

**EAST CLINTON FIRE DISTRICT,
NEW YORK
FINANCIAL STATEMENTS
AS CF AND FOR THE YEAR ENDED
DECEMBER 31, 2016**

THEODORE J. EGLIT, JR., CPA
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**EAST CLINTON FIRE DISTRICT,
NEW YORK
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2016**

East Clinton Fire District, New York
Financial Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners
of the East Clinton Fire District, New York

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Clinton Fire District, New York as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the East Clinton Fire District, New York's basic 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 accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those 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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Clinton Fire District, New York, as of December 31, 2016, and the respective changes in financial position, thereof, and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and LOSAP financial statements on pages 5 through 8 and 35 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.


Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Clinton Fire District, New York's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 31, 2017, on my consideration of the East Clinton Fire District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the East Clinton Fire District, New York's internal control over financial reporting and compliance.


Hopewell Junction, New York
July 31, 2017

Theodore J. Eglit, Jr., CPA

Certified Public Accountant • Business Consultant

INDEPENDENT AUDITOR'S 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*

To the Board of Fire Commissioners
of the East Clinton Fire District, New York

I 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Clinton Fire District, New York, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the East Clinton Fire District, New York's basic financial statements, and have issued my report thereon dated July 31, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the East Clinton Fire District, New York's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the East Clinton Fire District, New York's internal control. Accordingly, I do not express an opinion on the effectiveness of the East Clinton Fire District, New York'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Clinton Fire District, New York's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hopewell Junction, New York
July 31, 2017

EAST CLINTON FIRE DISTRICT

Management's Discussion and Analysis For the year ended December 31, 2016

Our discussion and analysis of the East Clinton Fire District's (hereafter referred to as the Fire District) financial performance provides an overview of the Fire District's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the Fire District's financial statements, which begin on page 9.

The Management's Discussion and Analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 issued in June 1999. As this is the first year that the Fire District has implemented this model, certain comparative information with the previous year, which is by design included in this reporting model, will not be included in this analysis as permitted by GASB Statement No. 34 with the respect to first year reporting. Beginning with next year's report, the Fire District will include this comparative analysis and information.

FINANCIAL HIGHLIGHTS

- Based upon the operation of 2016, the Fire District's Net Position increased by \$44,316 and resulted in ending Net Position of \$1,017,831.
- Cash and cash equivalents and investments at the end of the year were \$579,478 or 7.34% higher than last year.
- Ending fund balance of governmental funds at year end was \$538,401 or 1.80% higher than last year.

USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities found on pages 9 and 10 provides information about the financial activities of the Fire District and illustrate a longer-term view of the Fire District's finances. Fund financial statements start on page 11. For governmental-type activities, these statements illustrate how these services were financed in the short-term and what remains for future spending. Fund financial statements also report the Fire District's operations in more detail than the government-wide sections of the statements by providing information about the Fire District's significant funds.

A. REPORTING ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

1. The Statement of Net Position and the Statement of Activities

The government-wide financial statements present financial information for the activities of the Fire District from an economic resources measurement focus using the accrual basis of accounting. They present governmental activities, such as general government, separately from business-type activities. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Fire District's Net Position and the change in them. The Net Position, the difference between the assets and the liabilities, is one way to measure the Fire District's financial position or financial health. Over time, increases or decreases in the Fire District's Net Position is one indicator of whether its financial health is improving or deteriorating.

B. REPORTING ON THE FIRE DEPARTMENT'S MOST SIGNIFICANT FUNDS

1. Fund Financial Statements

The fund financial statements provide detailed information about the Fire District's General Fund. All of the Fire District's expenses are reported in a governmental fund, which focuses on how money flows into and out of that fund and the balances left at year-end that are available for spending. This fund is reported using the modified accrual method, which measures cash and all other financial assets that could readily be converted to cash. The governmental fund statements provide a detailed short term view of the Fire District's general operations and the expense paid from this fund. The information in the governmental fund helps determine if there are more or less financial resources to finance future Fire District expenses. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund in reconciliations on pages 14 and 15.

AN ANALYSIS OF THE FIRE DISTRICT USING GOVERNMENT-WIDE FINANCIAL STATEMENTS

A. STATEMENT OF NET POSITION

The following amounts reflect condensed information on the Fire District's Net Position:

	<u>2016</u>
ASSETS	
Current assets	\$ 585,560
Capital assets, net of accumulated depreciation \$514,486	<u>676,473</u>
Total assets	<u>\$ 1,262,033</u>
LIABILITIES	
Current liabilities	\$ 84,628
Long-term liabilities	<u>159,574</u>
Total liabilities	<u>\$ 244,202</u>
NET POSITION	
Net investment in capital assets	\$ 479,430
Restricted – land and building	309,968
Restricted – equipment	120,954
Unrestricted	<u>107,479</u>
Total net position	<u>\$ 1,017,831</u>

Cash and cash equivalents and at the end of the year were \$579,478 or 7.34% higher than last year. This was primarily attributable to the Fire District engaging in cost saving measures and through a slight increase in revenue over that of the prior year.

