

# Village of South Floral Park

## Budgeting and Financial Oversight

JULY 2021



OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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# Report Highlights

## Village of South Floral Park

### Audit Objective

Determine whether the Village of South Floral Park's (Village) Board provided adequate oversight and management of budgets and fund balance and ensured annual audits were completed.

### Key Findings

The Board did not provide appropriate oversight and management of budgets and fund balance or ensure annual audits were completed. More real property taxes were assessed than necessary to fund operations each year.

- The Board failed to hold budget hearings before April 15 each year (from two to 11 days late) to discuss the 2017-18, 2018-19 and 2019-20 budgets, and the budgets presented were not in the proper form, as required.
- Inaccurate budgeting led to underestimated revenues totaling \$289,565 (19 percent) over these years. As of May 31, 2020, unassigned fund balance was \$463,948, which is 78 percent of the 2020-21 appropriations.
- The Village has excess fund balance and the Board did not adopt a fund balance policy.

### Key Recommendations

- Hold public hearings on or before April 15.
- Adopt realistic annual budgets that are based on historical trends and other known factors.
- Reduce fund balance to a reasonable amount.

Village officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action. Appendix B includes our comments on issues raised in the Village's response letter.

### Background

The Village of South Floral Park (Village), located in the Town of Hempstead in Nassau County, is governed by an elected Board of Trustees (Board) composed of four Trustees and a Mayor, who also serves as budget officer.

The Mayor, with assistance from the Village Clerk-Treasurer (Clerk-Treasurer), prepares and presents the annual budget for the Board's approval.

The Board, with the assistance of the Clerk-Treasurer, is responsible for managing Village finances, including general fund balance.

The Village contracts with an accounting firm to assist with budgeting and bookkeeping.

#### Quick Facts

2020-21 General Fund	
Appropriations	\$592,247
2019-20 General Fund	
Unassigned Balance	\$463,948
Assigned Balance	\$64,760
Expenditures	\$580,871
Population	1,790

### Audit Period

June 1, 2017 – July 31, 2020. We extended our audit period back to January 1, 2017 to review Board minutes related to the budget process.

# Budget Process

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## What Is An Effective Budget Process?

A village clerk is required to present the tentative budget to the board of trustees at a regular or special meeting to be held on or before March 31 each year. At such meeting, the board of trustees should review the tentative budget and make changes and revisions as they consider advisable.

A public hearing on the tentative budget must be held on or before April 15. This hearing may be adjourned from day to day but not beyond April 20. The budget must be adopted no later than May 1. Notice of public hearings must be published at least once in the official newspaper, designated by the board of trustees (a newspaper with general circulation that is ordinarily printed and distributed not less frequently than once a week), at least five days before the hearing.

The budget officer is required to include information in the tentative budget including a schedule of actual revenues and expenditures for the last completed year, computation of the amount of taxes to be levied on real estate and a schedule of wages and salaries. Also, the budget must include total fund balance estimated to be on hand for year end, encumbrances, appropriated fund balance, and an estimate of the unassigned amount expected to be on hand at year-end.

## The Board Failed To Document Tentative Budget Discussions

We reviewed Board minutes from 12 regular meetings held (for a three-month period each year from January 1 through March 31 of 2017, 2018, 2019 and 2020) for any indication of tentative budget discussions before the March 31 deadline (no special meetings were held during the periods reviewed). We found no indication that the Clerk-Treasurer presented and the Board received the tentative budget, or addressed what changes and revisions were considered.

Although the Trustees told us that the budget process usually begins early each year (between January 1 and March 31), Village officials were unable to provide documentation to show that any public budget discussions, including any changes made as a result of such discussions, were held before March 31 each year.

The Mayor provided us with emails from 2017 and 2018 that included discussions with the Village's contracted accountant about the draft budget before March 31. The 2017 emails addressed the accountant's calculation of the Village tax cap and tax levy and presented the calculations to the Board. The 2018 emails indicated that the accountant prepared revenue and expenditure projections and salary schedules for the Mayor's review. However, the emails did not specify when public meetings would be held to discuss the items and did not reflect specific details about any budget items discussed or changed.

The Mayor told us the Board was unaware of the requirement to document the review of the tentative budget and felt the current process was sufficient. As a

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Village officials were unable to provide documentation to show that any public budget discussions... were held before March 31 each year.

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result, the Village was not transparent with the taxpayers about the budget's construction and all the alterations and revisions made before the final released version.

### The Board Failed To Hold Budget Hearings in a Timely Manner

The Clerk-Treasurer provided us with affidavits of publication (signed and notarized documents that serve as evidence a public notice was published in a particular newspaper at a certain date and for a certain period of time) for the public hearing notices for the 2017-18, 2018-19, 2019-20, and 2020-21 budgets. Except for the 2017-18 notice, which was published the same day as the hearing (April 19, 2017), these notices were published at least five days before the hearing date, from eight to 20 days before.

