

Orchard Park Fire District
Erie County, New York
Financial Statements
and Management's Discussion and Analysis
and Supplementary Information
(With Independent Auditors' Report)
Year Ended December 31, 2010

Bevilacqua & Co. CPA's, PC
Certified Public Accountants
6435 West Quaker Street
Orchard Park, NY 14127

**Orchard Park Fire District
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INDEPENDENT AUDITORS' REPORT

To the Board of Fire Commissioners
Orchard Park Fire District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orchard Park Fire District (the District) as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of December 31, 2010, and the respective changes in financial position 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 30, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 *Governmental Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquires of management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide and assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

June 30, 2011

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Bevilacqua & Co. CPAs, PC



**ORCHARD PARK FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2010**

The discussion and analysis of Orchard Park Fire District's financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- In total, net assets increased \$164,569.
- General revenues amounted to \$2,128,886.
- The District had \$1,964,317 in expenses related to governmental activities.
- Revenues of the District were adequate to provide for public safety expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of the following parts: Management's discussion and analysis; the basic financial statements consisting of government-wide financial statements, and fund financial statements (government and fiduciary); notes to the basic financial statements; and required supplemental information.

Government-Wide Financial Statements

The basic government-wide and fund financial statements present the financial results on different methods of accounting. Included in the financial statements are reconciliations that explain the difference between the two methods.

Government-wide financial statements are prepared on the accrual basis of accounting and economic resources focus. The required financial statements are: Statement of Net Assets and Statement of Activities. The Statement of Net Assets reports all assets and liabilities, both financial and capital, and short-term and long-term of the District. The Statement of Activities reports all revenues and expenses during the year, regardless of when cash is received or paid.

Fund Financial Statements

Government funds financial statements are prepared on the modified accrual basis of accounting and current financial resources focus. This is the traditional form for our financial statements. The required financial statements are: Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. The Balance Sheet shows only assets and liabilities that come due during the year or soon thereafter; no capital asset or long-term liabilities are included. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports revenues for which cash is received during or soon after the end of the year; expenditures for goods or services which have been received and payment is due during or soon after the end of the year.

**ORCHARD PARK FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2010**

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities explains the differences between the two balance sheets. Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities traces the change in fund balances to the change in net assets reported in the Government-Wide Statement of Activities.

Fiduciary Funds are used to account for resources held for pension benefits administered outside the District. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

<u>Condensed Government-Wide Financial Data</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 1,325,101	\$ 808,883
Note receivable	-	200,000
Station and equipment, net of accumulated depreciation	4,431,252	4,078,901
Total assets	<u>\$ 5,756,353</u>	<u>\$ 5,087,784</u>
Accounts payable and accrued liabilities	\$ 16,140	\$ 12,140
Bond anticipation notes payable	500,000	-
Total liabilities	<u>516,140</u>	<u>12,140</u>
Net assets		
Invested in capital assets, net of accumulated depreciation and related debt	3,931,252	4,078,901
Unrestricted net assets - general fund	1,308,961	996,743
Total net assets	<u>5,240,213</u>	<u>5,075,644</u>
Total liabilities and net assets	<u>\$ 5,756,353</u>	<u>\$ 5,087,784</u>
Expenditures for governmental activities, net of program revenues		
Public safety - fire	\$ 1,530,213	\$ 1,001,564
Interest expense	6,780	6,646
Depreciation - unallocated	427,324	396,196
Total expenditures, net of program revenues	<u>1,964,317</u>	<u>1,404,406</u>
General revenues		
Property taxes	1,706,020	1,706,020
Foreign fire insurance tax proceeds	75,470	72,463
Interest income	7,608	9,861
Lease income	339,788	6,000
Total revenue	<u>2,128,886</u>	<u>1,794,344</u>
Changes in net assets	<u>\$ 164,569</u>	<u>\$ 389,938</u>

**ORCHARD PARK FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2010**

Financial Analysis of the District as a Whole

The District's net assets increased by \$164,569 for the year ended December 31, 2010, or approximately 3 percent, to a total of \$5,240,213. Of the \$5,240,213 in net assets, \$3,931,252 is invested in capital assets (net of accumulated depreciation and related debt).

