



Fairview Fire District

Financial Operations

2024M-138 | May 2025

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Report Highlights

Fairview Fire District

Audit Objective

Determine whether the Fairview Fire District (District) Board of Fire Commissioners (Board) and officials properly managed the District’s financial operations and were transparent.

Key Findings

The Board and District officials did not properly manage and oversee the District’s financial operations and were not transparent. As a result, there was limited assurance the information used by the Board and District officials to make financial decisions was accurate and complete. We also determined that taxpayers had limited access to financial information to help ensure they could make informed decisions relating to District operations. As a result:

- The Board improperly assigned the duties of the District Treasurer (Treasurer) to an independent contractor.
- Unrealistic budgets increased taxpayer burden and resulted in unrestricted fund balance totaling approximately \$1.2 million, or 20 percent of the 2024 appropriations as of December 31, 2023.
- Unrealistic budgets increased taxpayer burden and resulted in the District’s reserve funds, in total, increasing by approximately \$1.5 million (84 percent) over the last five fiscal years.
- The Board meeting minutes did not always contain complete information on formal Board actions and were not made available for public review in a timely manner.

Key Recommendations

The audit report includes 18 recommendations that, if implemented, will help the Board improve its oversight of financial activities.

District officials generally agreed with the recommendations and indicated they have initiated and will continue to take corrective action.

Audit Period

January 1, 2022 – December 31, 2023. We extended our audit period back to January 1, 2019 to analyze financial trends.

Background

The District provides fire protection and emergency medical services within the Towns of Poughkeepsie and Hyde Park in Dutchess County.

The elected five-member Board is responsible for the general management and control of financial operations including performing the claims audit.

The Board-appointed District Chief (Chief) is responsible for assisting the Board with the District’s day-to-day operations under the Board’s direction. The Treasurer is the chief financial officer and is responsible for maintaining the District’s accounting records and reports. The District Secretary (Secretary) is responsible for preparing and maintaining the Board meeting minutes.

| Quick Facts | |
|--|---------------|
| 2023 Total Appropriations | \$6.2 million |
| 2023 General Fund Surplus Fund Balance | \$1.2 million |
| Number of Reserves | 4 |
| 2023 Reserves Total | \$3.3 million |

Financial Operations

How Should a Fire District Board Properly Manage Financial Operations?

To properly manage a fire district's financial operations, a board of fire district commissioners (board) should routinely monitor and review a district's operations and work performed. A board should develop and implement written policies and procedures related to financial operations that ensure fire district financial reports are prepared in a timely manner, accurate and provided to the board in a timely manner and that bank reconciliations are prepared. Policies and procedures should also include controls for fund balance, reserve funds, budget preparation and multiyear financial and capital planning. To properly manage financial operations a board must:

- Request and review financial reports in a timely manner in order to make informed decisions on district operations,
- Ensure the fire district treasurer (treasurer) and fire district secretary (secretary) are properly appointed and their assigned duties are appropriately performed,
- Ensure the district's level of fund balance is reasonable,
- Establish capital reserves, as appropriate,
- Adopt and monitor budgets with reasonable estimates of revenues and appropriations,
- Ensure bank reconciliations are completed and accurate, and
- Create a written multiyear financial plan and a comprehensive capital plan.

Review of Financial Reports – A board should receive regular, detailed and accurate financial reports. Financial reports should include budget status reports (comparisons of actual revenues and expenditures to amounts estimated in the annual budget), detailed statements of all money received and disbursed and reconciled cash balance reports for each fund. These reports allow a board to make timely and proactive financial management decisions, budgetary amendments and are also helpful tools for the board to make more sound budgetary estimates.

Appointment of Secretary and Treasurer – A board should appoint a secretary and treasurer to maintain the district's books and records. Under New York State Town Law (Town Law), the positions of treasurer and secretary are public offices. In the case of the treasurer, the position is generally elective but may be made appointive by resolution of the board, subject to voter approval. The office of secretary is appointive. Furthermore, Town Law Section 175(3) generally requires that the treasurer and secretary of a fire district, at the time of their election or appointment and throughout their term, must be residents of the district. However, if the position of treasurer or secretary is appointive, and no qualified residents of the district are willing to perform the duties of these positions, a district may appoint a non-resident to the position of treasurer or secretary.

Duties of the Treasurer – A board should ensure the duties of the treasurer are properly assigned and managed. Pursuant to Town Law, the position of treasurer is a public office. As such, discretionary and statutory duties assigned to a treasurer, such as custody and disbursement of public funds, carry with them a high degree of public trust. Therefore, in the absence of express statutory authority, discretionary functions may not be delegated to an independent contractor. However, a district may hire consultants to assist the treasurer in performing the duties of the treasurer's office.

