

North Creek Fire District

Board Oversight

2025M-86 | December 2025

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Audit Results

North Creek Fire District



Audit Objective

Audit Period

Did the North Creek Fire District (District) Board of Fire Commissioners (Board) provide adequate oversight of District financial activities?

January 1, 2022 – March 31, 2025

Understanding the Audit Area

The elected five-member Board governs the District and must provide adequate oversight of the District's financial activities to ensure public funds are used effectively, maintain fiscal stability and prevent waste, fraud and mismanagement. Board members must comply with Town Law Section 176-e that mandates fiscal oversight training and are responsible for safeguarding the District's money and ensuring it is spent prudently to provide necessary fire and emergency services.

The District's budgeted appropriations for 2025 totaled \$215,481 and the District's reserve fund balance totaled \$59,113 as of December 31, 2024.

Audit Summary

The Board did not provide adequate oversight of District financial activities related to budgeting, monthly financial reporting, bank reconciliations, annual financial reporting, annual audits and policy reviews. As a result, the Board had limited assurance that the information used to make financial decisions was accurate and complete and provided less assurance to taxpayers and other interested parties that the District's financial activities were adequately accounted for and accurately reported. The Board did not:

- Develop and adopt realistic budgets taking into consideration multiyear financial planning. For example, during the audit period the Board adopted budgets with appropriations that overestimated actual expenditures by an average of \$28,284 (16 percent). Overestimated expenditures combined with reasonable revenue estimates generally increased the District's fund balance during the audit period.
- Ensure that the Treasurer provided sufficient financial reports to effectively monitor financial activities throughout the year or review bank reconciliations and bank account statements. We prepared bank reconciliations for the audit period, compared adjusted bank balances to the accounting records and identified variances that remained unaddressed since June 2023. This

included three checks totaling approximately \$935 that were entered in the accounting records twice, resulting in the accounting record cash balance appearing less than the reconciled bank balance.

- Conduct an annual audit to provide oversight and ensure accuracy of records and reports or ensure the Treasurer filed required annual reports.
- Periodically review required policies including the District's code of ethics, purchasing and investment policies.

The lack of oversight resulted in variances that were not identified or corrected during the audit period. For example, the Treasurer underreported December 31, 2024 cash balances by \$76,644 in the Annual Financial Report (AFR) because he used unreconciled cash balances and did not include reserved amounts. Had the Board requested the Treasurer's records and compared them to supporting documentation (e.g., bank statements and reconciliations) and reports prepared by the Treasurer, it could have identified the variances in the accounting records and reported cash balances.

The report includes 12 recommendations that, if implemented, will improve the Board's oversight of District financial activities. Except as specified in Appendix B, District officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix C includes our comment on an issue raised in the District's response letter.

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 (GML). Our methodology and standards are included in Appendix D.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of New York State Town Law (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.

Board Oversight: Findings and Recommendations

A board of fire commissioners is responsible for overseeing a fire district's financial activities. To fulfill this duty, a board of fire commissioners should establish a system of internal controls including policies and procedures that define duties and monitoring responsibilities to provide for effective oversight and accountability of receipts and disbursements. A board of fire commissioners is responsible for annually adopting a realistic fire district budget and should consider adopting a multiyear financial plan as a useful tool for the board of fire commissioners to determine future needs and how to finance them. A board of fire commissioners should receive and review monthly financial reports from the fire district's treasurer detailing activity compared to budgeted amounts and bank account balances reconciled to accounting record cash balances. A board of fire commissioners should also request, and the treasurer should provide, bank statements and canceled check images for review and periodically review required policies. In the absence of an external audit, a board of fire commissioners should conduct an annual audit of the treasurer's records. Additionally, a board of fire commissioners should ensure that the required AFR and tax cap form are filed annually with the New York State Office of the State Comptroller (OSC).

More details on the criteria used in this report as well as resources we make available to local officials that can help officials improve operations (Figure 1), are included in Appendix A.

Finding 1 – The Board did not adopt realistic budgets and District officials did not develop a multiyear financial plan.

The Board did not take historical financial data into consideration when adopting the Treasurer-prepared annual budgets. The Board also did not review the budget documents to ensure accuracy. Consequently, adopted budgets were not realistic and information provided to the Board was inaccurate. For example, while the Treasurer provided a column for prior-year actual information, the amounts did not agree with accounting records and during the audit period the Board adopted budgets with appropriations that overestimated actual expenditures by an average of \$28,284 (16 percent). Overestimated expenditures combined with reasonable revenue estimates generally increased the District's fund balance during the audit period.

