New York State Comptroller
THOMAS P. DiNAPOLI

Fayette-Varick Fire District

Long-Term Planning

November 2026 | 2026M-99

Prepared by the Division of Local Government and School Accountability

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Audit Results

Fayette-Varick Fire District

Audit Objective

Did the Fayette-Varick Fire District (District) officials[1] properly plan for long-term financial and capital needs?

Audit Period

January 1, 2025 – July 24, 2026

Understanding the Audit Area

Proper long-term financial and capital planning helps ensure a fire district has the financial resources necessary to maintain and replace essential apparatus, equipment and facilities without disrupting services or placing an unnecessary financial burden on taxpayers. Documented plans also promote transparency and accountability by clearly identifying a fire district's future needs, estimated costs and intended funding sources and providing a board with information needed to make informed financial decisions.

The District's budgeted appropriations and tax levy for fiscal year 2026 totaled $203,350 and $203,414, respectively.

Audit Summary

District officials did not properly plan for the District's long-term financial and capital needs. Officials did not develop written multiyear financial and capital plans, establish written fund balance and reserve policies or maintain a comprehensive inventory of District-owned assets. Without these planning tools, officials cannot effectively identify when major assets will need to be repaired or replaced, estimate how much those needs will cost or determine how they will be financed.

Although the District has significant future operating and capital needs, officials did not have a plan to finance vehicle (i.e., truck) and equipment replacements or building improvements while maintaining the District's financial stability. As a result, officials may need to make significant expenditures without sufficient funds set aside, which could lead to increased real property taxes or the need for other financing. In addition, without documented long-term financial and capital goals, taxpayers, residents and other interested parties have less information about the District's future financial needs and how officials intend to address them.

For example,

- During the audit period, District officials made $176,432 in unbudgeted capital expenditures, including $101,000 to replace the fire hall's heating, ventilation and air conditioning (HVAC) system and $75,432 to purchase eight sets of self-contained breathing apparatuses (SCBAs). These unplanned expenditures adversely impacted the District's cash flow.
- One of the District's four trucks exceeded its useful life estimate in 2020 and another is expected to reach the end of its useful life in 2031. We estimated that replacing these trucks would have cost approximately $1.2 million in 2026. However, the District only had $267,074 in unrestricted fund balance and had not established any capital reserves to help finance vehicle and equipment replacements.

The absence of multiyear financial and capital plans limits officials' ability to anticipate significant expenditures, establish appropriate reserves and make informed decisions about how to finance the District's future needs.

1 District officials consist of the Commissioners and Secretary-Treasurer.

Without such planning, taxpayers could face significant fluctuation in real property taxes when major assets require replacements.

The report includes four recommendations that, if implemented, will strengthen long-term financial and capital planning, identify and prioritize future operating and capital needs and develop a sustainable strategy to finance those needs while minimizing significant fluctuations in the tax burden. District officials disagreed with one finding but indicated they will initiate corrective action. Appendix C includes our comment on issues raised in the District's response letter.

This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the Office of the New York State Comptroller's (OSC's) authority as set forth in Article 3 of the New York State General Municipal Law (GML). The audit's methodology and standards are included in Appendix C.

The Board 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 OSC 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 the CAP, please refer to the OSC brochure, *Responding to an OSC Audit Report*, which was provided with the draft audit report. The Board is encouraged to make the CAP available for public review.

Long-Term Planning: Finding and Recommendations

A fire district board, with assistance from other 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 district officials to identify revenue and expenditure trends and establish long-term priorities and goals. Multiyear capital planning enables 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 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.

District officials should periodically review and update these multiyear plans to provide a reliable framework for managing finances so that information used to guide decisions is current and accurate. After approving the multiyear plans, the district board should incorporate its decisions affecting the annual operating budget into the budget process. The multiyear 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.

More details on the criteria used in this report, as well as resources OSC makes available to local officials that can help them improve operations, are included in Appendix A.

Finding 1 – District officials did not properly plan for long-term financial and capital needs.

District officials did not develop multiyear financial or capital plans, written policies related to fund balance and reserves or maintain a comprehensive inventory or replacement plan for District-owned assets. As a result, District officials did not have a plan to finance the District's current and future capital needs for vehicle and equipment replacements or building improvements while maintaining the District's financial stability.