Financial Analysis of the District's Funds

Governmental fund balances increased by \$312,218. The main reason for the differences in the increase in District net assets of \$164,569 and the increase of \$312,218 in governmental fund balance is because the cost of governmental activities includes proceeds from debt issuance and excludes depreciation expense of capital assets. In addition, the governmental fund balance is reduced for the purchase of capital assets. The detail for these differences is shown on the reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental funds to the statement of activities.

Budgetary Highlights

General Fund tax revenue was equal to the amount budgeted. The foreign fire insurance tax proceeds and payments were not included in the original budget because the amount received is paid out to the fire companies. Interest income was not included in the original budget. The District earned \$7,608 of interest income during the year. In addition, building and vehicle lease payments totaling \$152,468 were received from Orchard Park Fire District - EMS, Inc.

The overall expenditures of the District were approximately \$600,000 more than the original budgeted amount. This was due primarily to the purchase of a pumper which was funded by a \$500,000 bond anticipation note. The purchase is recorded in the supplementary data under "purchase of apparatus".

Capital Assets

As of December 31, 2010 and 2009, the District had invested a net cumulative \$4,431,252 and \$4,078,901, respectively, in a broad range of capital assets including land, structures, and improvements to equipment.

Capital assets balances at December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Capital Assets		
Land	\$ 155,729	\$ 155,729
Buildings & Improvements	3,809,458	3,710,519
Vehicles	4,000,560	3,672,510
Equipment	906,367	816,681
Total Capital Assets	<u>8,872,114</u>	<u>8,355,439</u>
Less: Accumulated Depreciation	<u>(4,440,862)</u>	<u>(4,276,538)</u>
Net Capital Assets	<u>\$ 4,431,252</u>	<u>\$ 4,078,901</u>

**ORCHARD PARK FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2010**

Current and Long-Term Debt

During the year ended December 31, 2010, the District increased debt by \$500,000. Increase in debt resulted from a \$500,000 bond anticipation note which matured in April 2011.

Contacting the District's Financial Management

This financial statement is designed to provide a general overview of the District's finances. If you have questions about this financial statement or need additional financial information, contact the District's Office at PO Box 1290, Orchard Park, NY 14127.

Basic Financial Statements

**Orchard Park Fire District
Statement of Net Assets
December 31, 2010**

Assets

Cash	\$1,139,409
Due from related party	185,692
Depreciable capital assets, net	4,275,523
Nondepreciable capital assets	<u>155,729</u>
Total assets	<u>5,756,353</u>

Liabilities

Accounts payable	7,573
Security deposit	500
Accrued liabilities	8,067
Bond anticipation notes payable	<u>500,000</u>
Total liabilities	<u>516,140</u>

Net Assets

Invested in capital, net of related debt	3,931,252
Unrestricted	<u>1,308,961</u>
Total net assets	<u><u>\$5,240,213</u></u>

See accompanying notes to the basic financial statements.

**Orchard Park Fire District
Statement of Activities
Year Ended December 31, 2010**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u> <u>Services</u> <u>& Sales</u>	<u>Operating</u> <u>Grants &</u> <u>Contributions</u>	<u>Capital</u> <u>Grants &</u> <u>Contributions</u>	<u>Revenue and</u> <u>Changes in</u> <u>Net Assets</u>
					<u>Governmental</u> <u>Activities</u>
Governmental activities:					
Public safety - fire	\$1,530,213	\$ -	\$ -	\$ -	(\$1,530,213)
Interest expense	6,780	-	-	-	(6,780)
Depreciation - unallocated	427,324	-	-	-	(427,324)
Total governmental activities	\$1,964,317	\$ -	\$ -	\$ -	(\$1,964,317)

General revenues:

Taxes levied for general purposes	\$1,706,020
Foreign fire insurance tax proceeds	75,470
Interest income	7,608
Lease income	339,788
Total general revenues	2,128,886
Change in net assets	164,569
Net assets - beginning of year	5,075,644
Net assets - end of year	\$5,240,213

See accompanying notes to the basic financial statements.

