balance was set aside for future capital plans and maintenance, they did not develop a multiyear financial plan or a capital plan to identify, prioritize and fund those needs and guide budget development and decisions. Specifically, the Board:

- Maintained more unrestricted fund balance than allowed by the Town's policy in most of the Town's main operating funds. The Town's policy limits unrestricted fund balance to 25 percent of the next year's budget to ensure taxpayers are not unnecessarily taxed and that excess funds are appropriately planned for and used. As of December 31, 2024, the Town had approximately \$2.4 million in unrestricted fund balance, including amounts equal to 56 percent of the ensuing year's budget in the general fund TW and 148 percent in the general fund TOV which are well above the Town's 25 percent policy limit.

- Adopted unrealistic budgets and underestimated revenues in the three main operating funds during fiscal years 2020 through 2024 by a combined total of \$3.4 million.
- Made \$735,611 in unbudgeted transfers during fiscal years 2020 through 2024, which resulted in the appropriations being underestimated. However, when transfers were added back, appropriations were overestimated in the general fund TW and TOV funds, resulting in operating surpluses.
- Annually appropriated an average of \$317,888 in combined fund balance between the three main operating funds from 2020 through 2024. However, these funds generated operating surpluses totaling \$1.5 million during the audit period, resulting in \$70,366 (4 percent) of the appropriated fund balance being used.
- Did not adopt a written multiyear financial plan or a comprehensive capital plan, limiting its ability to assess long-term financial needs, risks, and the affordability of future services or capital investments.

The report includes six recommendations that, if implemented, will improve the Town's fund balance management, budgeting practices and long-term financial and capital planning. Town officials generally agreed with our recommendations and indicated they have initiated or plan to initiate corrective action. Appendix C includes our comment on an issue that was raised in the Town's response letter.

This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the Office of the New York State Comptroller's (OSC's) authority as set forth in Article 3 of the New York State General Municipal Law (GML). The audit's 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 OSC within 90 days, pursuant to Section 35 of GML. For more information on preparing and filing the CAP, please refer to the OSC brochure, *Responding to an OSC Audit Report*, which was provided with the draft audit report. The Board is encouraged to make the CAP available for public review in the Town Clerk's office.

Financial Operations: Finding and Recommendations

Fund balance represents the difference between revenues and expenditures accumulated over time and includes restricted (e.g., reserved amounts set aside for specific purposes) and unrestricted amounts. A town board is responsible for preparing realistic budgets, maintaining appropriate levels of fund balance, and adopting long-term financial and capital plans that align with the town's needs and resources.

More details on the criteria used in this report, as well as resources OSC makes available to local officials that can help them improve operations, are included in Appendix A.

Finding 1 – The Board did not adopt realistic budgets or effectively manage the Town's fund balances.

The Board did not adopt realistic budgets because it did not consider historical results and known revenue and expenditure trends when preparing the annual budgets. As a result, the Board consistently underestimated revenues in all operating funds while overestimating expenditures in the general TW and general TOV funds, and the Town generated recurring operating surpluses despite annually appropriating fund balance that was not needed to finance operations.

Although the Town's fund balance policy specifies that the Town should maintain 25 percent of the upcoming year's budget, the consistent operating surpluses resulted in a significant accumulation of fund balance in the general fund TW and general fund TOV, including 173 percent in the general fund TOV in 2023 (Figure s 1 and 2).

