

FINANCIAL REPORT

ON FIRE DISTRICTS

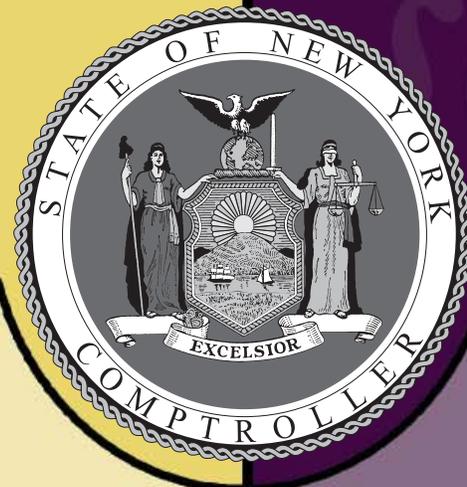
FISCAL YEARS ENDED 2005

OFFICE OF THE
NEW YORK STATE
COMPTROLLER

Thomas P. DiNapoli

AUGUST 2007

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is to improve
the condition
of local
governments
and the
communities
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Date of Issue: August 2007

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**FINANCIAL REPORT
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FISCAL YEARS ENDED 2005**



**OFFICE OF THE
NEW YORK STATE COMPTROLLER**

**Thomas P. DiNapoli
State Comptroller**

Overview

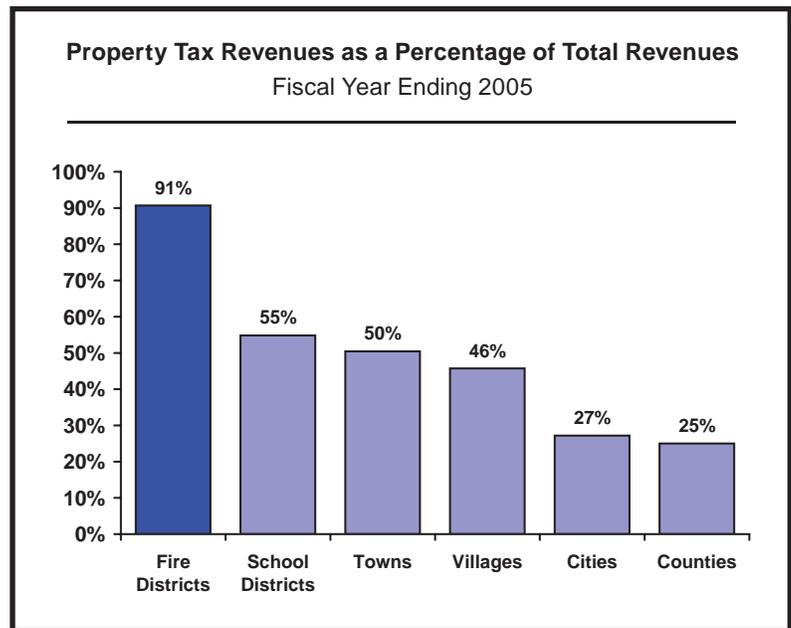
Fire protection is provided through two different mechanisms within towns – fire districts and fire protection districts.

Fire districts are autonomous public corporations, independent from the towns in which they are located, established for the primary purpose of providing fire protection and responding to certain other types of emergencies. In general, fire districts are governed by elected boards of fire commissioners¹ and have the authority to levy property taxes. In most cases, fire districts also have the authority to incur debt without approval from any other governmental entity².

Fire districts are often confused with fire protection districts – another mechanism used to provide fire protection in towns. Fire protection districts are administrative units of towns, not independent public corporations. Towns, on behalf of their fire protection districts, contract with fire companies, fire districts, cities or villages for the provision of fire protection and emergency services within the fire protection districts. The amounts paid under these contracts is assessed and levied on taxable property within the district at the same time and in the same manner as town taxes. All budgetary controls and financial reporting are handled by town governments and fire protection districts are not required to file separate financial reports with OSC.