At the end of the year, the Fire District had capital assets, net of accumulated depreciation in the amount of \$676,473. This was made up of \$1,190,959 in capital assets and \$514,486 in accumulated depreciation. The Fire District acquired \$24,900 in capital assets during 2016.

B. STATEMENT OF ACTIVITIES

The following table illustrates the revenues and expenses that produced the increase in Net Position for the fiscal year.

	<u>2016</u>
Revenue	
Total revenue	\$ 530,285
Expenses	
Total expenses	<u>485,969</u>
Change in Net Position	44,316
Net Position:	
Beginning of the year (restated, see note 2)	<u>973,515</u>
End of the year	<u>\$ 1,017,831</u>

- Based upon the operation of 2016, the Fire District's Net Position increased by \$44,316 and resulted in ending Net Position of \$1,017,831.

GOVERNMENTAL ACTIVITIES

The Fire District uses funds to help control and manage money for particular purposes. At the completion of the year, the Fire District's governmental funds reported a fund balance of \$538,401. This reflects an increase of \$17,201 from last year.

CAPITAL ASSETS AND DEBT

During the year, the Fire District acquired \$24,900 of capital assets. Depreciation expense for the year was \$33,837. The total capital assets, net of accumulated depreciation, were \$676,473 as of December 31, 2016.

During the year, the Fire District paid \$25,288 on its installment lease purchase agreement for the acquisition of 2013 E-One. The District also paid \$10,765 on its installment lease purchase agreement for a rehab truck. The ending balances of the installment lease purchase agreements were 174,262 for the 2013 E-One and \$22,781 for the rehab truck as of December 31, 2016.

ECONOMIC FACTORS FOR NEXT YEAR

- The Fire District plans to increase its fire training and fire prevention training.
- The Fire District plans to look into applying for grants for a new fire protection equipment.
- The Fire District plans to continue monitoring costs and engaging in cost control procedures.

CONTACTING THE FIRE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Fire District's finances and to show the Fire District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Mr. Steve Forschler, Chairman, PO Box 181, Clinton Corners, NY12514.

CLOSING COMMENTS

The Fire District continues to closely monitor the use of its funds to ensure that the funds are spent wisely. We are very proud of the progress that has been made throughout the district in fire protection to all our citizens.

BASIC FINANCIAL STATEMENTS

EAST CLINTON FIRE DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities
ASSETS	
Current Assets	
Cash and equivalents	\$ 579,478
Deferred Charges	6,082
Total Current Assets	<u>585,560</u>
Non-current assets	
Capital Assets (Net of Accumulated Depreciation)	
Land	216,224
Construction in Progress	52,000
Machinery and Equipment	408,249
Total Non-Current Assets	<u>676,473</u>
Total Assets	<u>1,262,033</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 26,943
Accrued Liabilities	20,216
Due Within One Year	
Installment Purchase Debt	37,469
Total Current Liabilities	<u>84,628</u>
Non-Current Liabilities	
Due in More Than One Year	
Installment Purchase Debt	159,574
Totan Non-Current Liabilities	<u>159,574</u>
Total Liabilities	<u>244,202</u>
NET POSITION	
Invested in Capital Assets Net of Related Debt	479,430
Restricted - Land and Building	309,968
Restricted - Equipment	120,954
Unrestricted	107,479
Total Net Position	<u>\$ 1,017,831</u>

The notes to the financial statements are an integral part of this statement.

EAST CLINTON FIRE DISTRICT
STATEMENT OF ACTIVITIES
December 31, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government - Governmental activities				
Public Safety	\$ 310,298	\$ -	\$ -	\$ (310,298)
Interest	8,222	-	-	(8,222)
Employee Benefits	167,449	-	-	(167,449)
Total Governmental Activities	\$ 485,969	\$ -	\$ -	\$ (485,969)
General Revenues				
Real Property Taxes				525,911
Charges for Fire Protection and Other Services				1,200
Unrestricted Use of Money and Property				605
Refund of Expenses				890
Miscellaneous				1,679
Total General Revenues				530,285
Change in Net Position				44,316
Net Position - Beginning				973,515
Net Position - Ending				\$ 1,017,831

The notes to the financial statements are an integral part of this statement.