In one instance, the notice (April 18, 2018) for the 2018-19 budget was published eight days before the hearing (April 26, 2018), which was sufficient time, but both the notice and the hearing occurred after the April 15 deadline (Figure 1).

**Figure 1: Summary of Public Notices and Budget Hearing Dates**

Year	Notice of Budget Hearing Publication Date	Public Hearing Date	Days Before Public Hearing Notification	Statutory Deadline for Budget Hearing	Days Hearing Held Before (After) Deadline
2017-18	April 19, 2017	April 19, 2017	0	April 15, 2017	(4)
2018-19	April 18, 2018	April 26, 2018	8	April 15, 2018	(11)
2019-20	April 03, 2019	April 17, 2019	14	April 15, 2019	(2)
2020-21	March 26, 2020	April 15, 2020	20	April 15, 2020	0

Further, except for the 2020-21 hearing, held on April 15, 2020, the public hearings to discuss the 2017-18 through 2019-20 budgets were not held on or before April 15 as required. Village officials did not exercise their option to adjourn the hearing until April 20 to allow additional time to discuss issues if needed and instead chose to adopt the budget on the day of the hearing each year. All budgets were approved before May 1 of their respective years.

The Clerk-Treasurer mistakenly believed the hearing deadline was April 20 and was unaware that posting notices was required at least five days before. The Mayor said that meetings were generally scheduled the first Wednesday before April 20 depending on Trustees' schedules. The Board also failed to create a written budget calendar with key dates, which would have served as a guide to ensure compliance with required deadlines.

Holding hearings after April 15 did not allow the Board sufficient time to discuss the budget and make final adjustments based on taxpayer feedback.

Holding hearings after April 15 did not allow the Board sufficient time to discuss the budget and make final adjustments based on taxpayer feedback.

## The Mayor and Clerk-Treasurer Did Not Present Budgets in the Required Form

The budgets for 2017-18 through 2020-21, as presented and later adopted by the Board, lacked a schedule of actual revenues and expenditures for the last completed year, the computation of real estate taxes to be levied and a schedule of wages and salaries. Budget presentation requirements met are identified in Figure 2 with an X.

**Figure 2: Summary of Budget Presentations**

Budget Presentation Requirements	Budget Year			
	2017-18	2018-19	2019-20	2020-21
Actual Revenues for Last Completed Year				
Actual Expenditures for Last Completed Year				
Year-To-Date Revenues for Current Year	X	X	X	
Year-To-Date Expenditures for Current Year	X	X	X	
Current Year's Revenue Estimates	X	X	X	X
Current Year's Appropriations	X	X	X	X
Next Year's Estimated Revenues	X	X	X	X
Recommended Appropriations for Next Year	X	X	X	X
Computation of Real Estate Tax Levy				
Schedule of Salaries and Wages by Administrative Unit				

The budgets lacked fund balance information because the adopted budgets did not include fund balance estimated to be on hand for year-end, encumbrances and an estimate of the unassigned amount expected to be on hand at year-end (Figure 3).

**Figure 3: Summary of Fund Balance Requirements**

Fund Balance Presentation Requirements	Budget Year			
	2017-18	2018-19	2019-20	2020-21
Fund Balance Estimated to be on Hand At Year-End				
Encumbrances <sup>a</sup>				
Fund Balance Appropriated for Next Year's Budget	X	X	X	X
Estimated Unassigned Fund Balance at Year-End				

<sup>a</sup> Money assigned at year-end to pay for expenditures for that year.

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The Clerk-Treasurer told us that the budgets were prepared based on written guidance from a professional organization and they believed the budgets were complete.

Trustees and residents were not presented complete financial information and were therefore unable to gain an adequate understanding of the Village's financial condition to enable productive participation in the budget approval process.

### **What Do We Recommend?**

The Board should:

1. Document any changes and revisions to the draft budget at regular and special meeting(s) before March 31 each year.
2. Ensure public notices for budget hearings are posted at least five days before the hearing date.
3. Hold public budget hearings on or before April 15 each year. If additional time to discuss the budget is needed, consider exercising the option to adjourn the hearing day-by-day, but not beyond April 20.
4. Adopt and adhere to a budget calendar to comply with key dates, as required.

The Clerk-Treasurer should:

5. Ensure that tentative budgets are presented in the appropriate format and contain all required schedules and estimates.
6. Present tentative budgets to the Board at a regular or special meeting before March 31 each year.

# Financial Oversight

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## How Can the Board Effectively Budget, Monitor Finances and Manage Fund Balance?

