

FINANCIAL REPORT
ARLINGTON FIRE DISTRICT
December 31, 2010

Prepared for:

Board of Fire Commissioners
Arlington Fire District

Prepared by:

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Arlington Fire District
11 Burnett Boulevard
Poughkeepsie, NY 12603

We have audited the accompanying financial statements of the Arlington Fire District as of December 31, 2010 and for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note I C to the financial statements, these financial statements were prepared on the basis of accounting prescribed by New York State for the preparation of the Fire District's annual financial report, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Arlington Fire District as of December 31, 2010, and the results of its operations for the year then ended, in conformity with the basis of accounting described in Note I C.

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 22, 2011, on our consideration of Arlington Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Fire District Questionnaire included on page 13 is not a required part of the basic financial statements, but is supplementary information required by the New York State Office of the State Comptroller. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Vanacore, DeBenedictus, DiGiovanni & Weddell, CPAs
Limited Liability Partnership

Newburgh, NY
June 22, 2011

ARLINGTON FIRE DISTRICT

**BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS**

As of December 31, 2010	Governmental Fund Type	Fiduciary Fund Type	Account Groups
ASSETS AND OTHER DEBITS	General	Agency	General Fixed Assets
Assets:			
Cash	\$ 4,625,077	\$ -	\$ -
Petty Cash	250	-	-
Cash, Special Reserves	6,058	-	-
Cash in Time Deposits, Special Reserves	20,269	-	-
Service Award Program Assets (Note II A)	-	2,160,877	-
Due from General Fund	4,118,945	-	-
Capital Assets (Note II C)	-	-	7,565,140
Total Assets and Other Debits	\$ 8,770,599	\$ 2,160,877	\$ 7,565,140

LIABILITIES, FUND EQUITY AND OTHER CREDITS

Liabilities:			
Accounts Payable	\$ 535,449	\$ -	\$ -
Accrued Liabilities	52,566	-	-
Due to Reserve Fund	4,118,945	-	-
Agency Liabilities	-	2,160,877	-
Total Liabilities	4,706,960	2,160,877	-
Fund Equity and Other Credits:			
Investments in Non-Current Government Assets	-	-	7,565,140
Capital Reserve	4,145,272	-	-
Unreserved Fund Balance Unappropriated	(81,633)	-	-
Total Fund Equity and Other Credits	4,063,639	-	7,565,140
Total Liabilities, Fund Equity and Other Credits	\$ 8,770,599	\$ 2,160,877	\$ 7,565,140

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RESULTS OF OPERATION AND CHANGES IN FUND EQUITY GOVERNMENTAL FUNDS

For the Year Ended December 31, 2010	General
Revenues:	
Real Property Taxes	\$15,081,300
Payments in Lieu of Taxes	59,828
Interest and Earnings	40,307
Sales of Equipment	12,900
Insurance Recoveries	47,683
Gifts and Donations	2,803
Unclassified	944
Federal Aid - Other Public Safety	57,420
Total Detail Revenue	15,303,185
Expenditures:	
Fire - Personal Service	7,660,930
Fire - Equipment and Capital Outlay	1,842,668
Fire - Contractual Expenditures	1,054,359
Firemen Retirement	1,515,581
Local Pension Fund	124,495
Social Security - Employer Contributions	552,259
Workers Compensation	319,160
Life Insurance	27,632
Hospital and Medical Insurance	1,817,072
Payment of MTA Payroll Tax	25,350
Total Detail Expenditures	14,939,506
Other Financing Sources/(Uses)	
Interfund Transfers In	2,095,182
Interfund Transfers Out	(2,095,182)
Total Detail Other Financing Sources/(Uses)	-
Changes in Fund Equity	363,679
Fund Equity - Beginning	4,175,088
Prior Period Adjustment (Note II E)	(475,128)
Restated Fund Equity - Beginning	3,699,960
Fund Equity - Ending	\$ 4,063,639

See Independent Auditor's Report and Notes to Financial Statements.

