

# **Arlington Fire District, New York**

## **Regulatory Basis Financial Statements and Supplementary Information**

**December 31, 2020**



# Arlington Fire District, New York

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## **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, 2020, 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, 2020 and the respective changes in financial position for the year then ended in accordance with the regulatory basis of accounting as described in Note 1A.

## ***Basis of Accounting***

We draw attention to Note 1A to the financial statements, which describes the basis of accounting. As described in Note 1A, 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 (“OSC”), 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.

## ***Emphasis of Matter***

As discussed in Note 2E, the District implemented a new OSC accounting bulletin which impacted the reporting of Length of Service Award Program assets. 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 1A. 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 1A.

The Schedules of 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 December 3, 2021 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, contracts 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

December 3, 2021

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**Arlington Fire District, New York**

Combined Balance Sheets - Regulatory Basis  
December 31, 2020

	Account Groups			
	General Fund	Fixed Assets	General Long Term Debt	Total
<b>ASSETS</b>				
Cash and equivalents	\$ 5,060,414	\$ -	\$ -	\$ 5,060,414
Investments	2,640,876	-	-	2,640,876
Prepaid expenditures	995,218	-	-	995,218
Fixed assets	-	8,433,788	-	8,433,788
Amount to be provided for general long-term debt	-	-	19,139,960	19,139,960
<b>Total Assets</b>	<b>\$ 8,696,508</b>	<b>\$ 8,433,788</b>	<b>\$ 19,139,960</b>	<b>\$ 36,270,256</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 205,959	\$ -	\$ -	\$ 205,959
Compensated absences	-	-	5,902,894	5,902,894
Net pension liability	-	-	13,237,066	13,237,066
<b>Total Liabilities</b>	<b>205,959</b>	<b>-</b>	<b>19,139,960</b>	<b>19,345,919</b>
<b>FUND BALANCE</b>				
Investment in fixed assets	-	8,433,788	-	8,433,788
Nonspendable	995,218	-	-	995,218
Restricted	5,505,268	-	-	5,505,268
Unassigned	1,990,063	-	-	1,990,063
<b>Total Fund Balance</b>	<b>8,490,549</b>	<b>8,433,788</b>	<b>-</b>	<b>16,924,337</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 8,696,508</b>	<b>\$ 8,433,788</b>	<b>\$ 19,139,960</b>	<b>\$ 36,270,256</b>

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, 2020

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**REVENUES**

Real property taxes	\$ 17,588,450
Payments in lieu of taxes	627,707
Interest and earnings	48,297
Interest and earnings- Length of Service Awards	227,853
Insurance recoveries	265,979
Federal aid	8,424
Miscellaneous	29,281

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Total Revenues	18,795,991
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**EXPENDITURES**

Public safety	11,690,405
Employee benefits	6,593,843

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Total Expenditures	18,284,248
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Excess of Revenues Over Expenditures	511,743
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**FUND BALANCE**

Beginning of Year, as reported	5,548,602
Cumulative Effect of Change in Accounting Principle	2,430,204
Beginning of Year, as restated	7,978,806
End of Year	\$ 8,490,549

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See notes to financial statements.

## **Arlington Fire District, New York**

Notes to Financial Statements – Regulatory Basis  
December 31, 2020

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### **Note 1 - Summary of Significant Accounting Policies**

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.

#### **A. 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:

- a) 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.
- b) 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.
- c) 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, the schedule of changes in the Total Other Post Employment Benefits ("OPEB") Liability for other postemployment benefits and the schedules of the proportionate share of the net pension liability and contributions for defined benefit pension plans.
- d) Fund-based financial statements must be reconciled to the "district-wide" financial statements.
- e) 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.
- f) Length of Service Award Program ("LOSAP") liabilities would be reported as a component of non-current governmental liabilities in the district-wide financial statements. LOSAP liabilities are not reported under the regulatory basis of accounting.
- g) Other Postemployment Benefit Liabilities ("OPEB") would be reported as a component of non-current governmental liabilities in the district-wide financial statements. OPEB liabilities are not reported under the regulatory basis of accounting.

