

**Eastchester Fire District**

Financial Report

December 31, 2017

# Eastchester Fire District

Financial Report

December 31, 2017

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## Independent Auditor's Report

Board of Fire Commissioners  
Eastchester Fire District  
Eastchester, New York

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental fund, non-current governmental assets account group, and non-current governmental liabilities account group of the Eastchester Fire District (Fire District) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Fire District's regulatory basis financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting and financial reporting practices permitted by the New York State Office of the State Comptroller. 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Eastchester Fire District

Balance Sheet - Governmental Fund, Non-Current Governmental  
Assets Account Group, and Non-Current Governmental Liabilities  
Account Group - Regulatory Basis

	December 31, 2017		
	Governmental	Account Groups	
	Fund General Fund	Non-Current Governmental Assets	Non-Current Governmental Liabilities
<b>ASSETS, DEFERRED OUTFLOWS OF RESOURCES, AND OTHER DEBITS</b>			
<b>ASSETS</b>			
Cash	\$ 6,812,949	\$ -	\$ -
Cash, restricted	3,459,052	-	-
Accounts receivable	7,806	-	-
Prepaid expenditures	534,186	-	-
Fixed assets, net	-	6,205,042	-
Total assets	10,813,993	6,205,042	-
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension resources	-	5,654,568	-
<b>OTHER DEBITS</b>			
Total non-current governmental liabilities	-	-	11,362,304
<b>Total assets, deferred outflows of resources, and other debits</b>	<b>\$ 10,813,993</b>	<b>\$ 11,859,610</b>	<b>\$ 11,362,304</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, OTHER CREDITS, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 97,939	\$ -	\$ -
Accrued expenses	231,830	-	-
Net pension liability, proportionate share	-	-	3,945,789
Other postemployment benefits	-	-	4,134,533
Compensated absences	-	-	2,479,701
Total liabilities	329,769	-	10,560,023
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension resources	-	-	802,281
<b>OTHER CREDITS</b>			
Total non-current governmental assets	-	11,859,610	-
<b>FUND BALANCE</b>			
Nonspendable	534,186	-	-
Restricted	3,459,052	-	-
Unassigned	6,490,986	-	-
Total fund balance	10,484,224	-	-
<b>Total liabilities, deferred inflows of resources, other credits, and fund balance</b>	<b>\$ 10,813,993</b>	<b>\$ 11,859,610</b>	<b>\$ 11,362,304</b>

See accompanying Notes to Regulatory Financial Statements.

# Eastchester Fire District

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund - Regulatory Basis

	<u>General Fund</u>
	<u>Year Ended December 31, 2017</u>
<b>REVENUES</b>	
Real property taxes	\$ 16,864,726
Insurance recoveries	73,214
Refund of prior year expenditures	19,405
Use of money and property	18,156
Total revenues	<u>16,975,501</u>
<b>EXPENDITURES</b>	
Public safety	8,908,049
Personnel services	1,034,423
Contractual expenditures	491,643
Equipment and capital outlays	<u>10,434,115</u>
Total public safety	<u>5,559,973</u>
Employee benefits	
Total expenditures	<u>15,994,088</u>
Excess of revenues over expenditures	<b>981,413</b>
FUND BALANCE, <i>beginning of year</i>	<u>9,502,811</u>
FUND BALANCE, <i>end of year</i>	<u><b>\$ 10,484,224</b></u>

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2017

### Note 1 - Organization and Summary of Significant Accounting Policies

#### a. Organization

The Eastchester Fire District (Fire District) is a district corporation of the State of New York and operates pursuant to the various provisions of New York State statutes and provisions of Town law. The Fire District is governed by an elected Board of Fire Commissioners (Board) who are authorized to adopt rules and regulations of the Fire District's fire department.

#### b. Basis of Accounting and Financial Statement Presentation

The Fire District has elected to prepare its financial statements on the regulatory basis as permitted by the New York State Office of the State Comptroller (OSC) for annual reports submitted to that office. This regulatory basis varies from accounting principles generally accepted in the United States of America (U.S. GAAP) primarily in that under U.S. GAAP:

- Financial statements include two additional statements, the statement of net position and the statement of activities, collectively referred to as the "government-wide" financial statements which are presented on the full accrual basis of accounting.
- A Management's Discussion and Analysis (MD&A) is required as supplementary information that precedes the basic financial statements and is intended to provide an objective analysis of the government's financial activities, both on a current and long-term basis, based on current conditions.
- Other supplementary information is required by U.S. GAAP, including budgetary comparison schedules for the general fund and each major special revenue fund that has a legally adopted annual budget. U.S. GAAP also requires supplemental schedules related to other postemployment benefits and pension related obligations.
- Fund-based financial statements must be reconciled to the "government-wide" financial statements.
- Capital assets, other than land, are depreciated and reported on the "government-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.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for on the modified accrual basis using a current financial resources 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 net current assets.

