



Greenville Fire District Capital Reserve

Report of Examination

Period Covered:

January 1, 2012 — September 30, 2013

2014M-64



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	2
INTRODUCTION	3
Background	3
Objective	3
Scope and Methodology	3
Comments of Local Officials and Corrective Action	3
CAPITAL RESERVE	4
Recommendation	5
APPENDIX A Response From Local Officials	6
APPENDIX B Audit Methodology and Standards	9
APPENDIX C How to Obtain Additional Copies of the Report	10
APPENDIX D Local Regional Office Listing	11

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

May 2014

Dear District Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Board of Fire Commissioner's governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Greenville Fire District, entitled Capital Reserve. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's Authority as set forth in Article 3 of the General Municipal Law.

This audit's results and the recommendation are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Greenville Fire District (District) is located in the Town of Greenville in Orange County. The District is a district corporation of the State, distinct and separate from the Town. The District's budgeted expenditures were \$557,465 for 2012 and \$569,444 for 2013.

The District is governed by an elected five-member Board of Fire Commissioners (Board). The Board is responsible for the District's overall financial management, including establishing appropriate internal controls and approving an annual budget.

Objective

The objective of our audit was to examine the District's funding of its capital reserve. Our audit addressed the following related question:

- Did the Board properly fund and monitor the reasonableness of the capital reserve account?

Scope and Methodology

We reviewed the District's funding of its capital reserve for the period of January 1, 2012 through September 30, 2013. We extended our scope period back to include 2010 for our review of the District's budget.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix B of this report.

Comments of Local Officials and Corrective Action

The results of our audit and the recommendation have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our findings and recommendation and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of the Town Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the Secretary's office.

Capital Reserve

The Board is responsible for properly establishing reserve funds in accordance with statutory requirements. All reserve fund transactions should be transparent to the public. Reserve funds are typically funded from amounts raised through the annual budget process, transfers from unexpended balances of existing appropriations and surplus moneys. Ideally, amounts to be placed in reserve funds should be included in the annual budget. The Board gives voters and residents an opportunity to know and review its plan for funding reserves when provisions to raise resources for reserve funds are included in the proposed budget.

The Board should periodically assess the reasonableness of the amounts accumulated in reserve funds. The Board should ensure that reserve funds are maintained at reasonable levels and should liquidate and discontinue any reserves that are no longer needed or whose purpose has been achieved.

We reviewed the District's reserve fund balances from fiscal years 2010 through 2012. The District accumulated over \$1.2 million in five separate reserve funds as of December 31, 2012. The capital reserve fund accounted for almost 70 percent of the total reserve funds held by the District.

According to the Board resolution, the capital reserve was established in 1982 for the purpose of purchasing fire apparatus and equipment with an estimated \$100,000 maximum funding level. The capital reserve account had a balance of \$889,327 at December 31, 2012.

The former Board Chairman told us that the reserve's balance is much greater than the \$100,000 maximum established in the resolution because the amount in the resolution was just an estimate. In addition, the Commissioners told us that during training classes they were told that any funds remaining from a previous year could only go into reserve accounts and that the Board could not use any remaining funds toward the next year's budget.

The District's budget included a total of \$325,000 for funding the capital reserve for fiscal years 2010 through 2012. However, the reserve was consistently funded with amounts that exceeded the amounts budgeted for the three years.

Table 1: Capital Reserve Funding		
Year	Budgeted Amount	Actual Amount
2010	\$100,000	\$150,000
2011	\$125,000	\$200,000
2012	\$100,000	\$200,000

The budgeted amounts for each of the three years individually met or exceeded the maximum reserve fund amount of \$100,000 initially established by Board resolution. In addition to the budgeted \$325,000, the District funded the reserve with \$225,000 that was not budgeted. These are significant amounts when compared to the size of the District’s budgets. Had the excess funds not been placed in the reserve, the funds could have been appropriated for the next years’ budgets to lower the tax levy.

In prior years, the Board intended to purchase a ladder truck for \$1 million. However, it was never purchased due to a public petition against the purchase. The majority of the new Board would like to purchase a new rescue truck and new tanker truck for a total of approximately \$750,000. The Board plans to use the remaining funds for other required District operations and to decrease the tax levy in the future.