## **Arlington Fire District, New York**

Notes to Financial Statements – Regulatory Basis  
December 31, 2020

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### **Note 1 - Summary of Significant Accounting Policies (continued)**

#### **B. 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.

#### **C. 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. 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 within one broad fund category and two Account Groups, 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 fund of the District and is used to account for and report all financial resources not accounted for and reported in another fund.

##### **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.

**Note 1 - Summary of Significant Accounting Policies (continued)**

General Long Term Debt Account Group – This account group is established to account for certain long-term obligations as determined by OSC.

**D. 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 when they have been earned and 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 and the amounts are expected to be collected within one year of the fiscal year end. A ninety day availability period is generally used for revenue recognition for most other governmental fund revenues. 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.

**E. 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.

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

## Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis  
December 31, 2020

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### **Note 1 - Summary of Significant Accounting Policies (continued)**

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 5) – 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 Measurement 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 will 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, "*Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*", 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, 2020.

**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.

**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, New York ("Town") collects the District's taxes. The Town remits the entire levy to the District in accordance with a mutually agreed upon payment schedule.

## Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis  
December 31, 2020

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### **Note 1 - Summary of Significant Accounting Policies** *(continued)*

**Inventory** - There are no inventory values presented in the balance sheets of the respective funds of the District. Purchases of inventorable items are recorded as 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 employee retirement and health insurance 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, 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. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. 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.

The District has not maintained historical cost records for some of its capital asset inventory. Due to this lack of cost basis information, the District has valued 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 includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund balance that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

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

The District does not report any deferred outflows/inflows of resources.

## Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis  
December 31, 2020

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### **Note 1 - Summary of Significant Accounting Policies (continued)**

**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 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:

Non-spendable 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).

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 amounts established and approved by the District's Board of Fire Commissions.



## **Arlington Fire District, New York**

Notes to Financial Statements – Regulatory Basis  
December 31, 2020

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### **Note 1 - Summary of Significant Accounting Policies (continued)**

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Fire Commissions 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.

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

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.

#### **F. 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.

#### **G. Encumbrances**

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable 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.

#### **H. 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 December 3, 2021.

## **Arlington Fire District, New York**

Notes to Financial Statements – Regulatory Basis  
December 31, 2020

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### **Note 2 - Stewardship, Compliance and Accountability**

#### **A. *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 21<sup>st</sup> 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 20<sup>th</sup> 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.
- e) On the 3<sup>rd</sup> 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 4<sup>th</sup>, the board shall adopt the District's annual budget.
- h) On or before November 7<sup>th</sup>, 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.

## **Arlington Fire District, New York**

Notes to Financial Statements – Regulatory Basis  
December 31, 2020

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### **Note 2 - Stewardship, Compliance and Accountability (continued)**

- 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 of Fire Commissioners.
- 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.

#### **B. 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.

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

## **Arlington Fire District, New York**

Notes to Financial Statements – Regulatory Basis  
December 31, 2020

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### **Note 2 - Stewardship, Compliance and Accountability (continued)**

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.

#### **C. 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.

#### **D. Expenditures in Excess of Budget**

The following functional expenditure categories exceeded their budgetary authorization as follows:

Public Safety	
Personnel Services	\$ 663,979
Length of Service Award Program	93,076

#### **E. Cumulative Effect of Change in Accounting Principle**

The District, for the year ended December 31, 2020, implemented a new OSC accounting bulletin which impacted the reporting of LOSAP Assets. As a result of adopting this accounting bulletin, a cumulative effect for change in accounting principle of \$2,430,204 was recorded in the General Fund which increased the previously reported General Fund fund balance by this amount.

