

**Orchard Park Fire District**

**Erie County, New York**

**Financial Statements  
Management's Discussion and Analysis,  
and Supplementary Information**

*(With Independent Auditors' Report)*

**Year Ended December 31, 2011**

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**Orchard Park Fire District  
Table of Contents**

Title	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	2 - 5
 Basic Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Assets	6
Statement of Activities	7
<u>Fund Financial Statements</u>	
<i>Governmental Funds</i>	
Balance Sheet	8
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	9
Statement of Revenues, Expenditures and Changes in Fund Balances	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Assets	12
Statement of Changes in Fiduciary Net Assets	13
<u>Notes to the Basic Financial Statements</u>	14 - 25
 Required Supplemental Information	
Statement of Revenues and Expenditures - Budget and Actual (GAAP Budgetary Basis)	26
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>	27 - 28
Schedule of Prior Audit Findings	29

## 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, 2011, 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, 2011, 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 25, 2012, 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 States 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 a 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 the auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with 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 any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

June 25, 2012

*Bevilacqua & Co. CPAs, PC*

**ORCHARD PARK FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2011**

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, 2011. 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 2011 are as follows:

- In total, net assets increased \$694,426.
- General revenues amounted to \$2,098,351.
- The District had \$1,403,925 in net 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, 2011**

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>2011</u>	<u>2010</u>
Current assets	\$ 2,057,741	\$ 1,404,473
Station and equipment, net of accumulated depreciation	4,454,225	4,431,252
Total assets	<u>\$ 6,511,966</u>	<u>\$ 5,835,725</u>
Accounts payable and accrued liabilities	\$ 122,955	\$ 16,140
Bond anticipation notes payable	375,000	500,000
Total liabilities	497,955	516,140
Net assets		
Invested in capital assets, net of accumulated depreciation and related debt	4,079,225	3,931,252
Unrestricted net assets - general fund	1,934,786	1,388,333
Total net assets	<u>6,014,011</u>	<u>5,319,585</u>
Total liabilities and net assets	<u>\$ 6,511,966</u>	<u>\$ 5,835,725</u>
Expenditures for governmental activities, net of program revenues		
Public safety - fire	\$ 1,105,616	\$ 1,450,841
Interest expense	7,332	6,780
Depreciation - unallocated	478,883	427,324
	1,591,831	1,884,945
Grants	(187,906)	-
Total expenditures, net of program revenues	1,403,925	1,884,945
General revenues		
Property taxes	1,703,020	1,706,020
Foreign fire insurance tax proceeds	75,306	75,470
Interest income	13,902	7,608
Lease income	291,500	339,788
Rescue Income	8,823	-
Miscellaneous	5,800	-
Total revenue	<u>2,098,351</u>	<u>2,128,886</u>
Changes in net assets	<u>\$ 694,426</u>	<u>\$ 243,941</u>

**ORCHARD PARK FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2011**

**Financial Analysis of the District as a Whole**

The District's net assets increased by \$694,426 for the year ended December 31, 2011, or approximately 8 percent, to a total of \$6,014,011. Of the \$6,014,011 in net assets, \$4,079,225 is invested in capital assets (net of accumulated depreciation and related debt).

**Financial Analysis of the District's Funds**

Governmental fund balances increased by \$546,453. The main reason for the differences in the increase in District net assets of \$694,426 and the increase of \$546,453 in governmental fund balance is because the cost of governmental activities includes proceeds from debt issuance and expenditures for debt payments 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. The District earned \$13,902 of interest income during the year. In addition, building and vehicle lease payments totaling \$291,500 were received from Orchard Park Fire District - EMS, Inc. The District obtained an FY2010 Assistance to Firefighters Grant during the year to fund the purchase of communications equipment, including radios, portable radios, and pagers in the amount of \$171,133.

The overall expenditures of the District were approximately \$56,000 less than the original budgeted amount.