The Board also did not prepare the estimate of fund balance and attach it to the budget as required by Town Law Section 181 and the Board did not annually calculate the statutory spending limitation. This occurred because District officials were unaware of these requirements; however, the Commissioners recently learned about these requirements at fiscal oversight training in March 2025. Due to the lack of required information provided in the budget, the Board, taxpayers and other interested parties did not have complete financial information to effectively assess the fund balance levels and their effect on the overall budgets. Furthermore, although the District did not exceed the statutory spending limitation during the audit period, there is an increased risk that the District could exceed the maximum amount which may be expended by the District without voter approval.

In addition, the Board or Treasurer did not develop a multiyear financial plan and although officials maintained equipment reserves, the establishment of these reserves was not documented. The Treasurer told us that the adopted budgets specified the amount of money the Board intended to put into reserves annually; however, budgeted amounts differed from actual transfers to the reserve accounts during fiscal year 2024. The 2024 adopted budget included a total of \$40,000 for two reserve accounts (\$20,000 each). However, \$10,000 was transferred to one reserve account in May 2024. The District Chairman (Chairman) and Treasurer told us that this was because of unbudgeted grant funding the District applied for during 2024 to cover the remaining amount. The grant funding was not awarded and District officials did not transfer the other \$30,000 budgeted. Had the Board developed a multiyear financial plan, it could more transparently document future plans for operations, capital needs and reserves.

Recommendations

The Board should:

1. Develop and adopt realistic budgets based on historical trends.
2. Prepare the estimate of fund balance and attach it to the budget in accordance with Town Law Section 181.
3. Annually calculate the statutory spending limitation in accordance with Town Law Section 176.
4. Develop a multiyear financial plan defining long-term operating and capital needs.

Finding 2 – The Board did not request or review monthly financial reports and bank reconciliations.

The Treasurer presented monthly cash balances for all four District bank accounts to the Board at monthly meetings, but he did not provide, and the Board did not request other financial reports (e.g., budget-to-actual, cash flow). In addition, the monthly bank balances presented to the Board were not reconciled month-end balances. Instead, the Treasurer provided current cash balances from the accounting software as of the meeting date and did not start preparing bank reconciliations until February 2024.

We reviewed the Treasurer's bank reconciliations and determined that four of the 14 (29 percent) bank reconciliations were not properly prepared. The Treasurer's bank reconciliations were not detailed (e.g., lacked a list of outstanding checks) and he did not compare the adjusted bank balance to the

accounting records to identify the variances that existed during the audit period. We prepared bank reconciliations for the audit period for all four accounts, compared adjusted bank balances to the accounting records and identified variances that remained unaddressed since June 2023. For example, three checks totaling approximately \$935 were entered in the accounting records twice, resulting in the accounting record cash balance appearing less than the reconciled bank balance.

Further, we could not determine when the bank reconciliations were performed because they were not dated and there was no indication of either an independent bank reconciliations review or submission to the Board. The Treasurer told us that the Commissioners could access bank statements, bank reconciliations and any other financial records, but they never asked to review the records. The Chairman and all Commissioners told us they received adequate information at monthly Board meetings. Had the Treasurer prepared budget-to-actual and cash flow reports, compared reconciled balances to the accounting records and provided bank reconciliations to the Board for review, variances may have been identified and corrected in a timely manner.

Recommendations

5. The Board should request and review the Treasurer's monthly financial reports and bank reconciliations.

The Treasurer should:

6. Prepare monthly financial reports that include budget-to-actual and cash flow information.
7. Prepare monthly bank reconciliations that compare adjusted bank balances to accounting records.

Finding 3 – The Board did not conduct an annual audit or ensure the Treasurer properly filed required annual reports.

The Board did not request financial records from the Treasurer for an annual audit during the audit period. In addition, although the Treasurer prepared a hard copy version of an AFR each fiscal year, he did not file it with OSC's AFR software and the Board did not review his version to ensure it was accurate and ensure that the Treasurer properly filed the AFR. We reviewed the hard copy version and determined that fiscal year 2022, 2023 and 2024 reports were inaccurate. For example, the Treasurer underreported December 31, 2023 and December 31, 2024 cash balances in the AFR by \$50,187 and \$76,644, respectively, because he used unreconciled cash balances and did not include reserved amounts. By not using the software, the Treasurer-prepared reports lacked automated validation that

helps ensure accurate reporting and timely information about the District's financial standing was not transparent for taxpayers and other interested parties.

