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January 22, 2025

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

Report Number: B25-6-1

Dear Mayor Devinko and Members of the Board of Trustees:

Chapter 206 of the Laws of 2023, as amended, authorizes the Village of Washingtonville (Village), subject to the provisions of Local Finance Law (LFL) Section 10.10, to issue debt not to exceed \$4.5 million to liquidate the accumulated (actual) deficits in the general fund, water fund, sewer fund and capital projects fund as of February 28, 2023, including the remaining principal amount of any budget, deficiency and/or revenue anticipation notes outstanding at the time the deficit bonds or notes are issued. Under LFL Section 10.10(d), when a village is authorized by a special or general law to incur debt to liquidate an operating deficit, it must submit to the State Comptroller each year, starting with the fiscal year during which the municipality is authorized to issue deficit obligations, and for each subsequent fiscal year during which the deficit obligations are outstanding, the Village's tentative budget for the next succeeding fiscal years.

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

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

Our Office completed an independent evaluation (review) of the Village's tentative budget for the 2025-26 fiscal year. The review addressed the following question:

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

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

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

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

- Village officials have not maintained up-to-date budget-to-actual reports to aid in the monitoring of its fiscal performance.
- The most recent submission of the Village's Annual Financial Report, which is required to be submitted to the State Comptroller within 90 days after fiscal year end,¹ was submitted for the 2022-23 fiscal year in September of 2024 and 2023-24, due May 30, 2024, remains delinquent.
- The Village's most recent external audit of financial statements was completed by an independent accountant for the 2021-22 fiscal year.
- Although the Village hired an independent consultant to assist in the reconstruction of the Village's accounting records, the tentative 2025-26 Village budget was put together based on department heads' and Village officials' review of the recent expenditures of their respective departments and applicable contractual obligations. Village officials then estimated what appropriations would be needed for their respective departments for the 2025-26 fiscal year.

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

- There was limited historical trend analysis available in the Village’s accounting records which could have been used for the purpose of budgeting.

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

The tentative budget package submitted for review for the 2025-26 fiscal year consisted of the following:

- 2025-26 Tentative Budget
- Supplementary Information

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

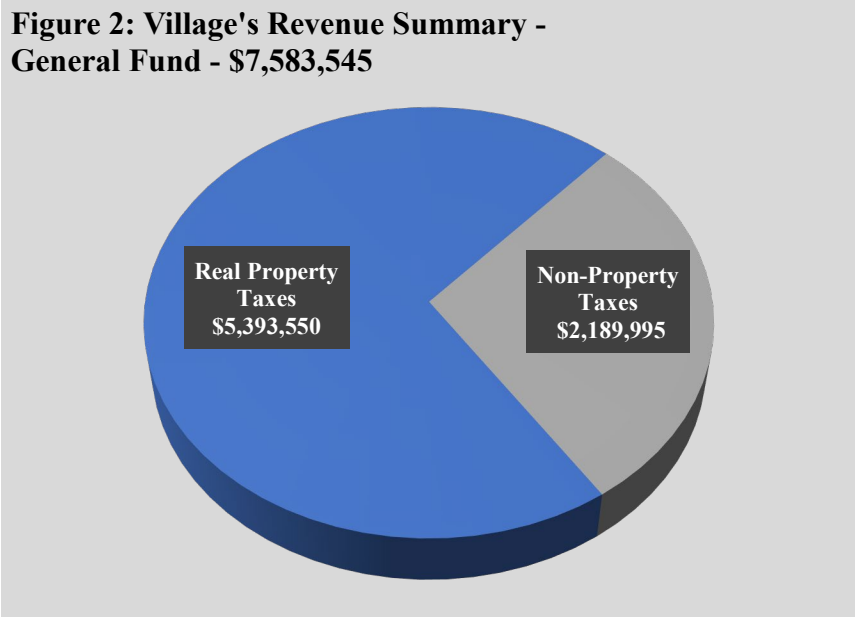
Figure 1: 2025-26 Village of Washingtonville Tentative Budget				
Fund	Appropriations and Provisions for Other Uses	Estimated Revenues	Appropriated Fund Balance	Real Property Taxes
General	\$7,583,545	\$2,189,995	\$0	\$5,393,550
Sewer	1,956,030	1,956,030	0	0
Water	1,331,031	1,331,031	0	0
Total	\$10,870,606	\$5,477,056	\$0	\$5,393,550