**Capital Assets**

As of December 31, 2011 and 2010, the District had invested a net cumulative \$4,454,225 and \$4,431,252, respectively, in a broad range of capital assets including land, structures, and improvements to equipment.

Capital assets balances at December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Capital Assets		
Land	\$ 155,729	\$ 155,729
Buildings & Improvements	3,864,353	3,809,458
Vehicles	4,134,546	4,000,560
Equipment	<u>1,219,342</u>	<u>906,367</u>
Total Capital Assets	9,373,970	8,872,114
Less: Accumulated Depreciation	<u>(4,919,745)</u>	<u>(4,440,862)</u>
Net Capital Assets	<u>\$ 4,454,225</u>	<u>\$ 4,431,252</u>

**ORCHARD PARK FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2011**

**Current and Long-Term Debt**

During the year ended December 31, 2011, the District paid \$500,000 on a bond anticipation note which matured on April 5, 2011. The District replaced the original note with a \$375,000 bond anticipation note which matured in April 2012.

**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 P.O. Box 1290, Orchard Park, NY 14127.

## Basic Financial Statements



**Orchard Park Fire District**  
**Statement of Net Assets**  
**December 31, 2011**

**Assets**

Cash	\$1,776,937
Due from related party	280,804
Depreciable capital assets, net	4,298,496
Nondepreciable capital assets	<u>155,729</u>
Total assets	<u>6,511,966</u>

**Liabilities**

Accounts payable	116,648
Security deposit	500
Accrued liabilities	5,807
Bond anticipation notes payable	<u>375,000</u>
Total liabilities	<u>497,955</u>

**Net Assets**

Invested in capital, net of related debt	4,079,225
Unrestricted	<u>1,934,786</u>
Total net assets	<u><u>\$6,014,011</u></u>

See accompanying notes to the basic financial statements.

Orchard Park Fire District  
Statement of Activities  
Year Ended December 31, 2011

	Expenses	Program Revenues			Net (Expense)
		Charges for Services & Sales	Operating Grants & Contributions	Capital Grants	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Public safety - fire	\$1,105,616	\$ -	\$ -	\$ 187,906	(\$917,710)
Interest expense	7,332	-	-	-	(7,332)
Depreciation - unallocated	478,883	-	-	-	(478,883)
<b>Total governmental activities</b>	<b>\$1,591,831</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 187,906</b>	<b>(\$1,403,925)</b>

General revenues:

Taxes levied for general purposes	\$1,703,020
Foreign fire insurance tax proceeds	75,306
Interest income	13,902
Lease income	291,500
Rescue Income	8,823
Miscellaneous	5,800
<b>Total general revenues</b>	<b>2,098,351</b>
Change in net assets	694,426
Net assets - beginning of year, as previously reported	5,240,213
Plus: prior period adjustment	79,372
<b>Net assets - end of year</b>	<b>\$6,014,011</b>

See accompanying notes to the basic financial statements.

Orchard Park Fire District  
 Balance Sheet  
 Governmental Funds  
 December 31, 2011

	<u>General Fund</u>
<b>Assets</b>	
Cash	\$1,776,937
Due from related party	<u>280,804</u>
Total assets	<u><u>\$2,057,741</u></u>
 <b>Liabilities and Fund Balance</b>	
Liabilities	
Accounts payable and accrued liabilities	<u>\$122,955</u>
Total liabilities	<u>122,955</u>
Fund balance	
Committed	623,090
Unassigned	<u>1,311,696</u>
Total fund balances	<u>1,934,786</u>
Total liabilities and fund balance	<u><u>\$2,057,741</u></u>

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, 2011**

Total Fund Balances - Governmental Funds		\$1,934,786
<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	9,373,969	
Less: accumulated depreciation	<u>(4,919,744)</u>	
		4,454,225
<p>Debt incurred to purchase capital assets is not reported as liabilities in the governmental funds.</p>		
<p>Debt at December 31, 2011 consists of:</p>		
Bond anticipation notes	<u>(375,000)</u>	
		<u>(375,000)</u>
Total Net Assets - Governmental Activities		<u><u>\$6,014,011</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, 2011

