

DANBY FIRE DISTRICT

Ithaca, New York

FINANCIAL REPORT

December 31, 2008

DANBY FIRE DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2008

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John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
Thomas K. Van Derzee, C.P.A.
Debbie Conley Jordan, C.P.A.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
Lesley L. Horner, C.P.A.
D. Leslie Spurgin, C.P.A.



Ciaschi • Dietershagen • Little • Mickelson & Company, LLP

Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Danby Fire District
Ithaca, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Danby Fire District as of and for the year ended December 31, 2008, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Danby Fire District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Danby Fire District, as of December 31, 2008, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2009 on our consideration of the Danby Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Schedule of Revenues and Expenditures Compared to Budget (Non-GAAP) - General Fund, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ciaschi, Dietershagen, Little, Mickelson & Co., LLP

June 23, 2009
Ithaca, New York

CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
fax 607-273-8372
www.cdlim.com

WATKINS GLEN

108 West Fourth Street
Watkins Glen, New York 14891
607-535-4443
fax 607-535-6220

**DANBY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

The following is a discussion and analysis of the Danby Fire District's financial performance for the fiscal year ended December 31, 2008. This section is a summary of the Fire District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the Government-wide and fund-based financial statements. For this initial report, only the year ended December 31, 2008 is discussed; in future years, prior year comparative information will also be presented. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the Fire District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Revenues exceeded expenses in 2008 by \$105,017.
- Net assets for the year ended December 31, 2008 were \$1,324,401, reflecting an increase from net assets of \$1,219,384 at December 31, 2007.
- Total fund balance of \$(1,673) in the General Fund showed a decrease of \$1,774 in 2008, from \$101, mainly due to the transfer of funds to reserves.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: MD&A (this section) and the basic financial statements and supplementary information. The basic financial statements present different views of the Fire District.

- The Statement of Net Assets and the Statement of Activities columns shown in the financial statements provide both short-term and long-term information about the Fire District's overall financial status.
- The Governmental Fund Type columns are fund financial statements with a short-term, or current, focus. They do not contain balances of capital assets or long-term liabilities and report only transactions involving these long-term assets and liabilities that occurred during the reporting period.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Statement of Net Assets and Statement of Activities Columns

The Statement of Net Assets and Statement of Activities columns in the basic financial statements report information about the Fire District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Fire District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

These two columns in the basic financial statements report the Fire District's net assets and how they have changed. Net assets - the difference between the Fire District's assets and liabilities - is one way to measure the Fire District's financial health or position. Over time, increases or decreases in the Fire District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

Governmental Fund Type Columns

The Governmental Fund Type columns are accounting devices the Fire District uses to keep track of specific sources of funding and spending. The Fire District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental Fund columns provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Fire District's programs. Because this information does not encompass the additional long-term focus of the Statement of Net Assets and Statement of Activities columns, additional information in the notes to the financial statements explains the relationship (or differences) between them.

DANBY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

FINANCIAL ANALYSIS OF THE FIRE DISTRICT AS A WHOLE

Our analysis below focuses on the net assets (*Figure 1*) and changes in net assets (*Figure 2*) of the Fire District's Governmental Activities.

Figure 1

Condensed Statement of Net Assets	Governmental Activities and Total Fire District
	2008
Current assets	\$ 287
Noncurrent assets	912,438
Capital assets, net	880,676
Total assets	1,793,401
Current liabilities	60,744
Noncurrent liabilities	408,256
Total liabilities	469,000
Invested in capital assets, net of debt	690,150
Capital reserve	756,892
Unrestricted net (deficit)	(122,641)
Total net assets	\$ 1,324,401

The net effect of the Fire District's activities resulted in an increase of \$105,017 or 8.6 percent, in total net assets.

Our analysis in *Figure 2* considers the operations of the Fire District's activities.