The board is responsible for adopting a structurally balanced budget where recurring revenues finance recurring expenditures. To accomplish this, officials must ensure that budgeted revenues and appropriations are accurately estimated. If fund balance is appropriated for the budget, then an operating deficit equal to the amount of fund balance that was appropriated should be expected when that budget year ends.

Surplus fund balance should compensate for cash flow fluctuations and provide a cushion against unforeseen events but should not exceed a reasonable amount, consistent with prudent budgeting practices. This can be achieved with a fund balance policy that addresses how surplus balances are to be applied and how balances are to be replenished once used.

Further, the Board should audit the Clerk-Treasurer's financial records annually, or designate a Village officer or employee or a certified public accountant (CPA) to perform the audit.

## The Board Underestimated Revenues

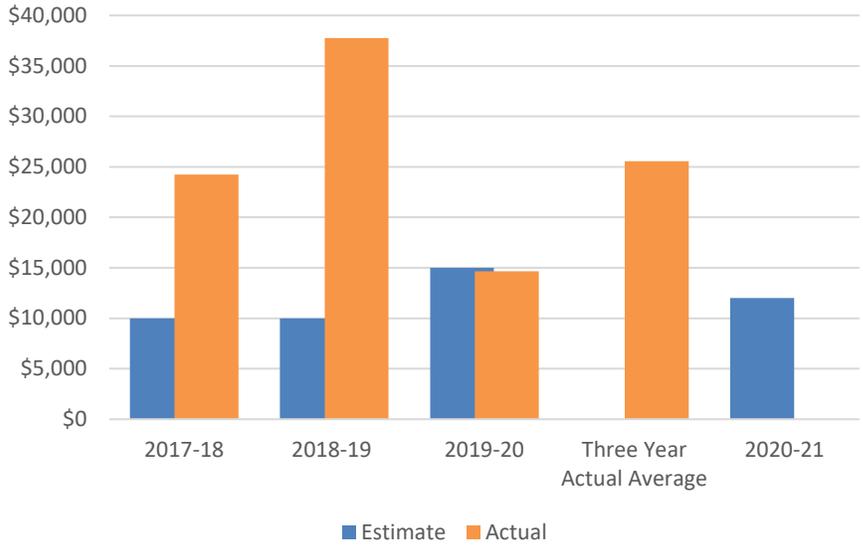
The 2017-18, 2018-19, and 2019-20 budgets presented to and approved by the Board were structurally balanced, and the appropriations for each fiscal year appeared reasonable. However, officials underestimated revenues by \$289,565 (19 percent) between 2017-18 and 2019-20 (Figure 4). Several budget lines contributed to the underestimated revenues, but we found that permits and certificates of occupancy (\$41,667) and fines and forfeitures (\$18,988), both recurring revenues, contributed significantly (Figures 5 and 6).

**Figure 4: Summary of Underestimated Revenues**

	Estimated Revenue	Actual Revenue	Amount Over Budget	Percentage Over Budget
2017-18	\$502,119	\$626,597	\$124,478	25%
2018-19	\$515,279	\$598,474	\$83,195	16%
2019-20	\$527,779	\$609,671	\$81,892	16%
<b>Total</b>	<b>\$1,545,177</b>	<b>\$1,834,742</b>	<b>\$289,565</b>	<b>19%</b>