**Orchard Park Fire District
Balance Sheet
Governmental Funds
December 31, 2010**

	General Fund
Assets	
Cash	\$1,139,409
Due from related party	185,692
Total assets	\$1,325,101
 Liabilities and Fund Balance	
Liabilities	
Accounts payable and accrued liabilities	\$16,140
Total liabilities	16,140
Fund balance	
Unreserved, undesignated	1,308,961
Total fund balances	1,308,961
Total liabilities and fund balance	\$1,325,101

See accompanying notes to the basic financial statements.

Orchard Park Fire District
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
December 31, 2010

Total Fund Balances - Governmental Funds		\$1,308,961
<p>Capital assets used in governmental funds are not financial resources and therefore are not reported as assets in the governmental funds.</p>		
Total cost of capital assets	8,872,113	
Less: accumulated depreciation	<u>(4,440,861)</u>	
		4,431,252
<p>Debt incurred to purchase capital assets is not reported as liabilities in the governmental funds.</p>		
<p>Debt at December 31, 2010 consists of:</p>		
Bond anticipation notes	<u>(500,000)</u>	
		<u>(500,000)</u>
Total Net Assets - Governmental Activities		<u><u>\$5,240,213</u></u>

See accompanying notes to the basic financial statements.

**Orchard Park Fire District
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2010**

	<u>Total Governmental Funds</u>
Revenues:	
Real property tax	\$1,706,020
Agency fee	75,470
Interest	7,608
Lease income	<u>339,788</u>
Total revenue	<u>2,128,886</u>
 Expenditures:	
Services and supplies	1,287,368
Capital outlay	779,675
Interest	6,780
Salaries and benefits	<u>242,845</u>
Total expenditures	<u>2,316,668</u>
Deficiency of revenues over expenditures	(187,782)
 Other financing source:	
Bond anticipation note issued	<u>500,000</u>
Net change in fund balance	312,218
Beginning fund balance	<u>996,743</u>
Ending fund balance	<u><u>\$1,308,961</u></u>

See accompanying notes to the basic financial statements.

Orchard Park Fire District
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended December 31, 2010

Net change in fund balance - total Government Funds \$312,218

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense during the year.

Current capital outlays 779,675
Less: current year depreciation expense (427,324)

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:

Bond anticipation note issued (500,000)

Change in net assets - Governmental Activities \$164,569

See accompanying notes to the basic financial statements.

**Orchard Park Fire District
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2010**

	Pension Trust
Assets	
Equity in pooled cash and investments	\$2,230,528
Total assets	\$2,230,528
Liabilities	
Other liabilities	-
Total liabilities	-
Net Assets	
Held in trust	\$2,230,528
Total net assets	\$2,230,528

See accompanying notes to the basic financial statements.

**Orchard Park Fire District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended December 31, 2010**

	Pension Trust
Additions	
Contributions	\$173,815
Investment earnings	87,046
Total additions	260,861
 Deductions	
Benefits	173,601
Administrative expenses	2,620
Total deductions	176,221
Change in net assets	84,640
Net assets - beginning of year	2,145,888
Net assets - end of year	\$2,230,528

See accompanying notes to the basic financial statements.

Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2010

1. Description of the District

The Orchard Park Fire District (the "District") was formed in 1923. The District is comprised of Windom, Orchard Park and Hillcrest Fire Companies. The District is governed by a board of five fire commissioners. They are authorized to adopt rules and regulations governing all fire companies within the district. The District's primary source of revenue is from property taxes.

2. Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board ("GASB"). The most significant of the District's accounting policies are described below.

Basis of Presentation

Government-Wide Financial Statements

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included in the statement of net assets. All revenues and expenses during the year, regardless of when cash is received or paid, are included in the District's statement of activities. Fiduciary Funds are not included in entity-wide statements.

The government-wide statements of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include grants received that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenue identifies the extent to which each governmental function is self-financing or draws from general revenues of the District.

Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2010

2. Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing resources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary Funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental Funds use the modified accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that resources will be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within six months of year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants and entitlements. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and entitlements is recognized in the year in which eligibility requirements have been satisfied.

**Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2010**

2. Summary of Significant Accounting Policies, continued

Basis of Accounting, continued

Revenues - Exchange and Nonexchange Transactions, continued

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The District had no deferred revenue at year end.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time goods or services are received.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budget

The annual budget is adopted on a basis consistent with governmental fund accounting. The District's governing board must prepare a proposed budget and hold a public hearing to discuss the contents of the proposed budget. The public hearing was held on the third Tuesday in October 2009 as required by law. The hearing was conducted and scheduled in a manner to maximize public participation.

