

DANBY FIRE DISTRICT

Ithaca, New York

FINANCIAL REPORT

December 31, 2010

DANBY FIRE DISTRICT
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FOR THE YEAR ENDED DECEMBER 31, 2010

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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, 2010, 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, 2010, 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, 2010 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.

- 1 -

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In accordance with *Government Auditing Standards*, we have also issued a report dated May 27, 2011 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, Dittulyn, Little, Mickelson & Co., LLP

May 27, 2011
Ithaca, New York

DANBY FIRE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	Governmental Fund Types			Total Governmental Funds
	General Fund	Reserve Fund	Capital Fund	
ASSETS				
Current Assets:				
Unrestricted cash	\$ 47,023	\$	\$	\$ 47,023
Total Current Assets	47,023	-0-	-0-	47,023
Noncurrent Assets:				
Restricted cash		443,357	95,905	539,262
Total Noncurrent Assets	-0-	443,357	95,905	539,262
Total Assets	\$ 47,023	\$ 443,357	\$ 95,905	\$ 586,285
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 3,072	\$	\$	\$ 3,072
Retainage			24,384	24,384
Total Liabilities	3,072	-0-	24,384	27,456
FUND BALANCES/ NET ASSETS				
Fund Balances:				
Reserved:				
Reserved for encumbrances	900			900
Capital reserve		287,006	71,521	358,527
Reserved for repairs		156,351		156,351
Total Reserved Fund Balances	900	443,357	71,521	515,778
Unreserved:				
Undesignated	43,051			43,051
Total Fund Balances	43,951	443,357	71,521	558,829
Total Liabilities and Fund Balances	\$ 47,023	\$ 443,357	\$ 95,905	\$ 586,285

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, 2010

	Governmental Fund Types			Total Governmental Fund Types
	General Fund	Reserve Fund	Capital Fund	
REVENUES				
Real property taxes	\$ 364,123	\$	\$	\$ 364,123
Use of money and property	30	1,445	285	1,760
State sources	15,000			15,000
Miscellaneous local sources	813			813
Foreign fire insurance tax passthrough	4,960			4,960
 Total Revenues	 <u>384,926</u>	 <u>1,445</u>	 <u>285</u>	 <u>386,656</u>
EXPENDITURES				
Wages	15,000			15,000
Fire	111,898			111,898
Other costs	20			20
Foreign fire insurance tax passthrough	4,960			4,960
Equipment and capital outlay	54,217		1,032,346	1,086,563
Employee benefits	29,251			29,251
Debt Service - Principal	42,038			42,038
- Interest	27,636			27,636
 Total Expenditures/Expenses	 <u>285,020</u>	 <u>-0-</u>	 <u>1,032,346</u>	 <u>1,317,366</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds	(83,472)	(180,110)		(263,582)
Transfers from other funds			263,582	263,582
Proceeds of obligations			540,000	540,000
 Total Other Financing (Uses) Sources	 <u>(83,472)</u>	 <u>(180,110)</u>	 <u>803,582</u>	 <u>540,000</u>
 Excess of Revenues and Other Financing Sources over Expenditures/Expenses and Other Financing (Uses)	 <u>16,434</u>	 <u>(178,665)</u>	 <u>(228,479)</u>	 <u>(390,710)</u>
 Fund Balances, Beginning of Year	 <u>27,517</u>	 <u>622,022</u>	 <u>300,000</u>	 <u>949,539</u>
 Fund Balances, End of Year	 <u>\$ 43,951</u>	 <u>\$ 443,357</u>	 <u>\$ 71,521</u>	 <u>\$ 558,829</u>

See Independent Auditor's Report and Notes to Financial Statements

DANBY FIRE DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	General Fund			
	Original/Modified Budget	Actual	Encumbrances	Variance Fav.-Unfav.
REVENUES				
Real property taxes	\$ 364,123	\$ 364,123	\$	\$ -0-
Use of money and property		30		30
State Sources		15,000		15,000
Miscellaneous local sources		813		813
Foreign fire insurance tax passthrough		4,960		4,960
 Total Revenues	 364,123	 384,926	 -0-	 20,803
EXPENDITURES				
Wages	15,000	15,000		-0-
Fire	117,544	111,898		5,646
Other costs		20		(20)
Equipment and capital outlay	70,168	54,217	900	15,051
Employee benefits	52,100	29,251		22,849
Debt service - Principal	60,114	42,038		18,076
- Interest	45,115	27,636		17,479
Foreign fire insurance tax passthrough		4,960		(4,960)
 Total Expenditures	 360,041	 285,020	 900	 74,121
OTHER FINANCING (USES)				
Transfers to other funds	(30,000)	(83,472)		(53,472)
Total Financing (Uses)	(30,000)	(83,472)	-0-	(53,472)
 Excess of Revenues and Other Financing Sources over (Expenditures) and Other Financing (Uses)	 (25,918)	 16,434	 \$ (900)	 \$ 41,452
 Carryover Encumbrances	 25,918			
 NET INCREASE	 \$ -0-	 16,434		
 Fund Balance, Beginning of Year		 27,517		
 Fund Balance, End of Year		 \$ 43,951		

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

DANBY FIRE DISTRICT
SCHEDULE OF NONCURRENT ASSETS AND LIABILITIES
DECEMBER 31, 2010

NONCURRENT GOVERNMENT ASSETS

Land	\$ 9,900
Buildings	1,704,485
Machinery and equipment	<u>881,130</u>
Total Noncurrent Government Assets	<u>\$ 2,595,515</u>

NONCURRENT GOVERNMENT LIABILITIES

Notes payable	\$ 276,218
Bonds payable	<u>630,000</u>
Total Noncurrent Government Liabilities	<u>\$ 906,218</u>

See Independent Auditor's Report and Notes to Financial Statements

DANBY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010

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 - Reserved for capital projects and repairs.