Fund Balance – A board should effectively manage fund balance by adopting reasonably estimated and structurally balanced budgets based on historical data or known trends in which recurring revenues finance recurring expenditures. In preparing a budget, a board must estimate the:

- Amounts a district will spend and receive,
- Amount of fund balance that will be available at fiscal year-end to use towards the next year's budget, and
- Expected real property tax levy.

Accurate estimates help ensure that the tax levy is sufficient, but not greater than necessary, and that unrestricted fund balance amounts are reasonable. Once the board adopts the budget, the board, and certain district officials, should monitor the budget throughout the year.

A board should adopt a written fund balance policy that defines the amounts of fund balance, including reserves, the district should maintain. A board should retain a reasonable amount of fund balance for, among other things, unforeseen circumstances to ensure adequate cash flow for example, to compensate for timing differences between when revenues are received, and expenditures are made. A board should effectively manage fund balance by ensuring that sufficient cash resources are available to maintain operations, such as paying vendors in a timely manner. When a district does not have sufficient cash to meet its current obligations, the district may not be able to continue to provide services at current levels or may have to explore options such as short-term borrowing. On the other hand, there is potential for abuse if excessive fund balances are accumulated while placing an unnecessary burden on taxpayers.

Establishment and Funding of Capital Reserves – A board can legally set aside, or reserve, a portion of the fund balance to finance future costs for specific purposes. Properly funded reserves can reduce reliance on debt to finance capital projects and other acquisitions and can help fire district officials finance the costs of capital expenditures. In accordance with Town Law Section 181 and New York State General Municipal Law (GML) Section 6-g, fire district officials may set aside, or reserve, a portion of fund balance to finance future costs for a type or specific capital purpose – for example, capital improvements or vehicle replacements. A board should ensure it follows the statutory requirements for such reserves, such as determining whether the establishment of a capital reserve fund is subject to a mandatory referendum. To be transparent, a board should adopt a reserve fund policy and include the funding and use of reserves in the annual budget to give taxpayers the opportunity to know the board's plans for the reserves. Further, the secretary should maintain documentation of the establishment of, and expenditures from, reserve funds – for example, board meeting minutes and resolutions.

Estimating Budgetary Revenues and Expenditures – A board is responsible for accurately estimating revenues and appropriations in the annual budget. A board should subsequently monitor revenues and expenditures on an ongoing basis to ensure that the district is spending in accordance with the budget appropriations, and to avoid overdrawing district accounts. Furthermore, Town Law Section 181-A requires the treasurer to notify the board of commissioners of a probable deficiency, wherein the money available to the district is not sufficient to meet the amounts appropriated. The treasurer may then make recommendations to the board as to the actions that should be taken. The board, under advisement

of the treasurer, may then reduce an appropriation to prevent making expenditures in excess of the money available.

Bank Reconciliations – A board should ensure that the treasurer prepares accurate and timely bank reconciliations. Bank reconciliations should be prepared monthly, and any differences should be researched in a timely manner, explained and properly adjusted so that the board can review them in a timely manner. Additionally, bank reconciliations should be performed by an employee or official who does not have custody or access to cash and who does not record cash receipts, cash disbursements or journal entry transactions.

Multiyear Financial Plan and Comprehensive Capital Plan – A board should create a written multiyear financial plan and a comprehensive capital plan. Planning on a multiyear basis allows officials to project revenues, expenditures and fund balance trends to assess expenditure commitments, revenue trends and financial risks. Also, a multiyear capital plan is a useful tool to set long-term priorities and goals that allow the board to consider the effects current budgeting decisions will have on the district's financial future. The board should periodically review and update the district's long-term financial plan on an ongoing basis to help ensure that its decisions are guided by the most current and accurate information available.

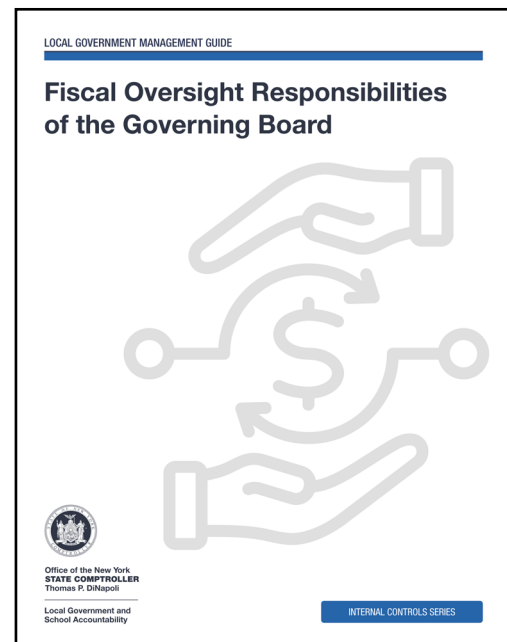
The Board and District Officials Did Not Properly Manage Financial Operations

The Board and District officials did not provide proper oversight and ensure transparency of District operations. The Board and District officials can learn more on how to effectively perform fiscal oversight by reviewing guidance that is available on the Office of the State Comptroller's website (Figure 1).

