



# Cicero Fire District

---

## Financial Condition

**2023M-132 | December 2023**

# Contents

---

- Report Highlights . . . . . 1**
  
- Financial Condition . . . . . 2**
  - How Should a Board Effectively Manage Financial Condition? . . . . 2
  - The Board Did Not Ensure It Received Adequate Financial Reports . 3
  - The Board Did Not Effectively Manage the District’s Financial Condition. . . . . 4
  - The Board Did Not Develop Long-Term Financial and Capital Plans . 6
  - The Board Did Not Obtain Independent Audits as Required . . . . . 7
  - What Do We Recommend? . . . . . 7
  
- Appendix A – Response From District Officials . . . . . 9**
  
- Appendix B – Audit Methodology and Standards . . . . . 10**
  
- Appendix C – Resources and Services . . . . . 12**

# Report Highlights

## Cicero Fire District

### Audit Objective

Determine whether the Cicero Fire District (District) Board of Fire Commissioners (Board) received adequate financial reports and effectively managed the District's financial condition.

### Key Findings

The Board did not ensure that financial reports it received were timely, accurate, and contained the necessary information it needed to properly monitor the District's financial condition and fund balance. If the Board does not adequately control expenditures and monitor and rebuild the District's fund balance, there is a risk that the District may not have sufficient financial resources available to address unexpected occurrences or meet its cash flow needs. The Board did not:

- Pay the recommended 2022 contribution of \$121,981 into the District's Length of Service Award Program (LOSAP).
- Effectively monitor available fund balance, resulting in the unrestricted fund balance deficit increasing to as much as \$54,423 during the audit period.
- Effectively monitor budget-to-actual results. Officials spent \$300,884 (10 percent) more than budgeted over the last three completed fiscal years.
- Develop long-term financial and capital plans or a fund balance policy.
- Obtain an independent audit of the District's 2021 and 2022 financial statements, as required.

### Key Recommendations

- Ensure the Treasurer provides adequate financial reports.
- Monitor expenditures and available fund balance.
- Adopt a comprehensive written fund balance policy and long-term financial and capital plans.

District officials agreed with our findings and indicated they will take, or have taken, corrective action.

### Background

The District provides fire protection and emergency services within the Town of Cicero (Town) in Onondaga County.

The elected five-member Board is responsible for the general management and control of financial operations, including financial planning and establishing financial policies. The Board-appointed Treasurer acts as the District's chief fiscal officer and is responsible for receiving, disbursing and accounting for funds.

The Board contracts with an independent accounting firm which maintains the District's financial records, prepares financial reports for the Board, and prepares the District's annual financial report.

#### Quick Facts

Fire Stations	2
2023 Appropriations	\$1.1 million
2022	
Year-end Unrestricted Fund Balance	\$38,554
Reserves	\$105,000
Length of Service Award Program Funding Level	40%

### Audit Period

January 1, 2020 – August 9, 2023

# Financial Condition

---

## How Should a Board Effectively Manage Financial Condition?

A fire district board (board) must ensure that the treasurer provides adequate and timely reports that properly and accurately reflect the fire district's financial activity. It is important for a board and fire district officials to develop realistic budgets based on historical trends or other known factors, to monitor budget-to-actual results throughout the year, and to make budget transfers when needed to prevent budget lines from becoming over expended. A board also must properly manage fund balance, which is the difference between revenues and expenditures accumulated over time. Maintaining a reasonable amount of unrestricted fund balance provides a cushion for unforeseen expenditures and helps to ensure there is adequate cash flow to meet the cost of operations. A board should adopt a written policy that defines the appropriate level of fund balance, including reserves, the fire district should reasonably maintain. This provides guidelines for the board and officials to use during the annual budget process.

