



Caledonia Joint Fire District

Board Oversight of Long-Term Planning

2024M-102 | November 2024

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Report Highlights

Caledonia Joint Fire District

Audit Objective

Determine whether the Caledonia Joint Fire District (District) Board of Fire Commissioners (Board) and District officials properly planned for long-term financial and capital needs.

Key Findings

Although the District has significant future operating and capital needs, the Board and District officials did not properly plan for these long-term financial and capital needs. The Board and District officials did not develop written multiyear financial and capital plans or develop and adopt a written policy related to fund balance and reserves. For example, the Board and District officials maintained a capital building reserve totaling \$16,424 and planned to construct a multimillion-dollar fire station but did not develop a detailed written financial plan for this capital project.

The Board and District officials also did not develop a written vehicle and equipment replacement plan and three Board members did not know when these items needed to be replaced or their estimated replacement costs. Although the District had a capital equipment and apparatus reserve totaling \$847,113, the Board Chair's original estimated vehicle and equipment replacement needs indicated the District would need \$2.7 million to replace these items over the next five years.

Without written long-term financial plans, officials did not determine, among other things, how the construction and replacements would be funded long term, the sustained financial needs associated with constructing a new fire station and replacing old vehicles and equipment, or the effect these decisions would have on the District's fund balance and the tax levy.

Recommendations

The audit report includes two recommendations to help improve the District's long-term planning. District officials generally agreed with our findings and indicated they would take corrective action. Appendix B includes our comment on the District's response letter.

Audit Period

January 1, 2022 – August 7, 2024

Background

The District provides fire protection and emergency services within the Town of Caledonia in Livingston County.

An elected five-member Board (with one Board member vacancy as of July 2024) is responsible for the District's overall financial management, including adopting annual budgets and establishing financial policies and long-term financial and capital plans.

The Board appointed a Treasurer who serves as the District's chief fiscal officer and is responsible for receiving, maintaining custody of, disbursing and accurately accounting for District funds and preparing periodic financial reports.

The District operates from one fire station that is leased from the Village of Caledonia (Village).

Quick Facts

2024 Appropriations	\$364,846
2024 Tax Levy	\$361,846

Board Oversight of Long-Term Planning

What is Effective Long-Term Planning?

A fire district board (board), with assistance from other fire district officials, should develop written multiyear financial and capital plans to estimate the future costs of ongoing services and capital needs.

Multiyear financial planning enables the board and fire district officials to:

- Identify revenue and expenditure trends,
- Establish long-term priorities and goals,
- Consider the impact of near-term budgeting decisions on future fiscal years, and
- Assess the merits of alternative approaches (such as using unrestricted fund balance or establishing and using reserves) to finance operations.

Multiyear capital planning enables the board and fire district officials to:

- Identify all capital and major equipment needs,
- Establish a maintenance cycle to sustain current assets, and
- Develop a process for prioritizing and financing capital projects and equipment purchases.

Effective multiyear plans project operating and capital needs and financing sources over a three- to five-year period. They also allow decision makers to set long-term priorities and work towards goals, rather than making choices based on the needs of the moment.¹

The board should periodically review and update these multiyear plans to provide a reliable framework for preparing budgets so that information used to guide decisions is current and accurate. After approving the plans, the board should incorporate its decisions affecting the annual operating budget into the budget process. The plans help officials decide what funding choices to make in advance, while avoiding sudden tax increases or dramatic budget cuts and accumulating excessive fund balance.

Effective fund balance management is a critical component of long-term planning because it can help a board ensure that sufficient resources will be available to finance future needs. The board should adopt a written policy that defines the amounts of fund balance, including reserves, that the fire district should reasonably maintain. The board should retain a reasonable amount of fund balance for unforeseen circumstances and to provide cash flow – for example, to compensate for timing differences between when revenues are received, and expenditures are made. The board can also legally set aside, or reserve, a portion of the fund balance to finance future costs for specific purposes (e.g., capital improvements or vehicle replacements). Properly funded reserves can reduce reliance on debt to finance capital projects and other acquisitions and can help fire district officials finance the costs of capital expenditures.

¹ Refer to our multiyear financial planning resources available at <https://www.osc.ny.gov/localgov/planbudget/index.htm>

The Board and District Officials Did Not Develop Written Financial and Capital Plans

The Board and District officials did not develop written long-term financial and capital plans despite having significant future operating and capital needs.