EAST CLINTON FIRE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	Governmental Funds
	<u>General</u>
ASSETS:	
Cash	\$ 579,478
Prepaid Expenditures	6,082
TOTAL ASSETS	<u><u>\$ 585,560</u></u>
LIABILITIES AND FUND BALANCE:	
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 26,943
Accrued Liabilities	20,216
TOTAL LIABILITIES	<u>47,159</u>
FUND BALANCE:	
Fund Balance:	
Nonspendable Fund Balance	6,082
Restricted Fund Balance - Major Equipment	120,954
Restricted Fund Balance - Land and Building	309,968
Unassigned Fund Balance	101,397
TOTAL FUND BALANCE	<u>538,401</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 585,560</u></u>

EAST CLINTON FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	General Fund
REVENUES:	
Real Property Taxes	\$ 525,911
Charges for Fire Protection and Other Services	1,200
Uses of Money and Property	605
Refunds of Prior Year's Expenditures	890
Miscellaneous Local Sources	1,679
TOTAL REVENUES	<u>530,285</u>
EXPENDITURES:	
Current:	
Public Safety	301,360
Employee Benefits	167,449
Debt Service:	
Principal	36,053
Interest	8,222
TOTAL EXPENDITURES	<u>513,084</u>
Excess (Deficiency) of Revenues Over Expenditures	17,201
Fund Balance at Beginning of Year	<u>521,200</u>
Fund Balance at End of Year	<u><u>\$ 538,401</u></u>

The notes to the financial statements are an integral part of this statement.

EAST CLINTON FIRE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE GOVERNMENT - WIDE STATEMENT OF
NET POSITION - GOVERNMENTAL ACTIVITIES
December 31, 2016

Fund Balances - Total Governmental Funds	<u>\$ 538,401</u>
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>676,473</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	
Installment Purchase Debt	<u>(197,043)</u>
	<u>(197,043)</u>
Net Position of Governmental Activities	<u><u>\$ 1,017,831</u></u>

The notes to the financial statements are an integral part of this statement.

EAST CLINTON FIRE DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 OF GOVERNMENTAL FUNDS TO THE STATEMENT
 OF ACTIVITIES
 December 31, 2016

Net Changes in Fund Balances - Total Governmental Funds	\$ 17,201
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Amounts Reported for Governmental Activities in the Statement of Activities
 are Different Because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period. This amount is less than the total capital outlay since capital outlay includes amounts that are under the capitalization threshold and therefore, were not capitalized.

Capital outlay expenditures	24,900
Depreciation expense	(33,837)
	<u>(8,937)</u>

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal paid on installment purchase debt	36,053
	<u>36,053</u>

Rounding	(1)
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Change in Net Position of Governmental Activities	<u>\$ 44,316</u>
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EAST CLINTON FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2016

	General Fund			
	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Real Property Taxes	\$ 525,911	\$ 525,911	\$ 525,911	\$ -
Charges for Fire Protection and Other Services	1,200	1,200	1,200	-
Uses of Money and Property	-	-	605	605
Refund of Prior Year's Expenditures	-	-	890	890
Miscellaneous Local Sources	-	-	1,679	1,679
TOTAL REVENUES	<u>527,111</u>	<u>527,111</u>	<u>530,285</u>	<u>3,174</u>
EXPENDITURES:				
Current:				
Public Safety	256,000	256,000	301,360	(45,360)
Employee Benefits	216,111	216,111	167,449	48,662
Debt Service:				
Principal	-	-	36,053	(36,053)
Interest	-	-	8,222	(8,222)
TOTAL EXPENDITURES	<u>472,111</u>	<u>472,111</u>	<u>513,084</u>	<u>(40,973)</u>
Excess (Deficiency) of Revenues Over Expenditures	55,000	55,000	17,201	(37,799)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(55,000)	(55,000)	-	55,000
TOTAL OTHER FINANCING SOURCES	<u>(55,000)</u>	<u>(55,000)</u>	<u>-</u>	<u>55,000</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources	-	-	17,201	17,201
Fund Balance at Beginning of Year	-	-	521,200	521,200
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 538,401</u>	<u>\$ 538,401</u>

The notes to the financial statements are an integral part of this statement.

EAST CLINTON FIRE DISTRICT, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1 - Summary of Significant Accounting Policies

The East Clinton Fire District, New York is a district corporation formed in 1932 under the provisions of the State of New York. The District operates under an elected Board form of government consisting of five fire commissioners.