### **Note 3 - Detailed Notes on All Funds and Account Groups**

#### **A. 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 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

## Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis  
December 31, 2020

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### **Note 3 - Detailed Notes on All Funds and Account Groups (continued)**

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/about\\_us/financial\\_statements\\_index.php](http://www.osc.state.ny.us/retire/about_us/financial_statements_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 2020 are as follows:

	<u>Tier/Plan/Option</u>	<u>Rate</u>
ERS	4 A15	15.7%
	6 A15	9.2
PFRS	2 384E	25.1
	5 384E	24.0
	6 384E	15.3
	6 384E	21.7

At December 31, 2020, the District reported the following for its proportionate share of the net pension liability for ERS and PFRS:

	<u>ERS</u>	<u>PFRS</u>
Measurement Date	March 31, 2020	March 31, 2020
Net pension liability	\$ 435,644	\$ 12,801,422
District's proportion of the net pension liability	0.0016451%	0.2395055%
Change in proportionate share since the prior measurement date	0.0000709%	0.0167458%

## Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis  
December 31, 2020

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### **Note 3 - Detailed Notes on All Funds and Account Groups (continued)**

The net pension liability was measured as of March 31, 2020 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.

For the year ended December 31, 2020, the District recognized pension expenditures of \$63,848 for ERS and \$1,972,376 for PFRS which were reported in the fund financial statements and were charged to General Fund.

The District is not required to report deferred outflows and deferred inflows of resources related to pensions.

The total pension liability for the ERS and PFRS measurement date was determined by using an actuarial valuation date as noted below, with update procedures used to roll forward the total pension liabilities to that measurement date. Significant actuarial assumptions used in the valuation were as follows:

	ERS	PFRS
Measurement date	March 31, 2020	March 31, 2020
Actuarial valuation date	April 1, 2019	April 1, 2019
Investment rate of return	6.8% *	6.8% *
Salary scale	4.2%	5.0%
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.3%	1.3%

\*Compounded annually, net of pension plan investment expenses, including inflation.

Annuitant mortality rates are based on the System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the 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.

**Arlington Fire District, New York**

Notes to Financial Statements – Regulatory Basis  
December 31, 2020

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**Note 3 - Detailed Notes on All Funds and Account Groups (continued)**

Asset Type	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36 %	4.05 %
International Equity	14	6.15
Private Equity	10	6.75
Real Estate	10	4.95
Absolute Return Strategies	2	3.25
Opportunistic Portfolio	3	4.65
Real Assets	3	5.95
Bonds and Mortgages	17	0.75
Cash	1	0.00
Inflation Indexed Bonds	4	0.50
	<u>100 %</u>	

The real rate of return is net of the long-term inflation assumption of 2.5%.

The discount rate used to calculate the total pension liability was 6.8%. 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 6.8%, 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 (5.8%) or 1 percentage point higher (7.8%) than the current rate:

	1% Decrease (5.8%)	Current Discount Rate (6.8%)	1% Increase (7.8%)
District's proportionate share of the ERS net pension liability	<u>\$ 799,531</u>	<u>\$ 435,644</u>	<u>\$ 100,504</u>
District's proportionate share of the PFRS net pension liability	<u>\$ 22,889,202</u>	<u>\$ 12,801,422</u>	<u>\$ 3,767,585</u>

## Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis  
December 31, 2020

### **Note 3 - Detailed Notes on All Funds and Account Groups (continued)**

The components of the collective net pension liability as of the March 31, 2020 measurement date were as follows:

	(In Thousands)		
	ERS	PFRS	Total
Total pension liability	\$ 194,596,261	\$ 35,309,017	\$ 229,905,278
Fiduciary net position	168,115,682	29,964,080	198,079,762
Employers' net pension liability	<u>\$ 26,480,579</u>	<u>\$ 5,344,937</u>	<u>\$ 31,825,516</u>
Fiduciary net position as a percentage of total pension liability	<u>86.39%</u>	<u>84.86%</u>	<u>86.16%</u>

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 31<sup>st</sup>. Retirement contributions as of December 31, 2020 represent the employer contribution for the period of April 1, 2020 through December 31, 2020 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, 2020 were \$47,886 and \$1,483,806, respectively.

