

Arlington Fire District, New York

Regulatory Basis Financial Statements

December 31, 2023

Arlington Fire District, New York

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Independent Auditors' Report

**Board of Fire Commissioners
Arlington Fire District, New York**

Report on the Audit of the Financial Statements

Opinion

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, 2023, 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.

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, 2023 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 for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the regulatory basis of accounting prescribed or 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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2026 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
January 13, 2026

Arlington Fire District, New York

Combined Balance Sheets - Regulatory Basis
December 31, 2023

	Account Groups			Total
	General Fund	Non-Current Governmental Assets	Non-Current Governmental Liabilities	
ASSETS				
Cash and equivalents	\$ 4,565,323	\$ -	\$ -	\$ 4,565,323
Investments	2,404,912	-	-	2,404,912
State and Federal aid receivable	41,063	-	-	41,063
Due from other governments	202,482	-	-	202,482
Prepaid expenditures	1,087,886	-	-	1,087,886
Capital assets	-	9,312,857	-	9,312,857
Amount to be Provided for Non-Current Governmental Liabilities	-	-	19,748,367	19,748,367
Total Assets	<u>\$ 8,301,666</u>	<u>\$ 9,312,857</u>	<u>\$ 19,748,367</u>	<u>\$ 37,362,890</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 391,064	\$ -	\$ -	\$ 391,064
Compensated absences	-	-	5,402,580	5,402,580
Leases payable	-	-	352,762	352,762
Net pension liability	-	-	13,993,025	13,993,025
Total Liabilities	<u>391,064</u>	<u>-</u>	<u>19,748,367</u>	<u>20,139,431</u>
FUND BALANCE				
Total Investments in Non-Current Governmental Assets	-	9,312,857	-	9,312,857
Nonspendable	1,087,886	-	-	1,087,886
Restricted	6,517,265	-	-	6,517,265
Unassigned	305,451	-	-	305,451
Total Fund Balance	<u>7,910,602</u>	<u>9,312,857</u>	<u>-</u>	<u>17,223,459</u>
Total Liabilities and Fund Balance	<u>\$ 8,301,666</u>	<u>\$ 9,312,857</u>	<u>\$ 19,748,367</u>	<u>\$ 37,362,890</u>

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, 2023

REVENUES

Real property taxes	\$ 20,728,750
Payments in lieu of taxes	793,901
Interest and earnings	684,086
Insurance recoveries	156,180
State aid	240,598
Federal aid	88,054
Miscellaneous	310,645
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Total Revenues	23,002,214
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EXPENDITURES

Public safety	
Personal services	11,942,045
Equipment and capital outlay	293,849
Contractual	1,198,804
Employee benefits	9,118,115
Debt service	
Interest	4,613
	<hr/>
Total Expenditures	22,557,426
	<hr/>
Excess of Revenues Over Expenditures	444,788

FUND BALANCE

Beginning of Year	7,465,814
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End of Year	\$ 7,910,602
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See notes to financial statements.

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Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis
December 31, 2023

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 (Continued)
December 31, 2023

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 Non-Current Governmental Assets and Liabilities.

Non-Current Governmental Assets - This account group is established to account for the land, buildings, improvements, and other equipment utilized by the District for general operating purposes.

Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis (Continued)
December 31, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Non-Current Governmental Liabilities – 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 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 (Continued)
December 31, 2023

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, 2023.

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 (Continued)
December 31, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the District. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

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 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.

Capital Assets - Capital assets used in governmental fund type operations (general capital assets) are accounted for in the Non-Current Governmental 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 capital assets. Interest incurred during construction is not capitalized in general capital 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 Non-Current Governmental 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 net assets 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 net assets 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 (Continued)
December 31, 2023

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 Non-Current Governmental Liabilities Account Group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the Non-Current Governmental Liabilities 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 Non-Current Governmental Liabilities 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 liabilities 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*" as prescribed by OSC.

Leases - The District is a lessee for noncancellable leases of building space. The District recognizes a lease liability in the Non-Current Governmental Liabilities Account Group and an intangible right-to-use lease asset ("lease asset") in the Non-Current Governmental Assets Account Group.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The lease asset is not amortized under the Regulatory basis of accounting. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are comprised of fixed payments and purchase option price that the District is reasonably certain to exercise. The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis (Continued)
December 31, 2023

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

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.