Multiyear Plans – The Board purchased land in February 2023 to use as the site to construct a new 22,000 square foot fire station for a maximum cost of \$11.5 million. However, the District’s voters did not approve the bond resolution for the project and four Board members told us that they intend to present a reduced building plan with a total cost of approximately \$8.9 million and hold another public vote late in 2024. The Board had the District’s consultant prepare debt service estimates and estimated costs to the taxpayer. However, the Board meeting minutes did not include any discussion regarding the tax levy implications of debt for the planned new fire station, and the Board and District officials did not develop a detailed written financial plan for this capital project.

Without a written long-term financial plan, officials have not determined, among other things, the sustained additional financial needs that constructing a new fire station would have on operational and other expenditures, how these additional needs would be funded long term, or the effect of these decisions on fund balance and the tax levy. For example, once a new fire station becomes operational, the District would no longer need to pay to lease the current station from the Village. However, the District would have other new costs such as utilities, maintenance and garbage. District officials should develop a written plan that considers all of these factors and their effects.

In addition, although the Board Chair’s original estimated vehicle and replacement needs indicated the District would need to replace capital assets exceeding \$2.7 million in the next five years, the Board and District officials did not develop a written vehicle and equipment replacement plan. While the Board Chair was able to provide us with information for certain vehicle and equipment replacements, three other Board members told us that they did not know when the fire trucks needed to be replaced or their estimated replacement costs, demonstrating the need for and importance of documenting the plan. The Board Chair told us that due to their current financial condition, the District will not be able to replace certain trucks when they should be replaced. Therefore, he amended the replacement dates (Figure 1). However, deferring replacement timelines for financial reasons may not be reasonable, or the

Figure 1: Certain Vehicle and Equipment Replacement Needs

Vehicle/Equipment	Board Chair Estimates		
	Current Replacement Cost	Initial Replacement Date	Amended Replacement Date
Quint Fire Truck	\$1.6 million	2038	2043
Pumper Truck	1.1 million	2028	2032
Rescue Truck	850,000	2027	2042
Tanker Truck¹	607,513	2023	2025
Chief Vehicle 1	75,000	2026	2031
Chief Vehicle 2	75,000	2023	2028
Self-Contained Breathing Apparatus (25 units)	75,000	2034	2034
Total	\$4,382,513		

¹ The Board purchased a new tanker truck in December 2022 for \$607,513 that is expected to be delivered, and paid for, in 2025.

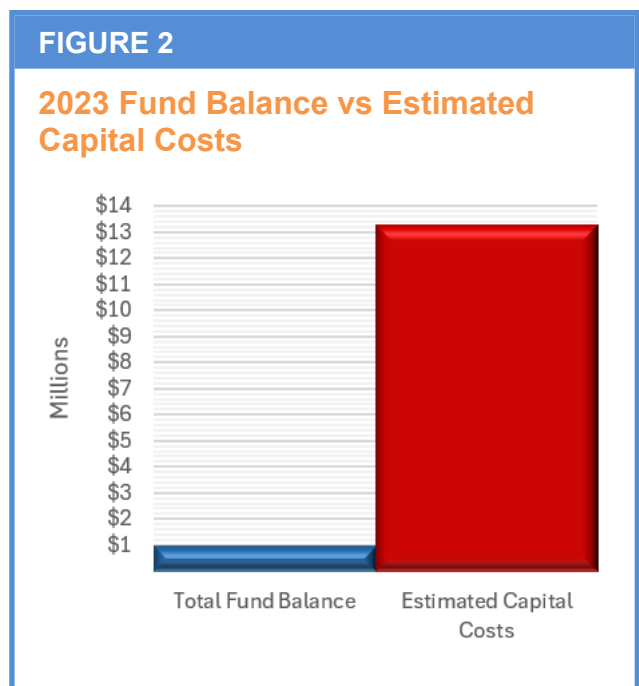
best approach, as need should be determined, in part, by other factors such as vehicle condition and maintenance costs.

Reserve Funds – At the end of 2023, the District had a capital equipment and apparatus reserve totaling \$847,113 and a capital building reserve totaling \$16,424. However, the Board planned to use the capital equipment and apparatus reserve to pay for the new tanker truck, costing \$607,513, expected to be delivered and paid for in 2025, reducing the reserve balance to \$239,600. The Board approved the use of the \$16,424 capital building reserve for the acquisition of the new fire station that had an original construction estimate of approximately \$11 million. Based on the costs associated with a new fire station and truck replacements (Figure 1), the reserves are not sufficient to cover future capital needs. The Board Chair told us that they maintained lower than desired balances in the District’s reserves because they did not want to raise the tax levy beyond the real property tax cap limit.² Considering the District’s expected capital needs, officials should develop a comprehensive written plan for supporting the District’s long-term needs and consider the financial effect of deferring replacements, such as increased repair or maintenance costs.