Figure 2

Changes in Net Assets	Governmental Activities and Total Fire District
	2008
Revenues:	
Real property taxes	\$ 311,377
Use of money and property	10,938
Miscellaneous local sources	8,267
Total revenues	330,582
Expenses:	
Wages	14,000
Fire	111,343
Noncapitalizable expenditures	20,912
Employee benefits	25,419
Depreciation	40,454
Interest	13,437
Total expenses	225,565
INCREASE IN NET ASSETS	\$ 105,017

DANBY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

FINANCIAL ANALYSIS OF THE FIRE DISTRICT'S FUNDS

As the Fire District completed the year, the Governmental Fund Types reported a combined fund balance of \$910,765, which is above last year's total of \$530,570. Unreserved, undesignated fund deficit at December 31, 2008 was \$(1,673). Reserved fund balance at December 31, 2008 was \$912,438.

General Fund Budgetary Highlights

During the year, the District issued debt earlier than anticipated, resulting in unbudgeted proceeds of debt of \$300,000 and a corresponding transfer to the Reserve Fund of \$300,000. At the end of year, the District made an unbudgeted transfer of excess revenues over expenditures of \$23,160 to the Reserve Fund. Combined with an under expenditure in other line items of \$10,990, these transactions resulted in an overall over expenditure of \$312,170, while revenues and other financing sources exceeded estimates by \$310,396.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2008, the Fire District had invested in various types of capital assets. *Figure 3* shows the amount invested in capital assets net of accumulated depreciation. This reflects capital asset additions totaling \$23,249 and additional depreciation of \$40,454.

Figure 3

Changes in Net Capital Assets	Governmental Activities and Total Fire District		Total Dollar Change
	2007	2008	2007 - 2008
<i>Land</i>	\$ 9,900	\$ 9,900	\$ -0-
<i>Construction-in-progress</i>	-0-	23,249	23,249
<i>Buildings</i>	328,125	315,625	(12,500)
<i>Apparatus and other vehicles</i>	541,346	515,147	(26,199)
<i>Other equipment</i>	18,510	16,755	(1,755)
Total	\$ 897,881	\$ 880,676	\$ (17,205)

Debt and Long-term Liabilities

Debt (bonds and loans) increased by \$255,467 and brought the total debt to \$464,534 as of December 31, 2008, as shown in Figure 4. More detailed information about long-term debt activity can be found in Note 2 to the financial statements.

Figure 4

Changes in Net Capital Assets	Governmental Activities and Total Fire District		Total Dollar Change
	2007	2008	2007 - 2008
<i>Bonds and loan payable</i>	\$ 209,067	\$ 464,534	\$ 255,467
Total	\$ 209,067	\$ 464,534	\$ 255,467

**DANBY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008**

FACTORS BEARING ON THE FIRE DISTRICT'S FUTURE

- Danby Fire District is planning a major addition and renovation to the station at 1780 Danby Road. Presently four vehicles are housed in space intended for three; meeting and kitchen facilities are inadequate; restrooms are not handicap accessible; and the existing truck room has DEC identified waste water issues. Addition and renovation will properly size the facility for anticipated growth of the district, provide efficient kitchen and meeting facilities, ADA approved restrooms, remediate floor drainage issues, and improve overall efficiency. Additional cost to taxpayers will be approximately \$.32 per thousand of assessed value. A major portion of the cost will be funded from reserves and a low interest NYS Emergency Services Loan, with the remaining amount from a 20 year Bond. Significant management effort will be required relative to the building addition.
- During the next year, a long range plan will be developed to identify expected needs for the next five years. Several pieces of fire fighting apparatus are aging and will require future replacement. Additionally, procedures will be improved for better control of capital assets and budgets.

CONTACTING THE FIRE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Fire District's citizens, customers, investors, and creditors with a general overview of the Danby Fire District's finances and to demonstrate the Fire District's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the District Management, Danby Fire District, P. O. Box 6600, Ithaca, New York 14851.

