

Greenville Fire District, New York

Financial Statements
With Independent Auditors' Report

December 31, 2011

Greenville Fire District, New York

Financial Statements With Independent Auditors' Report

December 31, 2011

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Independent Auditors' Report

Board of Fire Commissioners Greenville Fire District, New York

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Greenville Fire District, New York (the "District") as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Greenville Fire District, New York as of December 31, 2011 and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 2012 on our consideration of the District's internal control over financial reporting and 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 provide an opinion on 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.

O'CONNOR DAVIES, LLP

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress – Other Post Employment Benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

O'Connor Davies, LLP

Harrison, New York
May 31, 2012

**Greenville Fire District, New York
Management's Discussion and Analysis
December 31, 2011**

Introduction

This discussion and analysis of Greenville Fire District, New York's (the "District") financial statements provides an overview of the financial activities of Greenville Fire District, New York, for the year ended December 31, 2011. Please read it in conjunction with the basic financial statements and the accompanying notes to those statements that follow this section.

It is important to note for this year's financial statement presentation that the Governmental Accounting Standards Board ("GASB") issued its Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in February 2009. The requirements of GASB Statement No. 54 are effective for financial statements for the District's fiscal period ending December 31, 2011; therefore they are introduced in this report for the first time. GASB Statement No. 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications: nonspendable, restricted, committed, assigned and unassigned. An explanation of these classifications follows below.

Nonspendable – consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, and long-term portions of loans receivable, financial assets held for resale and principal of endowments.

Restricted – consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – consists of amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint.

Assigned – consists of amounts that are subject to a purpose constraint that represents an intended use established by the District's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

Unassigned – represents the residual classification for the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

These changes were made to reflect spending constraints on resources, rather than availability for appropriations and to bring greater clarity and consistency to fund balance reporting. This pronouncement should result in an improvement in the usefulness of fund balance information.

Financial Highlights for Fiscal Year 2011

- On the government-wide financial statements, the assets of the District exceeded its liabilities at the close of fiscal year 2011 by \$2,471,827. Of this amount, the unrestricted net assets are (\$998,524).
- As of the close of the current fiscal year, the District's General Fund reported an ending fund balance of \$2,438,895, an increase of \$46,084 from fiscal year 2010. Of this amount, the unassigned fund balance is \$600,865.
- A tax anticipation note in the amount of \$1,000,000 was issued and retired in fiscal 2011.

Overview of the Financial Statements

The District's financial statements are composed of this Management Discussion and Analysis ("MD&A") and the basic financial statements. This discussion and analysis serves as an introduction to the basic financial statements. The MD&A provides analysis and overview of the District's financial activities. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes other supplementary information as listed in the table of contents.

Government-Wide Financial Statements

The *government-wide financial statements* are presented in a manner similar to private-sector business financial statements. The statements are prepared using the accrual basis of accounting. The government-wide financial statements include two statements: Statement of Net Assets and Statement of Activities.

The *Statement of Net Assets* presents the District's total assets and liabilities with the difference reported as net assets. Over time, increases or decreases in the net assets may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing the change in the District's net assets during the current fiscal year. All revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods such as earned but unused vacation leave. The focus of this statement is on the net cost of providing various services to the citizens of the District.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues ("*governmental activities*"). The governmental activities of the District include general government support, public safety and interest.

Fund Financial Statements

A fund is an accounting entity with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in an individual fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements.

Governmental Funds: The services provided by the District are financed and accounted for through governmental funds. Governmental fund financial statements focus on current inflows and outflows of spendable resources as well as the available balances of these resources at the end of the fiscal year. This information is useful in determining the District's financing requirements for the subsequent fiscal period. Governmental funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. From this comparison, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance, provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District has one governmental fund: The General Fund, which is reported as a major fund on the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance.

The District adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the respective budget.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found following the basic financial statements section of this report.

Other Information

Additional statements and schedules can be found immediately following the notes to the financial statements. These include schedules of budget to actual comparisons.

Government-Wide Financial Analysis

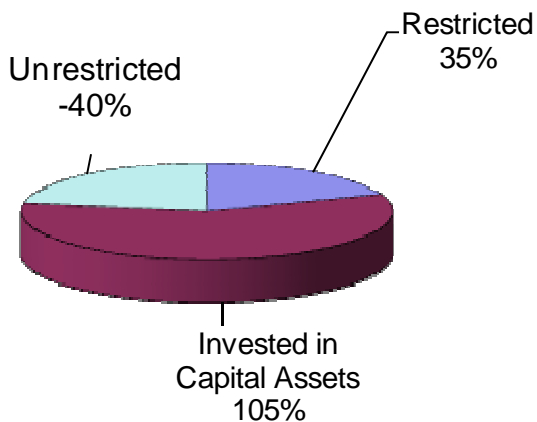
The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$2,471,827 for fiscal year 2011, a net decrease of \$955,668 from 2010.

The following table reflects the condensed Statement of Net Assets as of December 31:

| | Net Assets | |
|----------------------------|---------------------|---------------------|
| | <u>2011</u> | <u>2010</u> |
| Current assets | \$ 2,619,483 | \$ 2,530,699 |
| Capital assets, net | <u>2,600,393</u> | <u>2,769,855</u> |
| Total Assets | <u>5,219,876</u> | <u>5,300,554</u> |
| Current liabilities | 323,120 | 145,586 |
| Long-term liabilities | <u>2,424,929</u> | <u>1,727,473</u> |
| Total Liabilities | <u>2,748,049</u> | <u>1,873,059</u> |
| Net assets | | |
| Invested in capital assets | 2,600,393 | 2,769,855 |
| Restricted | 869,958 | 801,891 |
| Unrestricted | <u>(998,524)</u> | <u>(144,251)</u> |
| Total Net Assets | <u>\$ 2,471,827</u> | <u>\$ 3,427,495</u> |

Net Asset Distribution



The largest component of the District's net assets is invested in capital assets of \$2,600,393, which reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its citizens and consequently, these assets are not available for future spending. The District currently has no debt outstanding.

