

# PENFLEX, INC.

SERVICE AWARD PROGRAM SPECIALISTS  
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January 8, 2018

Ms. Renee O'Neill, District Secretary  
Arlington Fire District  
11 Burnett Boulevard  
Poughkeepsie, NY 12603

**Re: Arlington Fire District Service Award Program GASB Statement No. 73 Financial Statement Disclosure Package**

Dear Ms. O'Neill:

As requested, we have prepared the enclosed Financial Package for the Arlington Fire District Volunteer Firefighter Service Award Program for the fiscal year ending December 31, 2017. The enclosed information is intended to be used in connection with Governmental Accounting Standards Board (GASB) Statement No. 73 and should be reviewed and/or modified by Program auditors as appropriate.

The information presented in this package uses the following:

Measurement Date of the Total Pension Liability	December 31, 2016
Actuarial Valuation Date	December 31, 2016
District's Fiscal Year Ending Date (Reporting Date)	December 31, 2017

The actuarial calculations contained in this package were performed for the purpose of satisfying the financial reporting requirements of GASB Statement No. 73 and have been made on a basis that is consistent with my understanding of this Statement. These calculations may not be applicable for funding purposes of the Program and are not intended for that use. A calculation of the Program's liability for purposes other than satisfying the requirements of GASB Statement No. 73 may produce significantly different results.

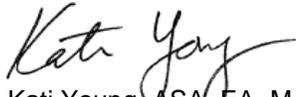
All actuarial calculations of the information presented in this package have been performed with my understanding of current program provisions and, unless otherwise noted within, have used the assumptions and participant data as disclosed in the Annual Reports as of January 1, 2016 and January 1, 2017. Please refer to the Annual Reports as of January 1, 2016 and January 1, 2017 for more information related to participant data.

Please note that, if applicable, you will need to provide information required by paragraph 44(j) of the statement.

Please contact our office if you have questions about the information included in this package.

All calculations have been made in conformity with standards of practice prescribed by the Actuarial Standards Board and generally accepted actuarial principles and practices. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,



Kati Young, ASA, EA, MAAA  
Enrolled Actuary  
kyoung@penflexinc.com

cc: Leslie Tillotson, PKF O'Connor Davies, LLP (via e-mail: ltillotson@pkfod.com)

**Arlington Fire District  
Service Award Program  
Notes to the Financial Statements  
For the Year Ended December 31, 2017**

**General Information about the Pension Plan**

*Plan description.*

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 Department. 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 the Program administrator.

An eligible Program Participant is defined to be an active volunteer firefighter who is at least 16 years of age and has earned one year of Service Award Program Service Credit. An active volunteer firefighter earns a year of Service Credit for each calendar year after the establishment of the Program in which he or she accumulates 50 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 Service Credit for five years of active volunteer firefighting service rendered prior to the establishment of the Program.

Participants acquire a non-forfeitable right to be paid a Service Award after earning five years of Service Credit, becoming totally and permanently disabled, dying while an active volunteer or upon attaining the Program's Entitlement Age while an active volunteer. The Program's Entitlement Age is age 60, and is the age at which benefits begin to be paid to Participants.

*Benefits provided.*

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 \$20.00 multiplied by the total number of years of Service Credit earned by the Participant. The maximum number of years of Service Credit a Participant may earn under the Program is 40 years. Currently, there are no other forms of payment of a volunteer's earned Service Award under the Program.

Except in the case of pre-Entitlement Age death or total and permanent disablement, a Participant's Service Award will not be paid until he or she attains the Entitlement Age. Volunteers who are active after attaining the Entitlement Age and who may have commenced receiving a Service Award have the opportunity to earn Service Credit and, thereby, increase their Service Award payments. The pre-Entitlement Age death and disability benefit is equal to the actuarial value of the Participant's earned Service Award at the time of death or disablement. If the volunteer was an active member who earned a year of service credit within the last five years, the minimum Pre-Entitlement Age death benefit payable is \$10,000. 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.

**Arlington Fire District  
Service Award Program  
Notes to the Financial Statements (continued)  
For the Year Ended December 31, 2017**

*Participants covered by the benefit terms.* At the December 31, 2016 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	43
Inactive participants entitled to but not yet receiving benefit payments	68
Active participants	29
Total	140

*Contributions.* New York State General Municipal Law §219(d) requires the District to contribute an actuarially determined contribution on an annual basis. The actuarially determined contribution shall be appropriated annually by the District.

*Trust Assets.* Although assets have been accumulated in an irrevocable trust such that the assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the District. As such, the trust assets do not meet the criteria in paragraph 4 of GASB Statement No. 73.

**Measurement of Total Pension Liability**

The total pension liability at the December 31, 2016 measurement date was determined using an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Scale:	None assumed

Mortality rates were based on the RP-2014 Male Mortality Table without projection for mortality improvement.

*Discount Rate.* The discount rate used to measure the total pension liability was 3.71%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services.

**Arlington Fire District  
Service Award Program  
Notes to the Financial Statements (continued)  
For the Year Ended December 31, 2017**

**Changes in the Total Pension Liability**

<b>Balance as of 12/31/2015 measurement date</b>	\$3,805,555
<b>Service Cost</b>	62,369
<b>Interest</b>	121,717
<b>Changes of assumptions or other inputs</b>	(274,307)
<b>Differences between expected and actual experience</b>	24,187
<b>Benefit Payments</b>	(128,537)
<b>Net Changes</b>	(194,571)
<b>Balance as of 12/31/2016 measurement date</b>	\$3,610,984

*Sensitivity of the Total Pension Liability to changes in the discount rate.* The following presents the total pension liability of the District as of the December 31, 2016 measurement date, calculated using the discount rate of 3.71 percent, as well as what the District's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.71 percent) or 1-percentage point higher (4.71 percent) than the current rate:

	1% Decrease (2.71%)	Current Discount Rate (3.71%)	1% Increase (4.71%)
Total pension liability	\$4,180,676	\$3,610,984	\$3,154,634

**Arlington Fire District  
Service Award Program  
Notes to the Financial Statements (continued)  
For the Year Ended December 31, 2017**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2017, the District recognized pension expense of \$137,531. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$18,929	\$0
Changes of assumptions or other inputs	0	214,675
Benefit payments & administrative expenses subsequent to the measurement date	132,390	0
Total	\$151,318	\$214,675

\$132,390 reported as deferred outflows of resources related to pensions resulting from District transactions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended December 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	(\$54,374)
2019	(54,374)
2020	(54,374)
2021	(32,624)
2022	0
Thereafter	0

**Arlington Fire District  
Service Award Program**

**Schedules of Required Supplementary Information  
Schedule of Changes in the District's Total Pension Liability  
Last One Fiscal Year**

Measurement date as of December 31,	<b><u>2016</u></b>
<b>Total Pension Liability</b>	
Service Cost	62,369
Interest	121,717
Changes of assumptions or other inputs	(274,307)
Differences between expected and actual experience	24,187
Benefit payments	(128,537)
Net Change in total pension liability	(194,571)
<b>Total pension liability – beginning</b>	<b>\$3,805,555</b>
<b>Total pension liability – ending</b>	<b>\$3,610,984</b>
<b>Covered-employee payroll</b>	N/A
<b>Total pension liability as a percentage of covered-employee payroll</b>	N/A

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

**Notes to Required Supplementary Information**

*Changes of assumptions or other inputs.* The discount rate used to measure the total pension liability was based on the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index and was as follows:

December 31, 2015: 3.20%  
December 31, 2016: 3.71%

*Trust Assets.* There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.