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 to identify and prioritize capital needs and allows the board to manage these needs by developing reasonable estimates for each acquisition's budgetary impact, including its impact on reserve funds and fund balance, debt service costs and future operating expenditures. Long-term financial plans enable fire district officials to identify revenue and expenditure trends, establish long-term priorities and goals, consider the impact of near-term budgeting decisions on future fiscal years and assess the merits of alternative approaches (such as using unrestricted fund balance or establishing and using reserves) to finance operations. Any comprehensive financial and capital plan should be periodically reviewed and updated to provide a reliable framework for preparing budgets and ensuring that information used to guide decisions is current and accurate.

Furthermore, a board should ensure the treasurer submits an annual financial report (AFR) of the fire district's financial position and results of operation to the Office of the State Comptroller (OSC) within 60 days after the close of the fire district's fiscal year. The AFR is an important fiscal tool that can provide a board with necessary information to monitor fire district operations and provides interested parties and stakeholders with a complete summary of a fire district's financial activities. Beginning December 31, 2020, fire districts were required to use the new AFR reporting requirements, which include reporting certain length of service award program<sup>1</sup> (LOSAP) activities in the general fund.

---

A board should adopt a written policy that defines the appropriate level of fund balance, including reserves, the fire district should reasonably maintain. This provides guidelines for the board and officials to use during the annual budget process.

---

---

<sup>1</sup> Fire districts may sponsor a LOSAP, which offers pension-like financial awards to volunteers based on the number of years they have served as an active volunteer.

---

In addition, New York State Town Law (Town Law) Section 181-b requires that, for fire districts with annual revenues of \$400,000 or more, the board must obtain an independent audit of the fire district's financial statements. A copy of the audit report must be given to the board of fire commissioners, the town board(s) served by the fire district and OSC within 180 days of the end of the fiscal year audited.

### **The Board Did Not Ensure It Received Adequate Financial Reports**

The Board did not ensure that financial reports were timely, accurate, and contained the necessary information to enable the Board to properly monitor the District's financial condition and fund balance.

The District's accounting firm did not maintain the District's accounting records in accordance with OSC's accounting and reporting manual (ARM) for fire districts.<sup>2</sup> The accounting records and the balance sheet reports provided to the Board combined all funds, and the accounting firm did not maintain separate records for each fund and group of accounts as prescribed in the ARM (e.g., general fund, capital projects fund, non-current fixed assets and long-term liabilities).

For example, the December 31, 2022 balance sheet report showed a savings account balance of \$256,120. However, this amount included \$150,000 of bond proceeds that were required to be used for a building demolition project and should have been set aside and reported in a separate bank account in the capital projects fund. The balance sheet also improperly reported outstanding long-term debt totaling approximately \$1 million as current liabilities and included fixed assets totaling \$10.5 million. While the report separated the fund balance attributable to fixed assets and long-term debt and the activity was properly reported in separate funds in the AFRs, the commingled activity impaired the Board's ability to monitor and evaluate the general fund's financial activities and the status of capital projects.

In addition, the budget-to-actual reports provided to the Board were misleading because capital project activity was recorded in the general fund, which made it look as though the District was over expending its equipment line items in the budget. For example, \$970,123 in expenditures for a new fire engine that was financed with debt proceeds were included with other general fund equipment expenditures in the 2021 and 2022 budget-to-actual reports. Also, \$45,000 in revenue from the sale of two trucks was improperly recorded as reserve income in the budget-to-actual reports and gifts and donations in the District's 2021 AFR when it should have been reported as sale of equipment.

---

<sup>2</sup> [https://www.osc.ny.gov/files/local-government/publications/pdf/arm\\_fds.pdf](https://www.osc.ny.gov/files/local-government/publications/pdf/arm_fds.pdf)

Furthermore, the 2022 AFR was filed with OSC on July 12, 2023, 73 days after the extended due date<sup>3</sup> of April 30, 2023. It was filed late because the 2022 financial activity pertaining to the District's LOSAP was not recorded in the accounting records until July 2023, seven months after the close of the fiscal year. The District's accountants told us they could not make year-end adjustments or file the 2022 AFR until they received a year-end financial report from the third-party program administrator, which they received in July 2023.

