



Town of Ashland

Multiyear Planning

2024M-114 | December 2024

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Report Highlights

Town of Ashland

Audit Objective

Determine whether Town of Ashland (Town) officials established multiyear capital and financial plans.

Key Findings

Town officials did not establish multiyear capital and financial plans, which provide a framework to assess the Town's capital and financial needs and identify appropriate funding and financing approaches to address them. Officials also have not developed a fund balance or a reserve fund policy to determine needed amounts for fund balance and specific reserves and to establish plans for periodically reviewing these funds.

As a result, officials have not determined the Town's long-term capital needs or considered the impact they will have on Town operations or how they will fund these needs. As of July 17, 2024, the Town's capital reserve funds have zero balances. However, based on discussions with the Highway Superintendent (Superintendent), vehicle and equipment capital improvements over the next five years might cost up to \$822,000. For example, a 2005 pickup truck, 2007 backhoe and 2011 mower are beyond their usable life by an average of almost six years, and he shared that both the Town's salt shed and highway garage need costly repairs.

Key Recommendations

- Develop written multiyear capital and financial plans.
- Consider funding reserves for current and upcoming capital needs.

Town officials generally agreed with our findings and indicated they plan to initiate corrective action.

Audit Period

January 1, 2023 – July 17, 2024.

We extended our audit period back to January 1, 2019 to evaluate trends in fund balance and reserve balances.

Background

Multiyear planning includes the development of capital and financial plans. A fund balance policy and reserve policy can further support these plans. See Appendix A for additional information on these plans and policies.

The Town is located in Chemung County. An elected five-member Board (Board), composed of the Town Supervisor (Supervisor) and four Board members, is responsible for the general management of the Town's operations and finances.

The Board is also responsible for making financial decisions that are in the best interest of Town taxpayers and residents. This includes planning for the future and setting long-term capital and financial priorities and goals.

An appointed Superintendent is primarily responsible for the maintenance and repair of Town roads and highway equipment. See Appendix A for changes in officials.

Quick Facts

Capital Assets

Highway Department – Vehicles and Equipment	13
Town Buildings	6
Capital Reserve Fund Balances as of December 31, 2023	
Townwide Highway Fund	\$0
Town-Outside-Village Highway Fund	\$0

Multiyear Planning

How Does a Town Board Establish a Multiyear Capital Plan and Multiyear Financial Plan?

A town board (board) establishes a multiyear capital plan and multiyear financial plan by balancing capital priorities with fiscal constraints. When establishing multiyear plans, the level of fund balance, as determined by the fund balance policy, and the level of funded reserves, as determined by the reserve fund policy, are important components.

Multiyear Capital Plan – Officials should develop and implement a multiyear capital planning process by conducting a needs assessment and an affordability analysis that seeks to balance capital priorities with fiscal constraints. Ideally, the capital planning process identifies all capital and major equipment needs, incorporates a process for prioritizing projects, and includes a maintenance cycle to sustain current capital assets. The process of prioritizing capital investments can help ensure that assets key to the town's operations are repaired or replaced before an emergency occurs.

Boards and highway superintendents should determine when asset replacements could be expected and use this information to help establish a multiyear capital plan. Boards and highway superintendents may choose to use the New York State Department of Transportation's (NYSDOT) optimal usable life document to help determine when asset replacements could be expected. This document provides an estimated optimal usable life, in years, and an estimated replacement value for each type and class of vehicle and equipment that are generally used by highway departments. Although usable life may not always indicate how long a particular vehicle or piece of equipment will last, officials should develop their own estimated usable life criteria based upon their individual experience and consider this information when developing a multiyear plan for equipment replacement.

Town officials (officials) must also comply with New York State Highway Law Section 142.3 that requires highway superintendents to annually provide the board on or before September 30th a written inventory list of all machinery, tools and equipment, indicating the value of each item and estimated cost of all necessary repairs. Highway superintendents are also required to provide to the board written recommendations as to what machinery, tools and equipment should be purchased and the probable cost. Furthermore, the highway superintendent should separately track repair and routine maintenance costs and perform cost-benefit analyses to determine which equipment should continue to be repaired versus replaced.

Officials can obtain additional information on developing a multiyear capital plan by reviewing The Office of the State Comptroller's (OSC's) *Multiyear Capital Planning Local Government Management Guide* (Figure 1).

