Arlington Fire District, New York

Regulatory Basis Financial Statements
and Supplementary Information

December 31, 2017

Arlington Fire District, New York

Financial Statements
and Supplementary Information

December 31, 2017

TABLE OF CONTENTS **Page**

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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Fire Commissioners
Arlington Fire District, New York

Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of the Arlington Fire District, New York ("District") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulatory basis of accounting prescribed and permitted by the New York State Office of the State Comptroller, which includes determining that this regulatory basis of accounting is an acceptable basis for the preparation of the financial statements. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these regulatory basis 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the regulatory basis financial statements of the District referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2017 and for the year then ended in accordance with the regulatory basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. As described in Note 2, these financial statements were prepared in conformity with the financial statement practices prescribed or permitted by the Office of the State Comptroller of the State of New York, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State Comptroller of the State of New York. Our opinion is not modified with respect to this matter.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's regulatory basis financial statements. The General Fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the regulatory basis financial statements.

The General Fund financial statements and schedules are not a required part of the financial statements under the regulatory basis of accounting described in Note 2. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis 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 on the basis of accounting described in Note 2.

The Schedules of Service Awards Programs, New York State and Local Employees' Retirement System and New York State and Local Police and Fire Retirement System have not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Restriction of Use

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

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP
Harrison, New York
October 15, 2018

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Arlington Fire District, New York

Combined Balance Sheets - Regulatory Basis
December 31, 2017

			Account Groups		
	General Fund	Agency Fund	Fixed Assets	General Long Term Debt	Total
ASSETS					
Cash and equivalents	$ 4,704,439	$ -	$ -	$ -	$ 4,704,439
Cash and equivalents, special reserves	745,683	-	-	-	745,683
Service awards program assets	-	2,475,346	-	-	2,475,346
Prepaid expenditures	499,517	-	-	-	499,517
Fixed assets	-	-	7,179,466	-	7,179,466
Amount to be provided for general long-term debt	-	-	-	6,392,628	6,392,628
Total Assets	5,949,639	2,475,346	7,179,466	6,392,628	21,997,079
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	5,462,420	5,462,420
Total Assets and Deferred Outflows of Resoruces	$ 5,949,639	$ 2,475,346	$ 7,179,466	$ 11,855,048	$ 27,459,499
LIABILITIES					
Accounts payable	$ 287,342	$ -	$ -	$ -	$ 287,342
Compensated absences	-	-	-	5,404,834	5,404,834
Net pension liability	-	-	-	5,160,241	5,160,241
Agency liabilities	-	2,475,346	-	-	2,475,346
Total Liabilities	287,342	2,475,346	-	10,565,075	13,327,763
DEFERRED INFLOWS OF RESOURCES	-	-	-	1,289,973	1,289,973
Total Liabilities and Deferred Inflows of Resources	287,342	2,475,346	-	11,855,048	14,617,736
FUND BALANCE					
Investment in fixed assets	-	-	7,179,466	-	7,179,466
Nonspendable	499,517	-	-	-	499,517
Restricted	3,949,536	-	-	-	3,949,536
Unassigned	1,213,244	-	-	-	1,213,244
Total Fund Balance	5,662,297	-	7,179,466	-	12,841,763
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 5,949,639	$ 2,475,346	$ 7,179,466	$ 11,855,048	$ 27,459,499

See notes to financial statements

Arlington Fire District, New York

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Regulatory Basis
Year Ended December 31, 2017

REVENUES	
Real property taxes	$ 16,694,400
Payments in lieu of taxes	582,425
Interest and earnings	8,871
Insurance recoveries	163,939
Sale of property and compensation for loss	100,150
Gifts and donations	575
Federal aid	24,546
Miscellaneous	62,635
Total Revenues	17,637,541
EXPENDITURES	
Public safety	10,169,422
Employee benefits	6,160,384
Total Expenditures	16,329,806
Excess of Revenues Over Expenditures	1,307,735
FUND BALANCE	
Beginning of Year	4,354,562
End of Year	$ 5,662,297

See notes to financial statements

1. Organization

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

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The District has elected to prepare its financial statements on the regulatory basis permitted by the New York State Office of the State Comptroller ("OSC") for annual reports submitted to that office. Under the regulatory basis, the District is required to use the modified accrual basis of accounting. This regulatory basis varies from accounting principles generally accepted in the United States of America ("U.S. GAAP") as established by the Governmental Accounting Standards Board ("GASB") primarily in that under U.S. GAAP:

- Financial statements include two additional statements; the statement of net position and the statement of activities, collectively referred to as the "district-wide" financial statements which are presented on the full accrual basis of accounting.

- A Management's Discussion and Analysis ("MD&A") is required as supplementary information that precedes the basic financial statements and is intended to provide an objective analysis of the government's financial activities, both on a current and long-term basis, based on current conditions.

- Other supplementary information is required by GASB guidance, including budgetary comparison schedules for the general fund and each major special revenue fund that has a legally adopted annual budget, and the schedule of funding progress for other postemployment benefits.

- Fund-based financial statements must be reconciled to the "district-wide" financial statements.

- Capital assets, other than land, are depreciated and reported on the "district-wide" statement of net position at net book value, and depreciation expense is allocated to the major functions on the statement of activities based on the use of the underlying assets.

- Length of Service Awards Program ("LOSAP") assets included in non-qualified trusts would be reported within the general fund as compared to the fiduciary fund. In addition, the entire LOSAP obligation would be reported as a component of non-current governmental liabilities in the district-wide financial statements.

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

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.