	Total Governmental Funds
<b>Revenues:</b>	
Real property tax	\$1,703,020
Lease income	291,500
Grant income	171,133
Agency fee	75,306
Contributions	16,773
Interest income	13,902
Rescue income	8,823
Miscellaneous	5,800
Total revenue	2,286,257
 <b>Expenditures:</b>	
Services and supplies	863,156
Capital outlay	501,856
Payment of debt	132,332
Salaries and benefits	242,460
Total expenditures	1,739,804
Excess of revenues over expenditures	546,453
Net change in fund balance	546,453
Beginning fund balance, as previously reported	1,308,961
Plus: prior period adjustment	79,372
Ending fund balance	\$1,934,786

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, 2011**

Net change in fund balance - total Government Funds	\$546,453
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
Current capital outlays	501,856
Less: current year depreciation expense	(478,883)
<p>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:</p>	
Bond anticipation note issued	(375,000)
<p>Debt obligations paid during 2011 consisted of:</p>	
Bond anticipation note	<u>500,000</u>
Change in net assets - Governmental Activities	<u><u>\$694,426</u></u>

See accompanying notes to the basic financial statements.

**Orchard Park Fire District**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2011**

	<u>Pension Trust</u>
<b>Assets</b>	
Equity in pooled cash and investments	<u>\$2,303,690</u>
Total assets	<u>\$2,303,690</u>
<b>Liabilities</b>	
Other liabilities	<u>-</u>
Total liabilities	<u>-</u>
<b>Net Assets</b>	
Held in trust	<u>\$2,303,690</u>
Total net assets	<u><u>\$2,303,690</u></u>

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, 2011**

	Pension Trust
<b>Additions</b>	
Contributions	\$173,387
Investment earnings	90,302
Total additions	263,689
 <b>Deductions</b>	
Benefits	188,015
Administrative expenses	2,512
Total deductions	190,527
Change in net assets	73,162
Net assets - beginning of year	2,230,528
Net assets - end of year	\$2,303,690

See accompanying notes to the basic financial statements.



**Orchard Park Fire District**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2011**

**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, 2011**

**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, 2011**

**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 2011 as required by law. The hearing was conducted and scheduled in a manner to maximize public participation.

The budget is revised monthly by the District's governing board to give consideration to unanticipated income and expenditures. The budget lapses at the end of the year. 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, 2011**

**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, 2011**

**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.

**Net Assets and Fund Balances**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When both committed, assigned, or unassigned resources are available for use, it is the District's policy to use committed resources first, followed by assigned resources and then unassigned resources as they are needed. The District does reserve the right to be selective in the use of such restricted assets that best fit the District's needs.

Equity is classified in the government-wide financial statements as net assets and is displayed in three components as follows:

Invested in capital assets, net of related debt represents capital assets, net of accumulated depreciation and reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets are net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

Equity is classified in the governmental fund financial statements as fund balance and is further classified as nonspendable, restricted, committed, assigned or unassigned as follows:

Nonspendable fund balance cannot be spent because it is either (1) not in spendable form, or (2) legally or contractually required to be maintained intact.

Restricted fund balance is fund balance with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Orchard Park Fire District**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2011**

**2. Summary of Significant Accounting Policies, continued**

**Basis of Accounting, continued**

**Net Assets and Fund Balances, continued**

Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the District's Board of Fire Commissioners. A resolution, ordinance or vote by the Board is required to establish, modify or rescind a fund balance commitment.

Assigned fund balance is constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board is authorized to assign amounts to a specific purpose in accordance with the District's budget policy.

Unassigned fund balance is a residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund.

