

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, 2012

Bevilacqua & Co. CPA's, PC

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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, the governmental fund, and the fiduciary fund information of the Orchard Park Fire District (the District) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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.; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. These procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the governmental fund, and the fiduciary fund information of the District as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013, 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* in considering Orchard Park Fire District's internal control over financial reporting and compliance.

Bentley & Co. CPAs, PC

June 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

**ORCHARD PARK FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2012**

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, 2012. 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 2012 are as follows:

In total, net assets increased \$68,585

General revenues amounted to \$1,901,880

The District had \$1,682,125 in net expenses related to governmental activities.

The District incurred an expense of \$151,170 to settle an action with New York State.

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 Position and Statement of Activities. The Statement of Net Position 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.

Fund Financial Statements, continued

Reconciliation of Total Governmental Fund Balances to Net Position 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 position 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.

Condensed Government-wide Financial Data

	<u>2012</u>	<u>2011</u>
Current assets	\$ 2,394,614	\$ 2,057,741
Station and equipment, net of accumulated depreciation	4,087,190	4,454,225
Total assets	<u>\$ 6,481,804</u>	<u>\$ 6,511,966</u>
Accounts payable and accrued liabilities	\$ 149,208	\$ 122,955
Bond anticipation notes payable	250,000	375,000
Total liabilities	399,208	497,955
Net Position		
Invested in capital assets, net of accumulated depreciation and related debt	3,837,190	4,079,225
Unrestricted	2,245,406	1,934,786
Net position	<u>6,082,596</u>	<u>6,014,011</u>
Total liabilities and net position	<u>\$ 6,481,804</u>	<u>\$ 6,511,966</u>
Expenditures for governmental activities, net of program revenues		
Public safety - fire	\$ 1,192,055	\$ 1,105,616
Interest expense	5,528	7,332
Depreciation - unallocated	484,542	478,883
	<u>1,682,125</u>	<u>1,591,831</u>
Legal settlement	151,170	-
Grants	-	(187,906)
Total expenditures, net of program revenues	<u>1,833,295</u>	<u>1,403,925</u>
General revenues		
Property taxes	1,693,320	1,703,020
Foreign fire insurance tax proceeds	79,252	75,306
Interest income	6,557	13,902
Lease income	252,328	291,500
Loss on sale of assets	(129,577)	-
Rescue Income	-	8,823
Miscellaneous	-	5,800
Total revenue	<u>1,901,880</u>	<u>2,098,351</u>
Changes in net position	<u>\$ 68,585</u>	<u>\$ 694,426</u>

Financial Analysis of the District as a Whole

The District's net assets increased by \$68,585 for the year ended December 31, 2012, or approximately 1.1 percent, to a total of \$6,082,596. Of the \$6,082,596 in net assets, \$3,837,190 is invested in capital assets (net of accumulated depreciation and related debt).

Financial Analysis of the District's Funds

Governmental fund balances increased by \$310,620. The main reason for the differences in the increase in District net assets of \$68,585 and the increase of \$310,620 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 of \$79,252 were not included in the original budget because the amount received is paid out to the fire companies. The District earned \$6,557 of interest income during the year. In addition, building and vehicle lease payments totaling \$252,328 were received/accrued from Orchard Park Fire District - EMS, Inc.

The overall expenditures of the District were approximately \$81,000 more than the original budgeted amount. These expenditures included a \$75,000 payment toward a legal settlement with the State of New York. The balance of the legal settlement was paid in 2013.

Capital Assets

As of December 31, 2012 and 2011, the District had invested a net cumulative \$4,087,190 and \$4,454,225, respectively, in a broad range of capital assets including land, buildings and improvements, vehicles and equipment.

Capital assets balances at December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Capital Assets		
Land	\$ 155,729	\$ 155,729
Buildings & Improvements	3,872,653	3,864,353
Vehicles	3,983,300	4,134,546
Equipment	1,298,976	1,219,342
Total Capital Assets	<u>9,310,658</u>	<u>9,373,970</u>
Less: Accumulated Depreciation	<u>(5,223,468)</u>	<u>(4,919,745)</u>
Net Capital Assets	<u>\$ 4,087,190</u>	<u>\$ 4,454,225</u>

Current and Long-Term Debt

During the year ended December 31, 2012, the District paid \$375,000 on a bond anticipation note which matured on April 5, 2012. The District replaced the original note with a \$250,000 bond anticipation note which matured in April 2013.