During the audit period, District officials made unbudgeted capital expenditures totaling $176,432 to replace the fire hall's HVAC system ($101,000) and purchase eight sets of SCBAs ($75,432) that adversely impacted the District's cash flow. In January 2026, the Board approved the early withdrawal of $42,294 from a certificate of deposit (CD) to pay bills, which resulted in a penalty fee of $405 that negated the interest earned on that CD totaling $114. The Chairperson told us there were insufficient funds in the District's checking account to pay January bills because the Towns of Varick and Fayette did not remit taxes to the District until February and March of 2026, respectively. However, had District officials adequately budgeted for and included the potential expenditures in the budget when previously discussed, the cashflow issue could have been avoided. District officials may experience similar cashflow issues in 2026 because the Board anticipates another unbudgeted capital expenditure totaling $17,000 to repair the fire hall's driveway culvert.

In addition, according to equipment useful life estimates,[2] one of the District's four trucks exceeded its useful life estimate in 2020 and another is nearing its end of useful life estimate in 2031. We estimated that the total replacement cost of these two trucks in 2026 was approximately $1.2 million. These costs significantly exceed the District's unrestricted fund balance totaling $267,074 as of December 31, 2025 and the Board has not established any capital reserves for equipment replacement. The Chairperson told us that District officials researched establishing reserves in the past but did not believe the attorney fees and referendum notices were worth the cost to establish reserves. Although a Commissioner told us that the Board funded CDs which functioned as reserves, the Board used money from one of these CDs to fund operations in January 2026. By

2 https://fasny.com/wp-content/uploads/2023/03/FASNY-Economic-Study-2023.pdf

not formally establishing reserves for the money placed in CDs, the Board's intention was not transparent or binding.

Without comprehensive written multiyear financial and capital plans and a fund balance policy that helps guide how much money to save to fund these plans, the Board could not effectively manage the District's finances or convey long-term goals to residents, taxpayers and other interested parties in a transparent manner. Furthermore, with limited ability to raise additional tax revenues due to the tax cap levy limit[3] and significant increases in the costs of fire vehicles, equipment and general capital improvements over the last several years, the need to develop appropriate multiyear financial and capital plans is increasingly more important to ensure the District can continue to effectively provide services without substantial financial strain on taxpayers.

Recommendations

District officials should:

1. Develop and periodically update comprehensive written multiyear financial and capital plans, including a written capital asset replacement plan.
2. Develop and periodically update an inventory of District-owned capital assets.

The Board should:

3. Adopt a written fund balance policy to define the amounts of fund balance, including reserves, that the District should reasonably maintain.
4. Plan for future needs by establishing a written reserve policy that includes guidance for properly creating appropriate reserves and funding and using reserves.

3 GML Section 3-c establishes a tax levy limit on local governments. The law generally precludes local governments and school districts from adopting a budget with 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 board adopts a local law or resolution to override the tax levy limit.

Appendix A: Profile, Criteria and Resources

Profile

The District provides fire protection services within the Towns of Fayette and Varick located in Seneca County. The District is governed by the elected five-member Board responsible for the general management and control of the District's financial operations, including adopting annual budgets and establishing multiyear financial and capital plans. The Board-appointed Secretary-Treasurer 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 as well as maintaining Board minutes and publishing legal notices.

Criteria

Planning on a long-term basis allows district officials to identify all capital and major equipment needs, establish a maintenance cycle to sustain current capital assets and develop a process for prioritizing and financing capital projects and equipment purchases. Long-term planning also enables district officials to identify developing revenue and expenditure trends, set long-term priorities and goals and consider the impact of current budgeting decisions on future years.

When developing multiyear financial and capital plans, district officials should consider useful life estimates, and the current condition and replacement cost of district vehicles and equipment. District officials can use the Firefighters' Association of the State of New York (FASNY) approximate cost and useful life of typical capital items table to help determine when the replacement of assets could be expected. Although useful life may not always indicate how long a particular vehicle or piece of equipment will last, district officials should develop their own estimated useful life criteria based upon their individual experience and consider using this information when developing a long-term capital plan for asset replacement.