**Property Tax Revenue**

The Town of Orchard Park bills and collects the taxes for the District. Taxes are due from property holders by February 15 for the fiscal year ending December 31. Tax revenue is remitted to the District shortly after the due date by the Town and 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.

**Income Taxes**

The District is a political subdivision of New York State and a district corporation under Section 174(7) Town Law that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no tax expense is reflected in the financial statements.

**Subsequent Events**

The District evaluated all subsequent events through June 25, 2012, 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.

**Orchard Park Fire District**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2011**

**4. Capital Assets and Depreciation**

Capital asset activity for the year ended December 31, 2011, is shown below:

	Balance <u>12/31/10</u>	Capital <u>Acquisitions</u>	Sales/ <u>Dispositions</u>	Balance <u>12/31/11</u>
<u>Depreciable capital assets</u>				
Building and Improvements	\$3,809,458	\$54,895	\$ -	\$3,864,353
Vehicles	4,000,560	133,986		4,134,546
Furniture and equipment	906,367	312,975	-	1,219,342
Total depreciable capital assets	<u>\$8,716,385</u>	<u>\$501,856</u>	<u>\$ -</u>	<u>\$9,218,241</u>
<u>Less: accumulated depreciation</u>				
	Balance <u>12/31/10</u>	Current <u>Expense</u>	Sales/ <u>Dispositions</u>	Balance <u>12/31/09</u>
Building and improvements	\$2,053,253	\$164,052	\$ -	\$2,217,305
Vehicles	1,689,160	240,907		1,930,067
Furniture and equipment	698,449	73,924	-	772,373
Total accumulated depreciation	<u>\$4,440,862</u>	<u>478,883</u>	<u>-</u>	<u>4,919,745</u>
Net depreciable capital assets	<u>\$4,275,523</u>	<u>\$22,973</u>	<u>\$ -</u>	<u>\$4,298,496</u>
<u>Nondepreciable capital assets:</u>				
Land	<u>\$155,729</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$155,729</u>

Depreciation expense of \$478,883 was charged to governmental activities.

**5. 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.

**6. Changes in Debt**

During 2010, the District financed a new pumper with a bond anticipation note. The note matured on April 5, 2011 and was replaced with a \$375,000 note that matures on April 5, 2012 and bears interest at a rate of 1.78%.

The following is a summary of debt transactions for the year ended December 31, 2011:

	Balance <u>12/31/10</u>	Additions	Payments	Balance <u>12/31/11</u>
Bond Anticipations Note	\$ 500,000	\$ 375,000	\$ 500,000	\$ 375,000

Interest expense of \$7,332 was incurred on the debt during the year ended December 31, 2011.

During 2012, the bond was repaid and replaced with a \$250,000 bond anticipation note.

**Orchard Park Fire District**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2011**

**7. Pension Plan**

The Fire District financial statements are for the year ended December 31, 2011. 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 29, 2012.

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.

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, attaining the entitlement age while an active member, or becoming totally and permanently disabled while an active member.

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 40 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 the later of age 65 or the age after first earning a year of service credit under the point system. The normal benefit is a monthly payment for life, guaranteed for ten years. The death benefit amount for pre-entitlement participants is a lump sum equal to the present value of the vested accrued benefit. The beneficiary of a post entitlement age death benefit has the option to continue monthly payments for the balance of the ten year period or receive an actuarial equivalent lump sum.

The Fire Commissioners passed a resolution in 2012 which stated that post-entitlement age service earned in 2012 and beyond will no longer be paid as a lump sum but as a \$20 increase in the participant's monthly payment. Since most participants are being paid by an annuity, this \$20 increase will be made as an additional monthly payment. Prior to this resolution, when a post-entitlement age participant earned 50 points, the participant was paid a one time actuarially equivalent lump sum. These lump sums were calculated based on Standard Security annuity purchase rates (3%).