Under the modified accrual basis of accounting, governmental fund revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be reasonably determined, and "available" means the related cash resources are collectible within the current period or within the first 60 days of the following year.

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2017

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### b. Basis of Accounting and Financial Statement Presentation - Continued

Governmental fund expenditures and related liabilities are generally recorded in the accounting period the liability is incurred to the extent it is expected to be paid within the next 12 months, with the exception of items covered by GASB Interpretation 6 (GASBI6), *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. GASBI 6 modified the recognition criteria of certain expenditures and liabilities. GASBI 6 requires that expenditures and liabilities such as debt service, compensated absences, and claims and judgments be recorded in the governmental fund statements only when they mature or become due for payment within the period. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met and amounts are considered available. Nonexchange grants are recognized as expenditures when all requirements of the grant and/or subsidy have been satisfied.

The Fire District's account groups are prepared using the accrual basis of accounting. Assets, liabilities, and deferred outflows/inflows of resources are recorded when incurred, regardless of the timing of cash flows.

#### c. Fund and Account Group Accounting

The accounts of the Fire District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures, which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following fund types are used:

Governmental Funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of governmental funds is upon determination of financial position and changes in financial position. The Fire District has one governmental fund:

General Fund - Accounts for all unrestricted resources, except those required to be accounted for in another fund. It operates within the financial limits of an annual budget adopted by the Board.

Account groups are used to establish accounting control and accountability. They are concerned with measurement of financial position and not results of operation. The Fire District uses the following account groups:

Non-Current Governmental Assets - Accounts for land, buildings and improvements, and machinery and equipment utilized for general government purposes. Also accounts for pension related deferred outflows of resources.

Non-Current Governmental Liabilities - Accounts for long-term liabilities which are not recorded as a liability in another fund. Also accounts for pension related deferred inflows of resources.

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2017

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *f. Cash, Cash Equivalents and Investments - Continued*

Investments are recorded at fair value except for financial instruments with a maturity of one year or less from the date of purchase, which are valued at amortized cost. The Fire District's investment policies are governed by state statutes and various resolutions of the Board. Fire District monies must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments under State statute include obligations of the United States Treasury and United States agencies, repurchase agreements, and obligations of New York State or its localities.

The Fire District holds no investments at December 31, 2017.

#### *g. Prepaid Expenditures*

Prepaid expenditures within the General Fund are composed of pension contributions paid in 2017 that pertain to the 2018 reporting period. These amounts will be amortized into pension expense in the subsequent reporting period.

#### *h. Fixed Assets*

Fixed assets, which include land, buildings and improvements, and machinery and equipment, are reported in the non-current governmental assets account group at historical cost. Fixed assets are defined by the Fire District as assets with an initial individual cost exceeding \$5,000 and an estimated useful life in excess of five years. Donated fixed assets are recorded at estimated fair value at the date of donation.

#### *i. Deferred Outflows and Inflows of Resources*

In addition to assets and liabilities, the Fire District will sometimes report separate sections for deferred outflows and inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow or inflow of resources (expenditure or revenue) until then. The Fire District reports deferred outflows and inflows of resources related to various pension transactions.

A deferred inflow of resources is also reported when potential revenues do not meet the availability criterion for recognition in the current period, these amounts are recorded as deferred inflows of resources in the governmental funds. In subsequent periods, when the availability criterion is met, deferred inflows of resources are reclassified as revenues.

#### *j. Compensated Absences*

Compensated absences include amounts for earned and unused vacation, compensation and personal time along with terminal pay, which constitutes two months' salary. Upon termination, an employee is paid for accumulated vacation leave and terminal leave at his or her rate of pay at the time of termination. Only employees with greater than twenty years of service are eligible to receive this benefit upon termination.

Firefighters, captains, and lieutenants may accumulate up to 120 days of sick leave, which will not be paid upon retirement. Vacation time is taken in the year following the year it is earned. Upon retirement, the employee is granted the option of either two months' terminal leave, or the employee can work two months at time and one half as a firefighter mechanic. Currently, most employees opt for two months' terminal leave; therefore, this amount has been included in compensated absences as of December 31, 2017.

