

January 27, 2025

Since the issuance of the deficit financing notes the Village is now required to submit the tentative budget to the NYS Comptroller's office for their review and recommendations annually for the duration of the deficit financing debt. The Village submitted the tentative budget to the NYS Comptroller's on January 3, 2025. During this process the Comptroller's office requested information to substantiate certain numbers in the tentative budget. All information requested by the Comptroller's office was provided to them.

In their letter dated January 22, 2025 the Comptroller's office summarized their findings and recommendation. Below are the Village's responses to their recommendations:

- *OSC Comment-Village officials have not maintained up-to-date budget-to-actual reports to aid in the monitoring of its fiscal performance.*

Village Response-The current administration has been transparent with the residents and the public regarding the financial condition of the Village as soon as they took office in April 2023. The accounting records were not accurately maintained for several years and annual audits by independent accountants were not performed timely. Although the current administration has worked to get the accounting records up to date by hiring an outside consultant this is still on ongoing process. The Village did implement a new governmental accounting software in March 2024. The Village did provide budget to actual reports to the Comptroller's office per their request through November 30, 2024 however as mentioned the Village is still working on reconstructing accounting records and this was articulated to the Comptroller's office.

- *OSC Comment-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.*

Village Response-The Annual Financial Report (AFR) was not submitted timely by the past administration due to the inaccurate accounting records. Since the current administration has taken office the AFR for 2/28/2021 was filed on April 18, 2024, the AFR for 2/28/2022 was filed on June 6, 2024, the AFR for 2/28/2023 was filed on 9/4/2024 and the AFR for 2/28/2024 is currently being worked on and should be filed in February 2025. The Village is aware of the deadline for submission and will file the 2/28/2025 within the 90 day requirement.

- *OSC Comment-The Village's most recent external audit of financial statements was completed by an independent accountant for the 2021-22 fiscal year.*

Village Response-The Village's 2022-2023 is near completion and the final report should be issued in February 2025. The Village's 2023-2024 audit fieldwork has commenced and the Village's staff is working on the auditor's requests. This report should be issued within the next few months.

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

Village Response-The limited historical trend analysis as mentioned previously is due to the accounting records not accurately maintained during the past administration. The projections for the 2025/2026 were based current year to date information.

- *OSC Comment-Sewer Rents-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.*

Village Response-To limit the financial burden on another sewer rent increase the Village Board for the 2025/2026 tentative budget plans keep the rates the same as the prior year. We understand the Comptroller's comment but will closely monitor the budget throughout the fiscal year to make sure the sewer fund does not experience a shortfall.

- *OSC Comment-Water Rents-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.*

Village Response-To limit the financial burden on another water rent increase the Village Board for the 2025/2026 tentative budget plans keep the rates the same as the prior year. We understand the Comptroller's comment but will closely monitor the budget throughout the fiscal year to make sure the sewer fund does not experience a shortfall.

- *OSC Comment-Personnel Services-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.*

Village Response-The Village has included an estimate for the expired contract for the police department.

- *OSC Comment-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.*

Village Response-The Village is confident their allocations are accurate based on discussions with department heads and will closely monitor the 2025/2026 budget throughout the fiscal year to make sure the personnel services in the water and sewer fund do not experience a shortfall.

- *OSC Comment-Social Security-The Village has likely underestimated Social Security costs by approximately \$21,200.*

Village Response-The Village is confident their allocations are accurate and will closely monitor the 2025/2026 budget throughout the fiscal year to make sure the social security expenditure do not experience a shortfall.

- *OSC Comment-Health Insurance-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.*

Village Response-The Village's projection does take into account for the one new additional hire in the DPW department. The current administration cannot account for the projection for the 2023/2024 fiscal year shortfall but the Village is aware of the potential shortfall for 2024/2025. Although the 2024/2025 budget accounted for an increase it was unknown during the budget process that active employees who previously opted out of the insurance would opt in during the fiscal year. Also the Village was aware there would be a substantial increase in taxes during the 2024/2025 fiscal year and worked to limit the financial burden in all areas of the budget.

- *OSC Comment-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.*

Village Response-Due to the substantial increase in the tax levy in the 2024/2025 the Village's mission was to try to limit the tax burden for the 2025/2026 fiscal year. The Village is confident their estimate of \$75,000 in the general fund is reasonable and in discussions with department heads for water and sewer the \$20,000 in water fund is reasonable and a contingency in the sewer fund was not deemed necessary.

- *OSC Comment-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.*

Village Response-This was due to a miscommunication. The Village after sending in the tentative budget to the Comptroller's office realized there was a discrepancy in the health insurance projection which was a positive change (reduction in the expenditures). The Village

made the Comptroller's office aware of this change but the Comptroller's office didn't reflect the change in their comment.

- *OSC Comment-Tax Cap-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.*

Village Response-The Village has filed the tax cap calculations with the NYS Comptroller's office through 2/28/2025 and the 2/28/2026 is in the review phase. The Village is aware of the tax cap limit and adopts a local law annually to override the limit if necessary.

- *OSC Recommendations-The Village Board should:*

*1. OSC Comment-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 Response-The Village is aware of the tax cap limit and adopts a local law annually to override the limit if necessary. Due to the financial conditions from previous years the current administration had to increase the tax levy over the tax cap limit.

*2. OSC Comment-Review the proposed estimates for revenues and expenditures and amend as necessary*

Village Response-With the implementation of the new governmental financial software the Treasurer is able to generate budget to actual reports and present to the Board and department heads. The Treasurer also presented to the Board and to the public quarterly budget to actuals during the 2024/2025 fiscal year.

**The Village is aware of the financial burden of taxes on the residents and works very closely with the department heads to present a fair and reasonable budget.**

Sincerely,

Mayor Thomas DeVinko and the Village Board of Trustees