

DANBY FIRE DISTRICT

Ithaca, New York

FINANCIAL REPORT

December 31, 2009

DANBY FIRE DISTRICT
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

Independent Auditor's Report	1-1a
Financial Statements:	
Balance Sheet - Governmental Funds	2
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	3
Budgetary Comparison Schedule - General Fund	4
Schedule of Noncurrent Assets and Liabilities	5
Notes to Financial Statements	6-11
Report Required Under Government Auditing Standards:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12-16

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 each major fund of the Danby Fire District (the Fire District), as of and for the year ended December 31, 2009, 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 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 the standards applicable to financial audits contained in *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 the 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.

As described in Note 1, the Danby Fire District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the regulatory basis of accounting and budget laws of New York State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1. These differences, while not reasonably determinable, are presumed to be material.

In our opinion, because the Danby Fire District's policy is to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Danby Fire District, as of December 31, 2009, or changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the Danby Fire District as of December 31, 2009 and the respective changes in financial position of the Danby Fire District for the year then ended, on the basis of accounting described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated May 28, 2010, 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 important for assessing the results of our audit.

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

May 28, 2010
Ithaca, New York

DANBY FIRE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	Governmental Fund Types			Total Governmental Funds
	General Fund	Reserve Funds	Capital Fund	
ASSETS				
Current Assets:				
Unrestricted cash	\$ 34,934	\$	\$	\$ 34,934
Due from other funds	61,396	68,813		130,209
Total Current Assets	96,330	68,813		165,143
Noncurrent Assets:				
Restricted cash		614,605	300,000	914,605
Total Noncurrent Assets	-0-	614,605	300,000	914,605
Total Assets	\$ 96,330	\$ 683,418	\$ 300,000	\$ 1,079,748
LIABILITIES				
Current Liabilities:				
Due to other funds	\$ 68,813	\$ 61,396	\$	\$ 130,209
Total Current Liabilities	68,813	61,396	-0-	130,209
FUND BALANCES/ NET ASSETS				
Fund Balances:				
Reserved:				
Reserved for encumbrances	25,918			25,918
Capital reserve		465,933	300,000	765,933
Reserved for repairs		156,089		156,089
Total Reserved Fund Balances	25,918	622,022	300,000	947,940
Unreserved:				
Undesignated	1,599			1,599
Total Fund Balances	27,517	622,022	300,000	949,539
Total Liabilities and Fund Balances	\$ 96,330	\$ 683,418	\$ 300,000	\$ 1,079,748

See Independent Auditor's Report and Notes to Financial Statements

DANBY FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Governmental Fund Types			Total Governmental Fund Types
	General Fund	Reserve Funds	Capital Fund	
REVENUES				
Real property taxes	\$ 357,447	\$	\$	\$ 357,447
Use of money and property	2,439	2,751		5,190
Miscellaneous local sources	1,520			1,520
Foreign fire insurance tax passthrough	4,557			4,557
 Total Revenues	 365,963	 2,751	 -0-	 368,714
EXPENDITURES				
Wages	15,000			15,000
Fire	122,737			122,737
Foreign fire insurance tax passthrough	4,557			4,557
Equipment and capital outlay	23,413	61,396		84,809
Employee benefits	30,601			30,601
Debt Service - Principal	56,278			56,278
- Interest	15,958			15,958
 Total Expenditures/Expenses	 268,544	 61,396	 -0-	 329,940
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds	(68,229)	(300,000)		(368,229)
Transfers from other funds		68,229	300,000	368,229
 Total Other Financing (Uses) Sources	 (68,229)	 (231,771)	 300,000	 -0-
 Excess of Revenues and Other Financing Sources over Expenditures/Expenses and Other Financing (Uses)	 29,190	 (290,416)	 300,000	 38,774
 Change in Fund Balances	 -0-	 -0-	 -0-	 -0-
 Fund Balances, Beginning of Year	 (1,673)	 912,438	 	 910,765
 Fund Balances, End of Year	 \$ 27,517	 \$ 622,022	 \$ 300,000	 \$ 949,539

See Independent Auditor's Report and Notes to Financial Statements

DANBY FIRE DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund			
	Original/Modified Budget	Actual	Encumbrances	Variance Fav.-Unfav.
REVENUES				
Real property taxes	\$ 357,447	\$ 357,447	\$	\$ -0-
Use of money and property		2,439		2,439
Miscellaneous local sources		1,520		1,520
Foreign fire insurance tax passthrough		4,557		4,557
 Total Revenues	 357,447	 365,963	 -0-	 8,516
EXPENDITURES				
Wages	15,000	15,000		-0-
Fire	160,417	122,737		37,680
Equipment and capital outlay	31,000	23,413	25,918	(18,331)
Employee benefits	28,795	30,601		(1,806)
Debt service - Principal	56,277	56,278		(1)
- Interest	15,958	15,958		-0-
Foreign fire insurance tax passthrough		4,557		(4,557)
 Total Expenditures	 307,447	 268,544	 25,918	 12,985
OTHER FINANCING SOURCES AND (USES)				
Transfers to other funds	(50,000)	(68,229)		(18,229)
Total Financing Sources (Uses)	(50,000)	(68,229)	-0-	(18,229)
 Excess of Revenues and Other Financing Sources over (Expenditures) and Other Financing (Uses)	 -0-	 29,190	 \$ (25,918)	 \$ 3,272
 NET INCREASE	 \$ -0-	 29,190		
 Fund Balance, Beginning of Year		(1,673)		
 Fund Balance, End of Year		\$ 27,517		