Figure 1: Appropriated Fund Balance, Unrestricted Fund Balance as a Percentage of the Upcoming Fiscal Year's Budgeted Appropriations and Unrestricted Fund Balance over Town Policy Limit for General Fund TW

	2020	2021	2022	2023	2024
Operating Surplus	\$71,877	\$401,454	\$317,877	\$20,737	-\$19,976
Total Unrestricted Fund Balance at Year End	\$697,351	\$1,038,756	\$1,254,478	\$1,355,250	\$1,124,275
Next Year's Appropriations	\$1,673,459	\$1,705,934	\$1,876,665	\$1,901,968	\$1,999,664
Unrestricted Fund Balance as a Percentage of Next Year's Appropriations	42%	61%	67%	71%	56%
Fund Balance Limit Per Town Policy (25%)	\$418,365	\$426,484	\$469,166	\$475,492	\$499,916
Excess Fund Balance Above Policy Limit	\$278,986	\$612,272	\$785,312	\$879,758	\$624,359
Excess Fund Balance Above Policy Limit (Percentage)	17%	36%	42%	46%	31%

Figure 2: Appropriated Fund Balance, Unrestricted Fund Balance as a Percentage of the Upcoming Fiscal Year's Budgeted Appropriations and Unrestricted Fund Balance over Town Policy Limit for General Fund and Highway Fund TOV

General Fund TOV	2020	2021	2022	2023	2024
Operating Surplus	\$110,712	\$89,924	\$189,702	\$253,466	\$128,830
Total Unrestricted Fund Balance at Year End	\$434,530	\$499,928	\$700,819	\$920,079	\$1,008,589
Next Year's Appropriations	\$353,739	\$411,517	\$469,054	\$531,688	\$681,917
Unrestricted Fund Balance as a Percentage of Next Year's Appropriations	123%	121%	149%	173%	148%
Fund Balance Limit Per Town Policy (25%)	\$88,435	\$102,879	\$117,264	\$132,922	\$170,479
Excess Fund Balance Above Policy Limit	\$346,095	\$397,049	\$583,555	\$787,157	\$838,110
Excess Fund Balance Above Policy Limit (Percentage)	98%	96%	124%	148%	123%
Highway Fund TOV	2020	2021	2022	2023	2024
Operating Surplus	\$170,592	-\$115,902	-\$72,530	\$145,045	-\$172,731
Total Unrestricted Fund Balance at Year End	\$609,379	\$417,570	\$418,406	\$535,962	\$288,214
Next Year's Appropriations	\$1,621,546	\$1,511,891	\$1,837,883	\$1,423,343	\$1,389,092
Unrestricted Fund Balance as a Percentage of Next Year's Appropriations	38%	28%	23%	38%	21%
Fund Balance Limit Per Town Policy (25%)	\$405,387	\$377,973	\$459,471	\$355,836	\$347,273
Excess Fund Balance Above Policy Limit	\$203,992	\$39,597	- \$41,065	\$180,126	-\$59,059
Excess Fund Balance Above Policy Limit (Percentage)	13%	3%	0%	13%	0%

Based on our comparison of the Town's budgeted appropriations and estimated revenues with actual operating results for fiscal years 2020 through 2024, we determined that the Board consistently adopted unrealistic budgets. The Board continually underestimated the Town's revenues, while unbudgeted transfers to other funds made appropriations appear underestimated. When unbudgeted transfers were added back, appropriations were overestimated.

Over the five fiscal years reviewed, Town officials annually appropriated an average of \$317,888 in combined fund balance across the three main operating funds. Although the Town planned for budgetary deficits by appropriating fund balance each year, these inadequate budgeting practices resulted in operating surpluses totaling \$1.5 million over the audit period, or an average annual surplus of \$303,815. These recurring surpluses effectively increased the Town's fund balance rather than reducing it.

The Supervisor told us that Town officials set aside resources during the budget process to finance the Town's long-term capital needs. The bookkeeper further explained that the appropriated fund balance was calculated based on the tax levy amount that the Town sought to offset, while remaining within the statutory tax levy limit. However, Town officials did not reduce the tax levy with the appropriation of fund balance, because the Town's actual operating results consistently produced surpluses, which increased the level of available fund balance.

General Fund TW – We compared budgeted appropriations and estimated revenues with actual operating results for fiscal years 2020 through 2024 and determined that the Board underestimated revenues by a total of \$946,921. The Board also overestimated appropriations by \$175,048; however, because the Board made unbudgeted transfers totaling \$496,347, appropriations were actually overestimated by \$671,395 (Figure 3).