The board should periodically review and update multiyear financial and capital plans to estimate the future costs of ongoing services and capital needs. These plans should 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 district officials finance the costs of capital expenditures.

Additional Resources

OSC's *Local Government Management Guides,* and other informational resources that are available on OSC's website to help officials understand and perform their responsibilities, include:

- *Multiyear Financial Planning* – https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf
- *Reserve Funds* – https://www.osc.ny.gov/files/local-government/publications/pdf/reserve-funds.pdf

- *Capital Assets* – *https://www.osc.ny.gov/files/local-government/publications/pdf/capital-assets.pdf*
- *Understanding the Budget Process* – *https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf*

In addition, local officials can use OSC's website to search for audits, resources, publications and training for officials at: https://www.osc.ny.gov/local-government

Appendix B: Response From District Officials

The content below is a reproduced copy of the original response letter issued by District officials, is reformatted to meet the Americans with Disabilities Act *Web Content Accessibility Guidelines (WCAG)*,[4] and may have included changes to spelling and grammar. The substance of the content was not changed.

Fayette-Varick Fire District
Board of Fire Commissioners
4200 State Route 414
Seneca Falls, New York 13148

November 2, 2026

Stephanie Howes, Chief of Municipal Audits
Office of the State Comptroller
Division of Local Government and School Accountability
Rochester Regional Office
The Powers Building, 16 West Main Street – Suite 522
Rochester, New York 14614-1608

Re: Response to Draft Audit Report – Fayette-Varick Fire District, Long-Term Planning (Audit Period January 1, 2025 – July 24, 2026)

Dear Ms. Howes:

On behalf of the Board of Fire Commissioners of the Fayette-Varick Fire District, thank you to you and your audit team for the professionalism and courtesy shown throughout the audit and at our exit conference. This letter is the District's response to the draft audit report on long-term planning.

The Board generally agrees with the findings and recommendations. We acknowledge that the District has not adopted written multiyear financial and capital plans, a written fund balance policy, a written reserve policy, or a comprehensive inventory of District-owned capital assets, and that formal documentation of this kind would improve transparency for our residents and taxpayers. We would, however, like the following context to be part of the record.

Existing budgeting for long-term costs. While the District has not formally established reserve funds, the Board has for many years carried dedicated equipment and building lines in the annual budget for the purpose of covering long-term costs. That practice is what allowed the District to refurbish its tanker last year and to replace the entire fire hall HVAC system using cash on hand, without borrowing and without a spike in the tax levy. We recognize the report's point that these set-asides are not legally restricted, and the Board will evaluate how best to formalize them so the Board's intent is clear and binding.

Apparatus replacement schedule. The Board does not believe the District's apparatus will need to be replaced on the schedule implied by the FASNY useful life estimates. The District has historically operated two first-line engines well beyond the 20-year replacement age, and through regular maintenance those vehicles have continued to serve reliably. The Board does not plan to replace the oldest pumper for at least eight years. As the

4 https://www.ada.gov/resources/2024-03-08-web-rule/#highlights-of-the-requirements-in-the-rule

report itself notes, officials may develop their own useful life criteria based on their experience, and the Board intends to do so in its capital plan.

Fiscal reality of the FASNY schedule. At the District's current tax rate, replacing apparatus on the FASNY schedule would not be possible. Doing so would require roughly doubling the current tax rate while still funding the training and equipment required to keep our firefighters properly equipped and able to respond. The Board does not consider that a responsible or realistic course for our community.

Level of cash on hand. The report's replacement cost estimates would effectively call for the District to accumulate more than $1 million in cash. The Board does not believe its constituents would accept a small rural fire district holding that level of funds, and any reserve and fund balance targets the Board adopts will be set at amounts that are reasonable for a district of our size and tax base. [OSC Comment: See Appendix C, Note 1]

Consistent with the recommendations, the Board intends to develop a written multiyear financial and capital plan reflecting the District's own experience-based useful life estimates, compile an inventory of District-owned capital assets, and adopt written fund balance and reserve policies. The Board will submit a formal corrective action plan within 90 days of the release of the final audit report, as required.

Thank you again for your work and for the opportunity to respond.