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2017

### Note 4 - Retirement Systems - Continued

#### *Plan Benefits - Continued*

Generally, members of ERS and PFRS may retire at age 55; however, members of Tiers 2, 3 and 4 will receive a reduced benefit if they retire before age 62 with less than 30 years of service. Tier 5 members must be 62 years of age with at least 10 years of service credit to retire with full benefits. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members. Tier 6 members with 10 years of service or more can retire as early as age 55 with reduced benefits. A member with less than five years of service may withdraw and obtain a refund, including interest, of the accumulated employee contributions. Members who joined the System prior to January 1, 2010 generally need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) need 10 years of service credit to be 100 percent vested.

Typically, the benefit for members in all Tiers within ERS and PFRS is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a Tier 1 or 2 member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. If a Tier 3, 4, or 5 member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a Tier 3, 4 or 5 member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Final average salary for Tiers 1 through 5 is the average of the wages earned in the three highest consecutive years of employment. Each year used in the final average salary calculation is limited to no more than 20 percent of the previous year (Tier 1) or no more than 20 percent of the average of the previous two years (Tier 2). For Tier 3, 4 and 5 members, each year used in the final average salary calculation is limited to no more than 10 percent of the average of the previous two years. The benefit for Tier 6 members who retire with 20 years of service is 1.75 percent of final average salary for each year of service. If a Tier 6 member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied to each year of service over 20 years. The final average salary for a Tier 6 member is computed as the average of the wages earned in the five highest consecutive years. Each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

An automatic post-employment benefit is provided annually to pensioners who have attained age 62 and have been retired for five years; to pensioners who have attained age 55 and have been retired for ten years; to all disability pensioners, regardless of age, who have been retired for five years; to ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost- of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor but cannot be less than 1 percent or greater than 3 percent.

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2017

### Note 4 - Retirement Systems - Continued

#### *Funding Policy*

Employee contribution requirements depend upon the point in time at which an employee last joined the System. Most Tier 1 and Tier 2 members of ERS, and most members of PFRS are not required to make employee contributions. Employees in Tiers 3, 4, and 5 are required to contribute 3 percent of their salary, however, as a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees who have ten or more years of membership or credited service within the System are not required to contribute. The Tier 6 contribution rate varies from 3 percent to 6 percent depending on salary. Tiers 5 and 6 members are required to contribute for all years of service. Members cannot be required to begin contributing or to make increased contributions beyond what was required when their memberships began.

Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2017 was approximately 15.5 percent of payroll. The average contribution rate for PFRS for the fiscal year ended March 31, 2017 was approximately 24.3 percent of payroll.

The required contributions for the current year and the two preceding years were:

	ERS	PFRS	Total
For the year ended December 31,			
2017	\$ 14,311	\$ 2,122,432	\$ 2,136,743
2016	18,767	1,837,475	1,856,242
2015	25,728	1,550,450	1,576,178

Contributions made to the Systems were equal to 100% of the contributions required each year.

#### *Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions*

At December 31, 2017, the Fire District reported a liability of \$3,945,789 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of March 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Fire District's proportion of the net pension liability was based on a projection of the Fire District's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided in reports by the System to the Fire District.

At December 31, 2017, the Fire District's proportion was 0.0001315% in the ERS and .1897777% in the PFRS.

For the year ended December 31, 2017, the Fire District's pension expense on an accrual basis was \$2,320,965. At December 31, 2017, the Fire District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2017

### Note 4 - Retirement Systems - Continued

*Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions - Continued*

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 516,308	\$ 681,487
Change of assumptions	1,942,059	-
Net difference between projected and actual earnings on pension plan investments	589,920	-
Changes in proportion and differences between the Fire District's contributions and proportionate share of contributions	469,538	120,794
Contributions subsequent to the measurement date	2,136,743	-
	\$ 5,654,568	\$ 802,281

Contributions subsequent to the measurement date will be recognized as reductions in the net pension liability in the subsequent reporting period. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Plan year ending March 31,	
2018	\$ 882,926
2019	882,926
2020	841,398
2021	(12,852)
2022	121,146
	\$ 2,715,544

#### *Actuarial Assumptions*

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to rollforward the total pension liability to March 31, 2017. The actuarial valuations used the following actuarial assumptions:

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2017

### Note 4 - Retirement Systems - Continued

#### Actuarial Assumptions - Continued

	ERS	PFRS
Investment rate of return (net of investment expense, including inflation)	7.0%	7.0%
Salary scale	3.8%	4.5%
Inflation	2.5%	2.5%
Cost of living adjustments	1.3%	1.3%

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

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

The long-term 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 returns net of investment expense 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 each target asset allocation percentage and by adding expected inflation.