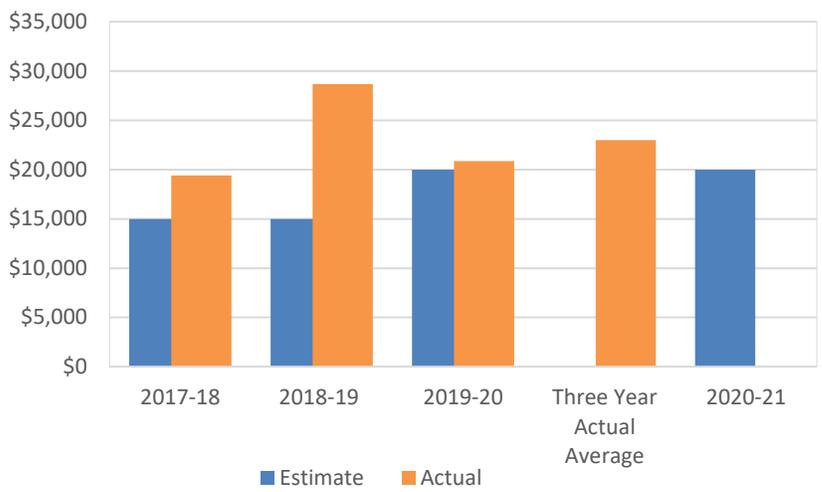
**FIGURE 5**

**Permits and Certificates Estimate vs. Actual Three-Year Trend**

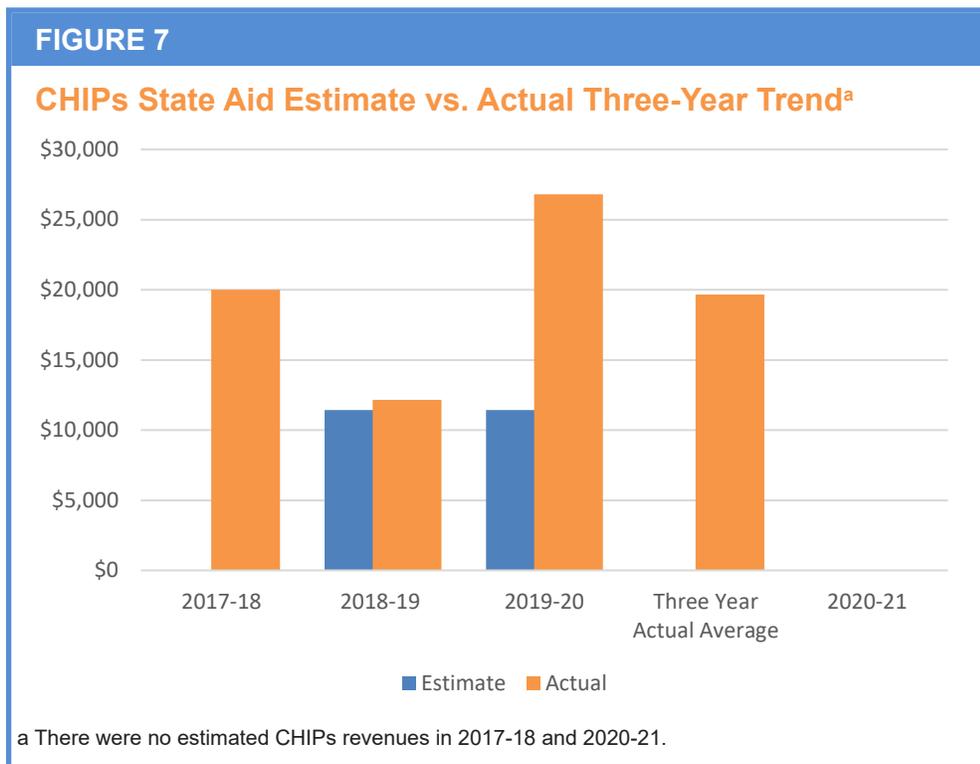


**FIGURE 6**

**Fines and Forfeitures Estimate vs. Actual Three-Year Trend**



Additionally, officials failed to estimate State aid revenue totaling \$81,698 in 2017-18, which contributed considerably to the total underestimated revenue. A significant part of this aid was from the Consolidated Local Street and Highway Improvement Program (CHIPs), which was recurring and underestimated by \$36,106, with no estimates made in 2017-18 and 2020-21 (Figure 7).



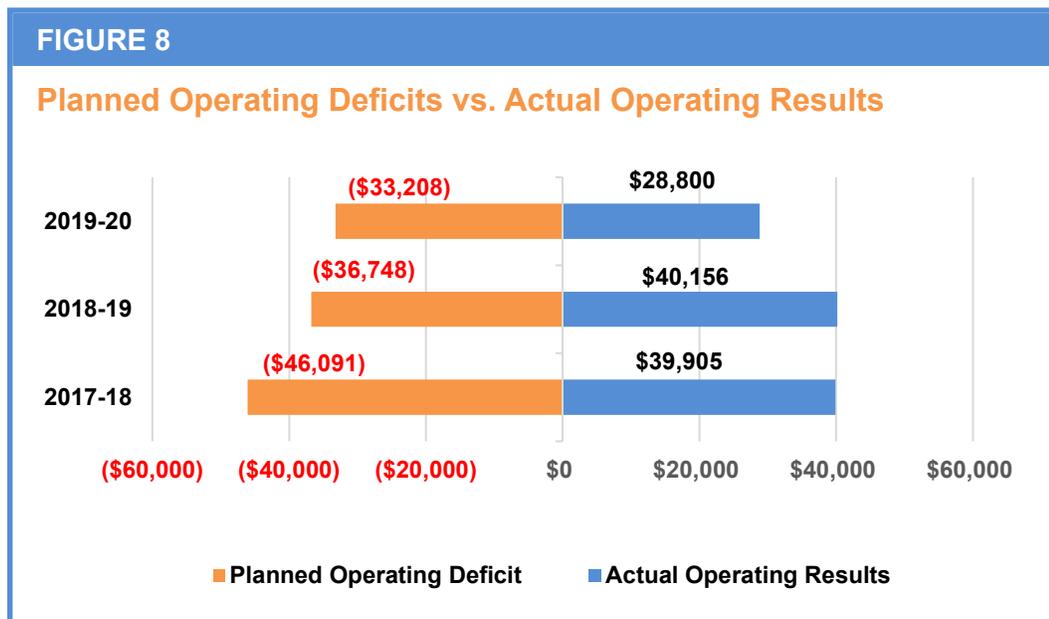
Although the \$592,247 appropriations for 2020-21 (a 6 percent increase) appear to be reasonably budgeted based on historical trends, officials continued to underestimate revenue for permits and certificates of occupancy, fines and forfeitures, and CHIPs.