Basis of Presentation

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. 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 District's resources are reflected in the fund financial statements in two generic fund types within one broad fund category, in accordance with the regulatory basis of accounting 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:

General Fund - The General Fund constitutes the primary operating fund of the District and is used to account for and report all financial resources not accounted for and reported in another fund.

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 Agency Fund is provided to account for the District's Length of Service Awards Program.

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

Account Group

An account group is used to establish accounting control and accountability for the District's general fixed assets or long term debt.

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

General Long Term Debt Account Group – This account group is established to account for all long-term obligations.

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 statements.

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 enough 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.

If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. A ninety day availability period is generally used for revenue recognition for most other governmental fund revenues. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. 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 net pension liabilities 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.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Balances

Cash and Equivalents, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and short-term investments with original maturities of less than three months from the date of acquisition.

The District's investment policies are governed by State statutes. The District has adopted its own written investment policy to provide for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The District is authorized by State statutes to use demand deposit accounts, time deposit accounts and certificates of deposit.

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Balances (continued)

Cash and Equivalents, Investments and Risk Disclosure (continued)

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. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Investments - (except Service Award Investments which are discussed in Note 6) – Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

The District follows the provisions of GASB Statement No. 72, *"Fair Value Measurements and Application",* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the District incur losses in fair value caused by changing interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the District does not invest in any long-term investment obligations.

Custodial Credit Risk - 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, 2017.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The District does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Balances (continued)

Cash and Equivalents, Investments and Risk Disclosure (continued)

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The District's investment policy limits the amount on deposit at each of its banking institutions.

Taxes Receivable - The Town of Poughkeepsie ("Town") collects the District's taxes. The Town remits the entire levy to the District in accordance with a mutually agreed upon payment schedule.

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

Prepaid Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in the financial statements. Prepaid expenditures consist of 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 the financial statements are equally offset by nonspendable fund balance, in the financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Fixed Assets - Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds and are valued at historical cost or estimated historical cost if actual cost is not available. Donated assets are recorded at acquisition value on the date donated. No provision for depreciation is made on general fixed assets. Interest incurred during construction is not capitalized in general fixed assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not included in the General Fixed Assets Account Group.

No depreciation has been provided on general fixed assets. The District has not maintained historical costs records for some of its capital asset inventory. Due to this lack of cost basis information, the District has valued certain equipment using the estimated historical costs of the capital asset calculated by back – trending.

Deferred Outflows/Inflows of Resources - In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Balances (continued)

Deferred Outflows/Inflows of Resources *(continued)*

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time.

The District reported deferred outflows of resources and deferred inflows of resources in relation to its pension obligations. These amounts are detailed in the discussion of the District's pension plans in Note 4.

Long-Term Liabilities - The District records long-term debt of governmental funds at face value in the General Long-Term Debt Account Group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the General Long-Term Debt Account group.

Compensated Absences - Vested or accumulated vacation or sick 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 which will pay it. Amounts of vested or accumulated vacation of governmental fund that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group. No expenditure is reported for these amounts.

Net Pension Liability - The net pension liability represents the District's proportionate share of the net pension liability of the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date.*"

Fund Balance - Generally, fund balance represents the difference between the current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the 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, advances) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Balances (continued)

Fund Balances *(continued)*

Restricted fund balance is 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 is used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law of the State of New York.

Committed fund balance is 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. The Board of Fire Commissioners is the highest level of decision making authority for the District that can, by the adoption of a resolution prior to the end of its fiscal year, commit fund balance. Once adopted, 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 District's Board.

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the entity's highest level of decision making authority for amounts assigned for balancing the subsequent year's budget or a person with delegated authority from the governing board to assign amounts for a specific purpose. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. 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, in the General Fund, 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 and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred as inflows of resources.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. 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.

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Balances (continued)

Use of Estimates

The preparation of the financial statements under the modified accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.

Encumbrances

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

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 is October 15, 2018.

3. Stewardship, Compliance and Accountability

Budgetary Data

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

a) The District budget shall be in the form described in Section 107 of Town Law and shall be adopted in the manner provided in Section 181 of Town Law.

b) 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.

c) 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, if they maintain one, and sign board and provide a copy of the notice of the budget hearing to the District Clerk of the Town in which the District is located and in which the District contracts.

d) On or before 15 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.

3. Stewardship, Compliance and Accountability *(continued)*

Budgetary Data (continued)

e) 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.

f) 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.

g) On or before November 4th, the board shall adopt the District's annual budget.

h) 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.

i) Formal budgetary integration is employed during the year as a management control device for the General Fund.

j) The General Fund budget is legally adopted annually on a basis consistent with generally accepted accounting principles.

k) 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.

l) Appropriations in the General Fund lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

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

Property Tax Limitation

The District is not limited as to the maximum amount of real property taxes which may be raised. However, on June 24, 2011, the Governor signed Chapter 97 of the Laws of 2011 ("Tax Levy Limitation Law"). This applies to all Local Governments.

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a District in a particular year. The original legislation that established the Tax Limitation Law was set to expire on June 16, 2016. Chapter 20 of the Laws of 2015 extends the Tax Levy Limitation Laws through June 2020.

3. Stewardship, Compliance and Accountability *(continued)*

Property Tax Limitation (continued)

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 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 provisions 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 Board may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the District Board first enacts, by a vote of at least sixty percent of the total voting power of the District Board, a local law to override such limit for such coming fiscal year.

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 2017 computation indicates that the District has not exceeded the statutory limitation.