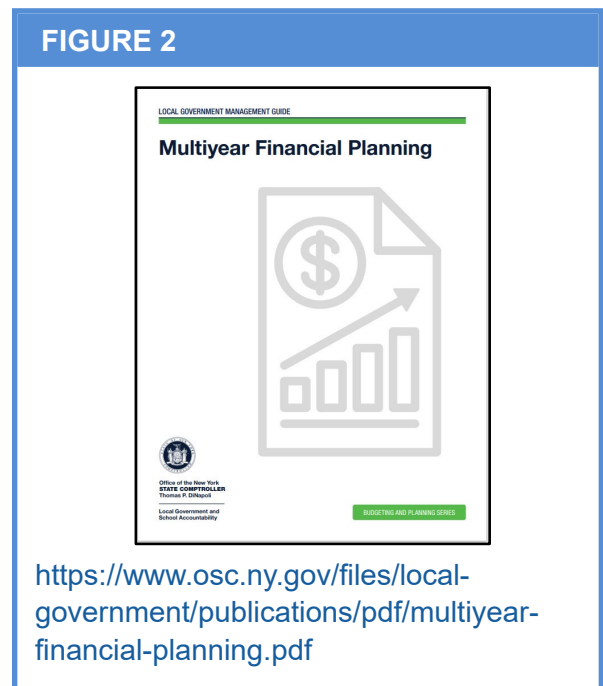


Multiyear Financial Plan – Officials should develop and implement a multiyear financial plan to identify developing revenue and expenditure trends, establish long-term priorities and goals and consider the impact that current budgeting decisions will have on future fiscal years’ fund balance. A multiyear capital plan should have a clear mission to maintain and improve the town’s capital assets over time. It should be as comprehensive as possible, encompassing all major public assets that have a significant usable life. It should also establish parameters for how capital assets will be financed. Finally, it should be flexible enough to respond to new needs and deal with emergencies.

A financial plan projects revenues and expenditures for several years into the future. The plan illustrates what will happen to a town’s ability to pay for and provide services, given a set of policy and economic assumptions. These projections help policy makers assess expenditure commitments, revenue trends, financial risks and the affordability of new services and capital investments. Written fund balance and reserve policies, in conjunction with multiyear plans, provide guidance on optimal funding levels for fund balance and reserves, along with specifying the circumstances under which funds may be used. For example, the board can establish and fund capital reserves for the future acquisition and repair of capital assets as part of its multiyear capital and financial plans. Officials should monitor reserve fund balances to ensure funds are available for planned expenditures.

Officials can obtain additional information on developing a multiyear financial plan by reviewing OSC’s *Multiyear Financial Planning Local Government Management Guide* that includes templates and a guided tutorial that provides a basic structure for those creating a plan for the first time (Figure 2).

Reserve Fund Policy – Any governing board that is planning to establish and finance reserve funds on a regular basis should develop a written policy that communicates to taxpayers why the money is being set aside, the board’s financial objectives for the reserves, optimal funding levels, and conditions under which the assets will be utilized. Boards should also periodically assess the reasonableness of the amounts accumulated in the reserves. When conditions warrant (subject to legal requirements), the board should reduce reserve funds to reasonable levels or liquidate and discontinue a reserve fund that is no longer needed or whose purpose has been achieved.



Officials can obtain additional information on developing a reserve fund policy by reviewing OSC's *Reserve Funds Local Government Management Guide* (Figure 3).

Fund Balance Policy – A governing board should adopt a written policy that defines the appropriate level of fund balance that should be reasonably maintained. This provides guidelines for the board and officials to use during the annual budget process and when establishing multiyear plans.

The Board Did Not Establish a Multiyear Capital Plan or a Multiyear Financial Plan

As of July 17, 2024, the Town had 19 capital assets, but the Board did not develop or establish multiyear capital and financial plans to address the Town's long-term capital needs or how they would be funded. The Board also did not develop or adopt a comprehensive written fund balance and reserve policy specifying the desired amount of fund balance to be maintained in each fund and indicating needed reserves, funding levels and circumstances under which reserve funds will be used or replenished. These policies provide the Board with guidance related to the Town's budgeting and reserve goals which are necessary when developing multiyear plans.

Highway Vehicles and Equipment – The Town's Highway Department currently owns and operates 13 vehicles and pieces of highway equipment, of which the Highway Superintendent (Superintendent) stated eight are used regularly by the Town and expected to eventually be replaced.¹ The average remaining estimated usable life among those vehicles and equipment, based on NYSDOT guidelines,² was less than one year and three were beyond their estimated usable life by an average of almost



1 According to the Superintendent and Supervisor, five pieces of equipment currently beyond their usable life (a dump truck, a grader, a roller, a fork truck and an equipment trailer) are not regularly used and are not expected to ever be replaced.