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

DANBY FIRE DISTRICT
SCHEDULE OF NONCURRENT ASSETS AND LIABILITIES
DECEMBER 31, 2009

NONCURRENT GOVERNMENT ASSETS

Land	\$ 9,900
Buildings	<u>613,750</u>
Machinery and equipment	<u>881,130</u>
Construction in progress	<u>58,389</u>
 Total Noncurrent Government Assets	 \$ <u><u>1,563,169</u></u>

NONCURRENT GOVERNMENT LIABILITIES

Bonds payable	\$ <u>408,256</u>
 Total Noncurrent Government Liabilities	 \$ <u><u>408,256</u></u>

See Independent Auditor's Report and Notes to Financial Statements

DANBY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Danby Fire District (the Fire District) have been prepared in conformity with the accounting principles prescribed by the New York State Office of the State Comptroller, and are not intended to be a complete presentation in accordance with accounting principles generally accepted in the United States. The financial statements do not include a Statement of Net Assets or a Statement of Activities for the Governmental Activities, prepared on the accrual basis of accounting, or a management's discussion and analysis. The more significant of the Fire District's accounting policies are described below.

A. Reporting Entity

The 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.

The 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 voters living within the District.

All activities and functions performed by the 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 (as amended by GASB 39) including legal standing, fiscal dependency, and financial accountability.

B. Basis of Presentation - Fund Accounting

The 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).

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, 2009

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

1. Fund Categories

Governmental Fund Types - funds 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 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.

Capital Fund - funds used to account for and report financial resources to be used for the acquisition, construction, or renovation of major capital facilities, or equipment which is funded with proceeds of debt.

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 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. 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. 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.

DANBY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 2 - Detail Notes

A. Assets

1. Cash and Investments

The Fire District's investment policies are governed by state statutes. In addition, the Fire District follows its written investment policy. The 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 Fire District's deposits may not be returned to it. While the Fire District does not have a specific policy for custodial credit risk, New York State statutes govern the Fire 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 (in the Fire District's name).

The Fire District's aggregate bank balances, cash, cash equivalents, and money market funds of \$957,442 are either insured or collateralized with securities held by the pledging financial institution in the Fire District's name.

2. Capital Assets

Capital asset balances and activity for the year ended December 31, 2009, were as follows:

	Balance at 12/31/08	Additions	Retirements & Reclass- ifications	Balance at 12/31/09
Land	\$ 9,900	\$	\$	\$ 9,900
Construction in progress	23,249	35,140		58,389
Buildings and building improvements	613,750			613,750
Apparatus and vehicles	834,355	23,000		857,355
Other equipment	23,775			23,775
Total Historical Cost	<u>\$ 1,505,029</u>	<u>\$ 58,140</u>	<u>\$ -0-</u>	<u>\$ 1,563,169</u>

DANBY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

B. Liabilities

1. Indebtedness

At December 31, 2009, the total outstanding indebtedness of the Fire District aggregated \$408,256. 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 Fire District's indebtedness and interest expenditures recognized during the year ended December 31, 2009:

	Balance January 1,	Additions	Deletions	Balance December 31,	Amount Due within One Year
Bonds and Loan Payable	\$ 464,534	\$ -0-	\$ (56,278)	\$ 408,256	\$ 42,038
Interest paid on long-term debt during the year was:					\$ 15,958

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%	2013	\$ 120,000
Building addition	2008	300,000	2.50%	2028	288,256
Total					\$ 408,256

The following table summarizes the Fire District's future debt service requirements as of December 31, 2009.

Year Ending	Bonds and Loan	Interest	Total
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	13,287	5,957	19,244
2015-2019	71,588	24,632	96,220
2020-2024	80,995	15,225	96,220
2025-2028	72,399	4,577	76,976
Total	\$ 408,256	\$ 91,021	\$ 499,277

DANBY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

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, 2009 are as follows:

	Balance at 12/31/08	Transfers In	Interest Allocated	Funds Used	Balance at 12/31/09
General Fund:					
Capital reserve	\$ 756,892	\$ 68,229	\$ 2,208	\$ (361,396)	\$ 465,933
Repair reserve	<u>155,546</u>		<u>543</u>		<u>156,089</u>
Total	<u>\$ 912,438</u>	<u>\$ 68,229</u>	<u>\$ 2,751</u>	<u>\$ (361,396)</u>	<u>\$ 622,022</u>

Cash of \$614,605 has been restricted to fund these reserves.