The restricted net assets of \$869,958, or 35%, represent resources that are subject to external restrictions on their use. The restrictions are for apparatus, repairs and future contributions to the State Retirement Systems.

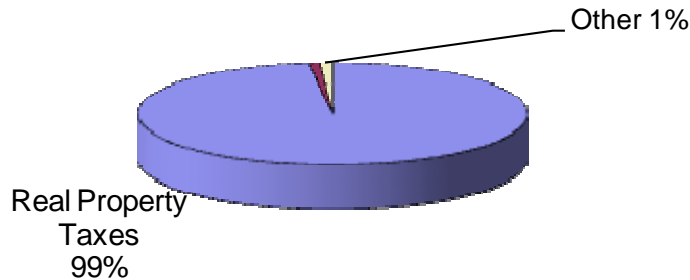
The remaining balance is (\$998,524).

**Changes in Net Assets
Years Ended December 31,**

| | 2011 | 2010 |
|------------------------------------|--------------|--------------|
| Program Revenues | | |
| Charges for services | \$ 9,123 | \$ 19,625 |
| Operating grants and contributions | 1,377 | 22,007 |
| General Revenues | | |
| Real Property Taxes | 7,228,046 | 7,170,210 |
| Use of money and property | 6,923 | 14,652 |
| Miscellaneous | 1,180 | 5,345 |
| Total Revenues | 7,246,649 | 7,231,839 |
| Program Expenses | | |
| General Government Support | 144,595 | 138,301 |
| Public Safety | 8,056,247 | 7,429,694 |
| Interest | 1,475 | 996 |
| Total Expenses | 8,202,317 | 7,568,991 |
| Change in Net Assets | (955,668) | (337,152) |
| Net Assets - Beginning | 3,427,495 | 3,764,647 |
| Net Assets - Ending | \$ 2,471,827 | \$ 3,427,495 |

There were no significant increases in revenues in 2011. The increase in Public Safety expenses of \$626,553 can be attributed to salary increases, NYS retirement expense and increases in health insurance rates in 2011.

Sources of General Revenues for Fiscal Year 2011 Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$2,438,895, an increase of \$46,084 from 2010. Of the total combined fund balance, \$600,865 constitutes unassigned fund balance. The remainder of the fund balance is either nonspendable, restricted, committed or assigned. Nonspendable fund balance represents prepaid expenditures. Restricted fund balance is for property, repairs and retirement contributions. Committed fund balance is for tax stabilization. Assigned fund balance represents amounts designated for use in the subsequent year's budget.

The General Fund is the primary operating fund of the District. The fund balance of the General Fund was \$2,438,895 of which \$600,865 was unassigned.

Capital Assets

The District's investment in capital assets for its governmental activities as of December 31, 2011, amounted to approximately \$2.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and machinery and equipment.

Capital Assets (Net of Accumulated Depreciation)

| | <u>2011</u> | <u>2010</u> |
|---------------------------|---------------------|---------------------|
| Land | \$ 100,000 | \$ 100,000 |
| Building and improvements | 1,732,939 | 1,803,836 |
| Machinery and equipment | <u>767,454</u> | <u>866,019</u> |
| Total | <u>\$ 2,600,393</u> | <u>\$ 2,769,855</u> |

Additional information on the District's capital assets can be found in Note 4 of this report.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lisa Dinon, Secretary/Treasurer, Greenville Fire District, 711 Central Park Avenue, Scarsdale, New York 10583.

Greenville Fire District, New York

Statement of Net Assets

December 31, 2011

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 2,337,853 |
| Receivables - | |
| Other | 2,825 |
| Prepaid expenses | 278,805 |
| Capital assets: | |
| Not being depreciated | 100,000 |
| Being depreciated, net | <u>2,500,393</u> |
| Total Assets | <u>5,219,876</u> |
| LIABILITIES | |
| Accounts payable and accrued liabilities | 323,120 |
| Non current liabilities: | |
| Due within one year | 34,000 |
| Due in more than one year | <u>2,390,929</u> |
| Total Liabilities | <u>2,748,049</u> |
| NET ASSETS | |
| Invested in capital assets | 2,600,393 |
| Restricted for apparatus | 218,520 |
| Restricted for repairs | 61,321 |
| Restricted for retirement | 590,117 |
| Unrestricted | <u>(998,524)</u> |
| Total Net Assets | <u>\$ 2,471,827</u> |

Greenville Fire District, New York

Statement of Activities

Year Ended December 31, 2011

| Functions/Programs | Expenses | Program Revenue | | Net (Expenses) |
|-------------------------------|---------------------|----------------------|------------------|-----------------------------------|
| | | Charges for Services | Operating Grants | Revenue and Changes in Net Assets |
| | | | | Governmental Activities |
| Governmental activities: | | | | |
| General government support | \$ 144,595 | \$ - | \$ - | \$ (144,595) |
| Public safety | 8,056,247 | 9,123 | 1,377 | (8,045,747) |
| Interest | <u>1,475</u> | <u>-</u> | <u>-</u> | <u>(1,475)</u> |
| Total Governmental Activities | <u>\$ 8,202,317</u> | <u>\$ 9,123</u> | <u>\$ 1,377</u> | <u>(8,191,817)</u> |
| General Revenues | | | | |
| Real property taxes | | | | 7,228,046 |
| Use of money and property | | | | 6,923 |
| Miscellaneous | | | | <u>1,180</u> |
| Total General Revenues | | | | <u>7,236,149</u> |
| Change in Net Assets | | | | (955,668) |
| Net Assets | | | | |
| Beginning of year | | | | <u>3,427,495</u> |
| End of year | | | | <u>\$ 2,471,827</u> |

Greenville Fire District, New York

Balance Sheet

General Fund

December 31, 2011

ASSETS

| | |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ 2,337,853 |
| Other receivable | 2,825 |
| Prepaid expenditures | <u>278,805</u> |
| | <u>\$ 2,619,483</u> |