DANBY FIRE DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Governmental Fund Types				
	General Fund	Reserve Fund	Total Governmental Fund Types	Adjustments	Statement of Net Assets
ASSETS					
Current Assets:					
Unrestricted cash	\$ 287	\$	\$ 287	\$	\$ 287
Total Current Assets	<u>287</u>	<u>-0-</u>	<u>287</u>	<u>-0-</u>	<u>287</u>
Noncurrent Assets:					
Restricted cash		912,438	912,438		912,438
Capital assets, net of accumulated depreciation				880,676	880,676
Total Noncurrent Assets	<u>-0-</u>	<u>912,438</u>	<u>912,438</u>	<u>880,676</u>	<u>1,793,114</u>
Total Assets	<u>\$ 287</u>	<u>\$ 912,438</u>	<u>\$ 912,725</u>	<u>880,676</u>	<u>1,793,401</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 1,960	\$	\$ 1,960	\$	\$ 1,960
Accrued interest payable				2,506	2,506
Current portion of bonds and loans payable				56,278	56,278
Total Current Liabilities	<u>1,960</u>	<u>-0-</u>	<u>1,960</u>	<u>58,784</u>	<u>60,744</u>
Noncurrent Liabilities:					
Bonds and loans payable				408,256	408,256
Total Liabilities	<u>1,960</u>	<u>-0-</u>	<u>1,960</u>	<u>467,040</u>	<u>469,000</u>
FUND BALANCES/ NET ASSETS					
Fund Balances:					
Reserved:					
Capital Reserve		756,892	756,892	(756,892)	
Reserved for repairs		155,546	155,546	(155,546)	
Total Reserved Fund Balances	<u>-0-</u>	<u>912,438</u>	<u>912,438</u>	<u>(912,438)</u>	<u>-0-</u>
Unreserved:					
Undesignated	<u>(1,673)</u>		<u>(1,673)</u>	<u>1,673</u>	
Total Fund Balances	<u>(1,673)</u>	<u>912,438</u>	<u>910,765</u>	<u>(910,765)</u>	<u>-0-</u>
Total Liabilities and Fund Balances	<u>\$ 287</u>	<u>\$ 912,438</u>	<u>\$ 912,725</u>		
Net Assets (Deficit):					
Invested in capital assets, net of related debt				690,150	690,150
Capital Reserve				756,892	756,892
Unrestricted				(122,641)	(122,641)
Total Net Assets				<u>\$ 1,324,401</u>	<u>\$ 1,324,401</u>

See Independent Auditor's Report and Notes to Financial Statements

DANBY FIRE DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE / STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types			Adjustments	Statement of Activities
	General Fund	Reserve Fund	Total Governmental Fund Types		
REVENUES					
Real property taxes	\$ 311,377	\$	\$ 311,377	\$	\$ 311,377
Use of money and property	2,129	8,809	10,938		10,938
Miscellaneous local sources	8,267		8,267		8,267
 Total Revenues	 321,773	 8,809	 330,582	 -0-	 330,582
EXPENDITURES/EXPENSES					
Wages	14,000		14,000		14,000
Fire	134,592		134,592	(23,249)	111,343
Noncapitalizable expenditures	20,912		20,912		20,912
Employee benefits	25,419		25,419		25,419
Depreciation				40,454	40,454
Debt Service - Principal	44,533		44,533	(44,533)	
- Interest	10,931		10,931	2,506	13,437
 Total Expenditures/Expenses	 250,387	 -0-	 250,387	 (24,822)	 225,565
OTHER FINANCING SOURCES (USES)					
Transfers to other funds	(373,160)		(373,160)	373,160	
Transfers from other funds		373,160	373,160	(373,160)	
Proceeds of obligations	300,000		300,000	(300,000)	
 Total Other Financing (Uses) Sources	 (73,160)	 373,160	 300,000	 (300,000)	 -0-
 Excess of Revenues and Other Financing Sources over Expenditures/Expenses and Other Financing (Uses)	 (1,774)	 381,969	 380,195	 (380,195)	 -0-
 Change in Net Assets	 -0-	 -0-	 -0-	 105,017	 105,017
 Fund Balances/Net Assets, Beginning of Year	 101	 530,469	 530,570	 688,814	 1,219,384
 Fund Balances/Net Assets, End of Year	 \$ (1,673)	 \$ 912,438	 \$ 910,765	 \$ 413,636	 \$ 1,324,401

See Independent Auditor's Report and Notes to Financial Statements

DANBY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Danby Fire District have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Fire District's accounting policies are described below.