#### **B. Fund Balance**

Nonspendable- Prepaid Expenditures	<u>\$ 995,218</u>
Restricted	
Building	573,238
Apparatus	921,332
Employee Benefit Accrued Liability	1,369,822
Service Award Program	<u>2,640,876</u>
Total Restricted	<u>5,505,268</u>
Unassigned	<u>1,990,063</u>
Total Fund Balance	<u>\$ 8,490,549</u>

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.



## **Arlington Fire District, New York**

Notes to Financial Statements – Regulatory Basis  
December 31, 2020

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### **Note 3 - Detailed Notes on All Funds and Account Groups (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.

Service Award Program has been set aside to be used for LOSAP pension benefits in accordance with Article 11-A of the General Municipal Law of the State of New York.

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

### **Note 4 - Contingencies**

#### **A. 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.

### **Note 5 - Defined Benefit Service Award Program**

The District financial statements are for the year ended December 31, 2020. 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, 2020, which is the most recent information available.

#### **A. Length of Service Award 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.

#### **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

**Note 5 - Defined Benefit Service Award Program (continued)**

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 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.

## Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis  
December 31, 2020

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### **Note 5 - Defined Benefit Service Award Program (continued)**

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 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 Glens Falls National Bank and Trust Company to provide investment management, custodial services and 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, 2020 Annual Report.

Actuarial Accrued Liability at December 31, 2020		\$ 2,960,609
Less: Assets Available for Benefits		
Cash and money market	\$ 273,604	
U.S. equities	965,775	
International equities	89,740	
Fixed income	<u>1,311,757</u>	
Total Assets Available for Benefits		<u>2,640,876</u>
Total Unfunded Benefits		319,733
Less: Unfunded Liability for Separately Amortized Costs		<u>329,798</u>
Unfunded (Overfunded) Normal Benefits		<u>\$ (10,065)</u>

## Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis  
December 31, 2020

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### **Note 5 - Defined Benefit Service Award Program (continued)**

The above investments in U.S. equities, international equities and fixed income 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 December 31, 2020 was amortized over 20 years at 5.50%, with 15 years remaining as of December 31, 2020.

#### **Receipts and Disbursements**

Plan Net Assets, beginning of year		\$	2,430,204
Changes during the year:			
Sponsor contributions	\$	165,895	
Changes in fair market value of investments		164,097	
Investment income earned		62,942	
Investment expense		(11,035)	
Administrative fees		(1,060)	
Benefits paid/payable		(170,167)	
			<u>210,672</u>
Plan Assets, end of year		\$	<u>2,640,876</u>

#### **Contributions**

Contribution recommended by actuary	\$	165,895
Actual contribution made by the sponsor		165,895

#### **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	None
Pre-Entitlement Age disability	None
Pre-Entitlement Age withdrawal	None
Pre-Entitlement Age service Credit Accruals	100% to Entitlement Age for active participants who have earned at least one year of service credit in the prior 3 years

## Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis  
December 31, 2020

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### **Note 6 - Fixed Assets**

Buildings, Machinery and Equipment - A summary of changes in the general fixed assets during fiscal year 2020 follows:

	<u>Balance Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Ending</u>
Building	\$ 2,044,632	\$ 100,000	\$ -	\$ 2,144,632
Machinery and Equipment	<u>6,247,165</u>	<u>41,991</u>	<u>-</u>	<u>6,289,156</u>
Total Fixed Assets	<u>\$ 8,291,797</u>	<u>\$ 141,991</u>	<u>\$ -</u>	<u>\$ 8,433,788</u>

### **Note 7 - Lease Commitments**

The District has a multiyear lease agreement with Croft Corners Fire Company, Inc. beginning January 1, 2015, which expired on December 31, 2019 and was extended through December 31, 2023. 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:

2021	\$ 97,882
2022	97,882
2023	<u>66,000</u>
	<u>\$ 261,764</u>

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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)

Schedule of the District's Proportionate Share of Net Pension Liability (2)						
	2020 (4)(5)	2019	2018	2017	2016 (3)	2015
District's proportion of the net pension liability	<u>0.0016451%</u>	<u>0.0015742%</u>	<u>0.0016798%</u>	<u>0.0014322%</u>	<u>0.0015503%</u>	<u>0.0016915%</u>
District's proportionate share of the net pension liability	<u>\$ 435,644</u>	<u>\$ 111,536</u>	<u>\$ 54,216</u>	<u>\$ 134,574</u>	<u>\$ 248,833</u>	<u>\$ 57,141</u>
District's covered payroll	<u>\$ 420,384</u>	<u>\$ 417,455</u>	<u>\$ 363,073</u>	<u>\$ 320,169</u>	<u>\$ 273,724</u>	<u>\$ 288,347</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>103.63%</u>	<u>26.72%</u>	<u>14.93%</u>	<u>42.03%</u>	<u>90.91%</u>	<u>19.82%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>86.39%</u>	<u>96.27%</u>	<u>98.24%</u>	<u>94.70%</u>	<u>90.70%</u>	<u>97.90%</u>
Schedule of Contributions						
	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 63,848	\$ 54,886	\$ 50,456	\$ 50,057	\$ 42,173	\$ 34,079
Contributions in relation to the contractually required contribution	<u>(63,848)</u>	<u>(54,886)</u>	<u>(50,456)</u>	<u>(50,057)</u>	<u>(42,173)</u>	<u>(34,079)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 460,133</u>	<u>\$ 422,730</u>	<u>\$ 373,368</u>	<u>\$ 339,288</u>	<u>\$ 319,456</u>	<u>\$ 294,114</u>
Contributions as a percentage of covered payroll	<u>13.88%</u>	<u>12.98%</u>	<u>13.51%</u>	<u>14.75%</u>	<u>13.20%</u>	<u>11.59%</u>

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

(3) 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.

(4) The discount rate used to calculate the total pension liability was decreased from 7.0% to 6.8% effective with the March 31, 2020 measurement date.

(5) Increase in the District's proportionate share of the net pension liability mainly attributable to decrease in plan fiduciary net position due to investment losses.

See independent auditors' report.

# 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)

Schedule of the District's Proportionate Share of Net Pension Liability (2)						
	2020 (4)(5)	2019	2018	2017	2016 (3)	2015
District's proportion of the net pension liability	<u>0.2395055%</u>	<u>0.2227597%</u>	<u>0.2460472%</u>	<u>0.2424752%</u>	<u>0.2486892%</u>	<u>0.2503627%</u>
District's proportionate share of the net pension liability	<u>\$ 12,801,422</u>	<u>\$ 3,735,821</u>	<u>\$ 2,486,939</u>	<u>\$ 5,025,667</u>	<u>\$ 7,363,159</u>	<u>\$ 689,147</u>
District's covered payroll	<u>\$ 8,927,440</u>	<u>\$ 8,296,489</u>	<u>\$ 8,237,943</u>	<u>\$ 7,768,587</u>	<u>\$ 8,621,654</u>	<u>\$ 7,680,390</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>143.39%</u>	<u>45.03%</u>	<u>30.19%</u>	<u>64.69%</u>	<u>85.40%</u>	<u>8.97%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>84.86%</u>	<u>95.09%</u>	<u>96.93%</u>	<u>93.50%</u>	<u>90.20%</u>	<u>99.00%</u>