LIABILITIES AND FUND BALANCE

| | |
|--|-------------------|
| Liabilities | |
| Accounts payable and accrued liabilities | \$ <u>180,588</u> |
| Fund Balance | |
| Nonspendable | 278,805 |
| Restricted | 869,958 |
| Committed | 281,167 |
| Assigned | 408,100 |
| Unassigned | <u>600,865</u> |
| Total Fund Balance | 2,438,895 |

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 2,600,393

Long-term and other liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued liabilities (142,532)
Compensated absences (339,362)
Other post employment benefit obligations payable (2,085,567)

Net Assets of Governmental Activities \$ 2,471,827

Greenville Fire District, New York

Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund

Year Ended December 31, 2011

REVENUES

| | |
|--|------------------|
| Real property taxes | \$ 7,228,046 |
| Use of money and property | 8,300 |
| Sale of property and compensation for loss | 9,123 |
| Miscellaneous | <u>1,180</u> |
| Total Revenues | <u>7,246,649</u> |

EXPENDITURES

| | |
|----------------------------|------------------|
| General government support | 144,595 |
| Public safety | 4,886,789 |
| Employee benefits | 2,167,706 |
| Debt service - interest | <u>1,475</u> |
| Total Expenditures | <u>7,200,565</u> |

| | |
|--|--------|
| Excess of Revenues Over Expenditures and Change in Fund Balance | 46,084 |
|--|--------|

FUND BALANCE

| | |
|-------------------|---------------------|
| Beginning of Year | <u>2,392,811</u> |
| End of Year | <u>\$ 2,438,895</u> |

Greenville Fire District, New York

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of General Fund
to the Statement of Activities

Year Ended December 31, 2011

Amounts Reported for Governmental Activities in the Statement of Activities are different because:

| | |
|---|---------------------|
| Net Change in Fund Balances - Total Governmental Funds | <u>\$ 46,084</u> |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | |
| Depreciation expense | <u>(169,462)</u> |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | |
| Accrued liabilities | (134,834) |
| Compensated absences | (4,659) |
| Other post employment benefit obligations | <u>(692,797)</u> |
| | <u>(832,290)</u> |
| Change in Net Assets of Governmental Activities | <u>\$ (955,668)</u> |

Greenville Fire District, New York

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund

Year Ended December 31, 2011

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|------------------|---------------------|---|
| REVENUES | | | | |
| Real property taxes | \$ 7,228,046 | \$ 7,228,046 | \$ 7,228,046 | \$ - |
| Use of money and property | 25,000 | 25,000 | 8,300 | (16,700) |
| Sale of property and compensation for loss | - | - | 9,123 | 9,123 |
| Miscellaneous | <u>10,100</u> | <u>10,100</u> | <u>1,180</u> | <u>(8,920)</u> |
| Total Revenues | <u>7,263,146</u> | <u>7,263,146</u> | <u>7,246,649</u> | <u>(16,497)</u> |
| EXPENDITURES | | | | |
| General government support | 152,400 | 167,400 | 144,595 | 22,805 |
| Public safety | 4,974,121 | 4,994,621 | 4,886,789 | 107,832 |
| Employee benefits | 2,351,625 | 2,324,650 | 2,167,706 | 156,944 |
| Debt service - interest | <u>10,000</u> | <u>1,475</u> | <u>1,475</u> | <u>-</u> |
| Total Expenditures | <u>7,488,146</u> | <u>7,488,146</u> | <u>7,200,565</u> | <u>287,581</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (225,000) | (225,000) | 46,084 | 271,084 |
| FUND BALANCE | | | | |
| Beginning of year | <u>225,000</u> | <u>225,000</u> | <u>2,392,811</u> | <u>2,167,811</u> |
| End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,438,895</u> | <u>\$ 2,438,895</u> |

Greenville Fire District, New York
Statement of Assets and Liabilities
Fiduciary Fund
Private Purpose Trust Fund - Service Awards Program
December 31, 2011

ASSETS

Investments

\$ 301,782

NET ASSETS

Held in trust for pension benefits

\$ 301,782

Greenville Fire District, New York
Statement of Changes in Net Assets
Fiduciary Fund
Private Purpose Trust Fund - Service Awards Program
Year Ended December 31, 2011

ADDITIONS

| | |
|------------------------------|---------------|
| Pension contributions | \$ 13,210 |
| Interest and dividend income | <u>12,120</u> |
| Total Additions | <u>25,330</u> |

DEDUCTIONS

| | |
|---------------------|---------------|
| Benefit payment | 16,211 |
| Administrative fees | 952 |
| Insurance premiums | <u>3,038</u> |
| Total Deductions | <u>20,201</u> |

| | |
|----------------------|-------|
| Change in Net Assets | 5,129 |
|----------------------|-------|

NET ASSETS

| | |
|-------------------|-------------------|
| Beginning of Year | <u>296,653</u> |
| End of Year | <u>\$ 301,782</u> |

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

1. Organization

Greenville Fire District, New York (the "District") operates in accordance with various applicable laws of the State of New York. The Board of Fire Commissioners is the body responsible for the overall operation of the District. The members of the Board are elected by the taxpayers of the District. The primary function of the District is to provide fire protection, emergency medical and rescue services to residents of the District.

2. Summary of Significant Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the District's more significant accounting policies:

Financial Reporting Entity

The financial reporting entity consists of the primary government which is the District, organizations for which the District is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the District's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all non-fiduciary activities of the District as a whole. The effect of interfund activity has been removed from these statements.

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

2. Summary of Significant Accounting Policies *(continued)*

Government-Wide Financial Statements (continued)

The Statement of Net Assets presents the financial position of the District at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The District does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The District maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the statements or the page following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation. The District's resources are reflected in the fund financial statements in two generic fund types within one broad fund category, in accordance with generally accepted accounting principles as follows:

Fund Categories

Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following is the District's governmental fund:

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

2. Summary of Significant Accounting Policies *(continued)*

Fund Categories (continued)

General Fund - The General Fund is the primary operating fund of the District and includes all revenues and expenditures not required by law to be accounted for in other funds.