A. Reporting Entity

The Danby Fire District; organized in 1946, furnishes fire protection and emergency medical services for the Town of Danby with two fire companies located in the hamlets of Danby and West Danby. The Fire District is governed by General Municipal Law, Article 3, Section 30.

Fire District operations, including the financing thereof through real property taxation, are carried out at the direction of the Board of Fire Commissioners. The Board consists of five commissioners elected to five year terms by the qualified voters living within the District.

All Governmental Activities and functions performed for the Danby Fire District are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units":

1. The primary government, which is the Danby Fire District;
2. Organizations for which the primary government is financially accountable, and;
3. Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

The decision to include a potential component unit in the reporting entity is based on the criteria set forth in GASB Statement No. 14, including legal standing, fiscal dependency, and financial accountability.

B. Basis of Presentation - Fund Accounting

The Danby Fire District's basic financial statements include columns for Governmental Fund Types prepared on the modified accrual basis of accounting (Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance), and columns for Governmental Activities prepared on the accrual basis of accounting (Statement of Net Assets and Statement of Activities).

The Statement of Net Assets and the Statement of Activities present summaries of activities for the Fire District. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. The focus of these columns is more on the sustainability of the Fire District as an entity and the change in the Fire District's net assets from the current year's activities.

Fund Accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

DANBY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

The Danby Fire District records its transactions in the fund types described below:

1. Fund Categories

Governmental Fund Types - those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources, and the related liabilities are accounted for through Governmental Funds. The measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position. The following are the Danby Fire District's Governmental Fund Types:

General Fund - the principal operating fund which includes all operations not required to be recorded in other funds.

Reserve Fund - funds reserved for capital projects and repairs.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

The Statement of Net Assets and the Statement of Activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Fire District gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund columns are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Fire District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within six months after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Equity Classifications

Statement of Net Assets:

- Invested in Capital Assets, Net of Related Debt
Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Assets
Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

DANBY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

- Unrestricted Net Assets
Consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

E. Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful life of the asset. Capital assets purchased or acquired with an original cost of at least \$5,000 and having a useful life of greater than one year are capitalized. The estimated useful lives for capital assets are as follows:

Buildings	40 years
Improvements	10-20 years
Equipment	5-20 years
Apparatus and vehicles	5-20 years

Note 2 - Detail Notes on All Funds and Account Groups

A. Assets

1. Cash and Investments

The Danby Fire District's investment policies are governed by state statutes. In addition, the Danby Fire District follows its written investment policy. Danby Fire District's monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral (security) is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance at 105%. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts as set forth in the investment policy.

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of three months or less.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these notes. Governmental Accounting Standards Board Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent.

The District's aggregate bank balances, cash, cash equivalents, and money market funds of \$915,327 are either insured or collateralized with securities held by the pledging financial institution in the District's name.

DANBY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

2. Capital Assets

Capital asset balances and activity for the year ended December 31, 2008, were as follows:

	Balance at 12/31/07	Additions	Retirements & Reclass- ifications	Balance at 12/31/08
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$ 9,900	\$	\$	\$ 9,900
Construction in progress	-0-	23,249		23,249
Total Non-depreciable Historical Cost	-0-	23,249	-0-	33,149
Depreciable Capital Assets:				
Buildings and building improvements	613,750			613,750
Apparatus and vehicles	834,355			834,355
Other equipment	23,775			23,775
Total Depreciable Historical Cost	1,471,880			1,471,880
Total Historical Cost	1,481,780	23,249	-0-	1,505,029
Less Accumulated Depreciation:				
Buildings and building improvements	(285,625)	(12,500)		(298,125)
Apparatus and vehicles	(293,009)	(26,199)		(319,208)
Other equipment	(5,265)	(1,755)		(7,020)
Total Accumulated Depreciation	(583,899)	(40,454)	-0-	(624,353)
Total Capital Asset, Net	\$ 897,881	\$ (17,205)	\$ -0-	\$ 880,676