To monitor LOSAP's financial activity and its impact on the general fund budget, the Board and Treasurer should request that the program administrator provide periodic reports during the year and the accounting firm updates the records to reflect both the District's contribution to the program and the benefits and fees paid rather than making adjustments to the records after year end.

The District's accountants provided the Board with AFRs that were generally more accurate than the interim financial reports because the funds and their respective fund balances were reported separately in the AFRs. However, the Board's ability to effectively monitor the District's financial operations throughout the year and effectively manage the District's financial condition was hampered because the monthly reports provided to the Board were not adequate, and the 2022 AFR was not filed in a timely manner.

### The Board Did Not Effectively Manage the District's Financial Condition

District officials did not maintain an adequate level of unrestricted fund balance in the general fund over the last three completed fiscal years (2020 through 2022). This was largely because officials spent \$300,884 (10 percent) more than budgeted over the period (Figure 1).

**Figure 1: General Fund Expenditures In Excess of Budgeted Appropriations**

	2020	2021	2022	Total
<b>Budgeted Appropriations</b>	\$913,695	\$941,029	\$1,119,766	\$2,974,490
<b>Actual Expenditures</b>	964,529	1,130,725	1,180,120	3,275,374
<b>Amount Over Budget</b>	\$50,834	\$189,696	\$60,354	\$300,884
<b>Percentage Over Budget</b>	6%	20%	5%	10%

In 2020, the District replaced the roof on a fire station and paid for extensive repairs on a truck and fire engine that were not planned for in the adopted budget. In 2021, the Board began the process of demolishing an old fire station building which was not factored in the budget, and repair costs for vehicles were again higher than budgeted. Also, District officials purchased annuities for the District's

<sup>3</sup> The Treasurer requested and received an extension from OSC on the filing requirement, which extended the 60-day deadline to 120 days after the District's year-end.

LOSAP which were recommended by the program administrator after the budget was adopted. In 2022, officials continued to pay for expenditures related to the demolition of the old fire station and paid for repairs to an engine after it was in a minor accident. The building demolition project, totaling \$169,355, spanned multiple years and should have been accounted for as a capital project rather than in the general fund.

The Board needs to closely monitor expenditures throughout the year and take timely action to modify the budget (when appropriate) or reduce expenditures to stay within budget. Because officials spent more than budgeted, the District incurred unplanned operating deficits (expenditures exceeded revenues) totaling \$175,810 in 2020 and 2021. The District incurred an operating surplus of \$35,211 in 2022, in part, because it received an unanticipated grant and an insurance refund, which helped offset the negative expenditure variance. Figure 2 illustrates

**Figure 2: General Fund Operating Results and Fund Balance**

	2020	2021	2022
<b>Beginning Total Fund Balance<sup>a</sup></b>	\$686,618	\$643,170	\$510,808
<b>Plus: Revenues</b>	921,081	998,363	1,215,331
<b>Less: Expenditures</b>	964,529	1,130,725	1,180,120
<b>Operating Surplus/(Deficit)</b>	(43,448)	(132,362)	35,211
<b>Year-End Total Fund Balance</b>	\$643,170	\$510,808	\$546,019
<b>Less: Restricted Fund Balance – LOSAP</b>	591,678	459,781	387,675
<b>Less: Restricted Fund Balance – Capital Reserves</b>	60,000	105,000	105,000
<b>Less: Nonspendable Fund Balance (Prepaid Expenses)</b>	5,147	450	14,790
<b>Unrestricted Fund Balance</b>	(\$13,655)	(\$54,423)	\$38,554
<b>Next Year's Budgeted Appropriations</b>	\$941,029	\$1,119,766	\$1,139,977
<b>Unrestricted Fund Balance as a Percentage of the Next Year's Appropriations</b>	(1%)	(5%)	3%

a) The District reported a prior period adjustment to increase the 2020 beginning total fund balance to include LOSAP, which was reported in the agency fund in prior years.

the general fund results of operations each year and the year-end fund balances:

The Board has not adopted a written fund balance policy or procedures to address the level of fund balance to be maintained from year to year. Although the District reported a positive total fund balance at the end of each year, the amounts restricted in capital reserve funds and for the District's LOSAP exceeded the total fund balance available in 2020 and 2021, which caused unrestricted fund balance deficits of \$13,655 and \$54,423, respectively.