Officials told us revenues for permits and the certificates of occupancy were underestimated due to a new fee schedule implemented in 2017 that was erroneously unaccounted for during the budgeting process. Village officials also indicated that they estimate revenues conservatively, even when the receipt is assured.

Had officials estimated revenues more accurately, based on historical trends and other supporting documentation, they could have levied approximately \$289,000 less real property taxes from residents from 2017-18 through 2019-20.

## The Board Allowed Excessive Fund Balance to Accumulate

The Village's unassigned fund balance totaled \$463,948 (78 percent of the 2020-21 appropriations), which was unreasonably high. This is due to budgeted operating deficits that did not materialize in 2017-18, 2018-19 and 2019-20. Instead the Village realized operating surpluses totaling \$108,861 over the three year period, ranging from \$28,800 in 2019-20 to \$40,156 in 2018-19 (Figure 8). Because revenues were underestimated, real property taxes were higher than necessary.



These surpluses resulted in the unassigned fund balance rising from \$419,847 (77 percent of next year's budget) in 2017-18 to \$463,948 (78 percent of next year's budget) for 2019-20 (Figure 9).

**Figure 9: Summary of Unassigned Fund Balance as a Percentage of Next Year's Budget**

	2017-18	2018-19	2019-20
<b>Total Beginning Fund Balance</b>	<b>\$419,847</b>	<b>\$459,752</b>	<b>\$499,908</b>
Add: Operating Surplus	39,905	40,156	28,800
<b>Total Year-End Fund Balance</b>	<b>\$459,752</b>	<b>\$499,908</b>	<b>\$528,708</b>
Less: Appropriated Fund Balance for Next Year	36,748	33,208	64,760
<b>Total Unassigned Fund Balance At Year-End</b>	<b>\$423,004</b>	<b>\$466,700</b>	<b>\$463,948</b>
Next Year's Budget	\$552,027	\$560,987	\$592,247
Reported Unassigned Fund Balance As Percentage of Next Year's Budget	76.6%	83.2%	78.3%

Between 2017-18 and 2019-20, officials appropriated fund balance totaling \$134,716 (with amounts ranging from \$33,208 in 2018-19 to \$64,760 in 2019-20) for budgeted operating deficits in subsequent years.<sup>1</sup> Due to the previously discussed surpluses, except for \$5,200 used for equipment purchases in 2018-19, none of this amount was used.

When unused appropriated fund balance is added back to the unassigned fund balance, it rises to \$454,552 (82 percent of the next year's budget) in 2017-18 and \$499,908 (89 percent of the next year's budget) in 2018-19. If past trends hold and the Village fails to use the \$64,670 appropriated from fund balance to fund 2020-21 appropriations, recalculated unassigned fund balance for 2019-20 will be \$528,708 (89 percent of next year's budget), a 14 percent increase from 2018-19 (Figure 10).

**Figure 10: Recalculated Unassigned Fund Balance**

	2017-18	2018-19	2019-20
<b>Total Unassigned Fund Balance At Year-End</b>	<b>\$423,004</b>	<b>\$466,700</b>	<b>\$463,948</b>
Add: Unused Appropriated Fund Balance	31,548	33,208	64,760
<b>Total Recalculated Unassigned Fund Balance</b>	<b>\$454,552</b>	<b>\$499,908</b>	<b>\$528,708</b>
Next Year's Budget	\$552,027	\$560,987	\$592,247
<b>Recalculated Unassigned Fund Balance As Percentage of Next Year's Budget</b>	<b>82.3%</b>	<b>89.1%</b>	<b>89.3%</b>

The Board did not adopt a fund balance policy and therefore, officials had no guidance to follow for how to apply operating surpluses or define the level of fund balance considered reasonable. If the Board planned to accumulate funds for a specific purpose, it could establish a reserve and include a provision to fund the reserve in the budget and allow taxpayers to see the purpose of the accumulated funds.

However, the Board did not establish a reserve and did not have a fund balance policy to provide a reason to accumulate so much fund balance that it could almost fund an entire year's appropriations. The result of accumulating unneeded fund balance is that taxpayers are forced to pay significantly more taxes than needed.