B. Liabilities

1. Indebtedness

At December 31, 2008, the total outstanding indebtedness of the Danby Fire District aggregated \$464,534. Of this amount, all was subject to the constitutional debt limit, and represented less than 1% of the limit.

a. Bonds

The Fire District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are liquidated from the General Fund.

b. Changes in Indebtedness

The following represents changes in the Danby Fire District's indebtedness and interest expenditures recognized during the year ended December 31, 2008:

	Balance January 1,	Additions	Deletions	Balance December 31,	Amount Due within One year
Bonds and Loan Payable	\$ 209,067	\$ 300,000	\$ (44,533)	\$ 464,534	\$ 56,278

DANBY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

Interest paid on long-term debt during the year was:

Interest paid	\$ 10,931
Plus interest accrued in current year	<u>2,506</u>
Total interest expense	<u>\$ 13,437</u>

The following is a summary of the maturity of indebtedness:

Description	Original Date Issued	Original Amount	Interest Rate	Date Final Maturity	Outstanding
Bonds and Loan Payable:					
West Danby Station	1993	\$ 485,000	5.70%	2103	\$ 150,000
Building Addition	2008	300,000	5.25%	2028	300,000
Vehicle	1999	145,333	5.25%	2009	<u>14,534</u>
Total					<u>\$ 464,534</u>

The following table summarizes the Fire District's future debt service requirements as of December 31, 2008.

Year Ending	Bonds and Loan	Interest	Total
2009	\$ 56,278	\$ 15,957	\$ 72,235
2010	42,038	13,152	55,190
2011	42,339	11,180	53,519
2012	42,647	9,162	51,809
2013	42,963	7,136	50,099
2014-2018	69,842	26,378	96,220
2019-2023	79,019	17,201	96,220
2024-2028	<u>89,408</u>	<u>6,812</u>	<u>96,220</u>
Total	<u>\$ 464,534</u>	<u>\$ 106,978</u>	<u>\$ 571,512</u>

C. Fund Equity

Reserved fund equity includes reserve funds established for building and equipment purchases. Changes in these reserves for the year ended December 31, 2008 are as follows:

	Balance at 12/31/07	Transfers In	Interest Allocated	Funds Used	Balance at 12/31/08
General Fund:					
Capital reserve	\$ 376,078	\$ 373,160	\$ 7,654	\$	\$ 756,892
Repair reserve	<u>154,391</u>		<u>1,155</u>		<u>155,546</u>
Total	<u>\$ 530,469</u>	<u>\$ 373,160</u>	<u>\$ 8,809</u>	<u>\$ -0-</u>	<u>\$ 912,438</u>

Cash of \$ 912,438 has been restricted to fund these reserves.

Note 4 - Stewardship

The General Fund overexpended its budget at December 31, 2008 in total by \$12,170. The overexpenditure is due to a transfer of excess revenues over expenditures into the Reserve Fund of \$23,160, for which the budget was not modified, and an audit adjustment of \$1,960 to conform to the modified accrual basis of accounting. Additionally, the Fire District issued debt earlier than anticipated and recognized proceeds of debt of \$300,000 and a corresponding transfer to the Reserve Fund of \$300,000, for which the budget was not modified.