The District provides fire protection services in the Fire District of East Clinton, New York. East Clinton Station constitutes the Fire District Fire Department. A chief and assistant chief head the Fire Department.

The financial statements of the Fire District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. The Reporting Entity

For financial reporting purposes, in conformity with governmental accounting standards, the Fire District includes all funds and account groups of the Fire District, as well as any component units for which the Fire District is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either a) the ability to impose will by the Fire District, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the Fire District. Based on these criteria outlined in GASB 14, the Fire District has no component units.

B. Basis of Presentation

The Fire District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Fire Department are discussed below.

EAST CLINTON FIRE DISTRICT, NEW YORK
DECEMBER 31, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the Fire District's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the Fire District's activities.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

C. Basic Financial Statements - Government-wide Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole. For the most part, inter-fund activity has been removed from these statements.

The Statement of Net Position presents the financial position of the District at the end of the fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The District does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

EAST CLINTON FIRE DISTRICT, NEW YORK
DECEMBER 31, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

D. Basic Financial Statements - Fund Financial Statements

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

1. Governmental Funds - Governmental funds are used to account for the government's general government activities. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Fire District's governmental fund types:

General Fund – The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Reserve Fund – The Reserve fund is used to account for financial resources to be used for the acquisition of major capital assets.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

2. Account Groups - Account groups are used to establish accounting control and accountability for general fixed assets and long-term debt. The Fire District's account group is not a "fund." It is concerned with measurement of financial position and not results of operations.

EAST CLINTON FIRE DISTRICT, NEW YORK
DECEMBER 31, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

D. Basic Financial Statements - Fund Financial Statements (continued)

General Fixed Assets Account Group - This account group is established to account for all land, buildings, improvements and equipment.

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

3. Fiduciary Funds (Not included in the government-wide statements) - The Fiduciary Funds are used to account for assets held by the District in an agency capacity on behalf of others.

E. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual:

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

EAST CLINTON FIRE DISTRICT, NEW YORK
DECEMBER 31, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

F. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The Agency Fund has no measurement focus and utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported for using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. A ninety day availability period is used for revenue recognition for all other governmental fund revenues.

Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences 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.

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

EAST CLINTON FIRE DISTRICT, NEW YORK
DECEMBER 31, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

G. Assets, Liabilities and Fund Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes govern the investment policies of the District. The District has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. Permissible investments include obligations of the U.S. Treasury, U.S. agencies, obligations of New York State and repurchase agreements of U.S. Treasuries.

Investments are stated at cost or amortized cost and are pooled for governmental funds to facilitate its investment program. Investment income is allocated from the pooled earnings to the respective funds based on the sources of funds invested.

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution, or collateralized by securities held by the pledging 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, 2016.

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

Deposits: All deposits are carried at cost plus accrued interest. FDIC insurance covers up to \$250,000 per depositor, per insured bank for demand deposits and up to \$250,000 per depositor, per insured bank for cash in time deposits. Deposits with a bank balance of \$579,478 are categorized as follows to give an indication of the level of risk inherent therein at year end.

EAST CLINTON FIRE DISTRICT, NEW YORK
DECEMBER 31, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

G. Assets, Liabilities and Fund Equity (continued)

1. Deposits and Investments (continued)

Category 1 includes deposits that are insured by the FDIC. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or its agent in the District's name. Category 3 includes deposits uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the District's name.

	Bank Balance Categories			Totals
	1	2	3	
Cash and cash equivalents in banks	\$250,000	\$329,478	\$ -	\$ 579,478

2. Receivables and Payables

The Fire District does not reflect taxes receivable or deferred revenue in its financial statements because the Fire District receives its entire tax levy through the District, leaving the collection of unpaid taxes to the County Commissioner of Finance.

3. Fixed Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Donated assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows:

Buildings 40 years
 Building improvements 10-40 years
 Equipment 5-10 years
 Vehicles 5-15 years

In June of 1999, the Governmental Accounting Standards Board issued Statement No. 34 that requires the inclusion of infrastructure assets used in governmental activities in the general purpose financial statements retroactively reported back to 1982. All assets of the Fire District are reported in the accompanying financial statements. The Fire District owns no infrastructure.

EAST CLINTON FIRE DISTRICT, NEW YORK
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Note 1 - Summary of Significant Accounting Policies (continued)

G. Assets, Liabilities and Fund Equity (continued)

3. Fixed Assets (continued)

Fixed assets used in governmental fund types of the government are recorded in the general fixed assets group at cost or estimated historical cost if purchased or constructed. Donated assets are recorded at their estimated fair market value at the date of donation. No provision for depreciation is made on general fixed assets for fund statement purposes.