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 non-spendable, 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.

Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis (Continued)
December 31, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

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 January 13, 2026.

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 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.

Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis (Continued)
December 31, 2023

Note 2 - Stewardship, Compliance and Accountability (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 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.

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").

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

Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis (Continued)
December 31, 2023

Note 2 - Stewardship, Compliance and Accountability (continued)

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.

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.

Note 3 - Detailed Notes on All Funds and Account Groups

A. Long-Term Liabilities

The following table summarizes changes in the District’s long-term liabilities for the year ended December 31, 2023.

	Balance January 1, 2023	New Issues/ Additions	Maturities and/or Payments	Balance December 31, 2023
Lease liability	\$ 352,762	\$ -	\$ -	\$ 352,762
Compensated absences	5,643,127	168,071	408,618	5,402,580
Net Pension Liability - PFRS	1,351,542	12,293,805	-	13,645,347
Net Pension Liability - ERS	-	347,678	-	347,678
	<u>\$ 7,347,431</u>	<u>\$ 12,809,554</u>	<u>\$ 408,618</u>	<u>\$ 19,748,367</u>

Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis (Continued)
December 31, 2023

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

Leases Payable

Leases payable as of December 31, 2023 are comprised of the following individual agreements:

<u>Purpose</u>	<u>Year of Issue</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding at December 31, 2023</u>
Building	2022	\$ 489,113	2030	1.3 %	<u>\$ 352,762</u>

Interest expenditures of \$4,613 were recorded in the General Fund.

Payments to Maturity

The annual requirements to amortize all leases outstanding as of December 31, 2023 including interest payments of \$16,966 are as follows:

<u>Year Ending December 31,</u>	<u>Leases</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 43,668	\$ 4,347	\$ 48,015
2025	47,262	3,737	50,999
2026	48,907	3,113	52,020
2027	50,593	2,467	53,060
2028	52,322	1,799	54,121
2029-2030	<u>110,010</u>	<u>1,503</u>	<u>111,513</u>
	<u>\$ 352,762</u>	<u>\$ 16,966</u>	<u>\$ 369,728</u>

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

Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis (Continued)
December 31, 2023

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

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/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 2023 are as follows:

	<u>Tier/Plan/Option</u>	<u>Rate</u>
ERS	4 A15	12.9%
	6 A15	8.1
PFRS	2 384E	29.9
	5 384E	25.3
	5 384E	28.5
	6 384E	20.5
	6 384E	26.1

At December 31, 2023, 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, 2023	March 31, 2023
Net pension liability	\$ 347,678	\$ 13,645,347
District's proportion of the net pension liability	0.0016213%	0.2476258%
Change in proportionate share since the prior measurement date	(0.0000961%)	(0.0096970%)

Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis (Continued)
December 31, 2023

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

The net pension liability was measured as of March 31, 2023 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, 2023, the District recognized pension expenditures of \$66,139 for ERS and \$2,610,923 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:

	<u>ERS</u>	<u>PFRS</u>
Measurement date	March 31, 2023	March 31, 2023
Actuarial valuation date	April 1, 2022	April 1, 2022
Investment rate of return	5.9% *	5.9% *
Salary scale	4.4%	6.2%
Inflation rate	2.9%	2.9%
Cost of living adjustments	1.5%	1.5%

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

Annuitant mortality rates are based on the April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021.

The actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

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 (Continued)
December 31, 2023

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

Asset Type	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	32 %	4.30 %
International Equity	15	6.85
Private Equity	10	7.50
Real Estate	9	4.60
Opportunistic/ARS Portfolio	3	5.38
Credit	4	5.43
Real Assets	3	5.84
Fixed Income	23	1.50
Cash	1	0.00
	<u>100 %</u>	

The real rate of return is net of the long-term inflation assumption of 2.9%.