Capital Fund - 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, 2010

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 \$595,514 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, 2010, were as follows:

	Balance at 12/31/09	Additions	Retirements & Reclass- ifications	Balance at 12/31/10
Land	\$ 9,900	\$	\$	\$ 9,900
Construction in progress	58,389		(58,389)	-0-
Buildings and building improvements	613,750	1,090,735		1,704,485
Apparatus and vehicles	857,355			857,355
Other equipment	23,775			23,775
 Total Historical Cost	 \$ 1,563,169	 \$ 1,090,735	 \$ (58,389)	 \$ 2,595,515

DANBY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

B. Liabilities

1. Indebtedness

At December 31, 2010, the total outstanding indebtedness of the Fire District aggregated \$906,218. Of this amount, all was subject to the constitutional debt limit, and represented 6.9% 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, 2010:

	Balance January 1,	Additions	Deletions	Balance December 31,	Amount Due within One Year
Bonds and Loan Payable	\$ 408,256	\$ 540,000	\$ (42,038)	\$ 906,218	\$ 69,635
Interest paid on long-term debt during the year was:					\$ 27,636

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	\$ 90,000
Building addition	2008	300,000	2.50%	2028	276,218
Building addition	2010	540,000		2030	540,000
Total					\$ 906,218

DANBY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

The following table summarizes the Fire District's future debt service requirements as of December 31, 2010.

<u>Year Ending</u>	<u>Bonds and Loan</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 69,339	\$ 39,348	\$ 108,687
2012	69,647	32,885	102,532
2013	69,963	32,415	102,378
2014	40,287	29,791	70,078
2015	40,619	28,015	68,634
2016-2020	208,378	113,123	321,501
2021-2025	218,020	67,369	285,389
2026-2030	189,965	20,823	210,788
Total	<u>\$ 906,218</u>	<u>\$ 363,769</u>	<u>\$ 1,269,987</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, 2010 are as follows:

	<u>Balance at 12/31/09</u>	<u>Transfers Out</u>	<u>Interest Allocated</u>	<u>Funds Used</u>	<u>Balance at 12/31/10</u>
Reserve Fund:					
Capital reserve	\$ 465,933	\$ (180,110)	\$ 1,183	\$ -	\$ 287,006
Repair reserve	156,089		262		156,351
Total	<u>\$ 622,022</u>	<u>\$ (180,110)</u>	<u>\$ 1,445</u>	<u>\$ -0-</u>	<u>\$ 443,357</u>

Cash of \$443,357 has been restricted to fund these reserves.

Note 3 - Stewardship

In the General Fund the transfer to other fund line was overexpended at December 31, 2010. The overexpenditure is primarily due to a transfer of \$53,472 over budget to the Capital Fund. The foreign fire insurance tax pass through revenue and expenditure were not budgeted.

Note 4 - Events Subsequent to Report Date

The Fire District has evaluated event transactions occurring between December 31, 2010 and June 3, 2011, 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, 2010.

DANBY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

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. 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. 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 by 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.

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**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, 2010, which collectively comprise the Fire District's basic financial statements and have issued our report thereon dated May 27, 2011. 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:

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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.

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.

Management Response:

Beginning in February 2011, as a result of the resignation of our long time Treasurer, the Treasurer duties have been assumed by the Deputy Treasurer who will remain throughout 2011. Along with that, books of accounts have been transferred to Quick Books with the addition of more detailed accounts and standardized account numbers. Future AUD's will include completed budget pages.

Bank Reconciliations

Finding:

During our prior year audits we noted bank reconciliations were performed by the same individual who has custody of the funds and performs recordkeeping functions. During our current year audit, it did not appear that bank reconciliations were routinely performed.

Recommendation:

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

Management Response:

As of 2011, fiscal year bank statements are being opened and initialed by one of the commissioners. Bank reconciliations will also be performed routinely beginning in 2011.

Records Location

Finding:

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

Recommendation:

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

Management Response:

As of February 2011, all financial records are now kept in a secure storage area in the Danby Fire District Office at 1780 Danby Road.

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:

As of March 2011, budgets have been switched over to Quick Books. With that, we will implement the means to control budgets showing: Proposed, Adopted, As Modified and Actual. Changes will be further backed up by documented resolutions and budgets notes.

Prior Year Findings Resolved

Cash Disbursements

Findings:

During our prior year review of the cash disbursement procedures, we noted no evidence of verbal or written quotes as outlined in the Procurement Policy.

Recommendation:

We recommended abstracts supporting documentation be available for all transactions and approved per Fire 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.

Resolution:

Of the transactions tested, there was evidence of verbal and written quotes in accordance with Fire District policy.

Fixed Assets

Finding:

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

Recommendation:

We recommended 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.

Resolution:

A physical inventory of capital assets was conducted in 2010.

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 27, 2011.

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, Dittus, Little, Mickelson & Co., LLP

May 27, 2011
Ithaca, New York