Public domain (infrastructure) general fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems and other assets that are immovable and of value only to the government are not capitalized.

4. Deferred Outflows/Inflows of resources

In addition to assets, the statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of Net Position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

5. Total Columns on Combined Statements

Total columns on the fund statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

EAST CLINTON FIRE DISTRICT, NEW YORK
DECEMBER 31, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on bond issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Capital Projects Fund expenditures.

I. Net Position/Fund Balances

In the Statement of Net Position, the difference between a government's assets and liabilities is recorded as Net Position. The three components of Net Position are as follows:

Net Investment in Capital Assets

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowing attributable to the acquisition, construction or improvement of capital assets.

Restricted Net Position

Net Position that are restricted by external sources such as banks or by law are reported separately as restricted Net Position. When assets are required to be retained

in perpetuity, these non-expendable Net Position are recorded separately from expendable Net Position. These are components of restricted Net Position. The Fire District has restricted Net Position for land, building, and equipment acquisitions.

EAST CLINTON FIRE DISTRICT, NEW YORK
DECEMBER 31, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

I. Net Position/Fund Balances (continued)

Unrestricted Net Position

This category represents Net Position not appropriable for expenditures or legally segregated for a specific future use.

In the Balance Sheet of governmental funds, fund balances are segregated as follows:

Reserved

These resources are segregated because their use is earmarked for a specific use. The Fire District has not reserved fund balances.

Unreserved

This category represents that portion of equity not appropriable for expenditures or legally segregated for a specific future use.

J. Fund Balance

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

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

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

EAST CLINTON FIRE DISTRICT, NEW YORK
DECEMBER 31, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

J. Fund Balance (continued)

Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. The District Board is the highest level of decision making authority for the District that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the District removes or changes the purpose by taking the same action that was used to establish commitment. This classification includes certain amounts established and approved by the District Board of Commissioners.

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

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

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.

EAST CLINTON FIRE DISTRICT, NEW YORK
DECEMBER 31, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

K. Encumbrances

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

L. Use of Estimates

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

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Information

The Board of Commissioners follows statutory procedures for establishing the budget for the General Fund. The procedures are as follows:

On or before September 30, the Treasurer files in the District Clerk's office the tentative budget with the budget message, if any, and the estimates and schedules.

The Treasurer presents, as required, the tentative budget to the Board of Commissioners at a regular or special meeting held on or before October 5.

The Board reviews the tentative budget and upon completion, the tentative budget, as modified by the Board of Commissioners, becomes the preliminary budget and is required to be filed in the District Clerk's office.

On or before the Thursday following election, the District must hold, as required, a public hearing on the preliminary budget.

After the public hearing, the budget is adopted no later than October 20.

**EAST CLINTON FIRE DISTRICT, NEW YORK
DECEMBER 31, 2016**

Note 2 - Stewardship, Compliance and Accountability (continued)

A. Budgetary Information (continued)

Supplemental appropriations, and other actions on the adopted budget are taken at a formal meeting of the Board of Commissioners and by resolution.

B. Property Tax Calendar

The District submits an adopted budget to the Town of Clinton by the fourth day of November of the previous year. Real property taxes for the District are levied together with taxes for District purposes and become a lien on January 1. All taxes levied on property within the District are collected by the Town's Receiver of Taxes through March 31. The District receives its entire tax levy, leaving collection on the unpaid taxes to the County Commissioner of Finance. Therefore, the District does not reflect receivable or deferred revenue in its financial statements. The calendar is as follows:

November 4 – Adopted budget submitted to the Town of Clinton
December 28- County Commissioner of Finance issues the District its Tax Warrant for the subsequent year
January 1 – Tax lien created for all taxpayers of the District listed on the tax rolls
January 1-March 31 – Taxes are collected by the Town's Tax Receiver
April 1-December 31 – Unpaid taxes collected by the County Commissioner of Finance along with interest and penalties

C. Property Tax Limitation

The District is not limited as to the maximum amount of real property taxes which may be raised. 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, beginning with the 2012 year. It expires on June 16, 2016.

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

The Tax Levy Limitation Law imposes a limitation on increases in the real property tax levy, subject to certain exceptions. The Tax Levy Limitation Law

EAST CLINTON FIRE DISTRICT, NEW YORK
DECEMBER 31, 2016

Note 2 - Stewardship, Compliance and Accountability (continued)

C. Property Tax Limitation (continued)

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 state of the prior fiscal year, divided by (ii) the average of the National Consumer Price Indexes determined by the United States with the result expressed as a decimal to four places. The District is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limitation Law sets forth certain exclusions to the real property tax levy limitation of the District, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the District. The Board of Commissioners may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the Board of Commissioners first enacts, by a vote of at least sixty percent of the total voting power of the Board of Commissioners, a local law to override such limit for such coming fiscal year.