**Orchard Park Fire District  
Notes to the Basic Financial Statements  
Year Ended December 31, 2011**

**7. Pension Plan, continued**

Plan Description, continued

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 Penflex, Inc. and Nationwide to assist in the administration and investment of the program effective March 1, 2012. The designated program administrator's functions include collecting contributions from the District, determining the amount of the sponsor's contributions to the Plan, overseeing investments of assets of the Plan, and paying benefits of the Plan.

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 Nationwide. Subject to restriction in the program document, program assets are invested in accordance with a statutory "prudent person" rule.

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 Penflex, Inc. Portions of the following information are derived from a report prepared by the actuary dated March 1, 2012.

Program Financial Condition

Assets and Liabilities

Actuarial present value of benefits at March 1, 2012	\$2,363,088
Less: Total net assets available for benefits	<u>(2,250,738)</u>
Total unfunded benefits	<u><u>\$112,350</u></u>

Contributions

Amount of contribution recommended by actuary for 2011 was between \$166,551 - \$174,600.

The following amount was contributed.

Contribution paid	\$170,875
Administrative fees	<u>2,512</u>
Sponsor's total contribution	<u><u>\$173,387</u></u>

**Orchard Park Fire District**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2011**

**7. Pension Plan, continued**

Funding Methodology and Actuarial Assumptions

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the "Attained Age Normal Frozen Initial Liability" cost method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are based on the following:

- The assumed rate of return on investment is 5.00%; this is a decrease from the 5.25% rate used in the prior year.
- Mortality tables used for retirement based on UP 1994 mortality tables with projection to 2007, scale AA.

**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.

**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 \$275,000 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, 2011.

**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 continues to provide emergency rescue service for the residents of the Town of Orchard Park. Through the 911 system, it then relies on the Erie County mutual aid, Rural Metro, Twin City, and EMS, Inc. to provide pre-hospital 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.

**Orchard Park Fire District**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2011**

**10. Related Party Transactions, continued**

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 for 2011 were \$70 per transport. The lease calls for an annual rate adjustment for the ambulances. 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 \$53,000 of response vehicle lease income and \$178,500 of ambulance lease income from EMS, Inc. for the year ended December 31, 2011.

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, 2011.

Future minimum rentals to be received under noncancelable leases with remaining terms of more than one year at December 31, 2011 are as follows:

Year ending <u>December 31,</u>	Building <u>Lease</u>
2012	\$60,000
2013	60,000
2014	60,000
Total minimum lease payments	<u><u>\$180,000</u></u>

Due from related party

At December 31, 2011, \$280,804 was due to the District from Orchard Park Fire District - EMS, Inc. as follows:

<u>Due from EMS, Inc. to the District</u>	
Ambulance lease payments	\$ 172,368
Medical services refund (see note 12)	129,501
Legal fees	3,000
Cell phone reimbursement	253
<u>Due to EMS, Inc. from the District</u>	
Repairs on District vehicles	(13,988)
Training costs	(10,330)
Balance December 31, 2011	<u><u>\$ 280,804</u></u>

**Orchard Park Fire District**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2011**

**11. Grant**

The District received a grant from the Federal Emergency Management Agency (FEMA) and the Department of Homeland Security (DHS) under the "FY 2010 Assistance to Firefighters Grant". A grant in the amount \$192,749 was awarded with the District sharing 10% of the costs. The grant was approved to fund the purchase of interoperable and standardized P25 compliant radio communications equipment consistent with national priorities. The equipment purchased consisted of mobile radios, portable radios, and pagers. The total amount received from this grant was \$171,133.

**12. Prior Period Adjustment**

The District received an audit recommendation from the New York State Comptroller's office which stated the District is not responsible for medical services provided to Orchard Park residents. In response to the recommendation, the District has agreed to secure reimbursement from EMS, Inc. for medical services previously paid. The total reimbursement due to the District at December 31, 2011, is \$129,501. Of this amount, \$79,372 was included as an expense in year 2010. This amount is added to the beginning fund balance as a prior period adjustment in the current year "statement of activities" and "statement of revenues, expenditures and changes in fund balances - government funds".