Review of Financial Reports –The Board received a monthly Treasurer's report, which included a balance sheet listing for each of the District's accounts, as well as a budget status report. However, the Treasurer's report did not include a detailed statement of all money received and disbursed by the District on a monthly basis. According to Board members, they were unaware that they should be reviewing a detailed statement of money received and disbursed each month. Instead, they believed the warrant listing checks authorized to be paid was sufficient. However, without detailed monitoring of ongoing revenue and expenditures, the Board does not have a complete understanding of the District's current financial operations. As a result, Board members have a limited ability to effectively evaluate

FIGURE 1

Fiscal Oversight Responsibilities of the Governing Board



<https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf>

a proposed budget before adoption, and to ensure that District appropriations are sufficient to meet ongoing expenditures.

Appointment of Secretary and Treasurer – We determined that the individuals appointed by the Board to serve in the District’s positions of Treasurer and Secretary were not residents of the District. Although it is permissible for non-residents to serve in the offices of treasurer and secretary when no qualified residents of the District are willing to perform the duties of those positions, the Board could not demonstrate that was the case with the District. For example, Board members stated that they were unaware of the residency requirements for these positions, and as such did not post notices for the open positions within the District to attract District residents, or otherwise attempt to appoint someone residing within the District as generally required pursuant to Town Law.

Furthermore, we determined that the prior Secretary was not only residing outside of the District but was residing outside of New York State and working fully remotely from Tennessee. Although Town Law does allow, in certain circumstances, for a non-resident to serve as Secretary, we nonetheless question whether a Secretary could adequately perform the duties for the District from such a distance.

Independent Contractor Serving as Treasurer – We determined that the Board improperly delegated the duties of the office of treasurer to an independent contractor. For example, we determined that the independent contractor was responsible for:

- Receiving and depositing funds,
- Entering all financial transactions into the District’s accounting system,
- Preparing and signing checks and
- Performing online bank transfers.

While a district may hire a consultant to assist the Treasurer in performing the duties of the Treasurer’s office, collection and custody of public funds entails a high degree of public trust, and therefore, pursuant to Town Law, the position may not be delegated to an independent contractor. Similarly, the Board cannot delegate the responsibility of signing checks or making bank transfers to an independent contractor because the District had no official undertaking from the Treasurer, no bond of surety as required by law and had no written contract between the Treasurer, as an independent contractor, and the District. Delegating these discretionary functions can lead to an increased risk that errors or irregularities could occur and remain undetected.

When we discussed these concerns with Board members, we were told they believed they could pay an independent contractor to perform the functions of the District Treasurer, as this individual had her own business and performs the same treasurer’s duties for another district. However, pursuant to Town Law, the position may not be delegated to an independent contractor because the collection and custody of public funds are required to be attended to with the highest degree of public trust.

Fund Balance – The Board did not effectively manage the District’s fund balance. For the last five fiscal years, the Board adopted unrealistic budgets that consistently resulted in operating surpluses that increased the unrestricted fund balance in 2019 through 2023 (Figure 2). Overall, the Board underestimated revenues totaling approximately \$1.1 million and overestimated appropriations in years

2019 through 2023, by a total of approximately \$1.1 million over the five fiscal years.

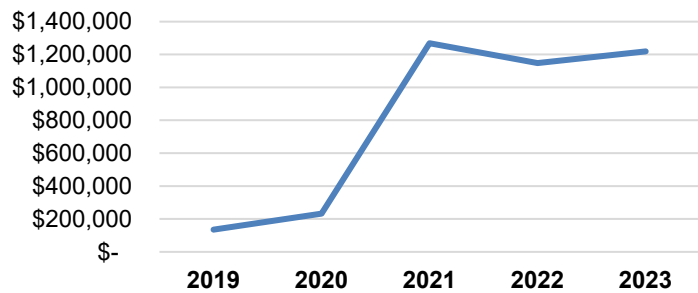
Specifically, two revenue streams and two appropriations had the largest variances:

- Although the District had written agreements with two local colleges for annual donations, we determined that the Board did not include donation revenue in the 2021 budget. The District also consistently underestimated the amount of donation revenue included in the District's annual budget for other years by an average of \$69,572. According to the former Chief, the District did not consider the donation revenue guaranteed for fiscal year 2021, totaling \$174,725, due to the COVID-19 pandemic. While we acknowledge that the written agreements provide that the donations were subject to the local college's board approval, in light of the District having at least two formalized agreements for specific donations, in our view the Board should have included the pledged donation revenue in the budget.
- The Board also did not budget for "Insurance recoveries revenue" even though the District received an average of \$54,602 per year from 2019 to 2022. When we discussed this with the current Chief, who had taken office two months prior, he was not familiar with the purpose of the revenue and was unable to explain why prior officials did not include the revenue in the budgets.
- The appropriations for firefighter medical physicals have been overbudgeted for the last five fiscal years on an average of \$10,207 per year. The prior Chief explained this is a difficult item to budget for. However, the District could have used the District's historical trends for more accurate estimates.
- The appropriations for medical insurance have been overbudgeted for the last five fiscal years on an average of \$86,626 per year. The current Chief explained that the District's budget must be completed before annual insurance rates for health insurance premiums are released. Therefore, to help ensure that the District was not underbudgeting for this item, the District used a conservative dollar amount for this appropriation. While we recognize the importance of ensuring an appropriation is not underbudgeted, the District could use historical health insurance rate increases to help ensure more accurate estimates.

The budget variances we identified resulted in operating surpluses that increased unrestricted fund balance. The Board-adopted budgets gave taxpayers the impression that the District needed to increase real property taxes and appropriate fund balance to close projected budget gaps. District officials appropriated portions of the fund balance in 2019 through 2021. However, the District realized operating surpluses in 2019 and 2021 and through 2023, totaling approximately \$2.3 million during the

FIGURE 2

Unrestricted Fund Balance Increase 2019 - 2023



five-year period. As a result, the District did not use all the \$1 million of appropriated fund balance to finance operations.

At the end of 2023, the District's unrestricted fund balance totaled approximately \$1.2 million, or about 20 percent of the 2024 appropriations. Because the Board did not adopt a fund balance policy, no rationale was established for maintaining this level of unrestricted fund balance. During the five-year period, the Board continually underestimated revenues and overestimated appropriations, resulting in the District's property tax levy increasing from \$3.6 million in 2019 to \$5.6 million in 2023 (55 percent) during the five fiscal years examined, with the largest increase of 21 percent in 2021. The Board and District can learn more on how to effectively manage fund balance by reviewing guidance that is available on the Office of the State Comptroller's website (Figure 3).

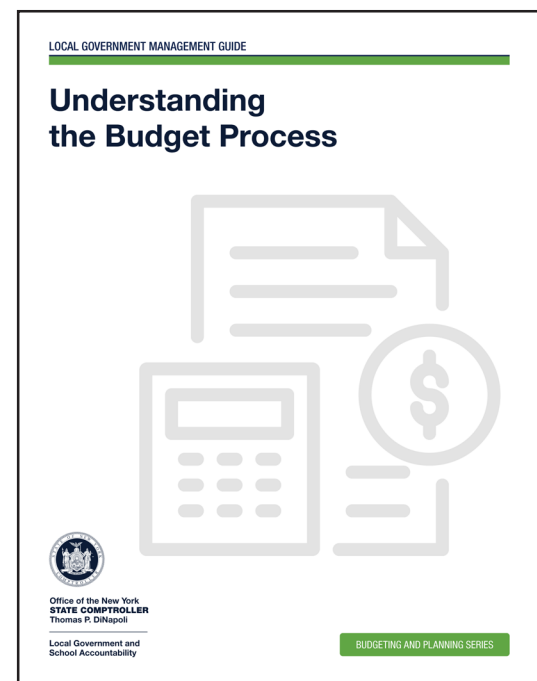
Establishment of Reserves – During our audit period, the District had four reserve funds:

- Retirement contribution reserve fund,
- Reserve for employee benefits and accrued liabilities fund,
- Capital reserve fund for apparatus, and
- Capital reserve fund for buildings.

We determined the Board did not follow the proper procedure for the establishment of the capital reserve fund for apparatus. According to a resolution provided by the District, a capital reserve for “an apparatus purchase” was established in 1974. While a mandatory referendum for the establishment of the reserve was not required at that time,¹ in our view, the 1974 resolution was for the establishment of a specific capital reserve (i.e., a reserve to purchase a single piece of apparatus). However, the District has been using the capital reserve fund for the general purpose of purchasing apparatus. Therefore, it appears the District inadvertently created a “de facto” capital reserve fund for apparatus. The Board, which we acknowledge was unaware that it was operating a “de facto capital reserve fund,” should have sought voter approval to establish a capital reserve fund for general apparatus. As a result, District residents were not provided an opportunity to approve the capital reserve fund for general apparatus. As of December 31, 2023, the de facto reserve had a balance of approximately \$1.7 million.

FIGURE 3

Understanding the Budget Process



<https://www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf>

¹ Capital reserve funds established by a fire district prior to January 1, 2007 were not subject to a mandatory referendum requirement (see, L. 2006, ch 235).

Reserves – In general, reserve funds have specific intended purposes and requirements as set forth in law.