Sincerely,

Christopher McCann
Chairman, Board of Fire Commissioners
Fayette-Varick Fire District

cc: Nicohl Swartley, Secretary-Treasurer

Appendix C: OSC Comment on the District's Response

Note 1

The report does not recommend that the District accumulate the full estimated replacement costs in cash. Rather, the report emphasizes the importance of developing multiyear financial and capital plans that identify anticipated replacement needs, estimated costs and potential funding sources. As noted in the resource materials provided during the audit and referenced in the report, such planning should consider the District's financial resources and available financing alternatives. We encourage District officials to review these resources to help develop plans that support informed financial decisions and minimize significant fluctuations in future property tax levies.

Appendix D: Audit Methodology and Standards

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

- We interviewed Commissioners and the Secretary-Treasurer and reviewed Board meeting minutes to gain an understanding of the Board's oversight of long-term financial and capital planning and determine anticipated capital expenditures.

- We reviewed the 2026 tax rolls and canceled check images for tax remittance payments for the Towns of Fayette and Varick to determine the District's 2026 tax levy and when the tax payments were remitted to the District.

- We reviewed vendor invoices to identify capital expenditures during the audit period and the District's 2025 and 2026 budgets to determine total budgeted appropriations and whether the replacement of the HVAC system at the fire hall and the purchase of SCBAs were budgeted for.

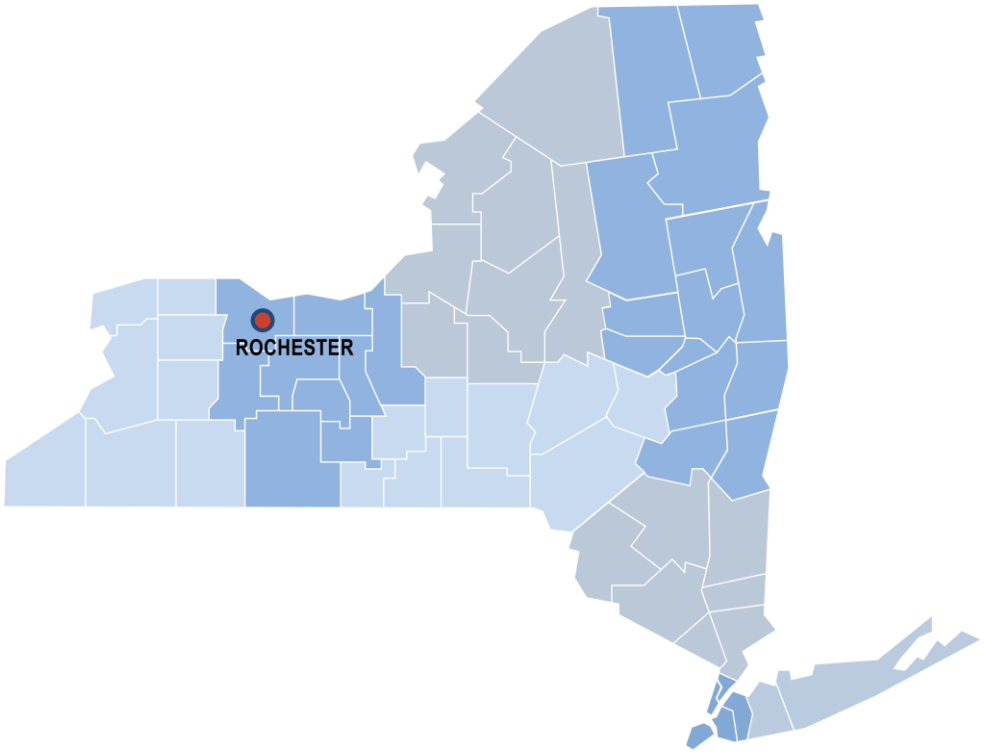
- We performed a walkthrough of the District fire hall with the Chairperson on July 2, 2026 and reviewed the District's insurance policy to determine the age of the District's vehicles. We then determined which vehicles met or exceeded their useful life in 2026 and the estimated replacement cost based on FASNY estimates.

- We reviewed the District's 2025 Annual Financial Report and January 2025 through May 2026 bank statements and CD documentation to determine fund balance levels, cash-on-hand and CD balances.

OSC auditors conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that auditors plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. Auditors believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

Questions?

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Prepared by the Division of Local Government and School Accountability

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