The most significant underestimated revenues from 2020 to 2024 included:

- Mortgage tax revenue totaling \$409,567,
- State aid for capital projects, totaling \$100,000, and
- Interest on taxes (excluding fiscal year 2020) totaling \$37,103.

The most significant overestimated appropriations 2020 to 2024 included:

- Contractual costs totaling \$492,587, and
- Salaries totaling \$166,948.

Figure 3: Overestimation of General Fund TW Appropriations by Year

	2020	2021	2022	2023	2024	Total
Appropriations	\$1,720,711	\$1,673,459	\$1,705,934	\$1,876,665	\$1,901,968	\$8,878,737
Less: Actual Expenditures	1,856,659	1,502,201	1,653,019	1,862,488	1,829,322	8,703,689
Overestimated Appropriations	-\$135,948	\$171,258	\$52,915	\$14,177	\$72,646	\$175,048
Add: Unbudgeted Transfers	266,551	-	96,743	124,353	8,700	496,347
Recalculated Overestimated Appropriations	\$130,603	\$171,258	\$149,658	\$138,530	\$81,346	\$671,395

Furthermore, the Board appropriated an average of \$66,600 of fund balance each year. However, because Town officials consistently underestimated revenues and overestimated expenditures, operating surpluses totaled \$791,969 in four of the five years we reviewed. As a result, the Board generally did not use the appropriated fund balance.

General Fund TOV – We compared budgeted appropriations and estimated revenues with actual operating results for fiscal years 2020 through 2024 and determined that the Board underestimated revenues by a total of \$1.1 million. The Board also understated appropriations for three of the five fiscal years reviewed. However, after accounting for unbudgeted transfers totaling \$178,561, the Board effectively overestimated appropriations by \$234,571.

The most significant underestimated revenues included:

- Sales tax revenue totaling \$789,040, and
- Planning board fees totaling \$91,224.

The most significant overestimated appropriations included:

- Contractual expenditures totaling \$99,732, and
- Salaries totaling \$98,379.

Furthermore, from 2021 to 2024, the Board appropriated an average of \$102,861 of fund balance each year. However, because Town officials consistently underestimated revenues and overestimated expenditures, operating surpluses totaled \$772,634 during the audit period. As a result, the appropriated fund balance remained unused.

Highway Fund TOV – We compared budgeted appropriations and estimated revenues with actual operating results for fiscal years 2020 through 2024 and determined that the Board underestimated revenues by \$1.4 million and underestimated appropriations by \$472,414.

The most significant underestimated revenues included:

- State aid, totaling \$665,462, and
- Interfund transfers, totaling \$358,397.

The most significant overestimated appropriations were for equipment, totaling \$1,170,108.

Although the Town appropriated fund balance in all five fiscal years, totaling \$845,000, it experienced operating deficits in three of the five years, totaling \$361,163. After accounting for operating surpluses in the remaining years, the Town incurred a net operating deficit of \$45,526, which represents the appropriated fund balance used.

These budget variances primarily resulted from underestimated revenues. Although the Town consistently received certain revenues higher than projected, the Board did not update its budget estimates to reflect these historical trends. For example, the Board annually budgeted mortgage tax revenue in the TW fund at \$125,000 and sales tax revenue in the general TOV fund between \$160,000 and \$200,000. However, actual collections of the mortgage tax revenue ranged from approximately \$215,000 to \$285,000 in four of the five years, and sales tax revenue from approximately \$251,000 to \$452,000.

The Supervisor told us that the Town accumulated fund balance for future capital acquisitions and maintenance, but he did not identify a specific program. He said that in 2025, the highway department made large purchases, such as a vehicle and a garage boiler, while the Town reduced taxes in 2026. However, these actions were not formalized in a written plan.