Fiduciary Fund - The Fiduciary Fund is used to account for assets held by a third party, in an agency capacity on behalf of others. The Private Purpose Trust Fund is provided to account for the District's Length of Service Awards Program, and is not included in the Government-Wide Financial Statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. A ninety day availability period is used for revenue recognition for all other governmental fund revenues. Property taxes associated with the current fiscal period, as well as charges for services and intergovernmental revenues, are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and other post employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

2. Summary of Significant Accounting Policies *(continued)*

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Fund Balances

Cash and Cash Equivalents - Cash and cash equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The District's investment policies are governed by State statutes. The District has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the District's name. The District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2011.

The District was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate risk or credit risk.

Property Taxes Receivable - Real property taxes attach as an enforceable lien on real property and are levied on January 1st. The Town of Greenburgh collects the District's taxes which are due April 1st and payable without penalty by April 30th. The Town remits the entire levy to the District in accordance with a mutually agreed upon payment schedule.

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

2. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Assets or Fund Balance (continued)

Prepaid Expenditures - Prepaid expenditures consist of employee retirement, workers' compensation insurance and other costs which have been satisfied prior to the end of the fiscal year, but represent items which have been provided for in the subsequent year's budget and will benefit such periods. Reported amounts in governmental funds are equally offset by nonspendable fund balance, in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Inventory - There are no inventory values presented in the balance sheet of the District. Purchases of inventoriable items are recorded as expenditures at the time of purchase and year-end balances are not material.

Capital Assets - Capital assets, which include property, plant and equipment are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of at least five years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land is not depreciated. Property, plant and equipment of the District are depreciated using the straight line method over the following estimated useful lives.

| <u>Class</u> | <u>Life in Years</u> |
|----------------------------|--------------------------|
| Buildings and improvements | 39 |
| Machinery and equipment | 5-10 |

The costs associated with the acquisition or construction of capital assets are shown as expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheet.

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

2. Summary of Significant Accounting Policies *(continued)*

Assets, Liabilities and Net Assets or Fund Balance (continued)

Compensated Absences - Vested or accumulated vacation leave of governmental funds that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the respective fund that will pay it. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets on the Statement of Net Assets include, invested in capital assets, restricted for apparatus, restricted for repairs and restricted for retirement. The balance is classified as unrestricted.

Fund Balance - Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law.

Committed fund balance is to be reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing board.

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

2. Summary of Significant Accounting Policies (*continued*)

Assigned fund balance represents amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification includes amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned fund balance represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the District's policy to use fund balance in the following order: committed, assigned, and unassigned.

Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. The District has not implemented an encumbrance system.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is May 31, 2012.

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

3. Stewardship, Compliance and Accountability

Budgetary Data

The District follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- The District budget shall be in the form described in Section 107 of the Town Law and shall be adopted in the manner provided in Section 181 of the Town Law.
- On or before the 21st day prior to the budget hearing, the Board of Fire Commissioners must adopt the proposed budget, file a copy with the District's secretary and post the budget on the District's website, if they maintain one.
- No sooner than the 20th day prior to the budget hearing, the District must post a notice of the budget hearing for 15 days on the District's website and sign board, provide a copy of the notice of the budget hearing to the town clerk of the town in which the District is located and in which the District contracts, a copy of the proposed budget.
- On or before 5 days prior to the budget hearing, the District must publish a notice of the budget hearing in its official newspaper, post a published notice on the District's website, if they maintain one, and provide a copy of the proposed budget for public inspection to the town clerk of the town in which the District is located.
- On the 3rd Tuesday in October, the Board of Fire Commissioners shall hold a public hearing to discuss the contents of the proposed budget. The hearing shall be conducted and scheduled in a manner that maximizes participation. At such hearing, any person may be heard in favor of or against the proposed budget as compiled, or for or against any item or items therein contained.
- After the public hearing, the Board of Fire Commissioners may adopt changes, alterations and revisions to the proposed budget, except that the Board of Fire Commissioners shall not add or increase an appropriation to a capital reserve fund not contained in the proposed budget.
- On or before November 4th, the board shall adopt the District's annual budget.

On or before November 7th, the District's secretary shall deliver two certified copies of the District's annual budget to the town clerk of the town in which the District is located.

- Formal budgetary integration is employed during the year as a management control device for the General Fund.
- The District's General Fund budget is legally adopted annually on a basis consistent with generally accepted accounting principles.

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

3. Stewardship, Compliance and Accountability (continued)

Budgetary Data (continued)

- The Board of Fire Commissioners has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Fire Commissioners. Any modifications to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- General Fund appropriations lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year.

Budgeted amounts are as originally adopted, or as amended by the Board of Fire Commissioners.

Expenditure Limitation

The District, pursuant to Section 176(18) of Town Law, is subject to an expenditure limitation. The limitation is calculated on a formula which includes the full value of taxable real estate and certain statutory exclusions. The 2011 computation indicates that the District has not exceeded the statutory limitation.

4. Detailed Notes on All Funds

Capital Assets

Changes in the District's capital assets for the year ended December 31, 2011 are as follows:

| Class | Balance January 1, 2011 | Additions | Deletions | Balance December 31, 2011 |
|---|-------------------------------|--------------|-----------|---------------------------------|
| Capital assets not being depreciated - land | \$ 100,000 | \$ - | \$ - | \$ 100,000 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | \$3,015,000 | \$ - | \$ - | \$ 3,015,000 |
| Machinery and equipment | 1,688,364 | - | 38,500 | 1,649,864 |
| Total capital assets, being depreciated | 4,703,364 | - | 38,500 | 4,664,864 |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | 1,211,164 | 70,897 | - | 1,282,061 |
| Machinery and equipment | 822,345 | 98,565 | 38,500 | 882,410 |
| Total accumulated depreciation | 2,033,509 | 169,462 | 38,500 | 2,164,471 |
| Total capital assets, being depreciated, net | \$2,669,855 | \$ (169,462) | \$ - | \$ 2,500,393 |
| Capital assets, net | \$2,769,855 | \$ (169,462) | \$ - | \$ 2,600,393 |

Depreciation expense of \$169,462 was charged to the District's function of public safety.