As of 2005, there were 865 fire districts statewide³ which raised total revenues of \$545 million. Real property taxes are responsible for over 90 percent of fire district revenues. Compared to other classes of local government, fire districts rely heavily upon real property tax revenues. Total revenues have increased 61 percent from 1995 to 2005, with an average annual increase of 4.9 percent during that time period.

Current operations (salaries, benefits and contractual expenditures) are responsible for 62 percent of all spending in fire districts, with equipment and capital outlay (30 percent) and debt service (8 percent) making up the balance. This distribution of expenditures has been consistent over the past decade, and reflects the capital-intensive nature of providing fire protection and emergency medical services.



¹ In joint fire districts, fire commissioners can be appointed as well as elected.

² A mandatory referendum is required for a bond resolution or capital note resolution.

³ There are nine “dependent” fire districts that file with the towns in which they are located, raising the total number of fire districts to 874.

As a result, fire district debt levels have also been climbing steadily over the past decade. Total outstanding debt increased over 75 percent from 1995 to 2005, an average annual increase of 5.9 percent.

2006 Legislation Affecting Fire Districts

There will be a number of significant changes to how fire districts are managed with the passage of a group of bills in July 2006. The bills focus on training, travel, financial audits, public budget hearings, special elections, ethics and the establishment of capital reserve funds.

Training:

All new fire commissioners are required to complete training within 270 days of their first day of office. The training will cover legal, fiduciary, financial, procurement and ethical responsibilities.

Audits:

Fire districts with revenues of \$200,000 or more are required to receive an annual financial audit. Districts must use a competitive RFP process when contracting for annual audits, and no audit engagement shall be for a term longer than 5 years consecutively. The audit must include, but is not limited to, the district's financial conditions and resources. A copy of the audit must be given to fire commissioners, the town board(s) served by the fire district and OSC within 180 days of the end of the fiscal year audited.

Fire districts with revenues of less than \$200,000 must report the district's financial condition and resources on a form prescribed by OSC. A copy must be submitted to OSC within 180 days after the end of the fiscal year. For very small fire districts, OSC may designate a revenue amount below which no report is required.

Travel:

Two bills related to travel were signed into law. The first, chapter 236 of 2006, addresses the issue of travel by volunteer firefighters. If volunteers are traveling to attend training outside their county, they must get authorization from the governing board. If the training is outside the State, the chief officer must provide justification and provide proof of attendance to the Office for Fire Prevention and Control.

The second bill, Chapter 239 of 2006, which targets fire district commissioners, limits travel to conferences for official business only, requires travel to be authorized by the governing board and requires travelers to use a cost-effective method of travel.

Mileage reimbursement is limited to the federal income tax reporting level.

Public Budget Hearings:

Each fire district must now hold a public hearing on a newly designated statewide budget hearing day (the third Tuesday in October) to discuss the contents of the proposed budget. The meeting must be announced at least five days prior to the meeting in the newspaper, on the town signboard and on the town and fire district website(s), if such website(s) exist(s). The public is permitted to speak for or against the proposed budget.

After the public hearing, the fire district commissioners may make changes to the proposed budget, except that the board may not add or increase an appropriation to a capital reserve fund.

Public Notification of Hearings and Elections:

Notices of hearings and elections must be posted on the fire district website, if one exists, for at least 15 days prior to the hearing or election. Notices must also be posted on websites of the municipality or municipalities that the fire district serves, if such websites exist, for at least 15 days prior to the hearing or elections. All notices must inform voters of the time and location of the hearing or election, the officers to be elected, their terms of office and polling hours.

Capital Reserve Funds:

In an attempt to shed more light on how fire districts save and spend money, this law addresses how districts will establish and make expenditures from capital reserve funds. There are two types of capital reserve funds:

- “Specific” reserve funds are those which are established for a specific purpose – for example, the purchase of a new firehouse or a new truck.
- “Type” reserve funds are established with a general purpose (i.e. fire equipment) in mind, with specifics to be decided at a later date.