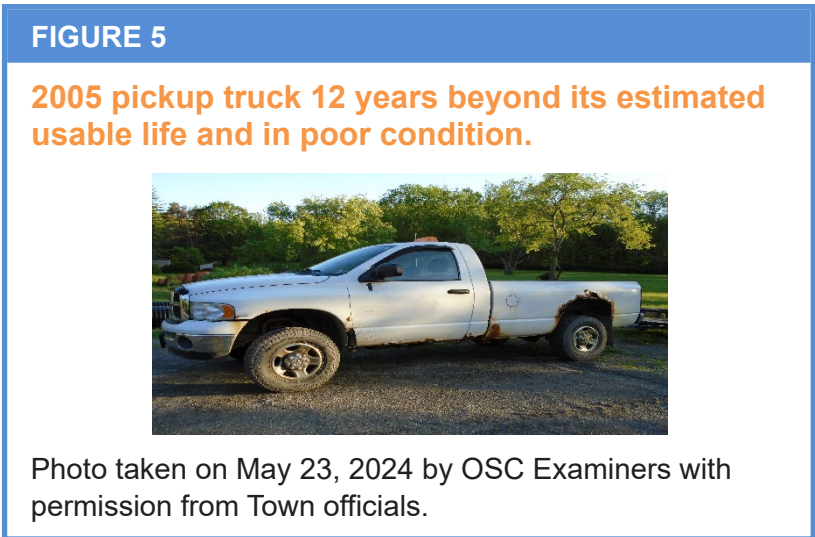
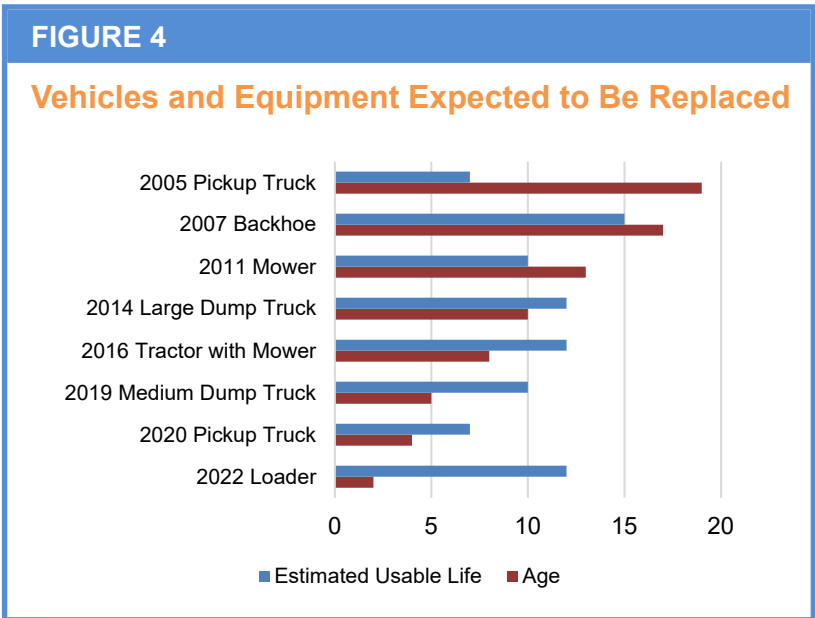
2 <https://www.dot.ny.gov/programs/chips/chips-repository/TRANSPORTATION%20EQUIPMENT%20LIFE%20July%202023.pdf>

six years (Figure 4). Moreover, one of the three, a pickup truck, was in poor condition according to the Supervisor (Figure 5). Four of the remaining five vehicles and pieces of equipment will have their estimated usable life expire within the next five years.

Additionally, during our audit period, the Town incurred \$15,993 in repair costs for a 2016 tractor with a mower that was not yet beyond its estimated usable life. Officials did not perform a cost-benefit analysis to determine whether they should continue to repair the mower or consider replacing it.

While the Superintendent maintained and submitted a written inventory to the Board, he did not formally update the Board on the equipment’s condition and only addressed short-term needs to be covered in the upcoming fiscal year. The Supervisor and Superintendent told us that they were aware that some of the vehicles and equipment were aging and that some required significant repairs. However, the Superintendent did not separately track routine repair and maintenance costs or prepare a cost-benefit analysis to determine whether it was more cost-effective to repair or replace specific vehicles and equipment.

