

Livonia Joint Fire District

Fire Truck Funding and Purchase

SEPTEMBER 2021



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Livonia Joint Fire District

Audit Objective

Determine whether the Livonia Joint Fire District's (District) Board was transparent when funding and purchasing fire apparatus.

Key Findings

The Board was not transparent when funding and purchasing fire apparatus, levied more taxes than necessary to finance annual operations and the Board's actions hindered taxpayers' ability to make informed decisions. The Board:

- Overestimated appropriations to accumulate more than \$1.1 million in fund balance to purchase a fire truck costing more than \$727,000, instead of establishing a capital reserve.
- Did not adopt fund balance, reserve or budgeting policies, along with multiyear financial and capital plans.

Key Recommendations

- Establish budgeting, fund balance and reserve policies and develop multiyear financial and capital plans.
- Include more realistic estimates of revenues, expenditures and fund balance when developing and adopting the annual budgets.
- If warranted, establish a capital reserve to accumulate funds for future capital equipment purchases.

District officials agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The District provides fire protection to part of the Town of Livonia and the Village of Livonia in Livingston County.

An appointed five-member Board of Fire Commissioners (Board) is responsible for general management and control of financial operations, including adopting annual budgets and establishing financial policies and multiyear plans.

The Board appoints a Treasurer who acts as the chief fiscal officer and is responsible for receiving, disbursing, and accounting for District funds and preparing periodic financial reports.

Quick Facts as of December 31, 2020

Revenues	\$453,963
Expenditures	\$315,068
Unassigned Fund Balance	\$391,524
Assigned Fund Balance	\$728,941

Audit Period

March 1, 2019 to June 23, 2021

Purchase And Funding of Equipment

How Should the Board Fund and Procure Equipment?

A board is responsible for making financial decisions that are in the best interest of a district and its residents, including adopting realistic budgets, fund balance policy and reserve policy, and establishing multiyear capital plans. To assist the board in making sound financial decisions Town Law requires members to attend training related to their legal, fiduciary, financial, procurement and ethical responsibilities.

Fund balance is the difference between revenues and expenditures accumulated over time. Maintaining a reasonable amount of unrestricted fund balance is a key element of effective long-term financial planning. A board should adopt a fund balance policy that addresses the level of fund balance to be maintained.

Reserves provide a mechanism to legally save money to finance all or part of future acquisitions and capital needs and a degree of financial stability by reducing reliance on indebtedness to finance capital projects and acquisitions. The establishment of a reserve is subject to the approval of the voters within a district. When a board plans to finance reserves on a regular basis, the board should develop a written policy that communicates to taxpayers why the money is being set aside, the board's financial objectives for the reserves, optimal fund levels, and conditions under which the assets will be used.

Amounts to be placed in and expended from reserve funds should be included in the annual budget. When appropriations for transfers to reserves are not anticipated in the annual budget, a board may authorize the transfer of unexpended balances or surplus money into a reserve fund by resolution. Expenditures made from certain reserve funds are subject to permissive referendum and public notice requirements.¹

Because capital acquisitions, such as purchases of equipment, apparatus and other long-term assets, can consume large amounts of financial resources over time, proper planning is essential. Planning helps identify and prioritize capital needs and allows the board to manage these needs.

A multiyear capital plan provides accurate, reasonable estimates for each acquisition's budgetary impact, including its impact on reserve funds and fund balance, debt service costs and future operating expenditures. Having a board-approved plan communicates to the public a district's capital needs and helps promote accountability and transparency (refer to our publications *Multiyear*

Planning helps identify and prioritize capital needs and allows the board to manage these needs.

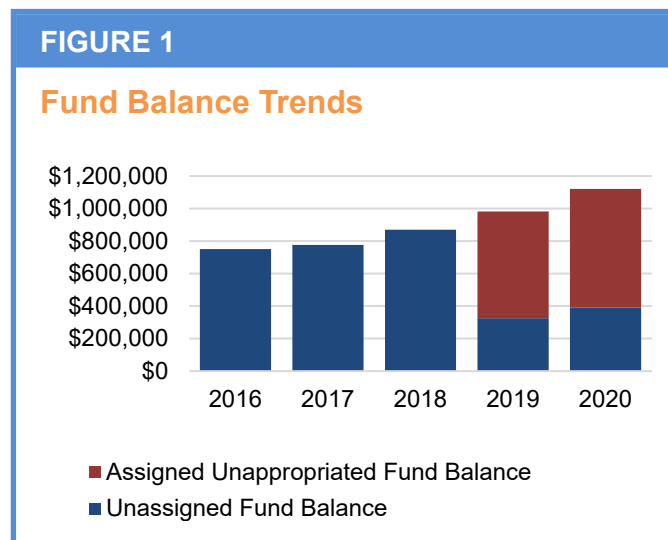
¹ New York State General Municipal Law, Section 6-g, provides that actions subject to permissive referendum require fire district officials to publish and post a legal notice informing taxpayers about the board's plans. The resolution authorizing the expenditure of money from a capital reserve does not take effect until 30 days after its adoption. However, if a petition signed by a sufficient portion of qualified voters is filed with the fire district secretary within 30 days after the board adopts the resolution, approval is subject to mandatory referendum, or by a majority of district voters.