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**BUDGETARY COMPARISON STATEMENT
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2010	Budgeted Amounts	Actual Amounts OCBOA Basis	Variance with Budget Positive/(Negative)
GENERAL			
Revenues:			
Real Property Taxes	\$ 15,081,300	\$ 15,081,300	\$ -
Payments in Lieu of Taxes	50,000	59,828	9,828
Interest and Earnings	35,000	40,267	5,267
Sales of Equipment	-	12,900	12,900
Insurance Recoveries	-	47,683	47,683
Gifts and Donations	-	2,803	2,803
Unclassified	-	944	944
Federal Aid - Other Public Safety	-	57,420	57,420
Total Detail Revenue	15,166,300	15,303,145	136,845
Expenditures:			
Fire - Personal Service	8,179,100	7,660,930	518,170
Fire - Equipment and Capital Outlay	-	1,842,668	(1,842,668)
Fire - Contractual Expenditures	1,344,400	1,054,359	290,041
Firemen Retirement	1,550,000	1,515,581	34,419
Local Pension Fund	125,000	124,495	505
Social Security - Employer Contributions	669,800	552,259	117,541
Workers Compensation	304,000	319,160	(15,160)
Life Insurance	28,000	27,632	368
Hospital and Medical Insurance	2,566,000	1,817,072	748,928
Payment of MTA Payroll Tax	-	25,350	(25,350)
Total Detail Expenditures	14,766,300	14,939,506	(173,206)
Other Financing (Uses)			
Interfund Transfers Out	(400,000)	(2,095,182)	(1,695,182)
Changes in Fund Equity	-	(1,731,543)	(1,731,543)
General Fund Equity - Beginning	2,125,038	2,125,038	-
General Fund - Prior Period Adjustment (Note II E)	(475,128)	(475,128)	-
Restated General Fund Equity - Beginning	1,649,910	1,649,910	-
General Fund Equity - Ending	\$ 1,649,910	\$ (81,633)	\$ (1,731,543)
RESERVE			
Revenues:			
Interest and Earnings	\$ -	\$ 40	\$ 40
Other Financing Sources			
Interfund Transfers In	400,000	2,095,182	1,695,182
Changes in Fund Equity	400,000	2,095,222	1,695,222
Reserve Fund Equity - Beginning	2,050,050	2,050,050	-
Reserve Fund Equity - Ending	\$ 2,450,050	\$ 4,145,272	\$ 1,695,222

See Independent Auditor's Report and Notes to Financial Statements.

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NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Arlington Fire District (“the District”) was established in the early 1920's and is governed by the general laws of the State of New York (“the State”). The Board of Commissioners is the legislative body responsible for overall operations.

The notes to the financial statements are an integral part of the statements and are intended to be read with them.

A. ENTITY DEFINITION CRITERIA FOR FINANCIAL REPORTING PURPOSES

All activities and functions performed for the Arlington Fire District are its direct responsibility. No other organizations have been included or excluded from the reporting entity. The financial reporting entity includes organizations, functions and activities over which elected officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management and accountability for fiscal matters.

B. FUND ACCOUNTING

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain types of functions or activities.

The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds are grouped by type in the financial statements. The following fund types and account groups are used by the District.

1. FUND TYPES:

- a. Governmental Fund Types - are those through which most general functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.
 - i. General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.
 - ii. Reserve Fund - The Reserve Fund is designed to segregate resources to provide for future contingencies and plan for major capital outlays, thereby reducing the need to rely on borrowing or outlays of current revenue to finance such events. For financial reporting purposes, the Reserve Fund is included in the General Fund.
- b. Fiduciary Fund Types - are used to account for assets held by the District in a trustee or custodial capacity.
 - i. Agency Fund - The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

2. ACCOUNT GROUPS:

Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

- a. General Fixed Asset Account Group - This account group is established to account for the land, buildings, improvements and other equipment utilized by the District for general operating purposes.

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- b. General Long-Term Debt Account Group - This account group would be established to account for all long-term obligations of the District. It accounts for assets presently available for retirement of such indebtedness and the amount to be raised in future years to retire those debt obligations. Long-term financing entered into by the District would be recorded here.

C. BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The financial statements were prepared on the New York State System of Accounts basis of accounting for the Fire District annual financial report, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Basis of accounting refers to when revenues, expenditures and transfers - and the related assets and liabilities - are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Measurement focus is the determination of what should be measured. All Governmental Funds are accounted for on a spending or "financial flow" measurement focus.