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2017 are summarized below:

Asset type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.75%
Real estate	10.00%	5.80%
Absolute return strategies	2.00%	4.00%
Opportunistic portfolio	3.00%	5.89%
Real assets	3.00%	5.54%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	-0.25%
Inflation-indexed bonds	4.00%	1.50%
	100.00%	

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2017

### Note 4 - Retirement Systems - Continued

#### *Discount Rate*

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the 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.

#### *Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption*

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
ERS net pension liability (asset)	\$ 11,151,052	\$ 3,933,432	\$ (2,120,384)
PFRS net pension liability (asset)	39,467	12,357	(10,564)
	\$ 11,190,519	\$ 3,945,789	\$ (2,130,948)

#### *Pension Plan Fiduciary Net Position*

The components of the current-year net pension liability of the employers as of the valuation date were as follows:

	March 31, 2017 (Dollars in Thousands)		
	ERS	PFRS	Total
Employers' total pension liability	\$ 177,400,586	\$ 31,670,483	\$ 209,071,069
Plan net position	(168,004,363)	(29,597,830)	(197,602,193)
Employers' net pension liability	\$ 9,396,223	\$ 2,072,653	\$ 11,468,876
Ratio of plan net position to the Employers' total pension liability	94.7%	93.5%	94.5%

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2017

### Note 5 - Other Postemployment Benefits

*Plan Description* - The District provides certain health care benefits for retired employees through a single-employer defined benefit plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the Fire District may vary depending on length of service. The cost of providing postemployment health care benefits is shared between the Fire District and the retired employee. All of the Fire District's full-time employees may become eligible for benefits if they reach normal retirement age while working for the Fire District. The cost of the retiree health care benefits is recognized as an expenditure as claims are paid in the fund financial statements.

*Funding Policy* - The Fire District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The Fire District reports an accrual in the non-current governmental liabilities account group for the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the plan has been established on a pay-as-you-go basis. The assumed rates of increase in postretirement benefits are as follows:

	Year	Pre-65	Post-65
Initial trend	January 1, 2018	8.00%	8.00%
Ultimate trend	January 1, 2014 & later	7.00%	7.00%
Grading per year		0.50%	0.50%

*Funded Status and Funding Progress* - The Fire District's actuarial accrued liability for benefits was \$19,263,623 at December 31, 2017, all of which was unfunded.

The amortization basis is the fixed-dollar basis with an open amortization approach with twenty-three years remaining in the amortization period. The actuarial assumptions include a 4.0% investment rate of return. The Fire District currently has no assets set aside for the purpose of paying postemployment benefits. The actuarial cost method utilized was the projected unit credit method.

The number of plan participants provided by the Fire District to the actuary was as follows:

Active employees	73
Retired employees	58
	131

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2017

### Note 5 - Other Postemployment Benefits - Continued

Amortization component	
Actuarial accrued liability as of January 1, 2016	\$ 19,263,623
Assets at fair value	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 19,263,623</u>
Funded ratio	<u>0.00%</u>
Actual required contribution	\$ 784,355
Interest on Net OPEB Obligation	149,478
Adjustment to annual required contribution	<u>39,935</u>
Annual OPEB costs	973,768
Contributions made	<u>(576,192)</u>
Increase in net OPEB obligation	397,576
Net OPEB obligation, <i>beginning of year</i>	<u>3,736,957</u>
Net OPEB obligation, <i>end of year</i>	<u>\$ 4,134,533</u>

The Fire District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and two preceding years follows:

Fiscal Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 973,768	59%	\$ 4,134,533
2016	946,279	48%	3,736,957
2015	1,378,530	48%	3,364,671

### Note 6 - Contingencies

In the ordinary course of business, there are various legal proceedings pending against the Fire District. After consultation with outside counsel, management believes that the aggregate exposure, if any, arising from any such matters will not have a material adverse effect on the Fire District's financial position or results of operations.

### Note 7 - Accounting Pronouncements Issued But Not Yet Implemented

The Fire District has not implemented the following accounting pronouncements that are required for financial statements presented in accordance with U.S. GAAP but may not be required for financial reporting to OSC.

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2017

### Note 7 - Accounting Pronouncements Issued But Not Yet Implemented - Continued

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The provisions of Statement No. 75 are effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 establishes criteria for determining the timing and pattern of recognition for a liability and corresponding deferred outflow of resources for asset retirement obligations. This statement required that recognition occur when the liability is both incurred and reasonably estimable. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is control the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017* (GASB 85). GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2017

### Note 7 - Accounting Pronouncements Issued But Not Yet Implemented - Continued

GASB Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86). GASB 86 addresses accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also addresses accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and the recognition of inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

The Fire District's management is not able to estimate the extent of the potential impact of these statements on the future financial statements.