Because Town officials did not develop a multiyear capital or financial plan to address future capital and operational needs, they did not have guidance on how to finance these needs. Additionally, the Board did not assess whether establishing reserve funds or revising the Town's fund balance policy to maintain a higher level of unrestricted fund balance would better support the Town's financial priorities. Instead, the Board routinely appropriated fund balance that was not needed to finance operations and maintained fund balance in excess of the limit established in Town policy. If the Board established multiyear plans or reevaluated its policy, it may have been able to reduce property taxes or more transparently set aside funds to plan for long-term capital needs.

By underestimating revenues and overestimating appropriations, the Town consistently generated operating surpluses while appropriating fund balance it did not need. This practice led to the accumulation of fund balances and resulted in levying more taxes than necessary to finance operations. These persistent excesses indicate that the Board did not effectively align budgeting practices with actual financial needs or use fund balance in accordance with the adopted policy. As a result, the Board may have placed a higher burden on

taxpayers than necessary and continue to do so without strategic adjustments to budgeting and fund balance management practices.

Recommendations

The Board should:

1. Develop and adopt annual budgets that include realistic estimates for revenues and appropriations and the amount of fund balance that will be used to fund operations.
2. Discontinue the practice of appropriating fund balance that is not needed or used to fund operations.
3. Ensure all transfers and equipment purchases are properly planned, authorized and included in the annual budget whenever practicable.
4. Develop a plan to reduce surplus fund balance in a manner that benefits Town taxpayers and supports the Town's financial needs. Surplus funds can be used to:
 - Fund one-time expenditures such as capital improvements,
 - Fund needed reserves,
 - Pay off debt, or
 - Reduce Town real property taxes.
5. Manage fund balance levels in accordance with the Town's fund balance policy and as part of the annual budget development process.
6. Develop and adopt a multiyear financial plan and comprehensive capital plan to identify and prioritize the Town's long-term operating and capital needs and to guide future budgeting decisions.

Appendix A: Profile, Criteria and Resources

Profile

The Town, located in Dutchess County, includes the Village of Millbrook within its boundaries.

The elected five-member Board, composed of the Supervisor and four Board members, is responsible for the overall management of the Town's finances, which includes adopting the annual budget and establishing financial policies. The Board is responsible for the overall management of the Town's fund balance, including maintaining a reasonable level of fund balance, adopting realistic budgets and developing a written multiyear financial plan. The Supervisor is the chief fiscal officer and budget officer.

Criteria

A town board is responsible for effectively managing the town's fund balance, including maintaining reasonable levels of fund balance, adopting a written fund balance policy, and developing and adopting reasonably estimated and structurally balanced budgets. A realistic budget begins with sound estimates and well-supported budgetary assumptions based on historical data or known trends. Budgetary estimates must be transparent and realistic. The total financing sources from estimated revenues, including other funding sources such as appropriated fund balance or reserves, must equal the town's budgeted appropriations for the fiscal year.

Once a town board has assessed what is considered reasonable for the town's situation and has adopted a written fund balance policy that addresses the appropriate levels of unrestricted fund balance to be maintained in each fund from year to year, it must comply with its own policy. The Board adopted a policy that limits unrestricted fund balance in each major fund to no more than 25 percent of the next year's appropriations. The Board should use the policy as a guideline during the budget process to properly manage fund balance.

The town board should develop and adopt comprehensive, written multiyear financial and capital plans that assist the board in assessing long-term needs and financial management strategies, and monitoring the budget throughout the year. Multiyear capital plans are an important tool for town officials to identify assets owned by the town, prioritize capital investment needs, as well as plan and anticipate for financing capital assets, and subsequent maintenance and repair costs. Similarly, a multiyear financial plan is a vital tool for town officials to help establish long-term priorities, forecast long-term revenue and expenditure projections, and track reserve funds available to endure unanticipated expenditures or revenue shortfalls.