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 Position
December 31, 2012**

Assets

Cash	\$1,997,052
Accounts receivable	4,750
Due from related party	392,812
Depreciable capital assets, net	3,931,461
Nondepreciable capital assets	<u>155,729</u>
Total assets	<u>6,481,804</u>

Liabilities

Accounts payable	144,088
Accrued liabilities	5,120
Bond anticipation notes payable	<u>250,000</u>
Total liabilities	<u>399,208</u>

Net Position

Invested in capital, net of related debt	3,837,190
Unrestricted	<u>2,245,406</u>
Net Position	<u><u>\$6,082,596</u></u>

See accompanying notes to the basic financial statements.

**Orchard Park Fire District
Statement of Activities
Year Ended December 31, 2012**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services & Sales	Operating Grants & Contributions	Capital Grants	Governmental Activities
Governmental activities:					
Public safety - fire	\$1,192,055	\$ -	\$ -	\$ -	(\$1,192,055)
Interest expense	5,528	-	-	-	(5,528)
Depreciation - unallocated	484,542	-	-	-	(484,542)
Total governmental activities	\$1,682,125	\$ -	\$ -	\$ -	(\$1,682,125)

General revenues:

Taxes levied for general purposes	\$1,693,320
Foreign fire insurance tax proceeds	79,252
Interest income	6,557
Lease income	252,328
Gain/(loss) on sale of assets	(129,577)
Total general revenues	1,901,880
Lawsuit settlement (note 9)	(151,170)
Change in net position	68,585
Net position - beginning of year, as previously reported	6,014,011
Net position - end of year	\$6,082,596

See accompanying notes to the basic financial statements.

**Orchard Park Fire District
Balance Sheet
Governmental Funds
December 31, 2012**

Assets

Cash	\$1,997,052
Accounts receivable	4,750
Due from related party	<u>392,812</u>
Total assets	<u><u>\$2,394,614</u></u>

Liabilities and Fund Balance

Liabilities	
Accounts payable and accrued liabilities	<u>\$149,208</u>
Total liabilities	<u>149,208</u>
Fund balance	
Unassigned	<u>2,245,406</u>
Total fund balances	<u>2,245,406</u>
Total liabilities and fund balance	<u><u>\$2,394,614</u></u>

See accompanying notes to the basic financial statements.

Orchard Park Fire District
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2012

Total Fund Balances - Governmental Funds		\$2,245,406
<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	9,310,658	
Less: accumulated depreciation	<u>(5,223,468)</u>	
		4,087,190
<p>Debt at December 31, 2012 consists of:</p>		
Bond anticipation notes	<u>(250,000)</u>	
		<u>(250,000)</u>
Net Position - Governmental Activities		<u><u>\$6,082,596</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, 2012

Revenues:	
Real property tax	\$1,693,320
Lease income	252,328
Sale of assets	135,455
Foreign fire insurance tax proceeds	79,252
Interest income	6,557
Total revenue	<u>2,166,912</u>
Expenditures:	
Services and supplies	944,085
Capital outlay	382,540
Payment of debt	130,528
Salaries and benefits	247,969
Lawsuit settlement	151,170
Total expenditures	<u>1,856,292</u>
Excess of revenues over expenditures	<u>310,620</u>
Net change in fund balance	310,620
Beginning fund balance	<u>1,934,786</u>
Ending fund balance	<u><u>\$2,245,406</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, 2012

Net change in fund balance - total Government Funds	\$310,620
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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	382,540
Less: current year depreciation expense	(484,542)

In the statement of activities, a gain or loss on sales, trade-ins, or other dispositions of capital assets is reported, whereas in the governmental funds, the proceeds received from dispositions of capital assets increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of capital assets disposed.

	(265,033)
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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	(250,000)
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Debt obligations paid during 2012 consisted of:

Bond anticipation note	375,000
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Change in net position - Governmental Activities	<u><u>\$68,585</u></u>
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See accompanying notes to the basic financial statements.

**Orchard Park Fire District
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012**

	<u>Pension Trust</u>
Assets	
Equity in pooled cash and investments	<u>\$2,361,656</u>
Total assets	<u><u>\$2,361,656</u></u>
Liabilities	
Other liabilities	<u>\$ -</u>
Total liabilities	<u>-</u>
Net Position	
Held in trust	<u>2,361,656</u>
Net position	<u><u>\$2,361,656</u></u>

See accompanying notes to the basic financial statements.

**Orchard Park Fire District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2012**

	<u>Pension Trust</u>
Additions	
Contributions	\$181,770
Investment earnings	102,149
Total additions	<u>283,919</u>
Deductions	
Benefits	198,955
Administrative expenses	26,998
Total deductions	<u>225,953</u>
Change in net position	57,966
Net position - beginning of year	<u>2,303,690</u>
Net position - end of year	<u><u>\$2,361,656</u></u>

See accompanying notes to the basic financial statements.

Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2012

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, 2012

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, 2012

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 for 2012 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, 2012**

2. Summary of Significant Accounting Policies, continued

Basis of Accounting, continued

Budget, continued

The difference between the excess revenues over expenditures shown on the Statement of Revenues and Expenditures - Budget and Actual are reconciled to the net change in fund balance on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds as follows:

Excess revenues over expenditures per Budget	\$219,658
Increase in accounts receivable	4,750
Increase in amounts due from related party	112,008
Increase in accounts payable and accrued liabilities	<u>(25,796)</u>
Net change in fund balance	<u><u>\$310,620</u></u>

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 KeyBank. 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 position 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.

**Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2012**

2. Summary of Significant Accounting Policies, continued

Basis of Accounting, continued

Capital Assets, continued

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

Liabilities and Debt Obligations

Payables, accrued liabilities and debt obligations are reported as liabilities in the Statement of Net Position. 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 Position 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 position 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 represents 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.

**Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2012**

2. Summary of Significant Accounting Policies, continued

Basis of Accounting, continued

Net Position and Fund Balances, continued

Unrestricted represents 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 a 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.

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.

Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2012

2. Summary of Significant Accounting Policies, continued

Basis of Accounting, continued

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 26, 2013, the date the financial statements were made available to be issued.

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, 2012, is shown below:

	Balance <u>12/31/11</u>	Capital <u>Acquisitions</u>	Sales/ <u>Dispositions</u>	Balance <u>12/31/12</u>
<u>Depreciable capital assets</u>				
Building and Improvements	\$3,864,353	\$ 8,300	\$ -	\$3,872,653
Vehicles	4,134,546	274,520	425,766	3,983,300
Furniture and equipment	1,219,342	99,720	20,086	1,298,976
Total depreciable capital assets	<u>\$9,218,241</u>	<u>\$ 382,540</u>	<u>\$ 445,852</u>	<u>\$9,154,929</u>
	Balance <u>12/31/11</u>	Current <u>Expense</u>	Sales/ <u>Dispositions</u>	Balance <u>12/31/12</u>
<u>Less: accumulated depreciation</u>				
Building and improvements	\$2,217,304	\$ 164,630	\$ -	\$2,381,934
Vehicles	1,930,067	225,655	173,547	1,982,175
Furniture and equipment	772,373	94,257	7,271	859,359
Total accumulated depreciation	<u>4,919,744</u>	<u>484,542</u>	<u>180,818</u>	<u>5,223,468</u>
Net depreciable capital assets	<u>\$4,298,496</u>	<u>\$(102,002)</u>	<u>\$ 265,034</u>	<u>\$3,931,461</u>
Nondepreciable capital assets:				
Land	<u>\$ 155,729</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,729</u>

Depreciation expense of \$484,542 was charged to governmental activities.

**Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2012**

5. 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 matured on April 5, 2012. That note was replaced with a \$250,000 note maturing on April 5, 2013 with a rate of 2.05%

The following is a summary of debt transactions for the year ended December 31, 2012:

	<u>Balance</u> <u>12/31/11</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/12</u>
Bond Anticipations Note	\$ 375,000	\$ 250,000	\$ 375,000	\$ 250,000

Interest expense of \$5,528 was incurred on the debt during the year ended December 31, 2012.

During 2013, the bond was repaid and replaced with a \$125,000 bond anticipation note.

6. Pension Plan

The Fire District financial statements are for the year ended December 31, 2012. 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, 2013.

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 non-forfeitable 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.

Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2012

6. Pension Plan, continued

Plan Description, continued

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%).

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.

Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2012

6. Pension Plan, continued

Plan Description, continued

Fiduciary Investment and Control, 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 Penflex, Inc. Portions of the following information are derived from a report prepared by the actuary dated March 1, 2013.

Program Financial Condition

Assets and Liabilities

Actuarial present value of benefits at March 1, 2013	\$2,440,635
Less: Total net assets available for benefits	<u>(2,329,420)</u>
Total unfunded benefits	<u>\$ 111,215</u>

Contributions

Amount of contribution recommended by actuary and paid in 2012 was \$181,770.

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%.
- Mortality tables used for retirement based on UP 1994 mortality tables with projection to 2007, scale AA.

7. 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.

**Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2012**

8. 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 Fire District service may not be readily available. The District Fire Commissioners 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 for 2012 were \$66 per transport. The lease calls for an annual rate adjustment for the ambulances. The District recorded \$168,828 of ambulance lease income from EMS, Inc. for the year ended December 31, 2012.

Lease payments on response vehicles are \$1,000 per month per vehicle. The District recorded \$35,500 of response vehicle lease income from EMS, Inc. for the year ended December 31, 2012.