This measurement focus means that only current assets and current liabilities are generally included on their balance sheets. Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Real property taxes are recognized as revenue during the corresponding tax year. The taxes are collected in full during the period earned; therefore, no receivable is necessary. Penalties and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which are recognized when due, and any service or payroll related taxes, fringes and benefits, which vest or accumulate, which are charged as an expenditure when paid or when they are to be paid with currently available resources.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

D. BUDGETARY DATA

The District's budget policies are as follows:

1. No later than October 5th, the treasurer submits a tentative budget to the Board of Commissioners for the fiscal year commencing the following January 1st. The tentative budget includes proposed expenditures and estimated revenues as the means of financing for all funds.
2. After public hearings are conducted to obtain taxpayers comments, but no later than Thursday after the election date, the governing body adopts the budget. Certified copies are filed with the tax roll coordinator no later than November 25th for purposes of preparing the tax levy.
3. All modifications of the budget must be approved by the Board of Commissioners.

E. ASSETS, LIABILITIES AND FUND EQUITY

Cash

"Cash" includes (1) cash on hand (2) cash in demand deposits and (3) other types of deposits and accounts that have the same characteristics as demand deposits (deposits or withdrawals may be made at any time without notice or penalty).

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Arlington Fire District's investment policies are governed by State Statutes. In addition, the District has its own written investment policy. District monies shall be deposited in FDIC insured commercial banks located within the State of New York. The Fire Commissioners are authorized to use demand accounts and certificates of deposit. Collateral is required for demand deposits and certificates of deposit at 102 percent of all deposits not covered by FDIC. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its Municipalities and School Districts.

Deposits: All deposits are carried at cost plus accrued interest. FDIC insurance is unlimited for demand deposits and covers up to \$250,000 per bank for time deposits. Deposits with a bank balance of \$4,753,032 are categorized as follows to give an indication of the level of risk inherent therein at year-end.

Category 1 includes deposits that are insured by the Federal Deposit Insurance Corporation (FDIC). Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or its agent in the District's name. Category 3 includes deposits uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the District's name.

	Bank Balance Categories			Totals
	<u>1</u>	<u>2</u>	<u>3</u>	
Cash and cash equivalents in banks	\$ 1,069,329	\$ 3,683,703	\$ -	\$ 4,753,032

Property Tax Receivables

Real property taxes are collected by the Town of Poughkeepsie and remitted to the District. No receivable is generated because the Town remits the entire amount due to the District during the tax year.

Capital Assets

Acquisitions of land, capital facilities and equipment are recorded as expenditures in the various Governmental Funds at the time of purchase and are also recorded in the General Fixed Asset Account Group at cost. No depreciation has been provided on general fixed assets.

The District has not maintained historical cost records for some of its capital asset inventory. Due to this lack of cost basis information, the District has valued their land and certain equipment using the estimated historical cost of the capital asset calculated by back-trending.

Fund Equity - Reserves

Portions of fund equity are segregated for future use and are, therefore, not available for future appropriation or expenditure.

F. REVENUES AND EXPENDITURES

Property Tax Revenue Recognition

District property tax revenues are recognized when received from the Town.

G. Pervasiveness of Estimates

The preparation of financial statements in conformity with the New York State System of Accounts basis of accounting described in Note I C requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

H. RELATED PARTY

During the year ended December 31, 2010, the District purchased \$73,025 of internet technology services from a business owned by the spouse of one of the Commissioners.

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I. SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2010, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is June 22, 2011, which is the date the financial statements were available to be issued.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. LENGTH OF SERVICE AWARD PROGRAM

The information contained in this note is based on information for the Arlington Fire District Service Award Program for the program year ended December 31, 2009, which is the most recent program year for which complete information is available. Penflex, Inc. provided a valuation packet for the calendar year ended December 31, 2010 for the purposes of completing the audit. Information from that report is also contained within this footnote.

The Arlington Fire District established a defined benefit Service Award Program (referred to as a "LOSAP" - length of service award program - under Section 457(e)(11) of the Internal Revenue Code) effective January 1, 1992 for the active volunteer firefighter members of the Arlington Fire District. The program was established pursuant to Article 11-A of the New York State General Municipal Law. The program provides municipally-funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The Arlington Fire District is the sponsor of the program and Penflex, Inc. (Penflex) is the program administrator.

Under the program, participating volunteers begin to be paid a service award upon attainment of the program "entitlement age". The amount of the service award paid to a volunteer is based upon the number of years of service credit the volunteer earned under the program for performing active volunteer firefighter activities.

Participation, Vesting and Service Credit

Active volunteer firefighters who have reached the age of 16 and have earned one year of service award program service credit are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five (5) years of firefighting service or upon attaining the program's entitlement age while an active volunteer. The program's entitlement age is age 60. An active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain firefighter activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five (5) years of active volunteer firefighting service rendered prior to the establishment of the program as an active volunteer firefighter member of the Arlington Fire District.

