STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

THOMAS P. DiNAPOLI
COMPTROLLER

ROBIN L. LOIS, CPA
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

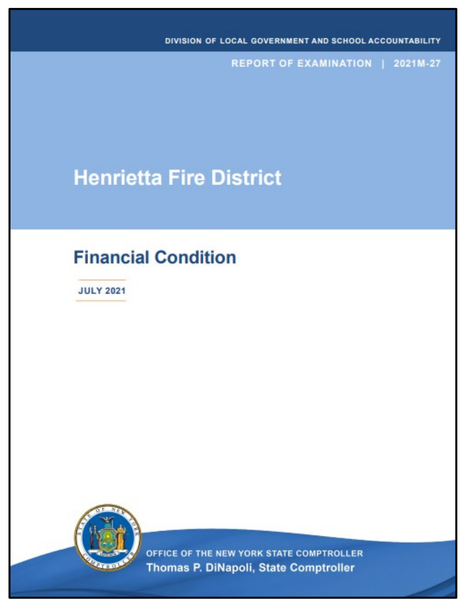
April 2025

Joe Martin, Chairman
Members of the Board of Fire Commissioners
Henrietta Fire District
850 Bailey Rd.
West Henrietta, NY 14586

Report Number: 2021M-27-F

Dear Chairman Martin and Members of the Board of Fire Commissioners:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. The Office also works to develop and promote short-term and long-term strategies to enable and encourage fire district officials to reduce costs, improve service delivery and to account for and protect their fire district's assets. In accordance with these objectives, we conducted an audit of the Henrietta Fire District (District) to assess whether the Board of Fire Commissioners (Board) effectively managed the District's financial condition. As a result of our audit, we issued a report, dated July 2021,[1] identifying certain conditions and opportunities for District management's review and consideration. The Board consists of five members including the Chairman.


DIVISION OF LOCAL GOVERNMENT AND SCHOOL ACCOUNTABILITY
REPORT OF EXAMINATION | 2021M-27

Henrietta Fire District

Financial Condition

JULY 2021

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

To further our policy of providing assistance to local governments, we revisited the District on January 15, 2025 to review progress in implementing our recommendations. Our follow-up review was limited to interviews with District personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, the District has made some progress implementing corrective action. Of the four audit recommendations, two recommendations were partially implemented and two recommendations were not implemented.

1 https://www.osc.ny.gov/files/local-government/audits/2021/pdf/henrietta-district-2021-27.pdf

Recommendation 1 – Realistic Budget Estimates

The Board should adopt realistic budget estimates of appropriations that are based on available current data and historical or known trends of expenditures.

Status of Corrective Action: Not Implemented

Observations/Findings: The Board-adopted budgets for 2022 through 2024 had appropriation variances ranging from underestimated by 5 percent to overestimated by 7 percent, with a three-year total variance of 2 percent. The largest budget variance was in 2024, which resulted in a reported operating surplus of more than $2.2 million and increased unrestricted fund balance to $3.4 million as of December 31, 2024.

Based on our discussion with the Chairman and Secretary-Treasurer and review of the District's budgeting documents, although the Board and Secretary-Treasurer reviewed budget-to-actual reports and the prior five years of expenditures during budget preparation for the 2022, 2023, 2024 and 2025 budgets, the budget documents contained inaccurate expenditure totals with variances up to 13 percent of reported annual general fund expenditures.

Recommendation 2 – Establish Written Policies and Procedures for the Budgeting Process

The Board should establish written policies and procedures governing the budgeting process, which include defining the amounts of fund balance and reserves that the District should reasonably maintain.

Status of Corrective Action: Partially Implemented

Observations/Findings: The Board adopted a fund balance policy and a capital reserve policy on August 16, 2022, but did not develop and adopt a written budget policy or procedures until February 18, 2025, after the start of our follow-up.

The fund balance policy establishes an objective to maintain unrestricted fund balance of 15 percent of the upcoming year's budget. However, the Board did not include the justification for why this amount was considered reasonable. In addition, the capital reserve policy did not contain the optimal funding level for each reserve. The Chairman told us this was not included because costs increased rapidly in the last few years and amounts are dictated by the multiyear plans. However, the capital plan is insufficient for this purpose because it does not include all estimated costs or funding sources.

Recommendation 3 – Develop a Plan to Reduce Fund Balance

The Board should develop a plan to reduce the amounts of fund balance in a manner that benefits District taxpayers. Surplus funds can be used as a financing source for: funding one-time expenditures; funding needed reserves; paying off debt; reducing property taxes.

Status of Corrective Action: Not Implemented

Observations/Findings: While the written corrective action plan to the prior audit stated unrestricted fund balance was used to pay off debt and fund capital reserves, District officials did not pay off additional debt or fund capital reserves with unrestricted fund balance. Additionally, fund balance continued to increase along with the District's total budget. Unrestricted fund balance totaled $3.4 million as of December 31, 2024, which was nearly 16 percent of the 2025 appropriations, exceeding the District's fund balance policy goal. Furthermore, appropriations are likely to be overestimated again, which would make the unrestricted fund balance amount larger than intended had the budget estimates been more realistic.

The Chairman and Secretary-Treasurer told us they thought that the amount of unrestricted fund balance maintained was necessary for cash flow purposes until the District received the property tax revenue in February. However, unrestricted fund balance as of December 31, 2024 was more than sufficient to cover January and February 2025 expenditures.

Recommendation 4 – Develop Comprehensive Multiyear Plans

The Board should develop comprehensive multiyear financial and capital plans that set long-term objectives and goals. These plans should be monitored and updated on an ongoing basis.

Status of Corrective Action: Partially Implemented

Observations/Findings: District officials developed written multiyear financial and capital plans. However, the plans were not comprehensive. The multiyear financial plan projected four years (2026-2029) of revenues and expenditures and set long-term objectives and goals, but did not include fund balance and was based on inaccurate prior year actual revenue and expenditure amounts. The capital plan for vehicles did not include estimated replacement costs or funding sources for the vehicles. In addition, the capital plan did not include the funding sources for all of the identified fire station projects or the overall effect on the building and improvement capital reserve for those identified as being funded with the reserve.

The Chairman, Secretary-Treasurer and Fire Chief told us that these plans were discussed with the Board and updated on an ongoing basis. While the Chairman and Secretary-Treasurer told us that they did not include vehicle costs in the plan because the funding needs greatly vary, such variation increases the importance of including these costs in a multiyear plan.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage District officials to continue their efforts to fully implement our recommended improvements.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact Stephanie Howes, Chief of Municipal Audits of our Rochester Regional Office, at 585-454-2460.

Sincerely,

Robin L. Lois, CPA
Deputy Comptroller