Schedule of Contributions						
	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,978,408	\$ 1,921,232	\$ 2,220,987	\$ 1,948,013	\$ 2,068,133	\$ 1,816,546
Contributions in relation to the contractually required contribution	<u>(1,978,408)</u>	<u>(1,921,232)</u>	<u>(2,220,987)</u>	<u>(1,948,013)</u>	<u>(2,068,133)</u>	<u>(1,816,546)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 8,922,719</u>	<u>\$ 8,352,935</u>	<u>\$ 8,429,069</u>	<u>\$ 7,844,638</u>	<u>\$ 8,244,730</u>	<u>\$ 7,833,998</u>
Contributions as a percentage of covered payroll	<u>22.17%</u>	<u>23.00%</u>	<u>26.35%</u>	<u>24.83%</u>	<u>25.08%</u>	<u>23.19%</u>

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

(3) 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.

(4) The discount rate used to calculate the total pension liability was decreased from 7.0% to 6.8% effective with the March 31, 2020 measurement date.

(5) Increase in the District's proportionate share of the net pension liability mainly attributable to decrease in plan fiduciary net position due to investment losses.

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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Real property taxes	\$ 17,588,450	\$ 17,588,450	\$ 17,588,450	\$ -
Payments in lieu of taxes	550,600	550,600	627,707	77,107
Interest and earnings	50,000	50,000	48,297	(1,703)
Interest and earnings- Length of Service Awards	-	-	227,853	227,853
Insurance recoveries	200,000	200,000	265,979	65,979
Federal aid	-	-	8,424	8,424
Miscellaneous	-	-	29,281	29,281
Total Revenues	18,389,050	18,389,050	18,795,991	406,941
<b>EXPENDITURES</b>				
Public safety	10,883,250	11,072,141	11,690,405	(618,264)
Employee benefits	7,505,800	7,505,800	6,593,843	911,957
Total Expenditures	18,389,050	18,577,941	18,284,248	293,693
Excess (Deficiency) of Revenues Over Expenditures	-	(188,891)	511,743	700,634
<b>FUND BALANCE</b>				
Beginning of Year, as reported	-	188,891	5,548,602	5,359,711
Cumulative Effect of Change in Accounting Principle	-	-	2,430,204	2,430,204
Beginning of Year, as reported	-	188,891	7,978,806	7,789,915
End of Year	\$ -	\$ -	\$ 8,490,549	\$ 8,490,549

See independent auditors' report.

**Arlington Fire District, New York**

General Fund  
Schedule of Expenditures Compared to Budget - Regulatory Basis  
Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>PUBLIC SAFETY</b>				
Personal services	\$ 9,765,800	\$ 9,765,800	\$ 10,429,779	\$ (663,979)
Equipment and capital outlay	-	188,891	188,891	-
Contractual expenditures	<u>1,117,450</u>	<u>1,117,450</u>	<u>1,071,735</u>	<u>45,715</u>
	<u>10,883,250</u>	<u>11,072,141</u>	<u>11,690,405</u>	<u>(618,264)</u>
<b>EMPLOYEE BENEFITS</b>				
Retirement	2,131,300	2,131,300	2,036,224	95,076
MTA payroll tax	36,000	36,000	32,996	3,004
Social security	800,000	800,000	677,016	122,984
Workers compensation	529,000	529,000	440,781	88,219
Hospital, medical and accident insurance	3,919,500	3,919,500	3,223,750	695,750
Length of Service Award Program	<u>90,000</u>	<u>90,000</u>	<u>183,076</u>	<u>(93,076)</u>
	<u>7,505,800</u>	<u>7,505,800</u>	<u>6,593,843</u>	<u>911,957</u>
Total Expenditures	<u>\$ 18,389,050</u>	<u>\$ 18,577,941</u>	<u>\$ 18,284,248</u>	<u>\$ 293,693</u>



**Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance With  
Government Auditing Standards**

**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, 2020, 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 December 3, 2021.

**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") as a basis for designing 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.

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## **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 financial statements. 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*

**PKF O'Connor Davies, LLP**

Harrison, New York

December 3, 2021