4. Detailed Notes on All Funds and Account Groups

Pension Plan

New York State and Local Retirement System

The District participates in the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS") which are collectively referred to as the New York State and Local Retirement System ("System"). These are cost-sharing, multiple-employer defined benefit pension plans. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all net assets and record changes in plan net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. The employer contribution rates for the plan's year ending in 2017 are as follows:

	Tier/Plan/Option	Rate
ERS	4 A15	18.6%
PFRS	1 384E	25.8
	2 375I	18.1
	2 384E	25.1
	5 384E	23.9
	6 384E	14.5
	6 384E	21.3

4. Detailed Notes on All Funds and Account Groups *(continued)*

Pension Plan (continued)

New York State and Local Retirement System (continued)

At December 31, 2017, the District reported a liability of $134,574 for its proportionate share of the net pension liability of ERS and a liability of $5,025,667 for its proportionate share of the net pension liability of PFRS. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members. At December 31, 2017, the District's proportion was .0014322% for ERS and 0.2424752% for PFRS which was a decrease of 0.0001181 for ERS and a decrease of 0.0062145 for PFRS from its proportion measured as of March 31, 2016.

For the year ended December 31, 2017, the District recognized Pension expenditures of $50,057 for ERS and $1,976,073 for PFRS in the general fund financial statements.

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,372	$ 20,436	$ 659,281	$ 868,324
Changes of assumptions	45,975	-	2,475,935	-
Net difference between projected and actual earnings on pension plan investments	26,880	-	750,576	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	38,240	1,848	362,973
District contributions subsequent to the measurement date	37,543	-	1,461,010	-
	$ 113,770	$ 58,676	$ 5,348,650	$ 1,231,297

$37,543 and $1,461,010 reported as deferred outflows of resources related to ERS and PFRS, respectively, resulting from the Districts accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2018.

4. Detailed Notes on All Funds and Account Groups *(continued)*

Pension Plan (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS and PFRS will be recognized in pension expense as follows:

Year Ended March 31,	ERS	PFRS
2018	$ 13,890	$ 891,840
2019	13,890	891,840
2020	11,681	835,819
2021	(21,910)	(81,102)
2022	-	117,946

The total pension liability for the March 31, 2017 measurement date was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liabilities to March 31, 2017. Significant actuarial assumptions used in the April 1, 2016 valuation were as follows:

Inflation	2.5%
Salary scale	3.8% in ERS, 4.5% in PFRS indexed by service
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation
Cost of living adjustments	1.3% annually

Annuitant mortality rates are based on the April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below.

4. Detailed Notes on All Funds and Account Groups *(continued)*

Pension Plan (continued)

Asset Type	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36 %	4.55 %
International Equity	14	6.35
Private Equity	10	7.75
Real Estate	10	5.80
Absolute Return Strategies	2	4.00
Opportunistic Portfolio	3	5.89
Real Assets	3	5.54
Bonds and Mortgages	17	1.31
Cash	1	(0.25)
Inflation Indexed Bonds	4	1.50
	100 %	

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
District's proportionate share of the ERS net pension liability (asset)	$ 429,803	$ 134,574	$ (115,041)
District's proportionate share of the PFRS net pension liability (asset)	$ 14,247,475	$ 5,025,667	$ (2,709,172)

4. Detailed Notes on All Funds and Account Groups *(continued)*

Pension Plan (continued)

The components of the collective net pension liability as of the March 31, 2017 measurement date were as follows:

	ERS	PFRS	Total
Total pension liability	$ 177,400,586,000	$ 31,670,483,000	$ 209,071,069,000
Fiduciary net position	168,004,363,000	29,597,831,000	197,602,194,000
Employers' net pension liability	$ 9,396,223,000	$ 2,072,652,000	$ 11,468,875,000
Fiduciary net position as a percentage of total pension liability	94.7%	93.5%	94.5%

Employer contributions to ERS and PFRS are paid annually and cover the period through the end of the System's fiscal year, which is March 31st. Retirement contributions as of December 31, 2017 represent the employer contribution for the period of April 1, 2017 through December 31, 2017 based on prior years ERS and PFRS wages multiplied by the employers' contribution rate by tier. Retirement contributions to ERS and PFRS for the nine months ended December 31, 2017 were $37,543 and $1,461,010.

Fund Balances

Nonspendable- Prepaid Expenditures	$ 499,517
Restricted	
Building	559,099
Apparatus	2,395,020
Employee Benefit Accrued Liability	995,417
Total Restricted	3,949,536
Unassigned	1,213,244
Total Fund Balances	$ 5,662,297

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.

The Restricted for Building and Apparatus have been established pursuant to General Municipal Law. The funds are to be used for the financing of all or part of the cost of construction, acquisition or repair of a building or apparatus. Expenditures can only be made following the adoption of a resolution from the governing board, subject to permissive referendum.

4. Detailed Notes on All Funds and Account Groups *(continued)*

Fund Balances (continued)

Employee Benefit Accrued Liability - the component of fund balance that has been restricted pursuant to General Municipal Law to provide funds for the payment of unused sick time and other forms of payment for accrued leave time granted upon termination or separation from service.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted, committed or assigned.

5. Contingencies

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. In addition, the District maintains an umbrella policy with policy limits of $20 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.

6. Defined Benefit Service Award Program

The District financial statements are for the year ended December 31, 2017. The information contained in this note is based on information for the Arlington Fire District Service Award Program ("Program") for year ending on December 31, 2017, which is the most recent information available.

Length of Service Awards Program – LOSAP

The 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 District is the Sponsor of the Program and the Program administrator.