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

4. Detailed Notes on All Funds

Pension Plans

The Greenville Fire District, New York 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") ("Systems"). These Systems are cost-sharing, multiple-employer defined benefit pension plans. The Systems provide retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12224.

Funding Policy - The Systems are non-contributory except for employees who joined ERS after July 27, 1976 and have less than ten years of service, who contribute 3% of their salary and employees in Tier 5 who also contribute 3% of their salary without regard to years of service. Contributions are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion and regular pension contributions. Contribution rates for the plan year ending March 31, 2012 are as follows:

| | <u>Tier/Plan/Option</u> | <u>Rate</u> |
|------|-------------------------|-------------|
| ERS | 4/A15 | 15.6% |
| PFRS | 1/384E5 | 26.3 |
| | 2/384E5 | 21.2 |
| | 5/384E | 20.3 |

Contributions made to the Systems for the current and two preceding years were as follows:

| | <u>ERS</u> | <u>PFRS</u> |
|------|------------|-------------|
| 2011 | \$17,852 | \$845,883 |
| 2010 | 11,996 | 694,319 |
| 2009 | 8,292 | 526,761 |

These contributions were equal to 100% of the actuarially required contributions for each respective fiscal year and were charged to the General Fund.

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

4. Detailed Notes on All Funds (continued)

Short-Term Non-Capital Borrowings

The schedule below details the changes in short-term non-capital borrowings.

| Balance December 31, 2010 | New Issues | Redemptions | Balance December 31, 2011 |
|---------------------------------|---------------------|---------------------|---------------------------------|
| <u>\$ -</u> | <u>\$ 1,000,000</u> | <u>\$ 1,000,000</u> | <u>\$ -</u> |

The \$1,000,000 tax anticipation note was issued on March 7, 2011 and matured on May 6, 2011 with interest at .90%. Interest expenditures of \$1,475 were recorded in the fund financial statements in the General Fund and in the district-wide financial statements.

Long-Term Liabilities

The following table summarizes changes in the District's long-term indebtedness for the year ended December 31, 2011:

| | Balance January 1, 2011 | New Issues/ Additions | Maturities and/or Payments | Balance December 31, 2011 | Due Within One Year |
|--|-------------------------------|-----------------------------|----------------------------------|---------------------------------|---------------------------|
| Compensated absences | \$ 334,703 | \$ 15,894 | \$ 11,235 | \$ 339,362 | \$ 34,000 |
| Other post employment benefit obligations payable | <u>1,392,770</u> | <u>992,578</u> | <u>299,781</u> | <u>2,085,567</u> | <u>-</u> |
| | <u>\$1,727,473</u> | <u>\$1,008,472</u> | <u>\$ 311,016</u> | <u>\$ 2,424,929</u> | <u>\$ 34,000</u> |

Each governmental fund liability for compensated absences and other post employment benefit obligations are liquidated by the General fund.

Other Post Employment Benefit Obligations

In addition to providing pension benefits, the District provides certain health care benefits for retired employees through a single employer defined benefit plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the District may vary according to length of service. The cost of providing post employment health care benefits is shared between the District and the retired employee. Substantially all of the District's employees may become eligible for those benefits if they reach normal retirement age while working for the District. The cost of retiree health care benefits is recognized as an expenditure as claims are paid in the fund financial statements.

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

4. Detailed Notes on All Funds (continued)

Other Post Employment Benefit Obligations (continued)

The District's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution, ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost is determined, which is used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The District is required to accrue on the government-wide financial statements the amounts necessary to finance the Plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis. The assumed rates of increase in postretirement benefits are as follows:

| <u>Year Ended</u> <u>December 31,</u> | <u>Medical and</u> <u>Prescription drug</u> |
|--|--|
| 2012 | 7.0 % |
| 2013 | 6.0 |
| 2014 | 5.8 |
| 2015 | 5.6 |
| 2016 | 5.6 |
| 2017 | 5.5 |
| 2018 | 5.5 |
| 2019+ | 4.7 |

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

4. Detailed Notes on All Funds (continued)

Other Post Employment Benefit Obligations (continued)

The amortization basis is the level percent of payroll amortization method with an open amortization approach with 27 years remaining in the amortization period. The actuarial assumptions included a 3.0% investment rate of return, a 3.0% inflation rate and a 3.0% annual payroll growth rate. The District currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the entry age normal method.

The number of participants as of December 31, 2011 was as follows:

| | |
|-------------------|------------------|
| Active Employees | 31 |
| Retired Employees | <u>30</u> |
| Total | <u><u>61</u></u> |

Amortization Component:

| | |
|---|----------------------------|
| Actuarial Accrued Liability as of December 31, 2011 | \$ 14,292,170 |
| Assets at Market Value | <u>-</u> |
| Unfunded Actuarial Accrued Liability ("UAAL") | <u>\$ 14,292,170</u> |
| Funded Ratio | <u>0.00%</u> |
| Covered Payroll (Active plan members) | <u>\$ 4,333,083</u> |
| UAAL as a Percentage of Covered Payroll | <u>329.84%</u> |
| Annual Required Contribution | \$ 997,219 |
| Interest on Net OPEB obligation | 41,784 |
| Adjustment to ARC | <u>(46,425)</u> |
| Annual OPEB cost | 992,578 |
| Contributions Made | <u>(299,781)</u> |
| Increase in Net OPEB Obligation | 692,797 |
| Net OPEB Obligation - Beginning of Year | <u>1,392,770</u> |
| Net OPEB Obligation - End of Year | <u><u>\$ 2,085,567</u></u> |

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

4. Detailed Notes on All Funds (continued)

Other Post Employment Benefit Obligations (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and two preceding years is as follows:

| <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|-----------------------------|---|--------------------------------|
| \$ 992,578 | 30% | \$ 2,085,567 |
| 965,924 | 26% | 1,392,770 |
| 939,975 | 28% | 675,203 |

Net Assets

The components of net assets are detailed below:

Invested in Capital Assets - the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Apparatus - the component of net assets that reports the amounts restricted for the financing of all or part of the cost of acquisition of a type of capital equipment, exclusive of unexpended bond proceeds and unrestricted interest earnings.