As previously discussed, revenues were underestimated by \$289,565 and, consequently, appropriated fund balance was unneeded. The Mayor and one Trustee told us that the Village sold annuity rights for a cell phone tower and received a large lump sum, which contributed significantly to fund balance. We reviewed the Clerk-Treasurer's documents showing that the Village received

<sup>1</sup> Amounts appropriated in 2017-18 were to fund 2018-19 appropriations, in 2018-19 were to fund 2019-20 appropriations, and in 2019-20 were to fund 2020-21 appropriations.

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\$404,279 in 2015-16 for the sale. This money could have been set aside in a reserve for a particular purpose if that was the intent of the Board, or it could have been used to lower taxes over a period of years. Instead, the Board has adopted budgets that continue to add to the fund balance.

Appropriated fund balance reduced the tax levy, which was \$408,969 each year for 2017-18 through 2019-20. However, this reduction in taxes was more than offset by underestimations of revenues each year. Therefore, officials collected more real property taxes than necessary to fund operations each year.

Also, rather than only appropriating fund balance to fund 2020-21 budget increases, officials unnecessarily increased the property tax levy to \$417,305 (2 percent increase) for 2020-21 and continued to underestimate revenue for permits and certificates of occupancy, fines and forfeitures, and CHIPs.

### **The Board Failed to Audit the Clerk-Treasurer's Records**

The Board failed to audit the Clerk-Treasurer's annual financial records for 2017-18, 2018-19, and 2019-20 and did not request that another official, employee or CPA perform the audit.

Board members were either unable to explain why no audit was conducted or indicated they thought an audit was not required, given the relatively small size of the Village. Although engaging the services of a CPA is an option, there is no requirement for the Board to hire and pay a firm to conduct the audit. The Mayor told us that the Trustees believed the cost associated with obtaining an audit would be excessive, but that is not a reason for the Board not to perform a review of the records.

Without an audit of the financial records, the Village had an increased risk that irregularities and errors could go undetected and remain uncorrected. In addition, the public did not have accurate information about the Village's financial condition.

### **What Do We Recommend?**

The Board should:

7. Adopt annual budgets that contain realistic estimates for revenues based on historical trends and other known factors.
8. Discontinue the practice of appropriating fund balance that is not needed or used to fund operations.
9. Develop a plan to reduce fund balance to a reasonable amount in a manner that benefits Village taxpayers. Surplus funds can be used as a financing source for:

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...[O]fficials collected more real property taxes than necessary to fund operations...

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- Funding one-time expenditures
  - Funding needed reserves
  - Paying off debt
  - Reducing real property taxes

10. Develop a fund balance policy that outlines when and how to spend budget surpluses.

11. Annually audit, or cause an audit of, the Clerk-Treasurer's financial records. To assist in performing this audit function, refer to our publication *Fiscal Oversight Responsibilities of the Governing Board*.

# Appendix A: Response From Village Officials



## INC. VILLAGE OF SOUTH FLORAL PARK

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May 25, 2021

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Hauppauge, NY 11788-5533

Re: Village of South Floral Park – Budgeting and Financial Oversight – Report of Examination 2021M-5

Dear Mr. McCracken,

The Board of Trustees of the Incorporated Village of South Floral Park (VSFP) received and has thoroughly reviewed the above-referenced draft report covering the audit period from June 1, 2017, through July 31, 2020, with an extended scope back to January 1, 2017 (the Audit). The VSFP would like to thank the Office of the New York State Comptroller for granting an extension of time to submit this reply. Additionally, we would like to thank your office for the work conducted and view the Audit as an opportunity to strengthen the VSFP internal controls through constructive criticism and oversight. The Board of Trustees has seriously considered the findings and recommendations presented in your report. We are pleased to inform you that changes have already been incorporated into the VSFP operations. Please accept this letter as our written audit response and corrective action plan to each finding and recommendation presented by your office.

**Finding:** *The Board Failed to Document Tentative Budget Discussions*

**Recommendation:** *(1) Document any changes and revisions to the draft budget at regular and special meeting(s) before March 31 each year.*

**Response:** The Board of Trustees of the VSFP (the Board) takes the budgeting process seriously to address the community's needs while simultaneously ensuring the maximization of public resources. To do so, the Board meets with their outside accountant (CPA), management, and heads of departments to ensure the anticipated needs and demands are adequately addressed and forecasted. This process generally spans three months. Once the proposed budget has been developed, it is presented to the public at the required public hearing. During the hearing, the Board explains the budget to the public. A dialogue occurs to ensure the public is informed of the appropriations anticipated for the upcoming fiscal year. The Board considers it paramount that the public's input on the budget is heard and factored into the development of the budget. While we understand the Board did not always document these discussions, that is not to say they did not occur. In the future, the Board will ensure that all discussions contain an adequate paper trail to support the talks that occurred and any decisions acted thereon before March 31 each year.