As of December 31, 2023, unrestricted fund balance totaled \$118,975, which was 33 percent of the 2024 budget. However, the Board did not adopt a written fund balance policy to establish the reasonable amount of fund balance to be maintained. Although the Board had a process to evaluate an estimate of fund balance at the end of the year, this did not adequately address the reasonable amount of fund balance to be maintained.

Without sufficient unrestricted fund balance and reserves, the Board and District officials may not be able to fund long-term financial and capital needs. The District will have significant costs related to future capital needs, including those for the proposed new fire station, and should consider the long-term costs when planning in the more immediate future (Figure 2).

Without well-designed, comprehensive written multiyear financial and capital plans that include specific estimates for revenues and expenditures based on actual historical trends, reasonable reserve and fund balances and long-term capital needs based on accurate capital asset inventories and replacement schedules, the Board’s ability to effectively manage the District’s finances was



² New York State General Municipal Law Section 3-c (Law) established a tax levy limit for local governments, which was effective beginning in the 2012 fiscal year. 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.

hindered. Not using multiyear financial plans also created an environment that lacked transparency for District residents and taxpayers.

What Do We Recommend?

The Board and District officials should:

1. Develop, adopt and periodically update comprehensive written long-term financial and capital plans, including a written vehicle and equipment replacement plan, to be used in conjunction with the annual budget process.

The Board should:

2. Adopt a written fund balance policy to define the amounts of fund balance, including reserves, that the District should reasonably maintain and provide guidance for funding and using reserves.

Appendix A: Response From District Officials

**CALEDONIA JOINT FIRE DISTRICT
3089 MAIN STREET
PO BOX 149
CALEDONIA, NY 14423**

October 28, 2024

ATTN: Stephanie Howes, Chief Examiner
State of New York
Office of the State Comptroller
16 West Main Street
Rochester, NY 14614

RE: Response to report of Examination – Board Oversight of Long- Term Planning

Dear Ms. Howes:

We submit the following in response to your Report of Examination.

Finding: Develop, adopt and periodically update comprehensive written long-term financial capital plans, including a written vehicle and equipment replacement plan, to be used in conjunction with the annual budget process.

Finding: Adopt a written fund balance policy to define the amounts of fund balance, including reserves, that the District should reasonably maintain and provide guidance for funding and using reserves.

Response: We intend to comply by adopting and implementing each of the above recommendations.

We have no reluctance in implementing the recommendations. But would like to note that we are not in agreement with the statements made in the report stating the Fire District lacked transparency due to not having a written long- term planning document. Long-term planning documents are considered best practice. There is no municipal law requiring it. The Board of Fire Commissioners have always been responsible stewards of the taxpayers' monies. Never overriding the tax cap and consistently saving for the future by including additions to the Equipment Reserve in the budget.

See Note 1 Page 7

We appreciate the professionalism of the auditors from your office.

Sincerely

James F. Dutton, Chairman
Board of Fire Commissioners
Caledonia Fire District

Appendix B: OSC Comment on the District's Response

Note 1

Multiyear plans increase transparency by helping residents understand the District's fiscal health and impact the Board's fiscal decisions may have over time.

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 Board members and the Treasurer and reviewed Board meeting minutes and supporting documents to gain an understanding of the Board's oversight of long-term planning (such as monitoring of fund balance including reserves).
- We analyzed the fiscal year-end fund balance for the general fund for 2022 and 2023. We calculated unrestricted fund balance as a percent of the next year's appropriations and compared it to the December 28, 2023 Board resolution on fund balance.
- We reviewed 2022 and 2023 reserve activity and compared increases in reserves to the amount reserves were budgeted to be funded.
- We discussed future capital needs and estimated costs with Board members and compared them to 2023 year-end reserves and total fund balance.
- We reviewed the capital project newsletter and consultant-prepared debt service schedules and taxpayer cost estimates for the new fire station project to determine whether they were sufficient for a capital plan.

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.

The Board of Commissioners has the responsibility to initiate corrective action. Pursuant to Section 181-b of New York State Town Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. 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 of Commissioners to make the CAP available for public review.

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

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

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