6. Defined Benefit Service Award Program *(continued)*

Program Description

Participation, Vesting and Service Credit

In a defined benefit LOSAP, participating volunteers begin to be paid a Service Award upon attainment of the Program's Entitlement Age. An eligible Program Participant is defined by the Program Sponsor to be an active volunteer firefighter who is at least 16 years of age and has earned one year of Service Credit. The amount of the Service Award paid to a participant is based upon the number of years of Service Credit the volunteer earned under the Program for performing active volunteer firefighter activities.

Participants acquire a non-forfeitable right to be paid a Service Award after earning credit for five years of service or upon attaining the Program's Entitlement Age while an active volunteer. The Program's Entitlement Age is age 60. An active volunteer firefighter 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 as an active volunteer firefighter member of the District.

Benefits

A Participant's Service Award benefit is paid as a ten-year certain and continuous monthly payment life annuity. The amount payable each month equals $20 multiplied by the total number of years of Service Credit earned by the Participant under the point system. 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 disability benefit is equal to the actuarial value of the Participant's earned service award at the time of disablement. The Program provides a Pre-Entitlement Age death benefit equal to the actuarial value of the participant's earned service award at the time of death. 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.

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

Fiduciary Investment and Control

After the end of each calendar year, each fire department prepares and certifies a list of names of all persons who were active volunteer members of the fire department during the year indicating which volunteers earned 50 points. The certified list is delivered to the Board

6. Defined Benefit Service Award Program *(continued)*

Fiduciary Investment and Control (continued)

of Fire Commissioners for the Board's review and approval. The fire departments must maintain the point system records to verify each volunteer's points on forms provided and/or approved by the Board of Fire Commissioners.

The Board of Fire Commissioners has retained Penflex, Inc. to assist in the administration of the Program. The services provided by Penflex are described in the agreement between Penflex and the District.

Based on the certified calendar year volunteer firefighter listings Penflex determines and certifies in writing to the Board of Fire Commissioners the amount of the Service Award to be paid to a Participant or to a Participant's designated beneficiary. As authorized by the Board of Fire Commissioners, Penflex then directs the paying agent to pay the Service Award. No Service Award benefit payment is made without the written certification from Penflex and written confirmation to the District.

Penflex bills the District for the services it provides. Penflex invoices are authorized for payment by the Board of Fire Commissioners in the same manner as any other invoice presented to the Fire District for payment. The District pays Penflex invoices from the Service Award Program Trust Fund and then reimburses the Trust Fund for the amount paid.

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 an investment policy adopted by the Board of Fire Commissioners.

The Board of Fire Commissioners has retained RBC Wealth Management to provide investment management and custodial services and Comerica Bank to pay benefits to participants.

The sponsor is required to retain an actuary to determine the amount of the District's contributions to the plan. The actuarial firm retained by the District for this purpose is Penflex, Inc. Portions of the following information are derived from the January 1, 2018 Annual Report.

6. Defined Benefit Service Award Program *(continued)*

Fiduciary Investment and Control (continued)

Actuarial Accrued Liability at January 1, 2018		$2,832,553
Less: Assets Available for Benefits		
Cash and money market	$ 73,003	
U.S. equities	508,805	
International equities	411,745	
Fixed income	983,889	
Mixed assets	489,063	
Benefits payable	8,820	
Interest receivable	21	
Total Assets Available for Benefits		2,475,346
Total Unfunded Benefits		357,207
Less: Unfunded Liability for Separately Amortized Costs		385,292
Unfunded (Overfunded) Normal Benefits		$ (28,085)

The above investments in U.S. equities, fixed income and mixed assets are valued using level 1 inputs.

Separately Amortized Costs

The unfunded liability for additional Service Awards earned after attainment of the entitlement age is being amortized over five years at 5.50% from the year they are accrued. The remaining unfunded liability as of 1/1/2018 was amortized over 20 years at 5.50%, with 18 years remaining as of 1/1/2018.

Receipts and Disbursements

Plan Net Assets, beginning of year		$2,266,598
Changes during the year:		
Sponsor contributions	$ 94,214	
Changes in fair market value of investments	185,294	
Investment income earned	79,323	
Change in investment income receivable	(5)	
Investment expense	(15,048)	
Administrative fees	(7,732)	
Benefits paid/payable	(127,298)	
Plan Net Assets, end of year		$2,475,346

6. Defined Benefit Service Award Program *(continued)*

Contributions

Contribution recommended by actuary	$ 94,214
Actual contribution made by the sponsor	94,214

Funding Methodology and Actuarial Assumptions

Normal Costs

The actuarial valuation methodology used by the actuary to determine the Sponsor's contribution is the Attained Age Normal Cost 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 Program investments: 5.50%

Actuarial Tables:

Post-Entitlement Age mortality	RP-2014
*Pre-Entitlement Age mortality	RP-2014

7. Fixed Assets

Property, Buildings and Equipment - A summary of changes in the general fixed assets during fiscal year 2017 follows:

	Balance Beginning	Increases	Decreases	Balance Ending
Building	$ 2,044,632	$ -	$ -	$ 2,044,632
Machinery and Equipment	5,467,772	58,843	391,781	5,134,834
Total Fixed Assets	$ 7,512,404	$ 58,843	$ 391,781	$ 7,179,466

8. Lease Commitments

The District has a multiyear lease agreement with Croft Corners Fire Company, Inc. beginning January 1, 2015 which expired on December 31, 2017 and was extended through September 2018. The District also has a multiyear lease agreement with Rochdale Fire Company No. 1, Inc. beginning on January 1, 2018 and expiring on December 31, 2022, for use of the fire house. The annual lease obligations for the life of the agreements are as follows:

2018	85,777
2019	31,882
2020	31,882
2021	31,882
2022	31,882
	$ 213,305

* * * * *

Arlington Fire District, New York

Supplementary Information

December 31, 2017 and 2015

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Arlington Fire District, New York

New York State and Local Employees' Retirement System
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years (1)

	2017	2016 (2)	2015
District's proportion of the net pension liability	0.0014322%	0.0015503%	0.0016915%
District's proportionate share of the net pension liability	$ 134,574	$ 248,833	$ 57,141
District's covered payroll	$ 320,169	$ 273,724	$ 288,347
District's proportionate share of the net pension liability as a percentage of its covered payroll	42.03%	90.91%	19.82%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.90%

Note - The amounts presented for each fiscal year were determined as of the March 31 measurement date.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions.*

(2) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

Arlington Fire District, New York

New York State and Local Employees' Retirement System
Schedule of Contributions
Last Ten Fiscal Years (1)

	2017	2016	2015
Contractually required contribution	$ 50,057	$ 42,173	$ 34,079
Contributions in relation to the contractually required contribution	(50,057)	(42,173)	(34,079)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 339,288	$ 319,456	$ 294,114
Contributions as a percentage of covered payroll	14.75%	13.20%	11.59%

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions.*

Arlington Fire District, New York

New York State and Local Police and Fire Retirement System
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years (1)

	2017	2016 (2)	2015
District's proportion of the net pension liability	0.2424752%	0.2486892%	0.2503627%
District's proportionate share of the net pension liability	$ 5,025,667	$ 7,363,159	$ 689,147
District's covered payroll	$ 7,768,587	$ 8,621,654	$ 7,680,390
District's proportionate share of the net pension liability as a percentage of its covered payroll	64.69%	85.40%	8.97%
Plan fiduciary net position as a percentage of the total pension liability	93.50%	90.20%	99.00%

Note - The amounts presented for each fiscal year were determined as of the March 31 measurement date.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions.*

(2) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

Arlington Fire District, New York

New York State and Local Police and Fire Retirement System
Schedule of Contributions
Last Ten Fiscal Years (1)

	2017	2016	2015
Contractually required contribution	$ 1,948,013	$ 2,068,133	$ 1,816,546
Contributions in relation to the contractually required contribution	(1,948,013)	(2,068,133)	(1,816,546)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 7,844,638	$ 8,244,730	$ 7,833,998
Contributions as a percentage of covered payroll	24.83%	25.08%	23.19%

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions.*

Arlington Fire District, New York

Service Awards Program
Schedule of Funding Progress
Last Six Fiscal Years

Actuarial			Unfunded (Overfunded) Actuarial Accrued Liability	
Valuation Date	Value of Assets	Accrued Liability		Funded Ratio
1/1/2018	$ 2,475,346	$ 2,832,553	$ 357,207	87%
1/1/2017	2,266,598	2,821,667	555,069	80%
1/1/2016	2,202,083	2,619,314	417,231	84%
1/1/2015	2,367,307	2,425,680	58,373	98%
1/1/2014	2,411,691	2,348,663	(63,028)	103%
1/1/2013	2,412,968	2,273,587	(139,381)	106%

Arlington Fire District, New York

Service Awards Program
Schedule of Contributions
Last Six Fiscal Years

Year Ended December 31,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2012	$ 85,491	$ 98,880	116%
2013	74,128	75,000	101%
2014	70,910	70,910	100%
2015	69,108	69,108	100%
2016	68,766	68,766	100%
2017	94,214	94,214	100%

Arlington Fire District, New York
General Fund
Balance Sheet - Regulatory Basis

December 31, 2017

	December 31,	
	2017	2016
ASSETS		
Cash and equivalents	$ 5,450,122	$ 4,121,380
Prepaid expenditures	499,517	527,577
Total Assets	$ 5,949,639	$ 4,648,957
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 287,342	$ 294,395
Fund Balance		
Nonspendable	499,517	527,577
Restricted	3,949,536	2,974,957
Unassigned	1,213,244	852,028
Total Fund Balance	5,662,297	4,354,562
Total Liabilities and Fund Balance	$ 5,949,639	$ 4,648,957

See independent auditors' report

Arlington Fire District, New York

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Regulatory Basis

Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real property taxes	$ 16,694,400	$ 16,694,400	$ 16,694,400	$ -
Payments in lieu of taxes	550,600	550,600	582,425	31,825
Interest and earnings	8,000	8,000	8,871	871
Insurance recoveries	-	-	163,939	163,939
Sale of property and compensation for loss	-	-	100,150	100,150
Gifts and donations	-	-	575	575
Federal aid	-	-	24,546	24,546
Miscellaneous	-	-	62,635	62,635
Total Revenues	17,253,000	17,253,000	17,637,541	384,541
EXPENDITURES				
Public safety	10,475,000	10,475,000	10,169,422	305,578
Employee Benefits	6,778,000	6,778,000	6,160,384	617,616
Total Expenditures	17,253,000	17,253,000	16,329,806	923,194
Excess of Revenues Over Expenditures	-	-	1,307,735	1,307,735
FUND BALANCE				
Beginning of Year	-	-	4,354,562	4,354,562
End of Year	$ -	$ -	$ 5,662,297	$ 5,662,297