Based on the Town’s vehicle and equipment listing and discussions with the Superintendent and Supervisor, the replacement costs for all eight vehicles and equipment expected to be replaced may total up to \$1.1 million, and seven totaling \$822,000 can reasonably be expected to require replacement within the next five years. The three vehicles and pieces of equipment already beyond their estimated usable life have a replacement cost of up to \$262,000.



The Superintendent, who has been in his position for just over a year, told us that he developed a road maintenance plan but had not yet had the opportunity to create a vehicle and equipment repair and replacement schedule or perform cost-benefit analyses related to vehicle and equipment replacement. Without written capital and financial plans in place, including funding reserves, the Town may not have the resources needed to replace vehicles and equipment. The lack of proper planning could impact the Town's operations and future tax levies.

Salt Shed and Highway Garage – The Town currently owns and maintains six buildings.³ Based on conversations with the Supervisor, Superintendent and three Board members, the Town's salt shed and highway garage will require significant repair or replacement within the next five years. The Town has an aging salt shed built in 1995, used for storing road salt and sand (Figure 6). The Superintendent also told us the equipment used by Highway Department employees will not fit in the current salt shed, making it more difficult and labor-intensive to unload road salt and sand into the shed. According to the Town's insurance policy, the salt shed has a building value of approximately \$112,000. Officials have not estimated the cost for necessary repairs or replacement of the salt shed, or considered how the improvements would be funded or the impact the repairs or replacement would have on Town operations.

Additionally, the Superintendent told us that the steel roof of the Town highway garage leaks and requires either repair or replacement (Figures 7 and 8). The Supervisor and a Board member told us that although the Board originally intended to repair the leaking roof, it determined replacing the roof would be more cost-effective because any repairs could not be guaranteed by the vendor. Initial estimates to replace the roof totaled approximately \$77,000, based on a quote the Town received in April 2023.

Although the Board previously established capital reserves in the town-wide and town-outside-village highway funds,⁴ these reserves had zero balances as of July 17, 2024.

A Board member told us that the Board had not discussed or realized the importance of multiyear plans and the role they play in establishing such plans and the associated

FIGURE 6

Aging Salt Shed



Photo taken on May 6, 2024 by OSC Examiners with permission from Town officials.

FIGURE 7

Highway Garage with leaking roof



Photo taken on May 6, 2024 by OSC Examiners with permission from Town officials.

3 The Town's buildings consist of a highway barn, Town hall, historical museum, two highway garages and a salt shed.

4 Included within the Town's boundaries is the Village of Wellsburg. As such, the Town is required to maintain town-wide and town-outside-village funds.

reserves. In addition, the Supervisor and three Board members told us that, historically, the prior elected Supervisor (as budget officer) had prioritized minimizing real property tax levies. Therefore, he prioritized using surplus fund balance to lower the tax burden instead of funding the reserves, and the Board adopted his budgets as presented.

Without written multiyear capital and financial plans, it is difficult for the Board to properly manage and fund the replacement of vehicles and equipment or finance capital projects. A multiyear capital plan helps manage these investments by scheduling expenditures over a number of years and by creating a financing plan to meet those expenditures, which may include funding reserves.

What Do We Recommend?

The Board should:

1. Develop multiyear written capital and financial plans to help ensure financial resources are available to replace capital assets in a timely manner.
2. Develop and adopt a comprehensive written fund balance and reserve policy specifying the desired amount of fund balance to be maintained in each fund and indicating needed reserves, funding levels and circumstances under which reserve funds will be used or replenished.
3. Consider funding capital reserves as a part of the Town's long-term planning efforts to set aside funds formally and legally for identified future expenditures.

The Superintendent should:

4. Annually provide the Board with a written inventory list of all machinery, tools and equipment, indicating the value of each item with an estimated cost of all necessary repairs and recommendations for which items should be purchased and the probable cost.
5. Develop procedures, such as separately tracking repair and routine maintenance costs and performing cost-benefit analyses, to analyze whether it is more cost-effective to repair or replace specific vehicles and equipment.

FIGURE 8

Evidence of leaks inside Highway Garage



Photo taken on May 6, 2024 by OSC Examiners with permission from Town officials.