Revenues

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

Sewer Rents – The 2025-26 tentative budget includes sewer rents revenue of \$1.5 million, which is a decrease of approximately \$21,000 from the 2024-25 adopted budget. We project the Village to receive \$1.3 million for the 2024-25 fiscal year. The Village does

not plan to increase rates for sewer rents for the 2025-26 fiscal year. As a result, we project the Village to receive the same revenue of \$1.3 million for the 2025-26 fiscal year. Therefore, the Village could potentially face a shortfall of approximately \$261,000 if revenues are not realized. Village officials should reassess whether this revenue is achievable and, if not, adjust the sewer rents revenue estimate.



Water Rents – The 2025-26 tentative budget includes water rents revenue of \$1.2 million, which is an increase of approximately \$70,000 from the 2024-25 adopted budget. We project the Village to receive \$983,000 for the 2024-25 fiscal year. The Village does not plan to increase rates for water rents in the 2025-26 fiscal. As a result, we project the Village to receive the same revenue of \$983,000 for the 2025-26 fiscal year. Therefore, the Village could potentially face a shortfall of approximately \$193,000 if revenues are not realized. Village officials should reassess whether this increase is achievable and, if not, adjust the water rents revenue estimate.

Expenditures

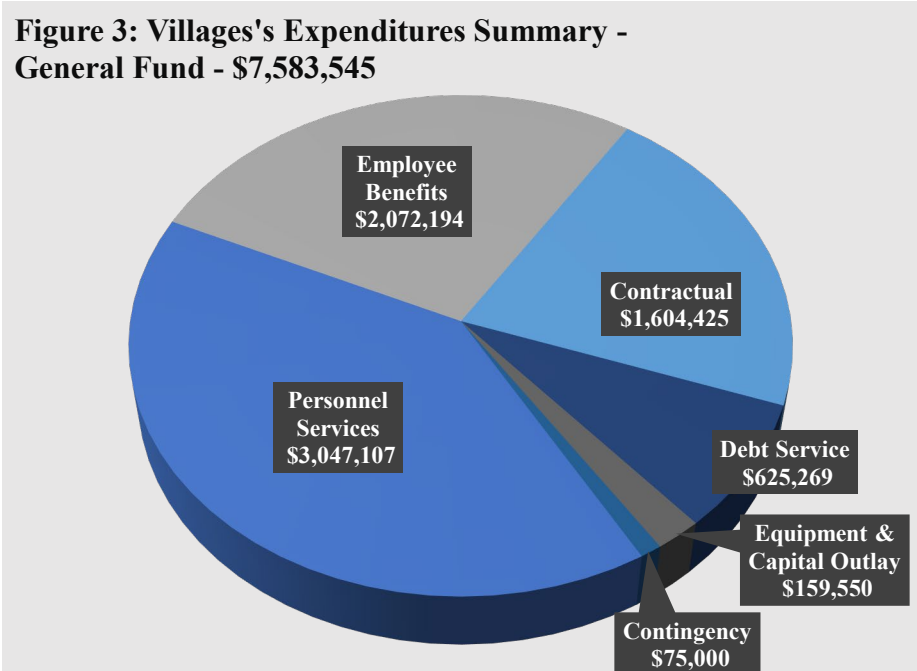
The tentative budget submitted to our Office for the Village’s general fund expenditures is summarized in Figure 3.

Personnel Services – The 2025-26 tentative budget includes personnel services of approximately \$3.3 million for general, water and sewer funds combined. We reviewed the salary schedule provided by the Village, and applicable collective bargaining agreements

to determine whether personnel services estimates were reasonable. Although we determined that the general fund tentative budget of approximately \$2.8 million was reasonable based on the projections, Village officials told us that the police department’s collective bargaining agreement is expired and is in the process of negotiations. Because the outcome of the negotiations may impact the Village’s budget, when the contract settles, and Village officials should ensure appropriations are sufficient and take appropriate actions if they are not.