Financial Planning and Multiyear Capital Planning available on our website at www.osc.state.ny.us/files/local-government/publications/pdf/multiyear.pdf and www.osc.state.ny.us/files/local-government/publications/pdf/capital_planning.pdf.

Fire Truck Funding and Purchase Lacked Transparency

The Board did not adopt fund balance and reserve policies or realistic budgets. Instead of establishing a capital reserve and including a provision in the budget to fund the reserve for the purchase of a fire truck costing more than \$727,000, the Board accumulated money by overestimating expenditures in the annual adopted budgets. For example, in 2019 and 2020, the Board included an appropriation for equipment totaling \$151,350 but actual expenditures were zero. As a result of intentionally overestimating expenditures, more than \$1.1 million was accumulated in unassigned and assigned fund balance (Figure 1).

In December 2019, the Board approved the truck purchase, awarded the contract to the lowest bidder and assigned fund balance totaling \$656,456 to finance its purchase.² Although the Board took measures to ensure money was set aside to fund the truck purchase, as of December 31, 2020 the remaining unassigned fund balance totaled approximately \$392,000, which was in excess of the amount needed to meet current operations (124 percent of 2020 expenditures).



The Board Chair said that a reserve was not established through mandatory referendum because the Board wanted to maintain flexibility of the funds in case they were needed for another purpose. However, two of the five Board members told us that they thought a capital reserve had been established and funded for the truck purchase. Further, all Board members were aware money was accumulated by overestimating appropriations and believed it was appropriate.

² The Board financed the additional approximate \$70,000 in costs with 2020 revenues.

The Board's misunderstanding could be attributed to the lack of required financial training by four of the five Board members. These Board members were unaware of the training requirement (refer to *Training Requirements for Fire District Commissioners* on our website at www.osc.state.ny.us/files/local-government/publications/pdf/trregs.pdf).

By not establishing a capital reserve, which would have required a mandatory referendum,³ and overestimating appropriations, taxpayers were unaware of the Board's intent to finance the truck purchase. As a result, more taxes than necessary were raised to finance annual operations. The Board's methods lacked transparency and hindered taxpayers' ability to make informed decisions.

The Board Did Not Adopt Comprehensive Multiyear Financial and Capital Plans

The Board did not develop written comprehensive multiyear financial and capital plans that set long-term objectives and goals. Such plans would be useful to address the large fund balance in the District's operating fund and to maintain a reasonable level of unexpended surplus funds at year-end.

District officials said they had not purchased any new equipment in many years and were unaware of the value of adopting a long-term plan. These plans could outline the Board's intentions for financing future capital assets.

What Do We Recommend?

The Board should:

1. Establish budgeting, fund balance and reserve policies.
2. Include more realistic estimates of expenditures when developing and adopting the annual budgets.
3. If warranted and after gaining voter approval, establish capital reserves to accumulate funds for future capital equipment purchases.
4. Ensure that Board members obtain the required training.
5. Establish multiyear financial and capital plans.

By not establishing a capital reserve ... and overestimating appropriations, taxpayers were unaware of the Board's intent to finance the truck purchase.

The Board did not develop written comprehensive multiyear financial and capital plans that set long-term objectives and goals.

³ For fire districts, action (resolution) of the board of fire commissioners establishing any capital reserve fund may not take effect until approved by vote of qualified electors of the fire district (i.e., a mandatory referendum), effective January 1, 2007.

Appendix A: Response From District Officials

LIVONIA JOINT FIRE DISTRICT
PO BOX 210
Livonia, NY 14487

Office of the NY State Comptroller
Attn: [REDACTED]
16 W Main Street #522
Rochester NY 14614

Dear [REDACTED]

In response to the preliminary draft findings of the audit the Livonia Joint Fire District as presented on August 4, 2021. The Commissioners of the Livonia Joint Fire District agree with the findings. At the time the Commissioners thought we were adequately saving for a purchase of a new truck, but based on the audit know that reserves should have been established along with multi-year budgeting plans.

We have started discussion on how to come in compliance and implement the recommendations of this audit and will submit our corrective action plan by the timeframe as required.

Thank you for your direction and advice on how to improve our District.

Sincerely,

[REDACTED]
Dan Vallone
Chairman

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We conducted individual interviews with the Board to determine whether it developed multiyear financial and capital plans, considered adopting policies for fund balance, reserves and budgeting and to determine whether a reserve was established via mandatory referendum.
- We reviewed the Board meeting minutes to search for any resolutions that establish reserves or approved the purchase of fire apparatus or change orders.
- We reviewed the 2020 financial information and 2021 budget to identify revenues, expenditures, appropriations and established reserve funds.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of New York State 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. We encourage the Board to make the CAP available for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

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