In 2022, unrestricted fund balance increased to \$38,554. However, the Board did not make a recommended contribution to LOSAP that year, despite budgeting \$120,000 for the contribution and receiving a voucher from the program

administrator in September 2022 requesting a minimum contribution payment of \$121,981. The Board Chair and another Board member told us that they inadvertently overlooked making the contribution payment because the Board was in the process of changing LOSAP administrators in the fall of 2022. Had the Board made the minimum recommended contribution, it would have restricted additional funds for LOSAP, and the District would have ended 2022 with an unrestricted fund balance deficit of \$83,427, continuing the trend of increased year-end deficits.

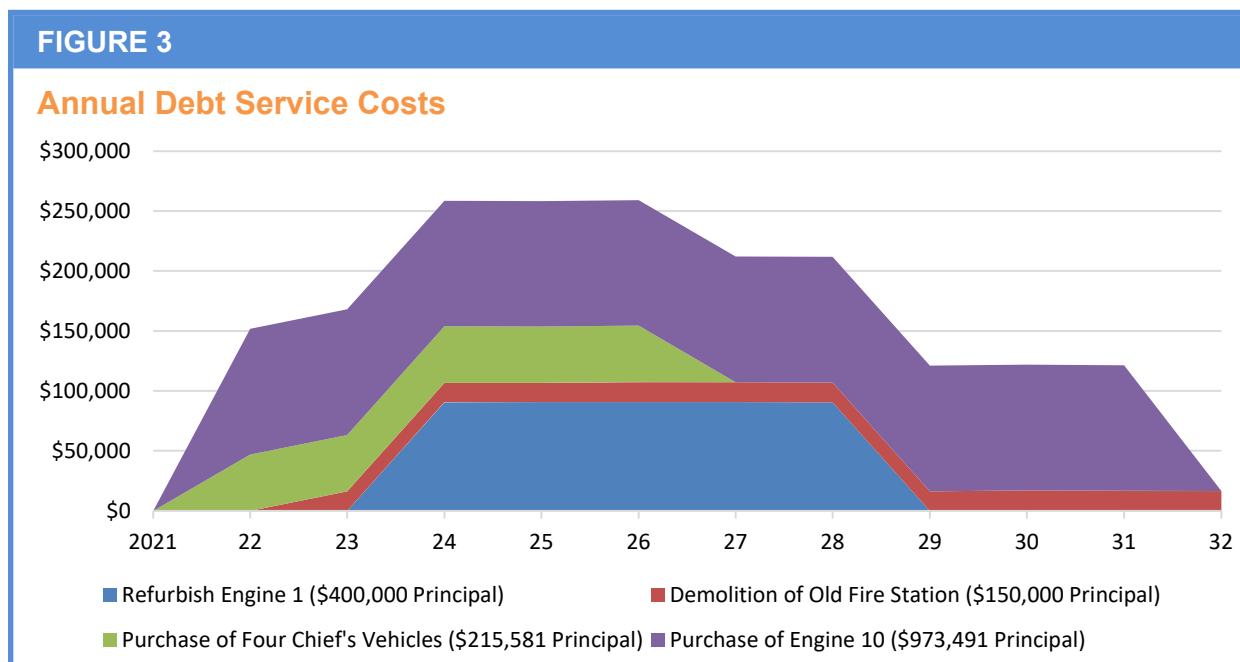
From 2020 through 2022, the Board increased property taxes by \$138,395 (35 percent) and increased revenues through its fire protection contracts with the Town by \$64,686 (12 percent). Despite the higher taxes and not making the planned LOSAP contribution in 2022, unrestricted fund balance remained low at the end of 2022 (3 percent of the next year’s budget). If the Board does not adequately control expenditures and monitor and rebuild fund balance, there is a risk that the District may not have sufficient financial resources available to address unexpected occurrences or meet its cash flow needs.