The Treasurer told us that the records were always available upon request, however, the Chairman and all Commissioners indicated they received adequate information at monthly Board meetings. Had the Commissioners requested the Treasurer's records and compared them to supporting documentation (e.g., bank statements and reconciliations) and reports prepared by the Treasurer, they could have identified the variances in reported cash balances.

In addition, the Board did not ensure that the Treasurer filed the annual tax cap form each fiscal year. Although OSC sent an email to the Treasurer each fiscal year when the annual tax cap form was available for filing and to the Treasurer and Chairman when the form became delinquent, the Treasurer believed the annual tax cap reporting requirements applied only when the District would exceed the tax cap. Consequently, because District officials did not plan to exceed the tax cap, the Treasurer did not report the District's tax cap calculation for fiscal years 2024 and 2025. However, annually reporting the District's tax cap with OSC promotes transparency.

Recommendations

8. The Board should conduct an annual audit of the Treasurer's records and ensure that all required annual reports are properly filed.

The Treasurer should:

9. File the District's AFRs with OSC within 60 days of the end of the fiscal year in accordance with GML Section 30.
10. Report the District's tax cap calculation annually in accordance with GML Section 3-c.
11. Seek training opportunities to help comply with District requirements.

Finding 4 – The Board did not periodically review required policies.

While the Board adopted the required code of ethics, purchasing and investment policies, it did not periodically review the policies. For example, the District's investment policy was adopted in 1997 but not reviewed annually, as required. The Treasurer and Chairman told us the District has no investments and they were not aware the policy existed. As a result, the investment policy was not referred to or reviewed. In addition, the Board never reviewed or updated the code of ethics, adopted in 2014, and the Chairman and two Commissioners did not recall distributing the policy.

Although District officials located existing policies during the audit, the Board's lack of awareness, distribution and review of the policies prevented the communication and understanding of expectations for oversight and financial activities and increased the risk for potential errors or irregularities to occur without being identified or corrected.

Recommendation

12. The Board should review policies periodically and update them as needed to provide direction and guidance adequate to the District's needs.

Appendix A: Profile, Criteria and Resources

Profile

The District provides fire protection to the Towns of Johnsburg and Chester in Warren County and all its members are volunteers. The Chairman serves as the chief executive officer of the District.

The Treasurer is the chief fiscal officer and is responsible for receiving, disbursing and accounting for District funds, preparing financial reports and filing the District's AFR and tax cap form. As secretary, the Treasurer is responsible for preparing and maintaining Board meeting minutes.

The District had four bank accounts with a combined fiscal year-end balance averaging \$158,453 during the audit period.

Criteria – Board Oversight

A board of fire commissioners is responsible for the general management and control of a fire district's financial activities. Town Law Section 181 requires a board of fire commissioners to annually adopt a fire district budget, setting detailed estimates for revenues to be received and expenditures to be made during the fiscal year for which the budget is proposed. However, care must be taken to stay within a fire district's statutory spending limitation. Town Law Section 176 requires districts to annually calculate the fire district's statutory spending limitation to ensure that the fire district does not exceed the maximum amount which may be expended by the fire district without voter approval. A multiyear financial plan is a useful tool for a board of fire commissioners to determine 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 fire district residents regarding the fire district's long-term financial goals.

In addition, a board of fire commissioners should require its treasurer to prepare and provide it with monthly financial reports. Monthly reports should include a detailed statement of all money received and disbursed during the month, reconciled cash balances for all bank accounts and comparisons of actual revenues and expenditures to amounts estimated in the annual budget (budget status reports). Further, monthly bank reconciliations allow for the timely identification and documentation of differences between a fire district's accounting records and bank account balances. Bank reconciliations should also serve as an internal verification of cash receipt and disbursement transactions. As such, a board of fire commissioners should ensure monthly bank reconciliations are prepared for all bank accounts and, along with bank account statements, are provided to the board of fire commissioners for its review and approval.

A board of fire commissioners should also ensure that, as required by Town Law Section 177, a fire district's treasurer accounts for all money received and disbursed during the preceding fiscal year and produces all books, records, receipts, orders, vouchers and canceled checks (or check images). As part of its oversight responsibilities, and in the absence of an external audit, a board of fire commissioners should conduct an annual audit of the treasurer's records.

GML Section 30 requires a treasurer to prepare and file the fire district's AFR with OSC within 60 days after the end of each fiscal year. The AFR is an important fiscal tool that can provide a board of fire commissioners with necessary information to monitor fire district activities and provide taxpayers and other interested parties with a summary of fire district financial activities. In addition, to comply with GML Section 3-c, fire districts are required to report their tax cap calculation to OSC via an online reporting form to promote transparency.