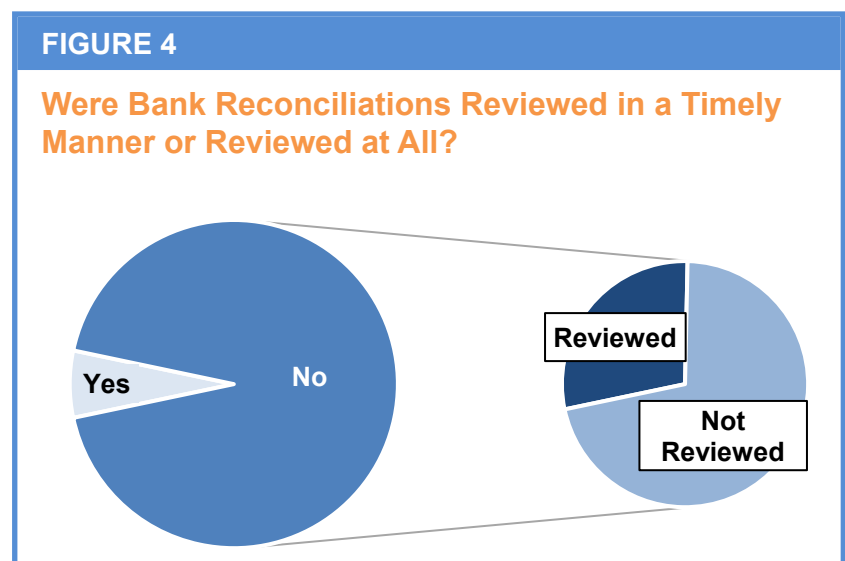
The Board did not adopt a reserve fund policy to identify desired funding levels for the District’s reserve accounts, and the District did not have details of planned capital acquisitions, cost estimates for such acquisitions or planned use of its current reserve funds. Moreover, the District had no formal plan in place for how the reserve funds would be funded. Instead, we found that the Board included, as part of its budget, transfers in the amount of \$250,000 to “other funds” for 2023. The budget did not make clear that “other funds” meant a particular reserve fund. As such, taxpayers may not be aware of the purpose of the transfer when reviewing the budget. According to the Board members, they did not know what a reserve fund policy was or that the Board should adopt such a policy.

Furthermore, we determined that the District increased all reserve funds, in total, approximately \$1.5 million (84 percent) over the last five fiscal years. The Board explained that they were funding the reserves to purchase a new ladder truck and renovate the firehouse. However, there is no adopted reserve fund policy indicating this was the intention of the District. When officials do not develop policies and procedures for establishing and managing reserve funds, it reduces the transparency of financial operations.

Spending Exceeded Appropriations – Although District officials overestimated several appropriations in the budgets over the past five years, 27 percent of the budget lines were overspent by a total of \$5.1 million, which indicates officials were not monitoring the District’s budgets and making necessary budgetary and operational adjustments to ensure budget lines were not exceeded. According to the Treasurer, she was unaware she was responsible for monitoring the District’s budget lines to ensure that a line item within the budget was not overspent during the course of the fiscal year.

Exceeding budgeted line items also brings into question whether the excess expenditures were necessary District expenditures. The lack of monitoring by the Treasurer, as well as the Board being unaware that certain expenditures exceeded budgetary line items, may have diminished the ability of District officials to effectively control spending.

Bank Reconciliations – We reviewed the 288 bank reconciliations required to be completed during the audit period and determined that 269 reconciliations (93 percent) were not reviewed at all by the Board or were not reviewed in a timely manner, such as at the following monthly Board meeting (Figure 4). According to the prior Chief, the Board would review all the bank reconciliations after year-end.



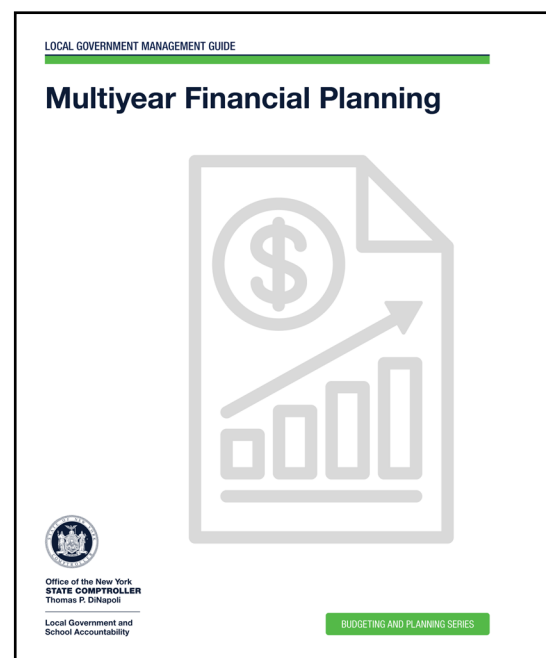
However, we determined this did not actually happen for the bank reconciliations completed in 2023. If bank reconciliations are not reviewed in a timely manner, there is an increased risk of theft or fraud that will not be identified.