The Village’s 2025-26 tentative budget for water and sewer funds includes personnel services of approximately \$284,500 in each fund. Based on the collective bargaining agreement increases, we project the Village is underestimating personnel services by approximately \$21,000 for water and sewer funds respectively.

Social Security – The Village’s 2025-26 tentative budget includes an appropriation of approximately \$243,400 for Social Security payments. We project the Village to spend approximately \$227,600 in fiscal year 2024-25. Based on the estimated wages for the 2025-26 fiscal year and additional pays including overtime, we project the Village will spend



approximately \$264,600. Therefore, the Village has likely underestimated Social Security costs by approximately \$21,200.

Health Insurance – The Village’s 2025-26 tentative budget includes an appropriation of approximately \$1.4 million for health insurance payments. Although the estimate agrees with our projection, Village officials should be mindful of additional potential expenditures with new hires. The Village has underestimated health insurance payments for at least the last two fiscal years.

Contingency – Contingency accounts are used by local governments as a means of providing funding for unexpected events. The amount needed for contingency depends on the amount of uncertainty with budgeted amounts and economic conditions. The Village’s 2025-26 tentative budget includes a \$75,000 general fund contingency; this amount is less than one percent of the Village’s general fund budgeted appropriations and a decrease of \$25,000 from the 2024-25 adopted budget. Additionally, there is a \$20,000 contingency budgeted in the water fund and no contingency for the sewer fund. Given the potential cost overruns from current economic conditions and the lack of complete, accurate, and current accounting and financial records, the Village Board needs to consider whether the contingency appropriations are adequate and appropriate for unanticipated events and uncertainties.

Other Matters

Conflicting Budgets – During our review of the Village’s proposed 2025-26 budget, we were provided with the Village’s tentative budget 30 days before the scheduled vote, as required. However, the Village posted a conflicting budget to the Village’s website six days later. As some of the differences between budgets were significant, such as a \$32,471 difference in real property taxes, we chose to rely on the proposed budget that was posted to the Village’s website, as that was the version presented to the public. Because Village officials did not provide us with accurate budgeted figures in a timely manner to perform our review, Village officials hindered our ability to examine the tentative budget and make recommendations to help improve the Village’s financial condition.

Tax Cap Compliance

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

The Village’s 2025-26 tentative budget includes a tax levy of \$5,393,550. Similar to the revenue and expenditure estimates, the lack of complete, accurate, and current accounting and financial records precludes us from determining the Village’s tax cap compliance. As a result, in adopting the 2025-26 budget, the Village Board should be mindful of the legal requirement to adopt a budget that includes a tax levy no greater than the tax levy limit, unless it adopts a local law to override the limit.

Recommendations

The Village Board should:

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

Village officials should:

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

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

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

We hope that this information is useful as you adopt the upcoming budget for the Village. If you have any questions on the scope of our work, please feel free to contact Brian Sheevers, Auditor 3 (Municipal) of the Newburgh office, at (845) 567-0858.

Sincerely,

Robin L. Lois, CPA
Deputy Comptroller

cc: Leslie Tillotson, Village Treasurer
Christine Shenkman, Village Clerk
Hon. Carl E. Heastie, Speaker of the House, NYS Assembly
Hon. Crystal D. Peoples-Stokes, Majority Leader, NYS Assembly
Hon. William A. Barclay, Minority Leader, NYS Assembly
Hon. J. Gary Pretlow, Chair, NYS Assembly Ways and Means Committee
Hon. Andrea Stewart-Cousins, President Pro Tempore and Majority Leader, NYS Senate
Hon. Robert Ortt, Minority Leader, NYS Senate
Hon. Liz Krueger, Chair, NYS Senate Finance Committee
Blake G. Washington, Director, NYS Division of the Budget