... [T]here is a risk that the District may not have sufficient financial resources available to address unexpected occurrences or meet its cash flow needs.

### The Board Did Not Develop Long-Term Financial and Capital Plans

The Board has not developed or adopted written long-term financial and capital plans to help outline the Board’s intentions for financing future capital improvements, purchasing equipment and maintaining the existing infrastructure.

Since 2021, the Board has borrowed approximately \$1.7 million to replace or refurbish vehicles and to fund capital improvements. As a result, the District’s annual debt service costs will increase from no debt service in 2021 to approximately \$260,000 by 2024 (Figure 3).





---

Additionally, the Board Chair and another Board member told us that a small rescue squad vehicle with an estimated cost of \$300,000 will need to be replaced by 2025, and Station 1 will need additional capital improvements. As of December 31, 2022, the District's two capital reserves for equipment replacement and building improvements totaled \$75,000 and \$30,000, respectively, which will not be sufficient to cover these expenditures. Consequently, it may be necessary for the Board to take on additional debt service costs to meet planned equipment and capital needs.

In addition to higher debt service costs, the Board's contributions to the District's LOSAP may be higher in future years. As of April 2022, the District's LOSAP assets were only 40 percent of the plan's outstanding liabilities. Because the Board did not contribute to the plan in 2022, we project that the plan's level of funding could be lower in the 2023 plan year, and the Board may need to make larger contributions to adequately fund the plan going forward.

As the District moves forward, well-designed written financial and capital plans can assist the Board with prioritizing its capital needs, making informed decisions and managing its fund balance in the taxpayers' best interest.

### **The Board Did Not Obtain Independent Audits as Required**

The Board did not obtain an independent audit of the District's financial statements for the 2021 and 2022 fiscal years, as required by Town Law Section 181-b. The Board did not contract with its independent auditors for an audit of the 2021 and 2022 financial records until July 20, 2023 (during our audit fieldwork). As of the end of our fieldwork on August 9, 2023, the 2021 audit was 405 days late, and the 2022 audit was 40 days late.

Independent audits express an opinion on the fairness of the presentation of the District's financial statements, can help identify conditions in need of improvement, and can be a useful tool in providing oversight and review of financial operations, including the District's LOSAP. As such, it is important that the Board obtain a timely independent audit each year.

### **What Do We Recommend?**

The Board should:

1. Ensure the Treasurer provides adequate financial reports for each fund, which include timely information about the District's LOSAP.
2. Monitor budget-to-actual results during the year and modify the budget or restrict spending to prevent appropriation accounts from being over expended.

- 
3. Ensure the District makes at least the minimum annual LOSAP contribution recommended by the program administrator.
  4. Monitor available fund balance and establish a written policy defining the amounts of fund balance, including reserve funds, that the District should reasonably maintain.
  5. Develop, adopt and periodically update written long-term financial and capital plans to be used in conjunction with the annual budget process.
  6. Ensure the District obtains a timely independent audit of the financial statements each year, as required by Town Law Section 181-b.

The Treasurer should:

7. Work with the accounting firm to ensure separate accounting records are maintained for each fund, group of accounts and financial reports, and present financial information separately to the Board for each fund.
8. Obtain timely financial information for the District's LOSAP from the program administrator and ensure the accounting records are updated for the activity periodically throughout the year.
9. Maintain and record capital project activity in the capital projects fund.
10. Ensure the AFR is filed with OSC in a timely manner.