Appendix A: Plan and Policy Information and Changes in Officials

Plan and Policy Information

Multiyear Capital Plan – A multiyear capital plan identifies all capital and major equipment needs, establishes a maintenance cycle to sustain current assets and develops a process for prioritizing and financing capital projects and equipment purchases.

Multiyear Financial Plan – A multiyear financial plan illustrates what will happen to a government's ability to pay for and provide services, given a set of policy and economic assumptions. The plan projects revenues and expenditures for several years into the future and can help policy makers assess expenditure commitments, revenue trends, financial risks and the affordability of new services and capital investments.

Fund Balance Policy – A comprehensive fund balance policy addresses budgeting practices and establishes the levels of fund balance to be maintained. The policy also provides guidance on how fund balance will be used and is an important component of any multiyear financial plan.

Reserve Fund Policy – A comprehensive written reserve fund policy states the rationale for establishing reserve funds and the objectives for each reserve, maximum targeted funding levels, conditions under which reserves will be used or replenished and requirements for a periodic review of reserve balances to confirm compliance with this policy and reasonableness of each reserve fund.

Changes in Officials

The current Highway Superintendent was appointed to the position in September 2023 due to the retirement of the prior Superintendent.

The current Supervisor took office in January 2024. The previous Supervisor was appointed by the Board in November 2022 to fill the vacancy after the former elected Supervisor resigned.

Appendix B: Response From Town Officials



Town of

Ashland
Chemung County NY

Town of Ashland
3663 Sixth Street
Wellsburg, NY 14894

Town Supervisor
Raymond A. Hodge

December 17, 2024

In response to the 2024 Audit Report conducted by the OSC, the town offers the following response.

After a review of the draft report and an exit meeting with the comptroller's office staff, the findings in the audit report were in line with the current and past positions in which the town has found itself. During our meeting, the Highway Superintendent had a concern about a finding of a repair done to a John Deere tractor as opposed to replacing the tractor. It was noted that the decision was made without conversation with the town board or supervisor. Highway superintendent Adam Skinkle replied that it was discussed and because the tractor was in great condition, the roughly \$9500.00 repair was a wiser choice than the \$100,000.00 replacement. Minutes from the town board meeting on November 10, 2022, show there was a discussion and a resolution made to repair the tractor.

I have reviewed the entire report as have the town board members. This was discussed at our December 2024 meeting and there were no objections to any of the report as written. We will be working together in the very near future to discuss our plan moving forward to correct the issues brought to our attention by the audit. We will be working on a comprehensive plan to ensure the town provides a very good plan including a multi-year capital plan, multi-year financial plan, fund balance policy, and reserve fund policy at a minimum.

As the Town Supervisor, I will work on all the recommendations set forth in the report and make sure they are all addressed.

In closing, as a town, we feel good about the report as written and look at it as a building block to some much-needed changes to produce the success the people of the Town of Ashland deserve.

Early in 2024, as a board, we will be meeting to come up with our corrective action plans for the issues stated above. Once those plans are completed, they will be submitted to the Office of the State Comptroller for review.

Sincerely

~~Raymond A. Hodge~~

~~Ashland Town Supervisor~~

Appendix C: Audit Methodology and Standards

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

- We interviewed Town officials and reviewed Board meeting minutes to gain an understanding of the Highway Department operations. We also reviewed Town policies and procedures and the Town's asset and insurance listings and toured the highway facility to view the major highway equipment and buildings that the Town owns. We determined the age of the equipment and buildings by reviewing the Town's asset and insurance listings, and we assessed their condition during our visual inspection and interviews with the Superintendent and Supervisor.
- We compared the production year of the highway vehicles and major equipment to the NYSDOT optimal usable life guidelines to determine the equipment's remaining usable life.
- We used Town replacement cost estimates and discussed replacement costs with the Superintendent and Supervisor to estimate the replacement cost of all vehicles and major equipment. We also verified the reasonableness of a sample of the cost estimates through online research. We considered major equipment to be items above a \$5,000 replacement cost. Additionally, we excluded vehicles, equipment and buildings from our total replacement cost calculation that the Supervisor and Superintendent do not plan to repair or replace at the end of their useful life.
- We reviewed bank statements and Town financial records to determine whether the Board established capital reserves for vehicle and equipment replacement or capital projects, and to determine reserve balances.
- We reviewed highway fund monthly claims and abstracts (listing of audited claims) to determine the repair costs attributable to each highway vehicle and major piece of equipment.

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

Appendix D: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

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Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503

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