See  
Note 1  
Page 16

**Finding:** *The Board Failed to Hold Budget Hearings in a Timely Manner*

**Recommendations:**

- (2) *Ensure public notices for budget hearings are posted at least five days before the hearing date.*
- (3) *Hold public hearings on or before April 15 each year. If additional time to discuss the budget is needed, consider exercising the option to adjourn the hearing day-to-day, but not beyond April 20.*
- (4) *Adopt and adhere to a budget calendar to comply with key dates, as required.*

**Response:** At the start of the audit period, the VFSP had hired a new Clerk-Treasurer. Coincidentally, her start date (April 19, 2017) was the exact date that the public hearing was held. Understanding that the notice for the hearing was not previously posted, she immediately posted such in the paper. While the VSFP understands the timing did not align with the statutory deadlines, the process continued to improve throughout the audit period. The VSFP will develop a budget calendar to ensure all the statutory deadlines are adequately met from now on.

**Finding:** *The Mayor and Clerk-Treasurer Did Not Present Budgets in The Required Form*

**Recommendations:**

- (5) *Ensure that tentative budgets are presented in the appropriate format and contain all required schedules and estimates.*
- (6) *Present tentative budgets to the Board at a regular or special meeting before March 31 each year.*

**Response:** Management relies upon their accounting software<sup>1</sup> to produce a budget to actual expenditure report to forecast the following year's budgets. Additionally, spreadsheets calculate the projected fund balance for the end of the current fiscal year. The Mayor, CPA, and Clerk-Treasurer meet to discuss these reports and projections and how they relate to the anticipated spending for the upcoming fiscal year. The package presented to the public (and provided to the OSC auditors) was designed to simplify the budget presentation so that the residents would have a clear and accurate picture of the proposed budget for the upcoming year. In hindsight, we understand how our intention not to overcomplicate the budget process forced us to "miss the mark" in providing the pre-requisite information. However, the VSFP maintains transparency with the public and ensures all of the underlying documents readily available for their review. The VSFP has since modified its budget presentations to include all the required schedules and estimates presented to the public and will work to ensure their adoption before March 31 each year.

See  
Note 2  
Page 16

**Finding:** *The Board Underestimated Revenues*

**Recommendation:** (7) *Adopt annual budgets that contain realistic estimates for revenues based on historical trends and other known factors.*

**Response:** The Board adopts a methodology, consistently applied, when developing the VSFP's budget; maintain a conservative approach and maximize VSFP resources not to overburden its residents. This philosophy has allowed the Board to keep its tax levy at \$408,969 for the years ended May 31, 2018, 2019 and, 2020<sup>2</sup>. Of the 95 villages that levy property taxes in Nassau and Suffolk Counties, the VSFP ranks in the bottom 15% of taxes levied<sup>3</sup>. When developing the budget, the Board, CPA, and Clerk-Treasurer consider economic, social, and political factors affecting the VSFP's environment. While the VFSP understands that not all these factors were clearly documented, it is essential to state that they were considered and discussed. It is also important to note that creating individual analyses on a line-by-line basis created an additional burden from an administrative and economic standpoint. Therefore, because of these foreseen burdens, the VSFP did not make them. The VSFP maintains various revenue streams while recurring are challenging to predict, i.e., permits and certificates of occupancy, and grants. When forecasting these revenue streams, the VSFP maintained a conservative approach estimating these sources on the factors previously identified since the VSFP believed historical averages were not practical at the time. Consequently, any budget shortfalls were underwritten through appropriated fund balance, which increased

<sup>1</sup> Specifically designed and created for Local Government Finances

<sup>2</sup> Source: Open Book New York – Tax Cap Trend Report for Village of South Floral Park years 2020, 2019 and 2018.

<sup>3</sup> Source: Open Book New York – Local Government Spending Revenue, Expenditure, and Balance Sheet Account Code Level Data for 2020

each year during the audit period. From now on, the VSFP will ensure budget estimates are adopted with clearly evidenced conclusions supported by documented analyses and known trends impacting these revenue lines.