# Appendix A: Response From District Officials

---

## Cicero Fire District *Board of Fire Commissioners*

P.O. Box 1231  
Cicero, New York 13039  
(315) 699-7721

Richard Mayers  
Rebecca Mayers

Ralph Howe  
Chairman

Lori-Sue Carvel  
~Vacent~

[REDACTED]

We the Board of Fire Commissioners of the Cicero Fire District thank you and your staff for all the time and patience you had with us during our audit. We acknowledge that we have gone over with you and your staff the draft report. We have shared it internally with our Commissioners, District Treasurer and our accounting office/ bookkeeper [REDACTED].

We have already started our written responses back to your draft report.

We are also actively making changes to our daily operation based on your findings and recommendations that you and your staff have suggested.

Best Regards,

Ralph Howe  
Chairman  
Board of Fire Commissioners  
Cicero Fire District

## 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 reviewed Board meeting minutes and interviewed Board members and the Treasurer to gain an understanding of District financial operations, including financial reporting, budgeting, and whether District officials developed fund balance and reserve policies and long-term financial and capital plans.
- We reviewed interim financial reports provided to the Board to determine whether the reports contained adequate, accurate and timely information.
- We reviewed the adopted budgets from 2020 through 2022 to determine whether they were reasonable by comparing adopted budgets with actual results of operations and analyzing significant revenue and expenditure variances.
- We analyzed operating results and fund balance as of the end of each completed fiscal year in the audit period (2020 through 2022) and calculated unrestricted fund balance as a percentage of the next year's appropriations to determine whether the District maintained reasonable unrestricted fund balance in the general fund.
- We reviewed LOSAP actuarial reports, invoices for recommended contributions, and year-end activity reports to determine whether the Board made the annual contributions recommended by the program's administrator. We analyzed the effect of the Board's contributions on the program's funding level and the District's financial condition.
- We interviewed Board members to determine which capital improvements and large equipment purchases the District issued debt for during the audit period, and whether the Board has plans for additional capital improvements and equipment purchases in the future. We analyzed debt schedules to determine the impact of long-term debt on the District's financial condition and future budgets.
- We reviewed AFR filings for 2020, 2021 and 2022 to determine whether AFRs were filed with OSC by the filing deadline.
- We reviewed the District's 2020 independent audit report. We also interviewed Board members and the District's accountants and reviewed engagement letters to determine whether the Board obtained independent audits of the District's financial statements for 2021 and 2022.

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.ny.gov/files/local-government/pdf/regional-directory.pdf](http://www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf)

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

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

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

[www.osc.ny.gov/local-government/fiscal-monitoring](http://www.osc.ny.gov/local-government/fiscal-monitoring)

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

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

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

[www.osc.ny.gov/local-government/resources/planning-resources](http://www.osc.ny.gov/local-government/resources/planning-resources)

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

[www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.ny.gov/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.ny.gov/local-government/required-reporting](http://www.osc.ny.gov/local-government/required-reporting)

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

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

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

[www.osc.ny.gov/local-government/academy](http://www.osc.ny.gov/local-government/academy)

## Contact

Office of the New York State Comptroller  
Division of Local Government and School Accountability  
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: [localgov@osc.ny.gov](mailto:localgov@osc.ny.gov)

<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503

**SYRACUSE REGIONAL OFFICE** – Rebecca Wilcox, Chief of Municipal Audits

State Office Building, Room 409 • 333 E. Washington Street • Syracuse, New York 13202-1428

Tel (315) 428-4192 • Fax (315) 426-2119 • Email: [Muni-Syracuse@osc.ny.gov](mailto:Muni-Syracuse@osc.ny.gov)

Serving: Herkimer, Jefferson, Lewis, Madison, Oneida, Onondaga, Oswego, St. Lawrence counties

[osc.ny.gov](https://www.osc.ny.gov)