The budget is revised by the District's governing board in December of each year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplemental Information.

**Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2010**

2. Summary of Significant Accounting Policies, continued

Basis of Accounting, continued

Assets, Liabilities, and Equities

Cash and Cash Equivalents

Cash balances held in banks are insured to \$250,000 per institution by the Federal Deposit Insurance Corporation. In addition, the District has a collateral agreement with HSBC Bank. This agreement pledges bank owned securities with a current value to equal or exceed the District's checking and savings accounts held by the bank.

As authorized by General Municipal Law, the District may invest in special time deposit accounts, certificates of deposit, obligations of the United States of America, obligations guaranteed by agencies of the United States of America where payment of principal and interest are guaranteed by the Government, and obligations of the State of New York.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. Improvements are capitalized. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets or the economic life of the improvement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	15-40 years
Vehicles	7-20 years
Furniture and Equipment	3-7 years

Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2010

2. Summary of Significant Accounting Policies, continued

Basis of Accounting, continued

Liabilities and Debt Obligations

Payables, accrued liabilities and debt obligations are reported as liabilities in the Statement of Net Assets. In general, governmental funds payable and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are recorded as obligations of the funds. However, claims and judgments, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Fund Balance Reserves and Designation

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure.

Designations may be established to indicate tentative plans for financial resource utilization in a future period.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Property Tax Revenue

Taxes are payable by property holders by February 15. The Town of Orchard Park bills and collects the taxes for the District. Tax revenue is recognized by the District when received.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2010**

2. Summary of Significant Accounting Policies, continued

Basis of Accounting, continued

Income Taxes

The District is a not-for-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and accordingly no expense is reflected in the financial statements.

Subsequent Events

The company evaluated all subsequent events through June 30, 2011, the date the financial statements were made available to be issued. No subsequent events required disclosure.

3. Cash and Cash Equivalents

The District considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash.

4. Capital Assets and Depreciation

Capital asset activity for the year ended December 31, 2010, is shown below:

	<u>Balance</u> <u>12/31/09</u>	<u>Capital</u> <u>Acquisitions</u>	<u>Sales/</u> <u>Dispositions</u>	<u>Balance</u> <u>12/31/10</u>
<u>Depreciable capital assets</u>				
Building and Improvements	\$3,710,519	\$98,939	\$ -	\$3,809,458
Vehicles	3,672,510	591,050	263,000	4,000,560
Furniture and equipment	816,681	89,686	-	906,367
Total depreciable capital assets	<u>\$8,199,710</u>	<u>\$779,675</u>	<u>\$ 263,000</u>	<u>\$8,716,385</u>
	<u>Balance</u> <u>12/31/09</u>	<u>Current</u> <u>Expense</u>	<u>Sales/</u> <u>Dispositions</u>	<u>Balance</u> <u>12/31/09</u>
<u>Less: accumulated depreciation</u>				
Building and improvements	\$1,892,459	\$160,794	\$ -	\$2,053,253
Vehicles	1,723,988	228,172	263,000	1,689,160
Furniture and equipment	660,091	38,358	-	698,449
Total accumulated depreciation	<u>4,276,538</u>	<u>427,324</u>	<u>263,000</u>	<u>4,440,862</u>
Net depreciable capital assets	<u>\$3,923,172</u>	<u>\$352,351</u>	<u>\$ -</u>	<u>\$4,275,523</u>
Nondepreciable capital assets:				
Land	<u>\$155,729</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$155,729</u>

Depreciation expense of \$427,324 was charged to governmental activities.

Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2010

5. Changes in Debt

During 2010, the District financed a new pumper with a bond anticipation note. The note matures on April 5, 2011 and bears an interest rate of 1.84%.

The following is a summary of debt transactions for the year ended December 31, 2010:

	Balance <u>12/31/09</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/10</u>
Bond Anticipations Note	\$ -	\$ 500,000	\$ -	\$ 500,000

Interest expense of \$6,780 was accrued on the note during the year ended December 31, 2010.

During 2011, the bond was repaid and replaced with a \$375,000 bond anticipation note.