Restricted for Repairs - the component of net assets that reports the amounts restricted for the financing of all or part of the cost of repairs to District property.

Restricted for Retirement - the component of net assets that reports the amounts restricted for the payment of future retirement contributions.

Unrestricted - all other net assets that do not meet the definition of "restricted" or "invested in capital assets".

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

4. Detailed Notes on All Funds (continued)

Fund Balances

| | <u>2011</u> | <u>2010</u> |
|---|---------------------|---------------------|
| Nonspendable: | | |
| Prepaid expenditures | <u>\$ 278,805</u> | <u>\$ 216,723</u> |
| Restricted: | | |
| Apparatus | 218,520 | 218,246 |
| Repairs | 61,321 | 61,220 |
| Retirement contributions | <u>590,117</u> | <u>522,425</u> |
| | <u>869,958</u> | <u>801,891</u> |
| Committed: | | |
| Tax stabilization | <u>281,167</u> | <u>258,713</u> |
| Assigned: | | |
| Designated for subsequent year's expenditures | <u>408,100</u> | <u>225,000</u> |
| Unassigned | <u>600,865</u> | <u>890,484</u> |
| Total Fund Balance | <u>\$ 2,438,895</u> | <u>\$ 2,392,811</u> |

Certain elements of reserved fund balance are described above. These additional elements which are not reflected in the statement of net assets but are reported in the governmental funds balance sheet are described below:

The Reserve for Prepaid Expenditures has been established to account for payments made in advance. The amount has been classified as nonspendable to indicate that these funds are not "available" for appropriation or expenditure even though they are a component of current assets.

Committed for tax stabilization- the component of fund balance that reports the amounts restricted to offset future tax increases.

5. Summary Disclosure of Significant Contingencies

Litigation

There are currently pending certiorari proceedings, the results of which could require the payment of future tax refunds by the District, if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of the possible refunds cannot be determined at the present time. Any payments resulting from adverse decisions will be funded in the year in which the payment is made.

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

5. Summary Disclosure of Significant Contingencies (*continued*)

Risk Management

The District purchases various conventional insurance policies to reduce its exposure to loss. The general liability policy provides for coverage up to \$1 million per occurrence and \$3 million in the aggregate. In addition, the District maintains an umbrella policy with policy limits of \$30 million. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years. The District purchases conventional workers' compensation insurance with coverage at statutory levels. The District also purchases conventional health insurance coverage.

6. Defined Benefit

The Greenville Fire District financial statements are for the year ended December 31, 2011. However, the information contained in this note is based on information for the Length of Service Awards Program for the plan year ending on February 28, 2012, which is the most recent plan year for which complete information is available.

Length of Service Awards Program - LOSAP

The District established a defined benefit Service Awards Program (referred to as a "LOSAP" – length of service awards program – qualifying under Section 457(e)(11) of the Internal Revenue Code) effective March 1, 1991 for the active volunteer firefighter members of the District. The program was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The District is the sponsor of the program.

Program Description

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 18 and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is age 65 with one year of Plan participation. In general, 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 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 5 years of firefighting service rendered prior to the establishment of the program as an active volunteer firefighter member of the District.

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

6. Defined Benefit (*continued*)

Benefits

A participant's benefit under the program is the actuarial equivalent of a monthly payment for life equal to \$20 multiplied by the person's total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed forty. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age. The program provides statutorily mandated death and disability benefits.

Fiduciary Investment and Control

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program. The fire company must maintain all required records on forms prescribed by the governing board.

The governing board of the sponsor has retained and designated VFIS to assist in the administration of the program. The designated program administrator's functions include installation assistance in the following areas: specimen adoption agreement, specimen master plan, insurance applications, participant enrollment forms, explanation of benefits and benefit certificates provided at enrollment and every three years thereafter. In addition, VFIS provides the following administrative assistance: reminder letter to the District with census for current anniversary date, participant's benefit calculation at the time of termination or retirement for verification by the District, schedule of benefits and costs, valuation and recommended deposit, summary of required contribution and actuarial review and recommended benefit enhancement. Disbursements of program assets for the payment of benefits or administrative expenses must be approved.

The following is an explanation of process for approving disbursements:

Payment of Benefits:

1. Entitlement Benefits - VFIS prepares and submits to the Plan Administrator (Sponsor) a Verification of Benefits statement and an Annuity Enrollment form for participants active at entitlement age and for vested participants upon termination from the Plan. Following review for accuracy, the Plan Administrator signs and returns the paperwork to VFIS authorizing VFIS to disburse entitlement benefits.
2. Death Benefits - Upon notification from the Plan Administrator (Sponsor) of a participant death, VFIS prepares a Verification of Benefits statement and a Lump Sum Death Benefit form. Following review for accuracy, the Plan Administrator signs and returns the paperwork accompanied by a death certificate to VFIS authorizing VFIS to disburse a death benefit.
3. Disability Benefits – Upon notification from the Plan Administrator (Sponsor) of a participant total and permanent disability, VFIS prepares a Verification of Benefits Statement, a Physician Statement form, and a Lump Sum Disability Benefit form. Following review for accuracy, the Plan Administrator signs and returns the paperwork authorizing VFIS to disburse a disability benefit.

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

6. Defined Benefit (continued)

Fiduciary Investment and Control (continued)

Payment of Administrative Expenses:

Per the executed Service Fee Agreement, the Plan Administrator (Sponsor) agrees to payment as contracted.

Program assets are required to be held in trust by Article 11-A, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. The Board of Fire Commissioners created a Service Award Program Trust Fund through the adoption of a Trust Document, a copy of which is available from the District Secretary. The Board of Fire Commissioners is the program trustee.