Multiyear Financial and Comprehensive Capital Plans – The Board did not develop a written multiyear financial plan or a comprehensive capital plan that addresses capital needs. Such plans are a useful tool for the Board to use to determine the District’s future needs and how to finance them. Specifically, a multiyear financial plan would help guide officials as they develop future budgets and provide more transparency to District residents regarding the District’s long-term financial goals. While a comprehensive capital plan identifies the capital needs several years into the future. It illustrates reasonable estimates of each project and the impact on the budget. These projections help policy makers assess the costs of capital improvements over time. The Board and District officials can learn more about multiyear financial and capital plans by reviewing guidance that is available on the Office of the State Comptroller’s website (Figure 5).

The Board did not have an explanation as to why a multiyear financial plan or a comprehensive capital plan were never developed. The lack of a written multiyear financial and capital plan may hinder the Board when addressing future operating and capital needs. In addition, a capital plan may help outline the District’s ability to provide services. Further, without such plans, the Board cannot assess expenditure commitments, revenue trends, financial risks and the affordability of new services and/or capital investments.

FIGURE 5

Multiyear Financial Planning



<https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf>

How Should a Fire District Board and Officials Help Ensure Transparency of Financial Operations?

A board is responsible for managing and overseeing a district’s financial operations, including providing adequate information to the public regarding the district’s financial condition and safeguarding district resources from theft or abuse.

A board must comply with a number of statutory provisions that are designed, in part, to help ensure proper oversight and transparency within fire districts:

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- Town Law Section 178 requires, in part, that the fire district secretary keep a complete and accurate record of the proceedings of each meeting, as well as each proposition, rule or regulation adopted.
 - New York State Public Officers Law (POL) Section 106 generally requires minutes be taken at all open meetings of a “public body.” Such minutes must include a record or summary of all motions, proposals, resolutions and any other matters formally voted upon, and the outcome of the voting. Additionally, minutes of all public meetings are generally required to be made available to the public and be posted on the district’s website within two weeks of the date of the meeting.
 - POL Section 105 generally requires a majority vote in an open meeting pursuant to a motion identifying the general area or areas of the subject or subjects to be considered. However, a public body may conduct an executive session provided that no action by formal vote shall be taken to appropriate public money.
 - POL Section 103 requires, to the extent practicable, any proposed resolution, rule, regulation, policy or amendment which is scheduled to be the subject of discussion at an open meeting, to be made available at least 24 hours prior to the meeting, upon request.
 - Town Law Section 177 requires the Annual Financial Report (AFR) submitted by the treasurer to be included in the meeting minutes prepared by the secretary.
 - GML Section 30(7) requires the district to make certain information accessible to the public to the extent practicable. Accordingly, a district is required to post on its website documentation pertaining to its AFRs and current year budget.

Transparency is important for public participation and accountability and allows taxpayers to provide feedback on the quality and adequacy of services, as well as decisions that impact a district’s long-term financial stability.

The Board and District Officials Did Not Ensure Transparency of Financial Operations

Board Meeting Minutes – We determined the prior Secretary did not include certain information in the Board meeting minutes (Board minutes). During the risk assessment and audit field work, we became aware of discussions held by the Board during executive session, which in some cases, resulted in formal Board actions. While we acknowledge that the Board is permitted to enter executive session, we discovered that the Board did not provide a specific reason for why the Board decided to enter into executive sessions. Instead, the Board minutes included a generic description of every type of reason why the District could enter into executive session. In other instances, we found language in the Board minutes suggesting that the Board had passed a resolution. However, there was no indication if a resolution was, in fact, approved by the Board.

Due to the lack of detail in the Board minutes, we discovered the following issues:

- The Board approved resolutions but did not include any additional description or information with respect to the language set forth in the resolution in the Board minutes. For example, on June 20, 2023, the Board minutes indicate that the Board approved transfers, documenting in the minutes: “Transfers (see attached resolution).” However, the resolution was not attached to the

Board minutes. In other instances, we found certain resolutions attached to the back of the Board minutes that had no indication in the minutes whether the Board voted on, or actually approved, the resolution.

- The Board minutes did not provide details with respect to a motion approved by the Board on December 20, 2022 to upgrade the door security system. The Board minutes did not include additional details, such as how the vendor was selected, whether the District sought competition before awarding the contract and the amount the Board authorized to spend on the door security system.
- The AFR was not included in the Board minutes.
- The Board minutes also did not indicate that:
 - The Board received or accepted the resignation of a Board member.
 - The District received or accepted any form of donation. For example, documentation could have included the individual or entity who made the donation, the amount of the donation and whether there was a particular purpose for the donation.
 - The prior Secretary's hours were changed from 35 hours a week to 20 hours per week, or that the Board approved the change in hours.