See independent auditors' report

Arlington Fire District, New York

General Fund
Schedule of Expenditures Compared to Budget - Regulatory Basis
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PUBLIC SAFETY				
Personal services	$ 9,284,400	$ 9,284,400	$ 9,176,180	$ 108,220
Other contractual expenditures	404,400	404,400	296,319	108,081
Fuel	90,000	90,000	42,861	47,139
Shop	136,500	136,500	111,174	25,326
Building operations	260,700	260,700	256,127	4,573
Mobile Communications	23,500	23,500	19,952	3,548
Fire and EMS Operations	275,500	275,500	266,809	8,691
	10,475,000	10,475,000	10,169,422	305,578
EMPLOYEE BENEFITS				
Retirement	2,240,000	2,240,000	2,026,130	213,870
MTA payroll tax	32,000	32,000	22,202	9,798
Social security	700,000	700,000	571,833	128,167
Workers compensation	677,500	677,500	668,715	8,785
Hospital, medical and accident insurance	3,034,000	3,034,000	2,777,290	256,710
Length of Service Awards Program	94,500	94,500	94,214	286
	6,778,000	6,778,000	6,160,384	617,616
Total Expenditures	$ 17,253,000	$ 17,253,000	$ 16,329,806	$ 923,194

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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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*

Independent Auditors' Report

Board of Fire Commissioners
Arlington Fire District, New York

We have audited, in accordance with the 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, the regulatory basis financial statements of Arlington Fire District, New York ("District") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated October 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP
Harrison, New York
October 15, 2018

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Arlington Fire District

Report to Those Charged with Governance

December 31, 2017

October 15, 2018

Prepared by

Jeffrey Shaver, CPA
Partner
jshaver@pkfod.com

KNOW GREATER VALUE

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS
ESTABLISHED IN 1891

October 15, 2018

The Board of Fire Commissioners
Arlington Fire District, New York

We have audited the financial statements of the Arlington Fire District, as of and for the year ended December 31, 2017. Professional standards require us to communicate with you regarding audit matters that are, in our professional judgment, significant and relevant to those charged with governance ("TCWG") in overseeing the financial reporting process. This communication is intended to provide you with these required communications as well as other findings and information regarding our audit.

We are pleased to be of service to you and the Arlington Fire District and appreciate the opportunity to present our audit findings to you. We are also pleased to discuss other matters which may be of interest to you and to answer any questions you may have.

This information is intended solely for the information and use of TCWG and management of the Arlington Fire District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP

Contents

Appendices

Status of the Audit

Audit of Financial Statements

- Audit fieldwork is complete.
- The financial statements have been drafted and reviewed by management.
- We have issued an unmodified opinion on the financial statements.

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Required Communications and Other Matters

Required Item	Comments
Auditor's responsibility under professional standards and planned scope and timing of the audit	We have communicated such information in our engagement letter to you dated January 17, 2018. Generally, these responsibilities include: • Forming and expressing an opinion on the financial statements. • Obtaining reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud. • Accumulating and communicating uncorrected misstatements to Those Charged with Governance ("TCWG"). • Maintaining professional skepticism. • Communicating audit related matters that are, in our professional judgment, significant to TCWG.
Supplementary information accompanying the financial statements	Our responsibility for the supplementary information accompanying the financial statements is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. With respect to such supplementary information, we made certain inquiries of members of management and evaluated the form, content and methods of preparing the information to determine that the information complies with the regulatory basis of accounting, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Required Item	Comments
Other information in documents containing audited financial statements	Our responsibility as auditors for other information in documents containing the audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to determine that such other information is properly stated.
Responsibilities of management and TCWG	Management's responsibilities include: • The fair presentation of the financial statements, including the selection of appropriate accounting policies. • Establishing and maintaining effective internal control. • Complying with laws, regulations, grants and contracts. • Providing the auditors with all financial records and related information and a signed representation letter. TCWG are responsible for communicating with the auditors and overseeing the financial reporting process. Both management and TCWG are responsible for: • Setting the proper tone at the top. • Designing and implementing policies and controls to prevent and detect fraud.
Qualitative aspects of accounting practices - *Accounting Policies*	The significant accounting policies are described in Note 2 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the reporting period that had a significant impact on the financial statements. The accounting policies of the Entity conform to the Regulatory basis of accounting as permitted by the New York State Office of the State Comptroller ("OSC"). The regulatory basis differs significantly from accounting principles generally accepted in the United States of America ("U.S. GAAP") as disclosed in Note 2 to the financial statements.
Qualitative aspects of accounting practices – *Significant Unusual Transactions*	No matters have come to our attention that would require us to inform you about the methods used to account for significant unusual transactions.

Required Item	Comments
Qualitative aspects of accounting practices - *Accounting Estimates and Management's Judgment*	Accounting estimates made by management are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Actual results could differ from those estimates. Certain accounting estimates are particularly sensitive because of their significance to financial statements and their susceptibility to change. The most sensitive estimates affecting the financial statements are: • Actuarial assumptions related to pension obligations Management believes that the estimates used and assumptions made are adequate based on the information currently available. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.
Qualitative aspects of accounting practices - *Financial Statement Disclosures*	Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements are: • Pension plan information • Fund balances The financial statement disclosures are consistent and clear.
Difficulties encountered in performing the audit	We encountered no significant difficulties in dealing with management relating to the performance of our audit.
Corrected and uncorrected misstatements	Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. There are no such financial statement misstatements that remain uncorrected.

Required Item	Comments
Disagreements with management	For purposes of this communication, a disagreement with management is a matter, whether or not resolved to our satisfaction, concerning financial accounting, reporting, or auditing, which could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of the audit.
Management representations	We have requested certain representations from management that are included in the management representation letter.
Management's consultations with other accountants	In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no such consultations with other accountants.
Auditor independence	We affirm that PKF O'Connor Davies, LLP is independent with respect to the Entity in accordance with relevant professional standards.
Significant issues discussed with management prior to retention	We generally discuss with management a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Entity and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed and our responses thereto were a condition to our retention as auditors.