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. An amendment was made effective January 1, 2012, reducing the monthly rent to \$4,000 a month. The District recorded \$48,000 of building lease income for the year ended December 31, 2012.

Future minimum rentals to be received under noncancelable leases with remaining terms of more than one year at December 31, 2012 are as follows:

<u>Year ending December 31,</u>	<u>Building Lease</u>
2013	\$ 48,000
2014	48,000
Total minimum lease payments	<u>\$ 96,000</u>

Orchard Park Fire District
Notes to the Basic Financial Statements
Year Ended December 31, 2012

8. Related Party Transactions, continued

Rescue Vehicle Sales

The District sold three rescue vehicles to EMS Inc. during 2012 for a total of \$37,500. EMS Inc. owes the District \$22,500 from the sale of these vehicles as of December 31, 2012.

Miscellaneous Services

Various services including equipment repairs, building maintenance, and computer services are provided to the District by EMS, Inc. personnel. The District is billed for these services on a monthly basis. For the year ended December 31, 2012, \$63,200 was billed to the District for these services.

Due from related party

At December 31, 2012, \$379,812 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	\$ 217,768
Medical services refund	147,928
Vehicle lease payments	10,500
Sale of rescue vehicles	22,500
<u>Due to EMS, Inc. from the District</u>	
Repairs on District vehicles	<u>(5,884)</u>
Balance December 31, 2012	<u><u>\$ 392,812</u></u>

9. Contingency

The State of New York commenced an action against the District and a neighboring party in the Supreme Court of Erie County related to the clean up and removal of a storage tank and discharges of petroleum products. The insurance carrier for the District disclaimed coverage as this matter falls within an exclusion of the District's general liability policy.

A settlement to the action was reached during the year 2012. The District portion of the settlement was \$151,170. The District paid \$75,000 in 2012. The remaining balance was paid February 2013.

10. 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, 2012

11. Subsequent Events

A promissory note between the District and Orchard Park Fire District - EMS, Inc., was established January 1, 2013. The note is for \$349,488, with monthly payments of \$3,000 including interest at an annual rate of 2.66%. The note matures December 31, 2022. Any balance remaining is due at maturity. Full or partial prepayments are allowed without penalty.

Required Supplemental Information

Orchard Park Fire District
Statement of Revenues and Expenditures -
Budget and Actual
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual
Revenues:			
Real property taxes	\$ 1,693,320	\$ 1,693,320	\$ 1,693,320
Ambulance usage lease income	-	123,428	123,428
Foreign fire insurance tax proceeds	-	79,252	79,252
Building lease income	-	48,000	48,000
Rescue vehicle lease income	-	30,000	30,000
Interest and earnings	-	6,557	6,557
Sale of equipment	-	13,205	13,205
Miscellaneous	-	28	28
Total Revenue:	1,693,320	1,993,790	1,993,790
Expenditures:			
Personnel services	55,000	45,796	45,796
Contractual expenditures			
Office supplies	9,000	11,051	11,051
Conventions	30,000	29,320	29,320
Fire training	35,000	38,507	38,507
Small equipment repair	40,000	41,925	41,925
Fire prevention	6,000	4,651	4,651
Public drills, parades	3,000	954	954
Publication of notices	2,000	264	264
Fuel, light, water	138,000	60,354	60,354
Repairs to buildings	200,000	91,249	91,249
Building maintenance	25,000	99,229	99,229
Maintenance supplies	20,000	12,497	12,497
Repairs to apparatus	65,000	75,993	75,993
Gasoline, diesel fuel	35,000	40,904	40,904
Maintenance of radios & alarms	10,000	14,835	14,835
Telephone	21,000	35,703	35,703
Insurance	288,000	189,266	189,266
Legal & accounting	40,000	24,993	24,993
Rescue supplies	60,000	61,046	61,046
OP resident copays to EMS, Inc.	-	18,427	18,427
Property taxes	3,500	7,133	7,133
Hydrant rental	10,520	9,309	9,309
Computer operations	40,000	20,881	20,881
Medical bills	15,000	16,664	16,664
Worker's comp claims	5,000	-	-
Awards program	197,000	202,173	202,173
Airpacks and extinguishers	20,000	17,224	17,224
Hazmat	3,500	3,000	3,000
Social Security	4,300	3,503	3,503
Interest on bonds	10,000	6,675	6,675
Redemption of bonds	125,000	125,000	125,000
Purchase of small equipment	177,500	210,618	210,618
Purchase of apparatus	-	175,736	175,736
Foreign fire insurance tax distributions	-	79,252	79,252
Total expenditures	1,693,320	1,774,132	1,774,132
Excess revenues over expenditures	\$ -	\$ 219,658	\$ 219,658

See accompanying notes to the basic financial statements.