During our audit period, Board minutes were also not made available to the public in a timely manner, such as being posted on the District's website within two weeks from the date of the Board meetings. For example, as of September 27, 2023, the Board minutes were not posted for the August 2, 2023 and September 5, 2023 Board meetings. Furthermore, when Board minutes were posted on the District's website, the minutes were marked "draft." Therefore, the public could not determine whether the minutes were accurate, officially finalized and adopted by the Board.

According to one Board member and the prior Chief, they were unaware that Board minutes lacked important details. However, each month the Board adopted the previous minutes. Had the Board reviewed the minutes prior to adoption, Board members would have identified the Board minutes' lack of detail. Finally, with respect to the Board minutes using a generic description of every type of reason why the District could enter into an executive session, District officials informed us that the Board used this generic language because the Board believed that was the language that should be used to enter into an executive session. However, per POL, the District should identify only the specific areas that will be discussed.

Proposed Budget – Although the District presented the proposed 2024 budget on September 19, 2023, we observed that as of September 27, 2023, the proposed budget was not posted on the District's website, as required by the Town Law.

According to a Board member and the prior Chief, they were unaware the proposed budget was not posted on the District's website in a timely manner. Instead, we were told by the Board and prior Chief they relied on the prior Secretary to post the proposed budget. However, we determined that limited oversight was provided by the Board or prior Chief to ensure the proposed budget was posted on the District's website.

The Board did not ensure transparency of financial operations because they did not provide oversight of the prior Secretary. The prior Secretary did not include all necessary information in the Board minutes or post all required information on the District's website. As a result, the District has provided residents with limited transparency when it comes to the District's financial operations. Accordingly, taxpayers and other interested parties cannot readily access information and review documents to make informed decisions.

What Do We Recommend?

The Board should:

1. Ensure the Treasurer provides adequate, detailed and accurate monthly financial reports including reports of budget-to-actual revenues and expenditures results, bank balances, and a detailed statement of all money received and disbursed.
2. Ensure that the positions of secretary and treasurer are posted in such a manner that the Board may determine whether a qualified resident of the District is willing to perform the positions prior to annually appointing an individual from outside of the District.
3. Discontinue delegating the duties of treasurer to an independent contractor and appoint an individual within the District to the treasurer's position.
4. Adopt realistic budgets that include reasonable estimates of revenues, appropriations and the amount of fund balance that will be used to fund operations based on historic trends.
5. Discontinue the practice of appropriating fund balance that is not needed or used to fund operations.
6. Establish a written policy defining the amounts of fund balance that the District should reasonably maintain and develop a plan, if needed, to reduce the amount of unrestricted fund balance in a manner that benefits District taxpayers.
7. Consult with the attorney of the District to determine appropriate remedial action to ratify the de facto reserve as a capital reserve fund for apparatus.
8. Use a more transparent process when budgeting for the funding and use of specific reserve funds.
9. Adopt a written reserve policy that addresses the objective of each reserve, targeted funding levels and conditions under which reserves will be used and replenished and periodically update the policy.
10. Develop a plan to ensure the District generates and maintains reasonable reserve funds.
11. Monitor the budget to prevent overspending and authorize budget transfers prior to the appropriation accounts being overdrawn.
12. Timely review the bank reconciliations.

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13. Develop and adopt a multiyear financial plan and a comprehensive capital plan to establish the goals and objectives for funding long-term operating and capital needs. Monitor and update the plans regularly.

The Treasurer should:

14. Notify the Board of any identified financial deficiencies in order to prevent funds or appropriation accounts from being overdrawn.
15. Provide adequate, detailed and accurate monthly financial reports to the Board, including budget-to-actual reports, bank balances reports, and a detailed statement of all money received and disbursed.

The Secretary should:

16. Ensure Board meeting minutes contain a record or summary of all necessary information.
17. Ensure Board meeting minutes are made available to the public within the appropriate statutorily required timeframes.
18. Post required information on the District's website in a transparent, timely and comprehensive manner.

Appendix A: Response From District Officials

The District's response letter refers to an attachment that supports the response letter. Because the District's response letter provides sufficient detail of its actions, we did not include the attachment in Appendix A.



Fairview Fire District

258 Violet Avenue
Poughkeepsie, NY 12601

Office: (845) 452-7453
Station: (845) 452-8770
Fax: (845) 452-0552

May 7, 2025

Chief of Municipal Audits
NYS Office of State Comptroller
Newburgh Regional Office
33 Airport Center Drive, Suite 102
New Windsor, NY 12553

To Whom It May Concern:

We have reviewed the preliminary findings and recommendations outlined in the recent Financial Operations Report of Examination conducted by your office. We appreciate the thoroughness of the audit, and the guidance & insight provided.