The establishment of a “specific” or “type” capital reserve fund is subject to a mandatory referendum. After the establishment of a “type” capital reserve fund, spending from such fund is subject to a permissive referendum.

Code of Ethics:

Each fire district board must adopt a code of ethics by June 1, 2007. The code applies to commissioners and volunteer firefighters, and must be posted in all fire district buildings. OSC is responsible for developing and making available a model code of ethics before June 1, 2007. The model code of ethics is available on the OSC website.

Length of Service Award Programs (LOSAPs):

LOSAPs are used by municipalities to provide pension-like benefits for volunteer firefighters and are considered to be a valuable tool to help attract and retain such volunteers.

Many municipalities currently have LOSAPs in place and the new legislation does not require that those programs be changed. However, a municipality may now choose to adopt a new State-administered program or transfer an existing program to the State for administration. OSC will be the administrator of the State plans.

Summary of Finances for Fire Districts – Fiscal Years Ended in 1995 and 2000 - 2005											
Fire Districts	1995	2000	2001	2002	2003	2004	2005	Percent Change		Average Annual Change	
								2000-2005	1995-2005	2000-2005	1995-2005
Number of Fire Districts*	858	866	867	871	868	872	874	0.9%	1.9%	0.2%	0.2%
INDEBTEDNESS DATA:											
Debt Issued:											
Bonds	\$20.1	\$18.4	\$34.0	\$28.5	\$27.5	\$36.7	\$30.3	64.7%	50.5%	10.5%	4.2%
Notes	\$12.5	\$20.9	\$19.0	\$15.9	\$19.7	\$21.5	\$14.6	-30.3%	16.7%	-7.0%	1.6%
Outstanding Debt:											
Bonds	\$115.8	\$144.9	\$162.0	\$170.4	\$176.2	\$212.5	\$222.4	53.5%	92.0%	9.0%	6.7%
Notes	\$21.7	\$25.0	\$25.6	\$30.0	\$36.8	\$23.9	\$20.4	-18.3%	-5.8%	-4.0%	-0.6%
TOTAL OUTSTANDING DEBT	\$137.5	\$169.9	\$187.6	\$200.4	\$213.0	\$236.4	\$242.8	42.9%	76.5%	7.4%	5.9%
REVENUES:											
Real Property Taxes	\$308.0	\$365.3	\$376.0	\$399.4	\$429.4	\$461.0	\$494.0	35.2%	60.4%	6.2%	4.8%
Other Revenues	\$30.7	\$49.2	\$39.6	\$36.1	\$38.9	\$39.8	\$50.8	3.1%	65.7%	0.6%	5.2%
TOTAL REVENUES	\$338.7	\$414.5	\$415.6	\$435.5	\$468.3	\$500.8	\$544.8	31.4%	60.9%	5.6%	4.9%
EXPENDITURES:											
Current Operations	\$217.2	\$251.3	\$259.9	\$274.7	\$303.8	\$323.1	\$353.6	40.7%	62.8%	7.1%	5.0%
Equipment and Capital Outlay	\$104.9	\$130.5	\$139.9	\$132.3	\$159.8	\$173.7	\$171.2	31.1%	63.2%	5.6%	5.0%
DEBT SERVICE:											
Principal	\$24.2	\$28.0	\$35.6	\$27.6	\$31.9	\$30.4	\$34.0	21.3%	40.2%	3.9%	3.4%
Interest	\$7.7	\$8.7	\$9.7	\$9.5	\$9.7	\$10.3	\$10.7	22.4%	37.8%	4.1%	3.3%
TOTAL DEBT SERVICE	\$32.0	\$36.7	\$45.2	\$37.2	\$41.6	\$40.7	\$44.6	21.6%	39.6%	4.0%	3.4%
TOTAL EXPENDITURES	\$354.0	\$418.5	\$445.1	\$444.1	\$505.2	\$537.5	\$569.5	36.1%	60.9%	6.4%	4.9%

* There are 9 "dependent" fire districts that file with the towns in which they are located

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