The discount rate used to calculate the total pension liability was 5.9%. 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 5.9%, 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 (4.9%) or 1 percentage point higher (6.9%) than the current rate:

	1% Decrease (4.9%)	Current Discount Rate (5.9%)	1% Increase (6.9%)
District's proportionate share of the ERS net pension liability (asset)	<u>\$ 840,190</u>	<u>\$ 347,678</u>	<u>\$ (63,872)</u>
District's proportionate share of the PFRS net pension liability (asset)	<u>\$ 28,444,365</u>	<u>\$ 13,645,347</u>	<u>\$ 1,390,872</u>

Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis (Continued)
December 31, 2023

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

The components of the collective net pension liability as of the March 31, 2023 measurement date were as follows:

	(In Thousands)		
	ERS	PFRS	Total
Total pension liability	\$ 232,627,259	\$ 43,835,333	\$ 276,462,592
Fiduciary net position	<u>211,183,223</u>	<u>38,324,863</u>	<u>249,508,086</u>
Employers' net pension liability	<u>\$ 21,444,036</u>	<u>\$ 5,510,470</u>	<u>\$ 26,954,506</u>
Fiduciary net position as a percentage of total pension liability	<u>90.78%</u>	<u>87.43%</u>	<u>90.25%</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 31st. Retirement contributions as of December 31, 2023 represent the employer contribution for the period of April 1, 2023 through December 31, 2023 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, 2023 were \$49,604 and \$2,018,260, respectively.

B. Fund Balance

Nonspendable- Prepaid Expenditures	<u>\$ 1,087,886</u>
Restricted	
Building	768,542
Apparatus	2,428,068
Employee Benefit Accrued Liability	915,743
Service Award Program	<u>2,404,912</u>
Total Restricted	<u>6,517,265</u>
Unassigned	<u>305,451</u>
Total Fund Balance	<u>\$ 7,910,602</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 (Continued)
December 31, 2023

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

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, 2023. 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, 2023, which is the most recent information available.

A. *Length of Service Award Program – LOSAP*

The Fire District established a defined benefit LOSAP for the active volunteer firefighters of the Arlington Fire Department. The program took effect January 1, 1992. The program was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Fire District is the sponsor of the program.

Program Description

Participation, vesting, and service credit

Active volunteer firefighters who have reached the age of 16 and who have earned one (1) year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five (5) years of firefighting service. The program's entitlement age is age 60. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates 50 points. Points are granted for the performance of certain activities in accordance with a system established by the Fire District on the basis of a statutory list of activities and point values.

Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis (Continued)
December 31, 2023

Note 5 - Defined Benefit Service Award Program (continued)

Benefits

A participant's benefit under the program is a monthly payment for life, guaranteed for 10 years, equal to \$20 multiplied by the participant's number of years of firefighting service. Participants that earn years of firefighting service after the entitlement age have their monthly service award increased by \$20 effective January 1 after the year in which the service was earned. The number of years of firefighting service used to compute the benefit cannot exceed forty (40). Except in the case of disability or death, benefits are payable when a participant reaches entitlement age. The program provides statutorily mandated death and disability benefits.

Fiduciary Investment and Control

A year of firefighting service (or service credit) is determined by the Board of Fire Commissioners, based on information certified to the Board by the Fire Department. The Fire Department must maintain all required records on forms prescribed by the Board. As of November 2023, the Board of Fire Commissioners has retained and designated Firefly Admin Inc. as third-party administrator to assist the Board to carry out the Board's duties as administrator of the program. Additionally, Firefly Admin Inc. provides actuarial services for the program, including calculating the annual contributions to the Trust Fund. The specific functions performed by Firefly Admin Inc. are designated in an engagement letter signed between Firefly Admin Inc. and the Board. Firefly Admin Inc. presents invoices for its services to the Board, and the Board approves payment of such invoices from the general fund in the same manner as other vendor invoices. Prior to November 2023, the Board retained Penflex Actuarial Services to serve as third-party administrator and actuary.

Disbursements for the payment of benefits are overseen by Firefly Admin Inc. and processed by Glens Falls National Bank and Trust Company. A statement detailing the payments made each month is provided to the Board on the monthly Glens Falls National bank statement. When new benefits become payable, Firefly Admin Inc. determines the amounts payable and notifies the Board in writing that a new benefit is being processed, with such notification including the amounts payable and the individual(s) receiving payment. Program assets are required to be held in trust by the General Municipal Law, 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 trustee is Glens Falls National Bank and Trust Company. The trust agreement stipulates that all accumulated program assets are assets of the Fire District, reserved for the exclusive purpose of the program and subject to the creditors of the Fire District in case the Fire District was to become insolvent.