Authority to invest the program assets is vested in the program trustee. Program assets are invested in accordance with a statutory prudent person rule and in accordance with the investment policy statement adopted by the Board of Fire Commissioners.

The sponsor is required to retain an actuary to determine the amount of the sponsor's contributions to the plan. The actuary retained by the sponsor for this purpose is JF Actuarial Services, Inc. Portions of the following information are derived from a report prepared by the actuary dated September 23, 2011.

Program Financial Condition

Assets and Liabilities

| | | | |
|--|-------------------|-------------------|------------------|
| Actuarial Present Value of Projected Benefits at March 1, 2011 | | | \$397,225 |
| Less: Assets Available for Benefits | | | |
| | <u>% of Total</u> | | |
| Insurance Contracts | 100% | <u>\$ 298,692</u> | |
| Total Net Assets Available for Benefits | | | <u>298,692</u> |
| Total Unfunded Benefits | | | 98,533 |
| Less: Unfunded Liability for Prior Service | | | - |
| Less: Unfunded Liability for Separately Amortized Costs | | | - |
| Unfunded Normal Benefits | | | <u>\$ 98,533</u> |

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

6. Defined Benefit (continued)

Program Financial Condition (continued)

Prior Service Costs

Prior service costs have been amortized.

Receipts and Disbursements

| | |
|---------------------------------------|-------------------|
| Plan Net Assets, beginning of year | \$ 279,362 |
| Changes during the year: | |
| Plan contributions | 11,204 |
| Investment income earned | 12,108 |
| Administrative and Other Fees/Charges | <u>(3,982)</u> |
| Plan Net Assets, end of year | <u>\$ 298,692</u> |

Contributions

| | |
|--|-----------|
| Amount of sponsor's contribution recommended by actuary: | \$ 12,258 |
| Amount of sponsor's actual contributions: | \$ 11,204 |

Disbursements

| | |
|---|--------|
| Fees paid to designated program administrator | \$ 944 |
|---|--------|

Funding Methodology and Actuarial Assumptions

Normal Costs

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the entry age normal frozen initial liability method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return on investment 4.75%

Mortality Tables used for

| | |
|-------------------|-------|
| Pre - retirement | U8400 |
| Post - retirement | U8400 |

Greenville Fire District, New York

Notes to Financial Statements
December 31, 2011

7. Other Matters

On June 24, 2011, the Governor signed Chapter 97 of the Laws of 2011 ("Tax Levy Limitation Law"). This law applies to all local governments.

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by in a particular year, beginning with the 2012 fiscal year. It expires on June 16, 2016.

The following is a brief summary of certain relevant provisions of the Tax Levy Limitation Law. The summary is not complete and the full text of the Tax Levy Limitation Law should be read in order to understand the details and implementations thereof.

The Tax Levy Limitation Law imposes a limitation on increases in the real property tax levy, subject to certain exceptions. The Tax Levy Limitation Law permits the District to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor," which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by (ii) the average of the National Consumer Price Indexes determined by the United States with the result expressed as a decimal to four places.

The District is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limitation Law sets forth certain exclusions to the real property tax levy limitation of the District, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the District. The District Council may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the District first enacts, by a vote of at least sixty percent of the total voting power of the District, a local law to override such limit for such coming fiscal year.

8. Subsequent Event

On March 2, 2012, the District issued a tax anticipation note in the amount of \$1,200,000. The note carries interest at .9% and is due on May 10, 2012.

* * * * *

Greenville Fire District, New York

Supplementary Information

December 31, 2011

Greenville Fire District, New York

Schedule of Funding Progress
Other Post Employment Benefits
Last Three Fiscal Years

| Year Ended December 31, | Actuarial | | Unfunded Actuarial Accrued Liability | Funded Ratio | Covered Payroll | Unfunded Liability as a Percentage of Covered Payroll |
|----------------------------|--------------------|----------------------|---|-----------------|--------------------|---|
| | Value of Assets | Accrued Liability | | | | |
| 2011 | \$ - | \$ 14,292,170 | \$ 14,292,170 | - % | \$ 4,333,083 | 329.84 % |
| 2010 | - | 14,292,170 | 14,292,170 | - | 4,150,961 | 344.31 |
| 2009 | - | 14,292,170 | 14,292,170 | - | 3,938,119 | 362.92 |

Greenville Fire District, New York

General Fund
Balance Sheets

December 31, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 2,337,853 | \$ 2,275,344 |
| Receivables: | | |
| Other | 2,825 | 16,625 |
| Due from State and Federal | - | 22,007 |
| Prepaid expenditures | <u>278,805</u> | <u>216,723</u> |
| Total Assets | <u>\$ 2,619,483</u> | <u>\$ 2,530,699</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Accounts payable and accrued liabilities | <u>\$ 180,588</u> | <u>\$ 137,888</u> |
| Fund Balance | | |
| Nonspendable | 278,805 | 216,723 |
| Restricted | 869,958 | 801,891 |
| Committed | 281,167 | 258,713 |
| Assigned | 408,100 | 225,000 |
| Unassigned | <u>600,865</u> | <u>890,484</u> |
| Total Fund Balance | <u>2,438,895</u> | <u>2,392,811</u> |
| Total Liabilities and Fund Balance | <u>\$ 2,619,483</u> | <u>\$ 2,530,699</u> |