Note 3 – Detailed Notes On All Funds And Account Group

A. Cash and Cash Equivalents

The carrying amounts of the Fire District deposits at December 31, 2016 \$579,478 which included bank balances of \$579,478. These amounts were insured by federal deposit insurance for \$250,000 with the balance being covered by collateral held by the financial institution.

EAST CLINTON FIRE DISTRICT, NEW YORK
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Note 3 – Detailed Notes On All Funds And Account Group (continued)

B. Fixed Assets

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
Capital assets not being depreciated:				
Land	\$ 216,224	\$ -	\$ -	\$ 216,224
Construction in Progress	52,000	-	-	52,000
Total capital assets not being depreciated	<u>268,224</u>	<u>-</u>	<u>-</u>	<u>268,224</u>
Capital assets being depreciated:				
Buildings	19,741	-	-	19,741
Machinery and equipment	878,093	24,900	-	902,993
Total capital assets being depreciated	897,834	24,900	-	922,734
Less: accumulated depreciation	(480,648)	(33,837)	-	(514,485)
Total capital assets being depreciated, net	<u>417,186</u>	<u>(8,937)</u>	<u>-</u>	<u>408,249</u>
Total capital assets, net	<u>\$ 685,410</u>	<u>\$ (8,937)</u>	<u>\$ -</u>	<u>\$ 676,473</u>

C. Investment Purchase Debt

During the year ended 12/31/12, the District entered into an installment purchase agreement with Tax-Exempt Leasing Corp. for the acquisition of a 2013 E-One at a contract amount of \$269,766. The lease purchase agreement calls for annual payments of \$33,210 consisting of principal and interest at 3.97%. Payments commenced on March 1, 2013 and will terminate on March 1, 2022. The District has the option to purchase the ambulance from the lessor at any time during the life of the lease purchase agreement. As of December 31, 2016, the outstanding principal of the lease purchase agreement was \$174,262 and the buyout was \$177,720.

During the year ended 12/31/13, the District entered into an installment purchase agreement with Tax-Exempt Leasing Corp. for the acquisition of rescue truck at a contract amount of \$53,900. The lease purchase agreement calls for biannual payments of \$5,968 consisting of principal and interest at 3.79%. Payments commenced on June 1, 2014 and will terminate on December 1, 2018. The District has the option to purchase the truck from the lessor at any time during the life of the lease purchase agreement. As of December 31, 2016, the outstanding principal of the lease purchase agreement was \$22,781 and the buyout was \$23,117.

EAST CLINTON FIRE DISTRICT, NEW YORK
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Note 3 – Detailed Notes On All Funds And Account Group (continued)

C. Investment Purchase Debt (continued)

The current portion of debt at 12/31/16 to be paid during 2017 was in the amount of \$37,469. Furthermore, the annual requirements to amortize the debt as of December 31, 2016 are as follows:

Year Ending	Total
2017	\$ 45,145
2018	45,145
2019	33,210
2020	33,210
2021-2022	<u>66,420</u>
	<u>\$ 223,130</u>

Note 4 - Commitments And Contingencies

A. Risk Management

The Fire District is provided insurance coverage through policies purchased from independent insurance carriers to reduce its' exposure to property and casualty losses. The Fire District maintains \$2,629,859 in building and personal property coverage, \$100,000 in computer software coverage, \$10,000,000 in general liability insurance, \$3,000,000 in errors and omissions liability coverage, \$1,000,000 in emergency operations hazardous materials insurance, \$1,000,000 in employee bond coverage, \$50,000 in commercial crime coverage, \$100,000 in workers compensation coverage, and \$1,000,000 in business automobile insurance.

Note 5 – Length of Service Awards Program – LOSAP

The East Clinton Fire District established a defined benefit Service Award Program (referred to as a "LOSAP" – length service award program – under Section 457(e)(11) of the Internal Revenue Code) effective January 1, 2008 for the active volunteer firefighter members of the East Clinton Fire District. 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 East Clinton Fire District is the sponsor of the program and the program administrator.

EAST CLINTON FIRE DISTRICT, NEW YORK
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Note 5 – Length of Service Awards Program – LOSAP (continued)

Program Description

Under the program, participating volunteers begin to be paid a service award upon attainment of the program “entitlement age”. The amount of the service award paid to a volunteer is based upon the number of years of service credit the volunteer earned under the program for performing active volunteer firefighter activities.