6. Insurance

The District maintains comprehensive coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The District also maintains workers' compensation insurance through the State Insurance Fund. Settled claims have not exceeded coverage in any of the past three years.

7. Pension Plan

The Fire District financial statements are for the year ended December 31, 2010. However, the information contained in this note is based on information for the Length of Service Awards Program for the plan year ending on February 28, 2011.

Length of Service Awards Program (LOSAP)

The Fire District established a defined benefit LOSAP for the active volunteer firefighters of the Windom, Orchard Park, and Hillcrest Fire Companies. The program took effect on March 1, 1990. The program was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally funded pension benefits to facilitate the recruitment and retention of active volunteer firefighters. The District is the Plan Sponsor.

Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2010

7. Pension Plan, continued

Plan Description

Participation, vesting and service credit

Active volunteer firefighters who have reached the age of 18 and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program's entitlement age of 65.

Benefits

Benefits are paid at \$10 per month multiplied by total years of credited service prior to March 1, 2000; \$20 per month multiplied by total years of credited service after March 1, 2000; total years of service not to exceed 30 years; and service prior to March 1, 1990 limited to five years. Except in the case of death, benefits are payable when a participant reaches entitlement age of 65. The normal benefit is paid monthly for life (with payments guaranteed for at least ten years). The death benefit amount is equal to the present value of the accrued benefit.

Fiduciary Investment and Control

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board. The governing board of the sponsor has retained and designated Standard Security Life Insurance Company of New York to assist in the administration of the program. The designated program administrator's functions include collecting contributions from the District, overseeing investments of assets of the Plan, and paying benefits of the Plan. Disbursements of program assets for the payment of benefits or administrative expenses must be approved by the District.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operations and administration of the program.

Authority to invest program assets is vested in Standard Security Life Insurance Company of New York. Subject to restriction in the program document, program assets are invested in accordance with a statutory "prudent person" rule.

**Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2010**

7. Pension Plan, continued

The sponsor is required to retain an actuary to determine the amount of the sponsor's contributions to the Plan. The actuary retained by the sponsor for this purpose is Harbridge Consulting Group, LLC. Portions of the following information are derived from a report prepared by the actuary dated March 1, 2011.

Program Financial Condition

Assets and Liabilities

Actuarial Present Value of Benefits at March 1, 2011	\$2,669,305
Less: Total Net Assets Available for Benefits	<u>(2,191,231)</u>
Total Unfunded Benefits	478,074
Less: Unfunded Liability for Prior Service	<u>(172,433)</u>
Unfunded Normal Benefits	<u><u>\$ 305,641</u></u>

Prior Service Costs

Prior service costs are being amortized over a range of 10 to 20 years at a discount rate of 5.25%

Contributions

Amount of sponsor's contribution recommended by actuary: \$131,486

The following amount was contributed.

Contribution paid	\$171,195
Administrative fees	<u>2,620</u>
Sponsor's total contribution	<u><u>\$173,815</u></u>

Funding Methodology and Actuarial Assumptions

Normal Costs

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the "Unit Credit" cost method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

- The assumed rate of return on investment is 5.25%
- Mortality tables used for retirement based on Standard Security Life Insurance Company's Current Annuity Rates

8. Contributed Services

The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and skills to perform a variety of tasks that assist the District, but these services do not meet the criteria for recognition as contributed services.

Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2010

9. Contingency

The State of New York commenced an action against the District and a neighboring party which is pending in the Supreme Court of Erie County. The state is requesting \$280,000 plus interest estimated at \$250,000 related to the clean up and removal of a storage tank and discharges of petroleum products. The insurance carrier for the District has disclaimed coverage as this matter falls within an exclusion of the District's general liability policy.

During the past year, depositions from various individuals were taken. An offer of \$50,000 towards the settlement has been made by the District. No response has been received to date. No expense regarding this matter has been recorded by the District as of December 31, 2010.

10. Related Party Transactions

The Orchard Park Fire District - EMS, Inc. (EMS, Inc.) was established as a nonprofit corporation in September 2009 to provide 24 hour emergency rescue and first aid services to the residents of Orchard Park. The District contracted with EMS, Inc. to provide prehospital emergency treatment, for the furnishing of supplemental personnel, equipment or service to cover instances or periods of time when its service may not be readily available. The Fire Commissioners of the District represent the majority of the governing body of EMS, Inc.