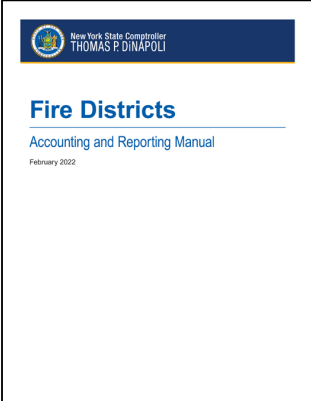
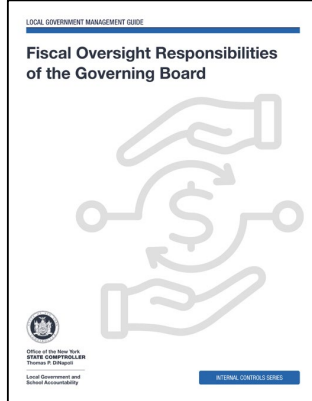
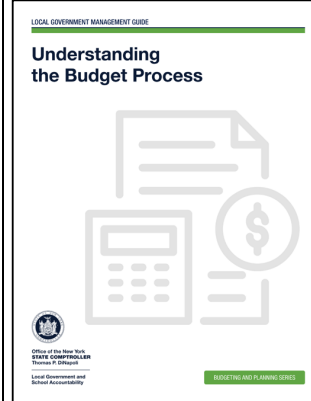
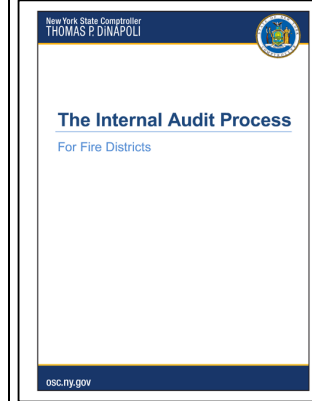
A board of fire commissioners is responsible for establishing a system of internal controls including policies required by law. When properly implemented, policies provide control procedures and guidelines for the fire district's activities. GML Section 806 requires a board of fire commissioners to adopt a code of ethics while GML Sections 39 and 104-b require a board of fire commissioners to adopt investment and purchasing policies, respectively. The code of ethics is required to be posted publicly and investment and purchasing policies are required to be reviewed annually by the board of fire commissioners.

The code of ethics should establish standards of conduct reasonably expected of officers and members. The investment policy should detail the fire district's policies and instructions regarding investing, monitoring and reporting fire district funds. Purchasing policies and procedures should be designed to address procuring goods and services that are not required to be competitively bid and to ensure that goods and services are procured prudently, economically and in a manner that is in the taxpayers' best interests and is not influenced by favoritism, extravagance, fraud or corruption.

Additional Board Oversight Resources

Figure 1: OSC Publications

OSC *Local Government Management Guides* and other publications available on our website to help officials understand and perform their responsibilities.

<i>Fire Districts' Accounting and Reporting Manual</i>	<i>Fiscal Oversight Responsibilities of the Governing Board</i>	<i>Understanding the Budget Process</i>	<i>The Internal Audit Process For Fire Districts</i>
 <p>The cover features the New York State Comptroller's logo and the title "Fire Districts Accounting and Reporting Manual" with the date "February 2022".</p>	 <p>The cover features the title "Fiscal Oversight Responsibilities of the Governing Board" and a graphic of hands holding a dollar sign. It is part of the "INTERNAL CONTROLS SERIES".</p>	 <p>The cover features the title "Understanding the Budget Process" and a graphic of a calculator and a dollar sign. It is part of the "BUDGETING AND PLANNING SERIES".</p>	 <p>The cover features the title "The Internal Audit Process For Fire Districts" and the OSC logo.</p>
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In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

Appendix B: Response From District Officials

North Creek Fire District

134 Main Street
North Creek, NY 12853

December 15, 2025

TO: Glens Falls Regional Office
Of Municipal Audits
Attn: Gary Gifford

RE: District Audit

Mr. Gifford:

The Board of Fire Commissioners (Board) is in receipt of the draft report concerning the audit of the finances and certain practices of the North Creek Fire District. We want to start by acknowledging the diligent efforts taken by the auditors assigned to this task. They were both excellent to work with, and we truly appreciate the information that they have provided. This information will serve to improve the functions of the district and fulfill the Board's obligations to our constituents.