Note 3 - Stewardship

The General Fund overexpended its budget at December 31, 2009 in total by \$687 excluding the foreign fire insurance tax passthrough which is not budgeted. The overexpenditure is primarily due to encumbrances of \$25,918, which brought the equipment and capital outlay line over budget by \$18,331 and a transfer of \$18,229 over budget to the Reserve Fund. Fire expenditures were \$37,680 under budget, while employee benefits and debt service expenditures were \$1,807 over budget.

Note 4 - Events Subsequent to Report Date

The Fire District has evaluated event transactions occurring between December 31, 2009 and May 21, 2010, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. No events were identified which require disclosure or recognition in the financial statements as of December 31, 2009.

Note 5 - 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 6 - 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 to maximize public participation.

DANBY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

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.

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 each major fund of the Danby Fire District (the Fire District) as of and for the year ended December 31, 2009, which collectively comprise the Fire District's basic financial statements and have issued our report thereon dated May 28, 2010. 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 Fire District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fire District's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Danby Fire District's internal control to be significant deficiencies:

- 12 -

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

Books of Account and Annual Update Document

Findings:

During our prior and current year audit, we noted 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 and expenditures from the reserves were not readily apparent. 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. We also noted incomplete budget pages in the AUD.

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.

Management Response:

Charts of accounts will be updated with more descriptive account names. We will also attempt to implement Quickbooks to provide for more efficient budget and tracking. The AUD will include budget pages. The Fire District currently utilizes a more detailed Excel spreadsheet for budget planning.

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. (Resolved in 2009)
2. Accounts codes are not reflected on the abstract when presented for approval. (Resolved in 2009)
3. One disbursement examined was missing supporting documentation.
4. One training expenditure examined was not approved by the Chief per District policy. (Resolved in 2009)
5. Expenditures should be coded to the proper expenditure code as listed in the Uniform Chart of Accounts. (Resolved in 2009)
6. The personal services expenditure code should only reflect salary payments and not contractual expenditures. (Resolved in 2009)
7. There was no evidence of verbal or written quotes as outlined in the Procurement Policy.

Recommendation:

We recommend abstracts supporting documentation be available for all transactions and approved per District policy. Documentation of verbal or written quotes, as per Fire 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.

Management Response:

All District personnel have been instructed on the importance of documenting verbal quotes and documentation will be filed with invoices in the future. The Fire District Procurement Policy will be updated to reflect proper procedure.

Fixed Assets

Finding:

During our prior and current year audits, we noted a physical inventory has not been completed in recent years.

Recommendation:

We continue to 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.

Management Response:

Inventory of all items valued in excess of \$5,000 will be completed in 2010.

Bank Reconciliations

Finding:

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

Recommendation:

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

Management Response:

Commissioners will assign responsibility for opening bank statements to one of the commissioners.

Records Location

Finding:

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

Recommendation:

We continue to recommend all records be kept at the Fire District office.

Management Response:

Upon completion of the new Fire District office facility in mid 2010, all records will be maintained in a secure storage area within the Fire District office.

Budgeting and Overexpended Budget

Findings:

During our prior and 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 or greater than budgeted transfers to the Reserve Fund as well as other overexpenditures. The current Quicken program may not be able to accommodate budget modifications.

Recommendation:

We continue to 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 benefit from investigating an accounting system allowing for budget comparison and modification.

Management Response:

The budget is monitored regularly and modifications are tracked by resolutions. When Quickbooks is implemented it should facilitate more accurate tracking of the budget in better detail.

Modified Accrual

Finding:

The Fire 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 not enforced, the Fire District is required by New York State to adopt the modified basis of accounting, and we recommend the Fire District begin recording activity on that basis.

Management Response:

New York State only requires use of modified accrual on budgets in excess of \$500,000 annually. However, the Fire District will attempt to implement this in the future.

Long Range Planning

Finding:

We noted the Fire District does not currently have a long range financial plan in place.

Recommendation:

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

Management Response:

The Fire District will attempt to develop a long range plan in 2010.

Prior Year Findings Resolved

Cash Receipts

Findings:

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

Recommendation:

We recommended receipts be properly coded as per the New York State Uniform Chart of Accounts and deposits made within three to five business days of receipt.

Resolution:

No bond proceeds were received this year. We are pleased to report this year's audit revealed no instances of untimely deposits.

Payroll Accounting

Finding:

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

Recommendation:

We recommended 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 Fire 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.

Resolution:

During our current year review of payroll, we noted payroll was recorded at the gross amount. Though a Trust and Agency Fund was not utilized, amounts due to other governments at year end were insignificant.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

We noted certain other matters that we reported to the management of the Fire District, in a separate letter dated May 28, 2010.

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

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

May 28, 2010
Ithaca, New York