Vehicle Lease

The District entered into a vehicle lease agreement with EMS, Inc. to lease fully equipped ambulances, including all necessary medical supplies and response vehicles. Lease payments on the ambulances will be \$84 per use, with an annual rate adjustment. Lease payments on the response vehicles amount to \$1,000 per month per vehicle. The lease will automatically renew each year, unless a written notice of termination is given no less than 60 days before each annual termination date of December 31. The District recorded \$44,000 of response vehicle lease income and \$235,788 of ambulance lease income from EMS, Inc. for the year ended December 31, 2010.

Building Lease

In November 2009, the District entered into a lease agreement with EMS Inc. to lease a portion of a building located at 3920 Taylor Road, Orchard Park, New York. The term of the lease is five years at \$5,000 per month beginning January 1, 2010. The lease will automatically extend at the end of five years, unless an election is made to terminate the lease. The District recorded \$60,000 of building lease income for the year ended December 31, 2010.

**Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2010**

10. Related Party Transactions, continued

Future minimum rentals to be received under noncancelable leases with remaining terms of more than one year at December 31, 2010 are as follows:

Year ending <u>December 31,</u>	Building <u>Lease</u>
2011	\$60,000
2012	60,000
2013	60,000
2014	60,000
Total minimum lease payments	<u><u>\$240,000</u></u>

Note Receivable

In December 2009, the District issued a note receivable of \$200,000 to EMS, Inc. The loan was issued with a term of ten years, bearing interest at 4%. A balloon payment of the outstanding balance is due at the end of the fifth year. The note was repaid in 2010.

Due from related party

At December 31, 2010, the following amounts are due from Orchard Park Fire District - EMS, Inc.:

Lease income on ambulance usage	\$187,320
Workmen's compensation premiums	25,841
Firefighter's compensation	1,205
Copays owed to EMS, Inc. for Orchard Park residents	<u>(27,674)</u>
Total	<u><u>\$186,692</u></u>

A total of \$79,372 was expensed by the District during the year for copays billed by EMS, Inc. to residents of Orchard Park for emergency medical and transport services provided by EMS, Inc. At year end, \$27,674 was owed to EMS, Inc. for copays for the months of September through December.

Volunteer firefighters that transport ambulances to hospitals have the option of receiving a \$10 payment per trip. A total of \$10,790 was incurred for these services performed during the year. At year end, \$1,205 was owed to the District for these services for the month of December.

Required Supplemental Information

Orchard Park Fire District
Statement of Revenues and Expenditures -
Budget and Actual
Year Ended December 31, 2010

	Original Budget	Final Budget	Actual
Revenues:			
Real property taxes	\$1,706,020	\$1,706,020	\$1,706,020
Interest and earnings	-	7,608	7,608
Sale of supplies	-	1,200	1,200
Insurance recoveries	-	1,244	1,244
Foreign fire insurance tax proceeds	-	75,470	75,470
Miscellaneous	-	78	78
Transfer from reserves	-	11,048	11,048
Ambulance usage lease income	-	48,468	48,468
EMS, Inc. rescue vehicle lease income	-	44,000	44,000
EMS, Inc. building lease income	-	60,000	60,000
Total Revenues:	<u>1,706,020</u>	<u>1,955,136</u>	<u>1,955,136</u>
Expenditures:			
Personnel services	50,000	45,845	45,845
Contractual expenditures			
Office supplies	9,000	9,118	9,118
Conventions	20,000	13,141	13,141
Fire training	35,000	32,319	32,319
Small equipment repair	40,000	28,930	28,930
Fire prevention	5,000	7,048	7,048
Public drills, parades	3,000	940	940
Publication of notices	1,000	643	643
Fuel, light, water	138,000	71,034	71,034
Repairs to buildings	155,000	85,731	85,731
Building maintenance	20,000	74,474	74,474
Maintenance supplies	20,000	19,757	19,757
Repairs to apparatus	65,000	66,740	66,740
Gasoline, diesel fuel	35,000	23,259	23,259
Maintenance of radios & alarms	10,000	7,137	7,137
Telephone	20,000	17,107	17,107
Insurance	275,000	234,836	234,836
Legal & accounting	40,000	29,672	29,672
Rescue supplies	30,000	61,073	61,073
OP resident copays to EMS, Inc.	-	51,698	51,698
Property taxes	3,500	6,211	6,211
Hydrant rental	10,520	8,664	8,664
Computer operations	40,000	28,603	28,603
Medical bills	15,000	9,401	9,401
Worker's comp claims	2,500	641	641
Awards program	197,000	197,000	197,000
Airpacks and extinguishers	220,000	11,217	11,217
Hazmat	3,500	3,500	3,500
Social Security	4,000	3,507	3,507
Purchase of small equipment	121,000	495,303	495,303
Purchase of apparatus	118,000	593,604	593,604
Foreign fire insurance tax distributions	-	75,470	75,470
Total expenditures	<u>\$1,706,020</u>	<u>2,313,623</u>	<u>\$2,313,623</u>