Participation, Vesting, and Service Credit

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 18 years of age and has earned one year of Service Award Program 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 55. 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 Clinton Volunteer Fire Department.

Benefits

A Participant’s Service Award benefit is paid as a straight 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.

EAST CLINTON FIRE DISTRICT, NEW YORK
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Note 5 – Length of Service Awards Program – LOSAP (continued)

Benefits (continued)

The pre-Entitlement Age death and disability benefit is equal to the actuarial value of the Participant's earned Service Award at the time of death or disablement. 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 Fire District Secretary.

Fiduciary Investment and Control

After the end of each calendar year, the fire company prepares and certifies a list of names of all persons who were active volunteer members of the fire company during the year indicating which volunteers earned fifty points. The certified list is delivered to the Board of Fire Commissioners for the Board's review and approval. The fire company must maintain the point system records to verify each volunteer's points on forms provided and/or approved by the Board of Fire Commissioners.

The Board of Fire Commissioners has retained Penflex, Inc. to assist in the administration of the program. The services provided by Penflex, Inc. are described in the agreement between Penflex, Inc. and the East Clinton Fire 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 awards to be paid to a participant or to a participant's designated beneficiary. The person(s) authorized by the Board of Fire Commissioners then authorizes, in writing, the custodian of the East Clinton Fire District's SAP trust funds to pay the service award. No service award benefit payment is made without the written certification from Penflex and the written directive from the authorized representative of the Board of Fire Commissioners.

Penflex bills the East Clinton Fire District for the services it provides. Penflex's invoices are authorized for payment by the Board of Fire Commissioners in the same manner as any other invoice presented to the Fire District for payment. The Fire District pays Penflex invoices from its general fund.

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 Fire District Secretary. The Board of Fire Commissioners is the program trustee.

EAST CLINTON FIRE DISTRICT, NEW YORK
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Note 5 – Length of Service Awards Program – LOSAP (continued)

Fiduciary Investment and Control (continued)

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

The Board of Fire Commissioners has retained RBC Wealth Management to provide investment management and custodial services and Comerica Bank as paying agent (i.e., to pay benefits to participants).

The Board of Fire Commissioners is required to retain an actuary to determine the amount of the Fire District's contributions to the plan. The actuary retained by the Fire District for this purpose is Tony Fiorillo, ASA, of Penflex, Inc. Mr. Fiorillo is an Associate of the American Society of Actuaries. Portions of the following information are derived from a report prepared by the actuary dated May 12, 2017

Program Financial Condition

Assets and Liabilities

Actuarial Present Value of Accrued Service Awards as of 12/31/16	\$ 931,079
Less: Assets Available for Benefits	
Cash	\$ 11,447
Equities	229,942
Fixed Income	313,569
Mixed Assets	140,161
Deferred Charges	4,700
Total Net Position Available for Benefits	\$ 699,819
Total Unfunded Benefits	\$ 231,260
Less: Unfunded Liability for Separately Amortized Costs	\$ 225,265
Unfunded Normal Benefits	\$ 5,995

**EAST CLINTON FIRE DISTRICT, NEW YORK
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Note 5 – Length of Service Awards Program – LOSAP (continued)

Program Financial Condition (continued)

Separately Amortized Costs

The outstanding unfunded liability for prior service as of 1/1/2009 is being amortized over one year at 5.50%. The unfunded liability for additional Service Awards earned after attainment of the Entitlement Age is being amortized over three years at 5.50% from the year they are accrued. The remaining unfunded program liability as of January 1, 2016 is being amortized over 9 years at 5.50%.

Receipts and Disbursements

Plan Net Position, Beginning of Year	\$ 592,536
Changes During the Year	
+ Sponsor Contributions	132,557
+ Investment Income Earned	20,937
+/- Changes in Fair Market Value of Investments	15,816
- Investment Expense	4,779
- Benefits Paid	56,360
- Administrative and Other Fees/Charges	888
Plan Net Position, End of Year	\$ 699,819

Contributions

Amount of Fire District's Contribution Recommended by Actuary:	\$ 132,557
Amount of Fire District's Actual Contribution	\$ 132,557

Administration Fees

Fees Paid to Administrative/Actuarial Services Provider	\$ 959
Fees Paid for Investment Management	\$ 4,779
Other Administrative Fees	\$ 888

**Information about investment management fees has been provided by RBC Dain Rauscher. All questions about program investments should be directed to David Rogers of RBC Dain Rauscher at (518) 432-5083.*

EAST CLINTON FIRE DISTRICT, NEW YORK
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Note 5 – Length of Service Awards Program – LOSAP (continued)

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 Frozen Initial Liability method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return on Program investments: 5.50%

Tables:

Post-Entitlement Age mortality: RP-2014 Male Mortality Table without projection

*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; 0% otherwise.