Additional Resources

OSC's *Local Government Management Guides*, and other informational resources that are available on OSC's website to help officials understand and perform their responsibilities, include:

- *Understanding the Budget Process*: <https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf>
- *Fiscal Oversight Responsibilities of the Governing Board*: <https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf>
- *Multiyear Financial Planning*: <https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf>

In addition, local officials can use OSC's website to search for audits, resources, publications and training for officials at: <https://www.osc.ny.gov/local-government>

Appendix B: Response From Town Officials

The content below is a reproduced copy of the original response letter issued by Town officials, is reformatted to meet the Americans with Disabilities Act *Web Content Accessibility Guidelines (WCAG)*,¹ and may have included changes to spelling and grammar. The substance of the content was not changed.

Town of Washington
GARY E. CIFERRI – Town Supervisor
10 Reservoir Drive
P.O. Box 667
Millbrook, New York 12545
(845) 677-3419

September 1, 2026

James L. Latainer
Chief of Municipal Audits, Newburgh Regional Office
33 Airport Center Drive, Suite 102
New Windsor, NY 12553

Subject: Response to Draft Report of Examination - Town of Washington

Dear Mr. Latainer:

The Governing Board of the Town of Washington has received and reviewed the Office of the State Comptroller's (OSC) draft report of examination regarding the Town Board and Officials' management of the Town's Fund Balance for the period of January 1, 2024 - December 31, 2024.

We appreciate the professionalism and courtesy extended by your audit team during the review process. The Town of Washington is committed to maintaining sound financial operations, transparent governance and robust internal controls to best serve our taxpayers and constituents.

Below is our official response and planned corrective action regarding the specific findings and recommendations contained in the draft report.

1. **Recommendation:** Develop and adopt annual budgets that include realistic estimates for revenues and appropriations and the amount of fund balance that will be used to fund operations.

Response: The Town Supervisor will be responsible for coordinating the preparation of the annual budget with the Bookkeeper and department heads. Beginning with the preparation of the 2027 budget, the Town will use historical financial results, current-year actual results, known contractual obligations and other available information to develop realistic revenue and expenditure estimates. The Supervisor and Bookkeeper will also provide the Town Board with an analysis of available fund balance and the amount proposed to be appropriated to fund operations. The Town Board will review and adopt the annual budget based on these estimates and information. The 2027 budget process will be completed by the date required by law.

¹ <https://www.ada.gov/resources/2024-03-08-web-rule/#highlights-of-the-requirements-in-the-rule>

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

Response: The Town does not agree that the appropriation of fund balance is inappropriate when fund balance is reasonably expected to be needed to fund operations [OSC Comment: See Appendix C, Note 1]. However, the Town recognizes the need to improve the accuracy and completeness of its annual budget estimates. As noted in the response to the preceding recommendation, beginning with the preparation of the 2027 budget, the Town Supervisor and Bookkeeper will use historical financial results, current-year actual results, known contractual obligations, and other relevant information to develop more accurate estimates of revenues and expenditures. Based on these revised estimates, the Town Board will determine the amount of fund balance, if any, reasonably expected to be needed to fund operations and will appropriate fund balance based on that determination.

3. **Recommendation:** Ensure all transfers and equipment purchases are properly planned, authorized and included in the annual budget whenever practicable.

Response: The Town agrees that anticipated transfers and equipment purchases should be appropriately planned, authorized and included in the annual budget whenever practicable. The Town recognizes, however, that certain purchases or transfers may arise during the fiscal year that could not reasonably have been anticipated during the annual budget process.

Beginning with the preparation of the 2027 budget, the Town Supervisor and Bookkeeper will use historical expenditures, current-year financial information, known capital needs, and information from department heads to identify anticipated equipment purchases and transfers for inclusion in the annual budget. For anticipated transfers between funds, the Town will identify the purpose and amount of the transfer, the fund providing the resources, and the fund receiving the resources, and will include the transfers in the applicable fund budgets whenever practicable. The Town Board will review and authorize these transfers as part of the annual budget process.