## **Required Supplemental Information**

**Orchard Park Fire District**  
**Statement of Revenues and Expenditures -**  
**Budget and Actual**  
**Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual
<b>Revenues:</b>			
Real property taxes	\$1,703,020	\$1,703,020	\$1,703,020
Ambulance usage lease income	-	193,452	193,452
Grant proceeds	-	171,133	171,133
Foreign fire insurance tax proceeds	-	75,306	75,306
Building lease income	-	60,000	60,000
Rescue vehicle lease income	-	53,000	53,000
Interest and earnings	-	13,488	13,488
Rescue income	-	8,823	8,823
Sale of equipment	-	5,800	5,800
Miscellaneous	-	126	126
<b>Total Revenue:</b>	<b>1,703,020</b>	<b>2,284,148</b>	<b>2,284,148</b>
<b>Expenditures:</b>			
Personnel services	50,000	45,460	45,460
Contractual expenditures			
Office supplies	9,000	10,553	10,553
Conventions	20,000	22,194	22,194
Fire training	35,000	16,996	16,996
Small equipment repair	40,000	35,420	35,420
Fire prevention	6,000	4,553	4,553
Public drills, parades	3,000	2,221	2,221
Publication of notices	1,000	2,670	2,670
Fuel, light, water	138,000	66,282	66,282
Repairs to buildings	280,000	60,174	60,174
Building maintenance	20,000	53,087	53,087
Maintenance supplies	20,000	15,438	15,438
Repairs to apparatus	65,000	54,727	54,727
Gasoline, diesel fuel	35,000	35,746	35,746
Maintenance of radios & alarms	10,000	17,344	17,344
Telephone	20,000	22,961	22,961
Insurance	275,000	151,387	151,387
Legal & accounting	40,000	22,884	22,884
Rescue supplies	60,000	77,776	77,776
OP resident copays to EMS, Inc.	-	77,803	77,803
Property taxes	6,500	2,865	2,865
Hydrant rental	10,520	7,877	7,877
Computer operations	40,000	35,367	35,367
Medical bills	15,000	8,790	8,790
Worker's comp claims	2,500	708	708
Awards program	197,000	197,000	197,000
Airpacks and extinguishers	20,000	11,572	11,572
Hazmat	3,500	3,000	3,000
Social Security	4,000	3,478	3,478
Interest on bonds	10,000	9,174	9,174
Redemption of bonds	125,000	125,000	125,000
Purchase of small equipment	142,000	241,997	241,997
Purchase of apparatus	-	128,808	128,808
Foreign fire insurance tax distributions	-	75,306	75,306
<b>Total expenditures</b>	<b>1,703,020</b>	<b>1,646,618</b>	<b>1,646,618</b>
<b>Excess revenues over expenditures</b>	<b>\$ -</b>	<b>\$ 637,530</b>	<b>\$ 637,530</b>

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, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 25, 2012. 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**

Management of Orchard Park Fire District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Orchard Park Fire District's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Orchard Park Fire District's 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.

*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.

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.

### 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 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 or other matters that are required to be reported under *Government Auditing Standards*.

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.

*Burlingame & Co. CPAs, PC*

June 25, 2012



**Orchard Park Fire District  
Schedule of Prior Audit Findings  
December 31, 2011**

Finding Number	Summary	Correctional Action	Fully Corrected?
1	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.	Procedures were implemented to track and bill EMS, Inc. for the appropriate number of uses of District ambulances	YES
2	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.	The District received reimbursement from EMS, Inc. for the cost of premiums paid on behalf of EMS, Inc. for 2010. In 2011, the premiums were billed to EMS, Inc. by the District on a monthly basis and paid timely.	YES