Recommendation

1. If the proposed new equipment is not purchased, District officials should develop a plan for the lawful use of the excess funds identified in this report.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following pages.

GREENVILLE FIRE DISTRICT
1 Firehouse Road
Port Jervis, New York 12771

May 1, 2014

State of New York
Office of the State Comptroller
Newburgh Regional Office
33 Airport Center Drive
Suite 103
New Windsor, New York 12553

Attention: [REDACTED]

Re: Town of Greenville Fire District

Dear [REDACTED]:

I am the Chairman of the Board of Fire Commissioners of the Greenville Fire District located in the Town of Greenville, Orange County, New York.

The Board of Fire Commissioners has reviewed the draft report of the Greenville Fire District entitled Capital Reserve.

We agree with what has been reported in your audit findings.

This audit response is shall also serve as our Corrective Action Plan (CAP).

At our regular Commissioners' meeting on April 8, 2014, the majority of the Board voted to accept two (2) separate proposals from Emergency Vehicle Response (EVR), consultants to Fire Districts and Fire Departments. The first proposal is to have EVR study the fire apparatus and equipment of the Greenville Fire District. This proposal will provide the Fire District with a fire apparatus fleet evaluation and analysis. The evaluation and analysis will address the existing fire apparatus; fire equipment; and fire apparatus and equipment maintenance. The work by EVR will begin in September of 2014. The field analysis will take approximately two to three days to gather all of the required data. The report will be developed and transmitted to the Commissioners within four to six weeks after completion of the field work.

The second proposal by EVR is to review the technical specifications for a custom rescue/pumper apparatus for the Greenville Fire District. EVR will provide written recommendations and provide technical assistance regarding safety or operationally important components and areas where specifications should be specifically written so as to be properly construed for competitive bidding.

EVR shall supply the competitive bidding documentation and be available for consultation to assist the Fire District through the bidding process.

It is the intent of the majority of the Commissioners to pass appropriate resolutions to secure bids for the sale of the District's current Rescue Truck 702 and then to submit the bids received to the Board of Commissioners as soon as possible for action by the Board. The net proceeds of the sale will be put into a debt servicing account in order to pay off the obligations remaining from the purchase of that vehicle.

It is the intent of the majority of the Commissioners to immediately pass a resolution taking Rescue Truck 702 off the road and out of service. It is the intent of the majority of the Commissioners to rent a rescue truck to be used by the District and the Fire Company during the time that the EVR evaluation of the apparatus and equipment is being completed and prior to the time that a new rescue truck can be put out to bid.

It is the intent of the majority of the Commissioners to purchase a new tanker/pumper truck for the District as soon as the report of EVR has been completed regarding the District apparatus and equipment.

The funds for these purchases shall come from the existing Capital Reserve funds reviewed by the recent audit of the District.

The majority of the Commissioners plan to use the remaining Capital Reserve funds (available after the new truck purchases) for other required District operations and to decrease the tax levy in the future.

As Chairman of the Board of Commissioners of the Fire District, I will be the responsible individual for implementation of the foregoing actions. From time to time, I may delegate certain responsibilities to individual Commissioners.

If there is any further information you may require, please do not hesitate to contact me immediately.

Very truly yours,

Allen Bobb, Jr., Chairman
Board of Fire Commissioner
Greenville Fire District

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed. We then decided on the reported objective and scope by selecting for audit those areas most at risk. To accomplish the objective, our examination included the following steps:

- We interviewed the Board to gain an understanding of the District's budgeting practices.
- We reviewed the District's policies and procedures, Board minutes and supporting documentation provided by the Board which related to our audit objective.
- We reviewed the adopted budgets for the years 2010 through 2013.
- We analyzed budget lines with significant budget-to-actual variances.
- We reviewed Board resolutions establishing and funding reserve accounts.
- We reviewed information reported to the Office of the State Comptroller in the annual update document.
- We reviewed reserve account bank statements to establish beginning and ending balances.
- We reviewed financial information provided by the District.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

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