Authority to invest program assets is vested in the Trustee. Program assets are invested by Glens Falls National Bank as Trustee in accordance with a statutory "prudent person" rule and an Investment Policy adopted by the Board. The assets are held in custody by Glens Fall National Bank and Trust Company.

The Board is required to retain an actuary to determine the amount of the District's contributions to the plan. The actuarial firm retained by the sponsor for this purpose is Firefly

Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis (Continued)
December 31, 2023

Note 5 - Defined Benefit Service Award Program (continued)

Admin Inc. Portions of the following information are derived from the January 1, 2024 Annual Report prepared by the actuary.

Program Financial Condition

Actuarial Present Value of Accrued Benefits at January 1, 2024		\$ 2,937,409
Less: Assets Available for Benefits		
Cash and money market	\$ 153,496	
Equities	986,192	
Fixed income	<u>1,265,224</u>	
Total Assets Available for Benefits		<u>2,404,912</u>
Total Unfunded Benefits		532,497
Less: Unfunded Liability for Separately Amortized Costs		<u>532,497</u>
Unfunded (Overfunded) Normal Benefits		<u><u>\$ -</u></u>

Separately Amortized Unfunded Liability

The unfunded liability as of January 1, 2024 has been amortized over 20 years at the valuation assumed rate of return of 5.25%.

Receipts and Disbursements

Plan Assets, beginning of year		\$ 2,269,981
Changes during the year:		
Sponsor contributions	\$ 75,000	
Changes in fair market value of investments	189,237	
Investment income earned	87,439	
Investment expense	(12,023)	
Administrative fees	(11,043)	
Benefits paid	<u>(193,679)</u>	<u>134,931</u>
Plan Assets, end of year		<u><u>\$ 2,404,912</u></u>

Contributions

Contribution recommended by actuary* \$61,927
Actual contribution \$75,000

Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis (Continued)
December 31, 2023

Note 5 - Defined Benefit Service Award Program (continued)

Administration Fees

Fees paid to previous third-party administrator (Penflex) \$9,520
Fees paid to current third-party administrator (Firefly) \$0
Fees paid for investment management (Glens Falls National Bank) \$12,023

Other investment-related fees: Mutual funds have internal expenses charged for operating the fund. These expenses are paid from the fund and are reflected in the earnings. These fees are disclosed in the fund prospectus.

Funding Methodology and Actuarial Assumptions

Normal Costs

The actuarial valuation methodology used by the previous actuary (Penflex) to determine the 2023 recommended contribution was the Attained Age Normal Cost Method. The assumptions used by the actuary (Firefly Admin Inc.) to determine the actuarial present value of benefits as of January 1, 2024 are as follows:

Assumed rate of return on investments	5.25%
Post-Entitlement Age mortality	RP-2014 Healthy Annuitant Male/Female with no projection for mortality improvement
Pre-Entitlement Age mortality	None
Pre-Entitlement Age disability	None
Pre-Entitlement Age withdrawal	None

Note 6 - Capital Assets

Buildings and leasehold improvements, machinery and equipment - A summary of changes in the general fixed assets during fiscal year 2023 follows:

	Balance Beginning	Increases	Decreases	Balance Ending
Building and Leasehold Improvements	\$ 2,044,632	-	-	2,044,632
Machinery and Equipment	6,679,112	100,000	-	6,779,112
Right-to-use leased building	489,113	-	-	489,113
Total Capital Assets	<u>\$ 9,212,857</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 9,312,857</u>

Arlington Fire District, New York

Notes to Financial Statements – Regulatory Basis (Concluded)
December 31, 2023

Note 8 - Recently Issued GASB Pronouncements

GASB Statement No. 101, “*Compensated Absences*” provides guidance on the accounting and financial reporting for compensated absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

This is not an all-inclusive list of recently issued GASB pronouncements but rather a listing of Statements that the District believes will most impact its financial statements. The District will evaluate the impact this and other pronouncements may have on its financial statements and will implement them as applicable and when material.

* * * * *



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, 2023, 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 January 13, 2026.

Report on 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.

Report on 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
January 13, 2026