Greenville Fire District, New York
 General Fund
 Schedules of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Years Ended December 31, 2011 and 2010

| | 2011 | | | | 2010 | | | |
|---|------------------|------------------|---------------------|--|------------------|------------------|---------------------|--|
| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
| REVENUES | | | | | | | | |
| Real property taxes | \$ 7,228,046 | \$ 7,228,046 | \$ 7,228,046 | \$ - | \$ 7,170,210 | \$ 7,170,210 | \$ 7,170,210 | \$ - |
| Use of money and property | 25,000 | 25,000 | 8,300 | (16,700) | 25,100 | 25,100 | 14,652 | (10,448) |
| Sale of property and compensation for loss | - | - | 9,123 | 9,123 | - | - | 19,625 | 19,625 |
| State aid | - | - | - | - | - | - | 3,144 | 3,144 |
| Federal aid | - | - | - | - | - | - | 18,863 | 18,863 |
| Miscellaneous | 10,100 | 10,100 | 1,180 | (8,920) | 10,000 | 10,000 | 5,345 | (4,655) |
| Total Revenues | <u>7,263,146</u> | <u>7,263,146</u> | <u>7,246,649</u> | <u>(16,497)</u> | <u>7,205,310</u> | <u>7,205,310</u> | <u>7,231,839</u> | <u>26,529</u> |
| EXPENDITURES | | | | | | | | |
| General government support | 152,400 | 167,400 | 144,595 | 22,805 | 216,618 | 216,618 | 138,301 | 78,317 |
| Public safety | 4,974,121 | 4,994,621 | 4,886,789 | 107,832 | 4,799,308 | 5,362,453 | 5,277,728 | 84,725 |
| Employee benefits | 2,351,625 | 2,324,650 | 2,167,706 | 156,944 | 2,174,384 | 2,234,384 | 1,909,558 | 324,826 |
| Debt service | | | | | | | | |
| Interest | 10,000 | 1,475 | 1,475 | - | 15,000 | 996 | 996 | - |
| Total Expenditures | <u>7,488,146</u> | <u>7,488,146</u> | <u>7,200,565</u> | <u>287,581</u> | <u>7,205,310</u> | <u>7,814,451</u> | <u>7,326,583</u> | <u>487,868</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (225,000) | (225,000) | 46,084 | 271,084 | - | (609,141) | (94,744) | 514,397 |
| FUND BALANCE | | | | | | | | |
| Beginning of Year | <u>225,000</u> | <u>225,000</u> | <u>2,392,811</u> | <u>2,167,811</u> | <u>-</u> | <u>609,141</u> | <u>2,487,555</u> | <u>1,878,414</u> |
| End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,438,895</u> | <u>\$ 2,438,895</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,392,811</u> | <u>\$ 2,392,811</u> |

Greenville Fire District, New York
 General Fund
 Schedule of Expenditures Compared to Budget
 Year Ended December 31, 2011
 (with comparative actuals for the year ended December 31, 2010)

| | 2011 | | | Variance with Final Budget Positive (Negative) | 2010 |
|---|---------------------|---------------------|---------------------|--|---------------------|
| | Original Budget | Final Budget | Actual | | Actual |
| GENERAL GOVERNMENT SUPPORT | | | | | |
| Refunds of real property taxes | \$ 152,400 | \$ 152,400 | \$ 130,298 | \$ 22,102 | \$ 124,083 |
| Metropolitan commuter transportation mobility tax | - | 15,000 | 14,297 | 703 | 14,218 |
| Total General Government Support | <u>152,400</u> | <u>167,400</u> | <u>144,595</u> | <u>22,805</u> | <u>138,301</u> |
| PUBLIC SAFETY | | | | | |
| Personal services | 4,431,961 | 4,396,961 | 4,333,083 | 63,878 | 4,150,961 |
| Professional services | 54,000 | 93,945 | 88,824 | 5,121 | 70,902 |
| Equipment | 61,800 | 71,800 | 65,743 | 6,057 | 668,580 |
| Uniforms | 20,400 | 20,400 | 15,298 | 5,102 | 13,109 |
| Buildings and grounds | 51,600 | 45,600 | 37,811 | 7,789 | 68,505 |
| Utilities | 65,155 | 48,155 | 42,194 | 5,961 | 47,676 |
| Repairs and maintenance | 57,000 | 77,000 | 72,470 | 4,530 | 39,012 |
| Fire alarms | 1,250 | 1,250 | 921 | 329 | 1,214 |
| Inspections and fire prevention | 45,850 | 50,850 | 44,882 | 5,968 | 27,672 |
| Miscellaneous and administrative | 29,400 | 21,900 | 19,818 | 2,082 | 25,614 |
| Insurance | - | 29,000 | 27,985 | 1,015 | 26,723 |
| Hydrant rental | <u>155,705</u> | <u>137,760</u> | <u>137,760</u> | <u>-</u> | <u>137,760</u> |
| Total Public Safety | <u>4,974,121</u> | <u>4,994,621</u> | <u>4,886,789</u> | <u>107,832</u> | <u>5,277,728</u> |
| EMPLOYEE BENEFITS | | | | | |
| State retirement | 853,500 | 978,500 | 863,735 | 114,765 | 706,315 |
| Workers' compensation benefits | 170,500 | 177,425 | 177,392 | 33 | 137,986 |
| Social security | 293,800 | 263,800 | 245,808 | 17,992 | 257,759 |
| Medical, surgical and hospital care | 960,000 | 871,600 | 861,136 | 10,464 | 779,122 |
| Other employee benefits | <u>73,825</u> | <u>33,325</u> | <u>19,635</u> | <u>13,690</u> | <u>28,376</u> |
| Total Employee Benefits | <u>2,351,625</u> | <u>2,324,650</u> | <u>2,167,706</u> | <u>156,944</u> | <u>1,909,558</u> |
| DEBT SERVICE | | | | | |
| Interest - Tax anticipation note | <u>10,000</u> | <u>1,475</u> | <u>1,475</u> | <u>-</u> | <u>996</u> |
| Total Expenditures | <u>\$ 7,488,146</u> | <u>\$ 7,488,146</u> | <u>\$ 7,200,565</u> | <u>\$ 287,581</u> | <u>\$ 7,326,583</u> |

**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
Greenville Fire District, New York**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Greenville Fire District, New York (the "District") as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 31, 2012. 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

Management of the District is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 and correct 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 in internal control over financial reporting that might be 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 the 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 reported to the District's management in a separate letter dated May 22, 2012.

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

O'Connor Davies, LLP

Harrison, New York
May 31, 2012