See accompanying notes to the basic financial statements.



**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**

To the Board of Fire Commissioners
Orchard Park Fire District

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Orchard Park Fire District as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 30, 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 Orchard Park Fire District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Orchard Park Fire District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 material 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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Orchard Park Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and other matters, noncompliance with which could have a direct 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompany schedule of findings and responses.

The Orchard Park Fire District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Fire Commissioners, and the Office of the New York State Comptroller and is not intended to be and should not be used by anyone other than these specified parties.

Beilacqua & Co. CPAs, PC

June 30, 2011

**Orchard Park Fire District
Schedule of Findings and Responses
December 31, 2010**

Finding Number 1

Statement of Condition:

The Orchard Park Fire District (District) billing to Orchard Park Fire District - EMS, Inc (EMS, Inc.) for ambulance usage did not include the appropriate number of ambulance uses. EMS, Inc. was only billed for the number of trips transporting Orchard Park residents. Ambulance uses other than transporting Orchard Park residents were not billed.

Criteria:

The vehicle lease agreement between the District and EMS, Inc. states that lease payments for the use of ambulances are to be computed at \$84 per use. A use is defined to include any trip to report to a call.

Effect:

Failure to bill for the correct number of uses of ambulances resulted in understating lease income by approximately \$162,000 during 2010.

Cause:

The District did not provide the information regarding ambulance use to the appropriate personnel to be used for billing lease income.

Recommendation:

We recommend procedures be implemented to track and bill EMS, Inc. for the appropriate number of uses of District ambulances. Vehicle use charges should be billed monthly to ensure the appropriate lease income is recorded by the District.

Orchard Park Fire District Response:

The District has identified the proper report to be used for billing of ambulance usage. This report will be provided to the Treasurer on a monthly basis to ensure the appropriate lease income is billed and remitted to the District on a timely basis.

EMS, Inc. purchased new software which was operational in January 2011. This software will provide confirmation of ambulance usage for use in paying the appropriate lease expense.

**Orchard Park Fire District
Schedule of Findings and Responses
December 31, 2010**

Finding Number 2

Statement of Condition:

The District paid worker's compensation premiums on behalf of the Orchard Park Fire District - EMS, Inc (EMS, Inc.). These premiums were not billed to EMS, Inc. on a timely basis.

Criteria:

Worker's compensation paid by the District related to EMS, Inc. should be billed to EMS, Inc. on a monthly basis.

Effect:

Failure to bill for insurance premiums paid on behalf of EMS, Inc. resulted in overstating the District's insurance costs in 2010 by approximately \$25,000.

Cause:

The District did not have a procedure to timely bill EMS, Inc. for their worker's compensation premiums paid by the District.

Recommendation:

The District should obtain reimbursement from EMS, Inc. for the cost of premiums paid on behalf of EMS, Inc. on a monthly basis.

Orchard Park Fire District Response

Worker's compensation insurance for EMS, Inc. was obtained through the District's insurance policy. Since EMS, Inc. was a new entity, a history had not been established to determine the premium rate for this type of insurance. The District obtained approval through the State Insurance Fund to include EMS, Inc. on their policy in order for EMS, Inc. to obtain more favorable insurance rates.

The District received reimbursement of worker's compensation premiums for the policy year ending June 30, 2010 in April 2011. In addition, the District will begin billing EMS, Inc. for premiums currently being paid on the worker's compensation policy on a monthly basis.