* For Program cost calculation purposes, all pre-Entitlement Age active volunteer firefighter Participants are assumed to survive to the Entitlement Age and begin to be paid Service Awards upon attainment of the Entitlement Age.

EAST CLINTON FIRE DISTRICT
STATEMENT OF PLAN NET ASSETS - SERVICE AWARD PROGRAM
December 31, 2016

	Service Award Program
ASSETS	
Current Assets	
Cash and Equivalents	\$ 11,447
Insurance Company Contracts	
Equities	229,942
Fixed Income	313,569
Mixed	140,161
Total Investments	683,672
Deferred Charges	4,700
Total Assets	\$ 699,819
NET ASSETS	
Net Assets Held in Trust for Service Award Program Benefits	\$ 699,819
Total Plan Net Assets	\$ 699,819

EAST CLINTON FIRE DISTRICT
 STATEMENTS OF CHANGES IN PLAN NET ASSETS
 SERVICE AWARD PROGRAM
 Year Ended December 31, 2016

ADDITIONS:

Sponsor Contributions	\$ 132,557
Investment Income	
Net Appreciation in Fair Value of Investments	15,816
Interest and Dividends	20,937
Less: Investment Expense	(4,779)
Net Investment Income	31,974
Total Additions	<u>164,531</u>

DEDUCTIONS:

Benefits	(56,860)
Change in Benefits Payable	500
Management Expense	(888)
Total Deductions	<u>(57,248)</u>

Net Increase	107,283
Fund Balance at Beginning of Year	592,536
Fund Balance at End of Year	<u><u>\$ 699,819</u></u>

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GENERAL FUND

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

EAST CLINTON FIRE DISTRICT
BALANCE SHEET
December 31, 2016

ASSETS

Cash	\$ 579,478
Prepaid Expenditures	6,082
TOTAL ASSETS	<u>\$ 585,560</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:

Accounts Payable	\$ 26,943
Accrued Liabilities	20,216
TOTAL LIABILITIES	<u>47,159</u>

FUND BALANCE:

Nonspendable Fund Balance	6,082
Restricted Fund Balance - Major Equipment	120,954
Restricted Fund Balance - Land and Building	309,968
Unassigned Fund Balance	101,397
TOTAL FUND BALANCE	<u>538,401</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 585,560</u>

EAST CLINTON FIRE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2016

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Real Property Taxes	\$ 525,911	\$ 525,911	\$ 525,911	\$ -
Charges for Fire Protection and Other Services	1,200	1,200	1,200	-
Uses of Money and Property	-	-	605	605
Refund of Prior Year Expenditures	-	-	890	890
Miscellaneous Local Sources	-	-	1,679	1,679
TOTAL REVENUES	<u>527,111</u>	<u>527,111</u>	<u>530,285</u>	<u>3,174</u>
EXPENDITURES:				
Current:				
Public Safety	256,000	256,000	301,360	(45,360)
Employee Benefits	216,111	216,111	167,449	48,662
Debt Service:				
Principal	-	-	36,053	(36,053)
Interest	-	-	8,222	(8,222)
TOTAL EXPENDITURES	<u>472,111</u>	<u>472,111</u>	<u>513,084</u>	<u>(40,973)</u>
Excess (Deficiency) of Revenues Over Expenditures	55,000	55,000	17,201	(37,799)
OTHER FINANCING SOURCES (USES)				
Operating Transfers Out	(55,000)	(55,000)	-	55,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(55,000)</u>	<u>(55,000)</u>	<u>-</u>	<u>55,000</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources	-	-	17,201	17,201
Fund Balance at Beginning of Year	-	-	521,200	521,200
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 538,401</u>	<u>\$ 538,401</u>

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TRUST AND AGENCY FUND

Trust and Agency Funds are used to account for assets held by the District for payroll expenditures and the District's Service Award Program. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Agency Funds consist of various employee payroll deduction accounts, and deposits made by the District for the Service Award Program.

EAST CLINTON FIRE DISTRICT
BALANCE SHEET
TRUST AND AGENCY FUND
December 31, 2016

ASSETS

Cash	\$ 11,447
Investments	683,672
Deferred Charges	<u>4,700</u>
TOTAL ASSETS	<u><u>\$ 699,819</u></u>

LIABILITIES

Service Award Program	<u>\$ 699,819</u>
TOTAL LIABILITIES	<u><u>\$ 699,819</u></u>