DANBY FIRE DISTRICT
SCHEDULE OF REVENUES AND EXPEDITURES
COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund			
	Original/Modified Budget	Actual	Encumbrances	Variance Fav.-Unfav.
REVENUES				
Real property taxes	\$ 311,377	\$ 311,377	\$	\$ -0-
Use of money and property		2,129		2,129
Miscellaneous local sources		8,267		8,267
 Total Revenues	 311,377	 321,773	 -0-	 10,396
EXPENDITURES				
Wages	14,000	14,000		-0-
Fire	138,271	134,592		3,679
Noncapitalizable expenditures	25,000	20,912		4,088
Employee benefits	28,642	25,419		3,223
Debt service - Principal	44,533	44,533		-0-
- Interest	10,931	10,931		-0-
 Total Expenditures	 261,377	 250,387	 -0-	 10,990
OTHER FINANCING SOURCES AND (USES)				
Proceeds of Obligations		300,000		300,000
Transfers to reserves	(50,000)	(373,160)		(323,160)
Total Financing Sources (Uses)	(50,000)	(73,160)	-0-	(23,160)
 Excess of Revenues and Other Financing Sources over (Expenditures) and Other Financing (Uses)	 -0-	 (1,774)	 \$ -0-	 \$ (301,774)
 Appropriated Fund Balance	 	 		
 NET INCREASE	 \$ -0-	 (1,774)		
 Fund Balance, Beginning of Year		101		
 Fund Balance, End of Year		\$ (1,673)		

See Independent Auditor's Report and Notes to Required Supplementary Information

DANBY FIRE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2008

Note 1 - Budget Basis of Accounting

Except as indicated below, budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered a disbursement in the financial plan or an expenditure in GAAP based financial statements.

Note 2 - Budget Policies

The budget policies are as follows:

- a. Beginning with budgets prepared in 2007 for the 2008 fiscal year, fire districts must prepare a proposed budget and hold a public hearing to discuss its contents. The law specifies the public hearing must be held on the third Tuesday in October. The hearing must be conducted and scheduled in a manner that maximizes public participation.

At least five days prior to the date of the hearing, notice of the hearing must be published at least once in the fire district's official newspaper or, if a fire district does not have an official newspaper, in a newspaper having general circulation within the district. Similarly, at least five days prior to the date of the hearing, a copy of the notice must be posted on the signboard maintained in the town clerk of each of the towns in which the fire district is located. The notice must also be posted on the municipal and/or fire district websites, if such websites exist. The hearing notice must state the time and place where the hearing will be held, the purpose of the hearing, and that a copy of the proposed budget is available for inspection during office hours in the offices of the fire district secretary and the town clerk in each town in which the district is located.

At the hearing, any person may be heard in favor of or against the proposed budget or one or more items in the proposed budget. On or before November 20 each year, the board of fire commissioners must submit a final budget to the budget officer of each town in which the fire district is located.

- b. All modifications of the budget must be approved by the Board of Commissioners.
- c. Appropriations lapse at year end.
- d. There were no supplemental appropriations.

Note 3 - Reconciliation of the Budget Basis to GAAP

No adjustment is necessary to convert the General Funds' excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis, as encumbrances are presented in a separate column and are not included in the actual results at December 31, 2008.

John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
Thomas K. Van Derzee, C.P.A.
Debbie Conley Jordan, C.P.A.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
Lesley L. Horner, C.P.A.
D. Leslie Spurgin, C.P.A.



Ciaschi • Dietershagen • Little • Mickelson & Company, LLP

Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Danby Fire District
Ithaca, New York

We have audited the financial statements of the governmental activities, major funds, and the aggregate remaining fund information of the Danby Fire District, as of and for the year ended December 31, 2008, which collectively comprise the Danby Fire District's basic financial statements and have issued our report thereon dated June 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Danby Fire District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be control deficiencies, significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented. We consider the items noted below to be significant deficiencies:

Books of Account and Annual Update Document

Findings:

During our current year audit, we noted that the books of account recorded in Quicken were not easily reconcilable with the Annual Update Document (AUD). Revenues in Quicken were recorded using transfers and not properly recorded as revenues. Similarly, transfers were used to record some expenditures. Although reconciliation to the AUD was provided, it was difficult to tie to Quicken.

Additionally, revenues and expenditures should be coded to the same level of detail as the budget, which contains line items such as supplies, conferences, training, fuel, telephone, insurance, repairs and others as appropriate. This will enable budget performance to be tracked more easily.

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CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
fax 607-273-8372
www.cdlim.com

WATKINS GLEN

108 West Fourth Street
Watkins Glen, New York 14891
607-535-4443
fax 607-535-6220

Furthermore, proceeds of debt were misreported on the AUD under the Federal Aid code and no budget pages were completed as required.