**Finding:** *The Board Allowed Excess Fund Balance to Accumulate*

**Recommendations:**

- (8) *Discontinue the practice of appropriating fund balance that is not needed or used to fund operations.*
- (9) *Develop a plan to reduce fund balance to a reasonable amount in a manner that benefits Village taxpayers. Surplus funds can be used as a financing source for:*
- *Funding one-time expenditures*
  - *Funding needed reserves*
  - *Paying off debt*
  - *Reducing real property taxes*
- (10) *Develop a fund balance policy that outlines when and how to spend budget surpluses.*

**Response:** The Board strives to ensure the resources of the VFSP are used most effectively and efficiently. Fund balance has accumulated over the years primarily due to the buyout on the cell tower lease that occurred before the audit period. It was not the intention of the Board to allow fund balance to accumulate unnecessarily; however, budgets are developed and relied heavily upon on estimates. Estimates do not necessarily equate to reality, and the VSFP has experienced positive changes in fund balance during the audit period. The Board used the receipt of these resources and surpluses to underwrite the increase in anticipated spending for the budget periods covered in the Audit.

Additionally, the Board has engaged in discussions to develop a plan to put these funds to use, considering the aging infrastructure of the Village and estimating costs to repair or replace these assets. These preliminary discussions began at the end of the audit period; however, due to COVID-19, the conversations became delayed. The Village anticipates developing and adopting a formalized plan and adopting a fund balance policy to utilize the accumulation of fund balance within the upcoming months.

**Finding:** *The Board Failed to Audit the Clerk-Treasurer's Records*

**Recommendation:** (11) *Annually audit, or cause an audit of, the Clerk-Treasurer's financial records. To assist in performing this function, refer to our publication Fiscal Oversight Responsibilities the Governing Board.*

**Response:** The Board maintains an ongoing monitoring process every month of auditing the claims and reviewing the financial condition and results of operations through financial reporting from management. While this process does not preclude the Board from conducting an annual audit of the Clerk-Treasurer's records, the Board will work with the VSFP CPA to develop a monthly audit checklist to ensure routine audits of the VSFP records are conducted annually.

In closing, we thank the Office New York State Comptroller's audit team for their professionalism and ability to work in a remote environment to ensure the safety of everyone involved. The Board will continually work with management and their professional advisors to ensure the findings and recommendations are implemented swiftly and routinely followed.

Very Truly Yours,

Godfrey N. Prime, Esq.  
Mayor

## Appendix B: OSC Comments On Village's Response

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### Note 1

The Clerk-Treasurer is required to present the tentative budget to the Board at a regular or special meeting held on or before March 31 each year. Our review of Board minutes for meetings held from January 1 through March 31, for each year of our audit period, showed no indication that the Clerk-Treasurer presented the Board with the tentative budget or that there were any public budget discussions at any meeting held on or before March 31 each year.

### Note 2

The budget must be adopted no later than May 1 each year.

## Appendix C: Audit Methodology and Standards

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We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed the Clerk-Treasurer, Mayor, and Trustees to gain an understanding of budgeting and financial activity management.
- We reviewed financial records (general ledgers, profit and loss statements, bank statements and cash reconciliations) and annual financial reports filed with the State Comptroller's office to determine financial performance in 2017-18, 2018-19, and 2019-20.
- We reviewed all adopted budgets for our audit period to determine whether they included all legally required information.
- We obtained and reviewed all affidavits of publication for public notices related to budget hearings placed in the Village newspaper during our audit period to determine whether sufficient notice was given for taxpayers to attend budget hearings.
- We reviewed Board minutes for a three-month period each year (January 1 through March 31 of 2017, 2018, 2019 and 2020) to determine whether tentative budget discussions were held before March 31 and public hearings were held before April 15.
- We compared the 2017-18, 2018-19, and 2019-20 budgeted appropriations and estimated revenues to actual results of operations and followed up on any significant differences. We also assessed the budget for 2020-21 to determine whether it was reasonable, based on historical trends and any other supporting information.
- We determined whether the unassigned fund balances for 2017-18, 2018-19, and 2019-20 were reasonable by calculating unassigned fund balance as a percentage of the next years' budgets. In addition, when fund balance was appropriated and unused, we recalculated the unassigned fund balance for 2017-18 and 2018-19 by adding the unused appropriated fund balance to the reported unassigned fund balance. For 2019-20, we projected the recalculated unassigned fund balance should the appropriated amount for 2020-21 not be used.
- We interviewed the Clerk-Treasurer, Mayor, and Trustees to determine whether they conducted annual financial audits. We cross-referenced select revenue and expenditure lines and ending cash balances with appropriate source documents to determine whether figures agreed and investigated significant variances.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan

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and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Clerk-Treasurer's office.

## Appendix D: Resources and Services

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### **Regional Office Directory**

<https://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf>

### **Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

<https://www.osc.state.ny.us/local-government/publications>

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

<https://www.osc.state.ny.us/local-government/publications>

### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

### **Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

<https://www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf>

### **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.state.ny.us/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

### **Research Reports/Publications** – Reports on major policy issues facing local governments and State policy-makers

<https://www.osc.state.ny.us/local-government/publications>

### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

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