

NEWS FROM THE ULSTER COUNTY OFFICE OF THE COMPTROLLER

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Comptroller's Second Quarter 2023 Financial Report Presents Uncertainty Given Delayed Financial Accounting

Kingston, NY (September 26, 2023) – Ulster County Comptroller March Gallagher released the 2023 Second Quarter Financial Report.

Due to the lag in the closure of the 2022 financials and unrecorded transactions for the 2023 year within the County's financial system, the numbers released in this report are tentative and may differ materially from actual numbers. We recommend that the County take a cautious approach during the budget process for fiscal year 2024. One example of the items that impact the 2023 actual data became apparent upon review of the activity posted to the ARPA liability account. This review showed that only one entry has been made to the liability account to recognize Federal Aid revenue for 2023 totaling \$13,427. The County has spent significantly more than this during 2023 and more entries are required to the accounting records to recognize revenues.

As of the date data was pulled for this report, and not including necessary unrecorded additional entries, the County's revenue collections decreased by \$9.7 million by the close of the second quarter of 2023 compared to the same period in 2022. Ulster County budgeted for a \$28.4 million annual increase across all revenue collections for 2023 over the prior year. As of the close of the second quarter, the County has recognized 46% of revenues budgeted for 2023 compared to 53% recognized by midyear 2022. The Comptroller's office is aware of significant unrecorded revenues earned during the first two quarters of 2023 that could reduce the difference between the two periods revenues.

The 2023 and 2022 expenditures were 35% and 38% of total annual budgeted amounts by the end of the second quarter, respectively. The 2023 actual spending increased approximately \$1.3 million in the first half of the year when compared to the prior year, from \$133.1 million to \$134.4 million, which is below expectations considering the substantial increase of \$28 million in total budgeted spending.

"Our inability to record transactions in a timely way is a major concern. Without transparency on the financial condition of the County, policy makers are going into the budget season without all necessary information," said Ulster County Comptroller March Gallagher. "The Comptroller's Office has significantly improved its working relationship with the new leadership within the Department of Finance. Upon the departure of the former Commissioner, the Comptroller's Office had strongly advocated for the inclusion of external accounting services, and we are now relieved that this additional support has finally been integrated. The newly assembled Finance team is tasked with the responsibility of addressing all year-end adjustments for 2022, while operating with reduced and fresh personnel, and concurrently rectifying adjustments from prior periods. They face the challenging task of maintaining up-to-date entries amidst the current accounting backlog that affects multiple departments. Consequently, the Comptroller's Second Quarter Financial Report cannot provide a comprehensive overview of the County's financial situation."

Ulster County is seeing a leveling of post-pandemic job creation with an overall increase of only 300 jobs or .5% for the 12-month period ended June 30th. Inflation has slowed with the second quarter closing 12-month consumer price index up 2.5% compared to 6.7% in 2022. Housing prices continue to escalate with the end of June median home sale price at \$421,500 or a 62.8% increase over a five-year period.

Ulster County continued to maintain an average of \$103.5 million in a bank account earning below potential at 1% while continuing the lack of diversification of County investments.

The quarterly report contains detail on the County's Capital Plan. Capital expenditures on the County's Capital Plan were \$7.2 million or 9.26% of the total amount called for to be spent in 2023 on capital projects in the County's Capital Plan. This is necessary and expected given that the Capital Plan is unrealistic in its proposed expenditures. Expending all the Capital Plan as budgeted would either bankrupt the County or burden future taxpayers with unnecessary debt service costs.

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Report Attached