Recommendation:

We recommend all transactions be properly recorded as a revenue or expenditure, using a detailed chart of accounts. Transfers should only be used to record transactions between bank accounts. We further recommend budget pages be completed when submitting the Annual Update Document.

Cash Disbursements

Findings:

During our review of the cash disbursement procedures, we noted the following:

1. Invoices are not available to review when the abstract is presented for approval.
2. Accounts codes are not reflected on the abstract when presented for approval.
3. One disbursement examined was missing supporting documentation.
4. One training expenditure examined was not approved by the Chief as per District policy.
5. Expenditures should be coded to the proper expenditure code as listed in the Uniform Chart of Accounts.
6. The personal services expenditure code should only reflect salary payments and not contractual expenditures.
7. There was no evidence of verbal or written quotes as outlined in the Procurement Policy.

Recommendation:

We recommend abstracts contain original invoices and account codes for review before approval. Supporting documentation should be available for all transactions and approved as per District policies. Documentation of verbal or written quotes, as per District policy, should be available with the invoices. If competitive bidding is not required, this should be documented or policies updated to reflect current practices.

Cash Receipts

Findings:

During our current year audit, we noted bond proceeds were miscoded to Federal Aid on the AUD. We also found one deposit that was not made in a timely manner.

Recommendation:

We recommend receipts be properly coded as per the New York State Uniform Chart of Accounts and deposits made within 3-5 business days of receipt.

Fixed Assets

Finding:

During our current year audit, we noted no recent physical inventory has been completed.

Recommendation:

We recommend a physical inventory of capital assets be performed on a regular basis (i.e., every two to three years) to ensure only active, in-service equipment and machinery is included on the Fire District's financial statements. This will help to ensure fixed assets are properly stated and depreciation is being calculated from a reliable listing.

Bank Reconciliations

Finding:

During our current year audit we noted bank reconciliations are performed by the same individual who has custody of the funds and performs the recordkeeping function.

Recommendation:

We recommend unopened bank statements be given to and approved by someone independent of the bookkeeping function.

Records Location

Finding:

During our current year audit, we noted the records and documentation of Fire District financial activity are not located in the District office.

Recommendation:

We recommend all records be kept at the District office.

Budgeting and Overexpended Budget

Findings:

During our current year audit, we noted the budget is not modified throughout the year and only property tax revenue is budgeted. This resulted in overexpenditures in the General Fund for unbudgeted transfers to the Reserve Fund. The current Quicken program may not be able to accommodate budget modifications.

Recommendation:

We recommend, as noted above, expenditures be tracked to the same level of detail as the budget. The budget should be monitored throughout the year and modified as necessary. The Fire District may want to investigate an accounting system that will allow for budget comparison and modification.

Payroll Accounting

Finding:

During our review of payroll, we noted payroll is recorded at net (the amount of the payroll check). Payroll must be recorded at the gross amount.

Recommendation:

We recommend payroll be accounted for at the gross amount and a Trust and Agency Fund be set up for payroll tax liabilities. Due to the minor amount of salary expenditures, the District could consider recording a year-end adjustment in the General Fund to reflect the gross salary expenditures and any amounts due to other governments at year-end.

Modified Accrual

Finding:

The District records transaction on the cash basis. Generally accepted accounting principles require the use of the modified accrual method of accounting for the fund level financial statements.

Recommendation:

Although the District is not required by New York State to adopt the modified basis of accounting, since the District is now preparing financial statements in accordance with generally accepted accounting principles, we recommend the District record activity on that basis.

Long Range Planning

Finding:

We noted the Danby Fire District had no long range financial plan in place.

Recommendation:

We recommend a 5 year plan be created for the future development of the District.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. We do not believe the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Danby Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain other matters that we reported to the management of the Danby Fire District, in a separate letter dated June 23, 2009.

This report is intended solely for the information and use of the Board of Commissioners, management, and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Cinchi, Dickinson, Little, Mickelson & Co., LLP

June 23, 2009
Ithaca, New York