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ESTABLISHED IN 1891

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Arlington Fire District, New York (the "Entity") internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we express no such opinion.

Professional standards require that we communicate to you, in writing, all significant deficiencies and/or material weaknesses in internal control that we identify in performing our audit. For this purpose, deficiencies in internal control are categorized as follows:

- A **deficiency in internal contro**l 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.

- A **significant deficiency** is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management and others charged with governance and is not intended to be and should not be used by anyone other than these specified parties. We will be pleased to discuss these communications and comments in further detail at your convenience, or to assist you in implementing the recommendations.

PKF O'Connor Davies, LLP
Harrison, New York
October 15, 2018

On the Horizon

Proposed Changes to *Government Auditing Standards*

The U.S. Government Accountability Office has proposed changes to the *Government Auditing Standards*. These changes will be the first changes since 2011 and are designed to ensure the standards continue to meet the needs of the federal, state and local government communities and the public these bodies serve. The following significant new audit requirement was added to the 2017 exposure draft (proposed new standards):

As part of an audit under *Government Auditing Standards*, if auditors become aware of waste or abuse that could be quantitatively or qualitatively material to the financial statements, auditors should perform additional audit procedures to ascertain the potential effect on the financial statements.
Included in the application guidance are these definitions:

Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose. Waste involves the taxpayers not receiving reasonable value for money in connection with any government-funded activities because of an inappropriate act or omission by parties with control over or access to government resources. Importantly, waste can include activities that do not include abuse and does not necessarily involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.

Abuse is behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances, but excludes fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. Because the determination of abuse is subjective, auditors are not required to perform procedures to detect abuse in financial audits. Auditors may discover that abuse is indicative of fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements.

Appendix 1

Management Representation Letter

Arlington Fire District

11 Burnett Boulevard
Poughkeepsie, NY 12603
www.afd.org

Business: (845) 486-6300
Fax: (845) 486-6322

For Emergencies
DIAL 911

"Safeguarding Our Community"

October 15, 2018

PKF O'Connor Davies, LLP
500 Mamaroneck Avenue
Harrison, NY 10528

This representation letter is provided in connection with your audit of the financial statements of the Arlington Fire District, New York (the "District") which comprise the respective financial position of the financial statements as of December 31, 2017, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with the regulatory basis (the "Regulatory Basis") of accounting prescribed and permitted by the New York State Office of the State Comptroller.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, (having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves) as of the date of this letter, the following representations made to you during your audit.

Our Responsibilities

1) We acknowledge that we have fulfilled our responsibilities for:
   a) The preparation and fair presentation of the financial statements in accordance with the regulatory basis and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
   b) The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
   c) The design, implementation, and maintenance of internal control to prevent and detect fraud.

2) We understand that the term "fraud" refers to intentional acts by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements. Two types of intentional misstatements are relevant to your audit – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Fraudulent financial reporting involves intentional misstatements, including omissions of amounts or disclosures in financial statements to deceive financial statement users. Misappropriation of assets involves the theft of an entity's assets.

3) We are further responsible for reviewing, accepting and processing the standard, adjusting, or correcting journal entries that you proposed during the course of your engagement. We confirm that we designated a suitably qualified individual who understands the nature and impact of the proposed entries to the financial statements, and we accept responsibility for the proposed entries that we authorized and processed.

4) We acknowledge our responsibility for presenting the combining and individual fund financial statements and schedules in accordance with the regulatory basis, and we believe the combining and individual fund financial statements and schedules, including its form and content, is fairly presented in accordance with the regulatory basis. The methods of measurement and presentation of the combining and individual fund financial statements and schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information

Financial Statements

5) The financial statements referred to above are fairly presented in conformity with the regulatory basis and include all disclosures necessary for such fair presentation. In that connection, we specifically confirm that:
   a) The District's accounting policies, and the practices and methods followed in applying them, are appropriate and are as disclosed in the financial statements.
   b) There have been no changes during the period audited in the District's accounting policies and practices.
   c) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

6) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

7) The following, where they exist, have been appropriately disclosed to you and accounted for and/or disclosed in the financial statements in accordance with the requirements of the regulatory basis:
   a) The identity of all related parties and related party relationships and transactions including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
   b) Guarantees, whether written or oral, under which the District is contingently liable, if any.
   c) The effects of all known actual, possible, pending or threatened litigation, claims, and assessments.
   d) The identity of the District's related parties and all the related party relationships and transactions of which we are aware.

8) We have evaluated events subsequent to the date of the financial statements through the date of this letter, and no such events have occurred which would require adjustment or disclosure in the financial statements. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

9) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the District's accounts.

Information Provided

10) We have provided you with:
   a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
   b) Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices, if applicable.
   c) Additional information that you have requested from us for the purpose of the audit.
   d) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
   e) Completeness and availability of all minutes of the meetings of the Board of Fire Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.

11) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

12) There are no deficiencies in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the District's ability to initiate, authorize, record, process, and report financial data reliably in accordance with the regulatory basis.

13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
   a) Management,
   b) Employees who have significant roles in internal control, or
   c) Others where the fraud could have a material effect on the financial statements.

14) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.

15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

Government—specific

16) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

17) The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

18) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

19) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

20) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

21) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

22) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

23) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably with senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services We have reviewed, approved, and accepted responsibility for those financial statements and related notes. We also understand that as part of your audit, you prepared various adjusting journal entries, both on the fund and entity-wide level, and acknowledge that we have reviewed and approved those entries and accepted responsibility for them.

24) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

25) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

26) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

27) The financial statements properly classify all funds and activities.

28) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

29) Investments, and land are properly valued.

30) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.

31) Provisions for uncollectible receivables have been properly identified and recorded.

32) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

33) Deposits and investment securities are properly classified as to risk and are properly disclosed.

34) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

35) Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded.

36) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

37) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

38) We acknowledge our responsibility for the supplementary information (SI). The SI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SI.

39) Expenditures of federal awards were below the $750,000 threshold for the year ended December 31, 2017, and we were not required to have an audit in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards ("Uniform Guidance").

Signature: _____ Signature: _____

Title: Ralph Chiumento, Jr. *Chairman of the Board of Fire Commissioners* Title: James F. Passikoff, *Treasurer*

Appendix 2

About PKF O'Connor Davies, LLP

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS
ESTABLISHED IN 1891

FIRM OVERVIEW

Founded in 1891, PKF O'Connor Davies has evolved from an accounting firm to a corps of high-caliber professionals that delivers to a global and growing client base a complete range of audit, tax and advisory services as well as insights and expertise at the highest level. As our business has grown, our commitment to active value creation has allowed us to connect our clients to sound business advice, key players and resources across diverse industries.

An Acknowledged Global Leader

Not only are we one of the nation's most rapidly growing accounting and advisory firms, we are also the lead North American firm in the growing PKF global network of independent accounting and advisory firms. This enables us to provide clients with preferred access to top-tier experts and firms in over 400 locations, in 150 countries around the world. It also establishes us as the primary referral point for international businesses with needs in North America, an advantage for our domestic clients seeking connections outside the U.S.

Active Partner Involvement Dedicated Engagement Teams

We have built strong relationships with our clients by being proactive, thorough and efficient. Firm partners are involved in the day-to-day management of engagements, ensuring a high degree of client service and cost effectiveness. Multi-disciplinary teams ensure solutions are customized to address specific needs and integrated for greater efficiency.

A Higher Standard: Beyond Passive Value Calculation to Active Value Creation

Our focus on value has driven our growth, propelling PKF O'Connor Davies to the Top 29 on *Accounting Today*'s 2018 "Top 100 Firms" list and gaining us acclaim as one of the country's fastest-growing firms. With unmatched client focus, we unlock genuine value hidden at key connection points in every engagement within regional, national and international arenas. Through these connections, our team of specialists continually drives efficiencies, uncovers opportunities and manages risk – delivering value where others can't.

Industry Recognition

- **Ranked 29 of "2018's Top 100 Firms"**
  – *Accounting Today*, 2018
- **Ranked 7 of the "Top Firms in the Mid-Atlantic"**
  – *Accounting Today*, 2018
- **Ranked 11 of "New Jersey's Top Accounting Firms"**
  – *NJBIZ*, 2017
- **"Tax Advice Award"**
  – *Family Wealth Report Awards*, 2018
- **"Best Multi-Family Office – Client Service – Over $2 Billion"**
  – *Private Asset Management Awards*, 2018
- **"Best Private Client Audit Firm"**
  – *Private Asset Management Awards*, 2017
- **"Best Reporting Solution Award"**
  – *Private Asset Management Awards*, 2016
- **"Best Places to Work in New Jersey"**
  – *NJBIZ*, 2018
- **Ranked 22 of the 50 "Best Accounting Employers to Work for in North America"**
  – *Vault*, 2018

KNOW GREATER VALUE™

Agility, Responsiveness and Recognition

Since our founding, PKF O'Connor Davies has maintained its commitment to gaining a deep understanding of each client's operations and financial history in order to help meet their every challenge and objective. We fulfill this mission by providing resources that match those of larger firms in scope – but with the agility only a mid-sized firm such as ours can demonstrate…and yet, we still rank among them. Our services include:

Accounting and Assurance Services

- Accounting Outsourcing
- Agreed-Upon Procedures (AUPs)
- Audits, Reviews and Compilations
- Employee Benefit Plans
- Government Entity Audits & Compliance
- International Financial Reporting Standards (IFRS)
- IT Audit & Cybersecurity Reviews
- Public Company Accounting Oversight Board (PCAOB)

Tax Compliance and Planning Services

- Employee Benefit Planning & Tax Compliance
- International Tax Services
- IRS Representation & Tax Controversies
- Personal Financial Planning
- Private Foundation Services
- State and Local Tax (SALT)
- Tax Compliance & Reporting
- Tax-Exempt Organizations
- Tax Research and Strategic Planning
- Trust and Estate Planning

Advisory Services

- Bankruptcy & Restructuring
- Management Advisory Services
- Risk Advisory Services
- Specialty Industry Advisory Services
  - Employee Benefit Plan Services
  - Entrepreneurial Business Advisory Solutions
  - Government & Public Sector Advisory Services
  - Healthcare Advisory Services
  - Hospitality Advisory Services
- Transaction & Financial Advisory Services
- Wealth Services

Family Office Services

- Accounting & Reporting
- Advisory
- Charitable Giving
- Investment Monitoring & Oversight
- Lifestyle Support
- Personal Financial Management
- Tax Planning
- Wealth Planning

We offer an exceptional breadth of advisory services across diverse industries and sectors.

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Bethesda, MD | Cranford, NJ | Harrison, NY | Livingston, NJ | New York, NY | Newburgh, NY
Stamford, CT | Wethersfield, CT | Woodcliff Lake, NJ

www.pkfod.com