We also want to take an opportunity to point out a few areas where the draft report seems to lack detail. First, every function and decision made by the Board is always done so in good faith and with the best intended outcome for the tax payer. While certain areas regarding financial records can be improved, it is very important to note that all funds are otherwise accounted for and any reserves are identified with purpose. Regular financial reviews did, in fact, take place and the Board will be more diligent in documenting these reviews in the future. Second, while a formal long-term financial planning document was not prepared, it is important to acknowledge that long term financial planning does indeed take place during public meetings. These discussions are referenced in meeting minutes. At least two meetings of the Board took place during the audit where long-term financial plans were discussed. We believe that not noting this in the report this is a fundamental oversight, as all of our decisions must take place at a public meeting.

Again, the Board is appreciative of the efforts that were put into this audit and generally agrees with the findings outlined in the report. A remedial action plan will be put into place to correct the items which were identified.

Respectfully,

Matthew Allen
Chairman, Board of Fire Commissioners
North Creek Fire District

CC: North Creek Fire District Board of Commissioners

See Note 1 Page 12

Appendix C: OSC Comment on the District's Response

Note 1

The audit team reviewed Board meeting minutes and noted the documentation did not outline the District's future needs and related financing, which are key components of a multiyear financial plan. While the Board minutes noted reserve balances, discussions of larger capital purchases and upcoming projects, the District would benefit by having a multiyear financial plan, as it would help guide officials as they develop future budgets and it would provide more transparency to District residents regarding the District's long-term financial goals.

Appendix D: Audit Methodology and Standards

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 reviewed available policies and Board meeting minutes to gain an understanding of the District's financial procedures and activities and determine what financial records and reports were prepared, provided and reviewed.
- We reviewed annual budgets for fiscal years 2022 through 2025 and compared estimated revenues to actual revenues and budgeted appropriations to actual expenditures to analyze the reasonableness of the budgets.
- We calculated the District's statutory spending limitation for fiscal years 2022 through 2024 and determined whether spending exceeded the limit.
- We reviewed all bank statements and Treasurer-prepared bank reconciliations for all four accounts. We also prepared year-end bank reconciliations for fiscal years 2022 through 2025, comparing reconciled cash balances to book balances to assess the reliability of the Treasurer's accounting records.
- We reviewed all available claims for fiscal years 2022 through 2025 to gain an understanding of the Board's claims auditing process and determine whether claims were supported by sufficient documentation, for appropriate District purposes and audited and approved before payment.
- We interviewed District officials and reviewed Board meeting minutes to determine whether the Board audited the Treasurer's records during the audit period.
- We reviewed annual reports to determine whether the Treasurer prepared and filed AFRs and tax cap forms with OSC in a timely manner.

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.

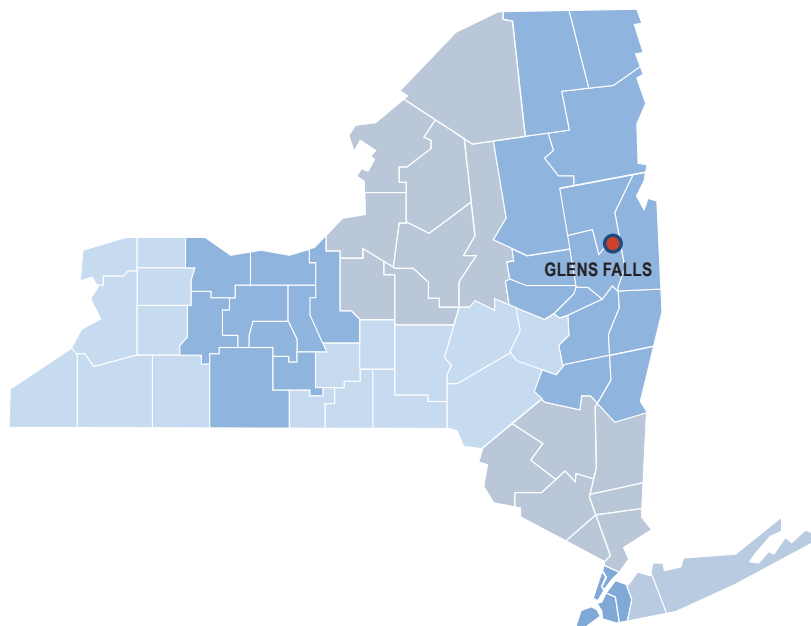
Contact

GLENS FALLS REGIONAL OFFICE – Gary G. Gifford, Chief of Municipal Audits

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