Benefits

A participant's service award benefit is paid as a ten year certain and continuous monthly payment life annuity. The amount payable each month equals \$20 multiplied by the total number of years of service credit earned by the volunteer under the point system. The maximum number of years of service credit a participant may earn is 40 years under the program.

Currently, there are no other forms of payment of a volunteer's earned service award under the Program. Except in the case of death or total and permanent disablement, service awards commence to be paid when a participant attains the entitlement age. Volunteers who continue to be active after attaining the entitlement age and beginning to be paid a service award continue to have the opportunity to earn program credit and to thereby increase their service award payments. The program provides death and disability benefits equal to the greater of \$10,000 or the actuarial value of the participant's earned service award at the time of death or disablement. The program does not provide extra line-of-duty death or disability benefits. All death and disability benefits are "self insured" and are paid from the program trust fund.

For a complete explanation of the program, a copy of the Program Document is available from the Fire District Secretary.

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For program cost calculation purposes, all pre-entitlement age active volunteer firefighter participants are assumed to: survive to the entitlement age; remain active and earn 50 points each year; and begin to be paid service awards upon attainment of the entitlement age.

The following information was compiled for 2010 and is not part of the December 31, 2009 Penflex report.

Receipts and Disbursements

Plan Net Assets, January 1, 2010	\$	1,954,396
Changes during the year:		
Plan Contributions Receivable		124,000
Investment Income Earned		95,552
Changes in Fair Market Value of Investments		77,116
Investment Expense		(12,464)
Administrative Expense - Comerica		(998)
Administrative Expense - Penflex		(5,205)
Benefits Paid		(71,520)
		<u> </u>
Plan Net Assets, December 31, 2010	\$	<u>2,160,877</u>

Contributions

Amount of Fire District's contribution recommended by actuary:	\$	92,001
Amount of Fire District's actual contribution:	\$	124,000

B. PENSION PLANS

The District participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). These are cost sharing multiple-employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

Plan Description

The New York State ERS and PFRS provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York Retirement and Social Security Law. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policies

Employees are not required to contribute to the PFRS. The ERS is contributory (3%) except for employees who joined the System before July 27, 1976. Employees who joined the System after July 27, 1976 and have been members of the System for at least ten years, or have at least ten years of credited service, are also not required to contribute 3% of their salaries.

The District is required to contribute at an actuarially determined rate. The required contributions for the year ended December 31, 2010 were \$1,209,689 and \$23,333 for PFRS and ERS, respectively. The District's contributions made to the Systems were equal to 100% of the contributions required for 2010.

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C. ASSETS

Capital Assets:

Property, Buildings and Equipment -- A summary of changes in the general fixed assets during fiscal year 2010 follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings	\$ 2,008,975	\$ -	\$ -	\$ 2,008,975
Machinery and Equipment	3,888,572	1,686,700	(19,107)	5,556,165
Total Capital Assets	<u>\$ 5,897,547</u>	<u>\$ 1,686,700</u>	<u>\$ (19,107)</u>	<u>\$ 7,565,140</u>

D. LEASE COMMITMENTS

The District had multiyear lease agreements with Rochdale Fire Company #1 and Croft Corners Fire Company, Inc. expiring on December 31, 2010. The agreements state the rental obligation for 2010 was \$84,727 for the use of 4,888 total square feet of space. The District is currently negotiating new lease agreements.

E. PRIOR PERIOD ADJUSTMENT

In accordance with the modified accrual basis of accounting the District has opted to no longer record prepaid insurance. As a result, the prior period's fund equity was restated.



**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Fire Commissioners
Arlington Fire District
11 Burnett Boulevard
Poughkeepsie, NY 12603

We have audited the financial statements of the Arlington Fire District as of and for the year ended December 31, 2010, and have issued our report thereon dated June 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Arlington Fire District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Arlington Fire District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Arlington Fire District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arlington Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we have reported to management of the District in a separate letter dated June 22, 2011.

This report is intended solely for the information and use of the Board of Fire Commissioners and management and is not intended to be, and should not be, used by anyone other than those specified parties.

Vanacore, DeBenedictus, DiGiovanni & Weddell, CPAs
Limited Liability Partnership

Newburgh, NY
June 22, 2011

**SCHEDULE OF
FINDINGS**

A. Internal Control Findings

No internal control findings noted.

B. Compliance Findings

No compliance findings noted.