For purchases or transfers that arise after adoption of the budget, the Town Board will review and authorize the transaction and take appropriate budgetary action, including a budget amendment when required, prior to completing the transaction. The Town will also ensure that transfers between funds are made for an appropriate purpose, are properly authorized, and are recorded in the appropriate funds and accounts.

4. **Recommendation:** Develop a plan to reduce surplus fund balance in a manner that benefits Town taxpayers and supports the Town's financial needs. Surplus funds can be used to:

- Fund one-time expenditures, such as capital improvement
- Fund needed reserves
- Pay off debt, or
- Reduce Town real property taxes.

Response: The Town recognizes the need to develop a plan to address surplus fund balance in a manner that benefits Town taxpayers while supporting the Town's long-term financial needs. Because the Town has minimal outstanding debt, the Town Board will focus on establishing and appropriately funding reserves for identified future financial needs.

During fiscal year 2026, the Town Board will review its financial condition and identify reserves that are authorized and appropriate for the Town's anticipated needs, including potential capital, equipment, infrastructure, and other significant or nonrecurring expenditures. The Town Board will properly establish

and fund these reserves in accordance with applicable New York State requirements and will adopt appropriate policies identifying the purpose and intended use of each reserve.

As part of the 2026 year-end financial review, the Supervisor and Bookkeeper will evaluate the Town's actual revenues and expenditures and determine the amount of fund balance available after considering the Town's operating and cash-flow needs. If a surplus exists at year-end, the Town Board will consider using the available surplus to fund the newly established reserves, as appropriate, rather than allowing unnecessary surplus fund balance to accumulate in excess of the Town's adopted fund balance policy limit.

Going forward, the Town Board will annually review the level of fund balance and the adequacy of its reserves as part of the budget process and determine whether surplus fund balance should be used for reserves, one-time capital or other nonrecurring expenditures, or other purposes that benefit Town taxpayers and support the Town's financial needs. The Town has already identified four one-time expenditures to be included in the 2027 budget.

- 5. Recommendation:** Manage fund balance levels in accordance with the Town's fund balance policy and as part of the annual budget development process.

Response: Beginning with the preparation of the 2027 budget, the Town Supervisor and Bookkeeper will review the Town's fund balance in accordance with the Town's adopted fund balance policy and incorporate the results of that review into the annual budget development process. The review will consider the Town's historical and current-year revenues and expenditures, anticipated operating needs, cash-flow requirements, known capital and other nonrecurring expenditures, and the level of fund balance considered appropriate under the Town's policy.

The Town Board will review the fund balance analysis as part of the annual budget process and determine whether the projected fund balance is consistent with the Town's policy and anticipated financial needs. If fund balance is projected to exceed the level considered appropriate under the policy, the Town Board will consider appropriate uses of the excess, including funding properly established reserves or one-time capital or other nonrecurring expenditures.

The Town will also review its fund balance policy periodically and make revisions as necessary to ensure that the policy continues to reflect the Town's financial needs and circumstances.

- 6. Recommendation:** Develop and adopt a multiyear financial plan and comprehensive capital plan to identify and prioritize the Town's long-term operating and capital needs and to guide future budgeting decisions.

Response: Beginning in fiscal year 2026, the Town Supervisor and Bookkeeper will work with the Town Board and department heads to develop a multiyear financial plan that considers projected revenues, operating expenditures, fund balance, reserves, debt obligations, and other known financial commitments. The plan will be reviewed and updated annually as part of the budget development process to reflect changes in the Town's financial condition and priorities.

The Town will also develop a comprehensive capital plan identifying significant anticipated capital and equipment needs, the estimated timing and cost of those needs, and potential funding sources. The capital plan will be used to prioritize projects and equipment purchases and to assist the Town Board in determining appropriate funding through the annual budget, reserves, fund balance, grants, financing, or other available resources.