The Fairview Fire District acknowledges the areas identified for improvement, as well as the recommendations from the examination. During the 2019-2023 audit period the District had several key staff transitions, including a new Treasurer, a new Secretary and a new Chief.

Several the issues identified in the preliminary findings had already been corrected prior to the auditor's arrival, including discontinuation of the practice of appropriating year-end fund balance to fund operations during the first quarter of the following year. As to the remaining issues, we have either corrected them already or are in the process of reviewing to take appropriate corrective action, including:

1. The Treasurer will continue to provide the Board with Financial reports, including detailed reporting on expenditures and budget lines, as has been the ongoing practice, but will now include an additional report that details the revenues received.
2. The Treasurer's revenue report will identify the scope and amount of all donations to the District, and identify any conditions or restrictions on the use of donated funds. Following receipt and review of the Revenue report at the first monthly meeting, the Board will formally acknowledge and accept any donations the District receives, after considering the conditions and restrictions, if any, on the use of the donated funds.
3. The Board will annually post and publish notice seeking applicants for the positions of District Treasurer and District Secretary to determine if a qualified resident of the District is available to serve in those offices prior to appointing individuals from outside the District.
4. As of Jan 1, 2025 the Treasurer has been moved from an independent contractor to a W2 employee.

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5. The District will take steps to ensure Commissioners and staff who participate in preparation of the District's annual budget take advantage of training opportunities and other resources offered by the Comptroller's to understand and implement procedures for establishing and adopting realistic budgets and budgeting for specific reserves.
 6. A draft Fund Balance Policy is currently being developed, with a Final to be adopted soon. A draft copy is attached here for your review and comments.
 7. The District attorney will contact the Comptroller's legal staff regarding the procedure following in establishing the Capital Reserve fund for Apparatus.
 8. The District is amending its reserve policies, which will include a plan to maintain reserve funds needed for the Capital Plan.
 9. Due to a miscommunication between the District's outside auditors and prior District staff, bank reconciliations were not reviewed by Board members for 2023. The bank reconciliation review procedure has been restored and the Board has been conducting reconciliation review since 1/2024.

The Fairview Fire District remains dedicated to maintaining the highest standards of financial management and accountability. We believe the corrective actions we are taking will address the concerns raised in the audit and further strengthen our fiscal operations. We look forward to continuing our work together to ensure the financial health and operational efficiency of the Fairview Fire District.

Respectfully Submitted,

Arthur Grace, Chairman
Board of Fire Commissioners

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials and employees to obtain an understanding of the policies and procedures relating to the District's financial operations and the multi-year financial and comprehensive capital plan.
- We reviewed the Board's adopted investment policy and written agreements to determine whether they were adequate and in accordance with statutory requirements for investments.
- We reviewed Board meeting minutes and monthly and annual reports provided to the Board members to determine the extent of financial information received.
- We reviewed the budget-to-actual reports for 2019 through 2023 for all funds to determine whether any budget lines were overspent and whether revenue and expenditure accounts were overestimated or underestimated.
- We reviewed the bank reconciliations for the audit period to determine whether they were completed and timely and reviewed by the Board.
- We interviewed and reviewed documentation to determine whether the Secretary and Treasurer were properly appointed and assigned duties.
- We used our professional judgment to select a sample of bank balances and compared to general ledger cash balances to determine whether they agreed. We used our professional judgment to select a sample of revenue and expenditure transactions in the accounting records and compared to source documents to determine whether they agreed. We compared revenue and expenditure account balances in the accounting records to the AFR to determine whether they agreed.
- We mailed and reviewed bank confirmations to determine if the District had additional bank accounts.
- We reviewed the budgets and budget-to-actual reports for 2019 through 2023 to determine if the District appropriated fund balance, if appropriated fund balance was being used, and if there was an operating surplus or deficit.
- We reviewed the unrestricted fund balance for 2019 through 2023 to determine if the unrestricted fund balance was reasonable, recalculated unrestricted fund balance to include unused appropriated fund balance and determine the change in fund balance from 2019 through 2023.
- We reviewed reserve documentation to determine whether the reserves were properly established, if the reserves were properly supported and the change in reserves from 2019 through 2023.
- We reviewed the Board meeting minutes to determine whether the Secretary properly prepared minutes for all meetings and whether the minutes were adequate.

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- We observed the District's website as of September 27, 2023, to determine whether all required Board minutes, financial statements and corrective action plans were posted.
 - We observed the District's website for the month of September 2023 to determine whether the District posted the Board meeting agenda in a timely manner, as required.

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

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

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

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

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

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

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

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

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

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

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

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

NEWBURGH REGIONAL OFFICE – James L. Latainer, Chief of Municipal Audits

33 Airport Center Drive, Suite 102 • New Windsor, New York 12553-4725

Tel (845) 567-0858 • Fax (845) 567-0080 • Email: Muni-Newburgh@osc.ny.gov

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