The Town Board will review the multiyear financial plan and capital plan annually and use the plans to guide future budget decisions and the appropriate use of available fund balance and reserves.

As required by Section 35 of the New York State General Municipal Law/or applicable state reporting mandate, the Town of Washington will prepare and formally submit a comprehensive Correction Action Plan addressing all specific findings and recommendations within 90 days of the final report's issuance. This plan will also be filed and made available for public inspection of the Office of the Town of Washington Town Clerk.

If you have any questions or require additional clarifications regarding our preliminary response, please contact Gary Ciferri at 845-677-3419 or Email at gciferri@washingtonny.gov.

Sincerely,

Gary Ciferri
Town Supervisor
Town of Washington

Appendix C: OSC Comment on the Town's Response

Note 1

Although the Town planned to use fund balance to finance operations, the Town's recurring underestimation of revenues and overestimation of expenditures resulted in recurring operating surpluses. As stated in the report, because the Town appropriated \$1.6 million of fund balance to balance its budgets, the appropriations were not needed or used to finance operations.

Appendix D: Audit Methodology and Standards

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

- We interviewed the Supervisor, two other Board members and the bookkeeper to gain an understanding of the policies and procedures relating to the Town's financial operations, budgeting process and multiyear financial and capital planning.
- We compared the budgeted revenues and appropriations of the three main operating funds (general fund TW, general fund TOV and highway fund TOV) with actual revenues and expenditures for fiscal years 2020 through 2024 to evaluate the Town's budgeting practices and determine whether the Town appropriated and used fund balance, and if there was an operating surplus or deficit.
- We calculated surplus fund balance of the three main operating funds as a percentage of the next year's budgeted appropriations for 2020 through 2024 to determine whether and by how much it was within the 25 percent limit set by the Town's fund balance policy. We calculated surplus fund balance as a percentage of the next year's budgeted appropriations after adding back unused appropriated fund balance.

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

Questions?

NEWBURGH REGIONAL OFFICE

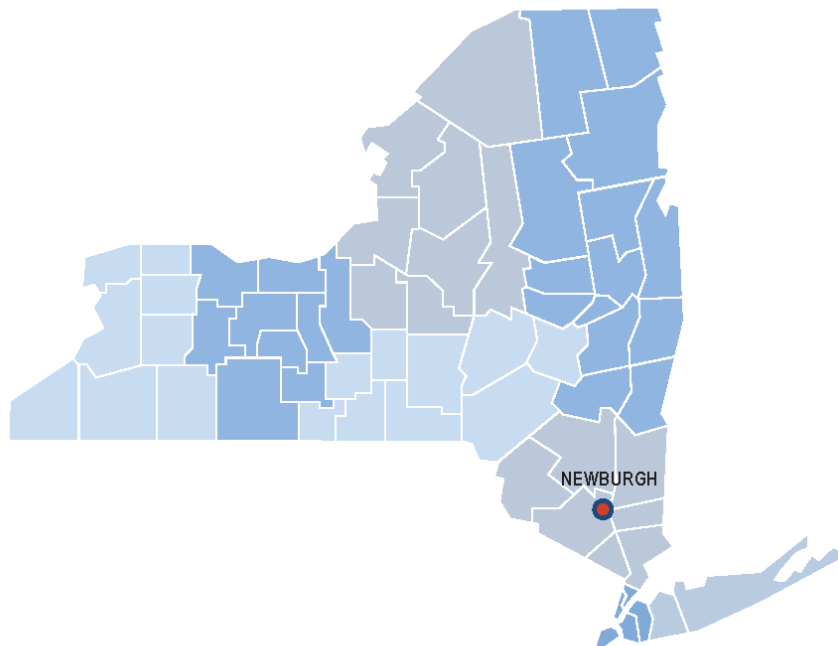
James L. Latainer, Chief of Municipal Audits

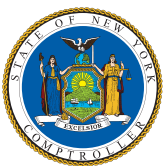
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