**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***

Board of Fire Commissioners  
Eastchester Fire District  
Eastchester, New York

We have audited, 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, the financial statements of the governmental fund, non-current governmental assets account group, and non-current governmental liabilities account group of the Eastchester Fire District (Fire District) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Fire District's regulatory basis financial statements and have issued our report thereon dated April 10, 2018.

**Internal Control Over Financial Reporting**

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fire District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Albany, New York  
April 10, 2018

BST & CO. CPAs, LLP





April 10, 2018

Board of Fire Commissioners  
Eastchester Fire District  
225 Main Street  
Eastchester, New York 10709

Dear Members of the Board:

We are pleased to present this report related to our audit of the regulatory basis financial statements of the Eastchester Fire District (Fire District) as of and for the year ended December 31, 2017. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Fire District's financial reporting process.

This report is intended solely for the information and use of the Board of Fire Commissioners and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service to the Fire District.

Very truly yours,

BST & Co. CPAs, LLP

Brendan K. Kennedy, Partner

BKK/emt



## Eastchester Fire District

### Communication With Those Charged With Governance Year Ended December 31, 2017

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

#### **Our Responsibilities With Regard to the Financial Statement Audit**

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, have been described to you in our arrangement letter dated June 20, 2014. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in that letter.

#### **Overview of the Planned Scope and Timing of the Financial Statement Audit**

We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.

#### **Accounting Policies and Practices**

##### **Preferability of Accounting Policies and Practices**

While the New York State Office of the State Comptroller (OSC) believes that financial statements prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34 result in improved financial reporting by local governments, it recognizes that implementation requires additional resources, which may not be cost justified. Accordingly, the OSC encourages, but does not require, all local governments to implement the provisions of GASB No. 34 to meet the reporting requirements of General Municipal Law. Management has determined that the regulatory basis of accounting, which does not meet the requirements of GASB No. 34, as amended, is the appropriate basis of accounting for the Fire District based on the specific needs and requirements of the oversight agency it reports to, and the limitations on resources allocated to accounting and financial reporting.

##### **Adoption of, or Change in, Accounting Policies**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Fire District. The Fire District did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.

##### **Significant or Unusual Transactions**

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

# Eastchester Fire District

Communication With Those Charged With Governance  
Year Ended December 31, 2017

## Accounting Policies and Practices - Continued

### Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Exhibit A, Summary of Significant Accounting Estimates.

### Audit Adjustments

Audit adjustments made to the original trial balance presented to us to begin our audit are presented in Exhibit B.

### Uncorrected Misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

### Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the regulatory financial statements.

### Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

### Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

### Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

### Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Fire District, including the representation letter provided to us by management, are attached as Exhibit C.



**Eastchester Fire District**

Summary of Significant Accounting Estimates  
Year Ended December 31, 2017

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Fire District's December 31, 2017 regulatory financial statements:

<u>Estimate</u>	<u>Accounting Policy</u>	<u>Estimation Process</u>
<b>Other Post Employment Benefit Plan (OPEB) Liability</b>	The New York State Office of the State Comptroller requires fire districts to include a footnote to disclose specific financial and non-financial information related to the OPEB.	<p>The Fire District has engaged an actuary to develop an estimate of the amount of benefits that will be paid to participants and the Fire District's contribution.</p> <p>The actuary uses a projected pay-as-you-go method to determine the Fire District's OPEB contribution.</p>
<b>Net Pension Liability - Proportionate Share</b>	The Fire District recognizes its proportionate share of the New York State and Local Employees' Retirement System net pension liability on the accrual basis of accounting in its non-current governmental liabilities account group.	The Fire District's net pension liability is estimated by the New York State Office of the State Comptroller using census data supplied by participating employers and various actuarial assumptions, including but not limited to rate of return, mortality, and inflation. The Agency's proportionate percentage of the net pension liability is determined on an annual basis.

We have evaluated management's significant accounting estimates noted above as part of our audit and concluded that management's estimates and the estimation process appear reasonable in the context of the regulatory financial statements taken as a whole.



## Eastchester Fire District

### Summary of Recorded Audit Adjustments Year Ended December 31, 2017

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Fund Balance	Revenue	Expenditures
General Fund					
Adjust opening fund balance	\$ -	\$ -	\$ 9,347	\$ -	\$ 9,347
Adjust prepaid expenditures for ERS/PFRS	163,476	-	-	-	(163,476)
Adjust accounts payable for unrecorded liabilities	-	96,417	-	-	96,417
Adjust accrued payroll	-	31,391	-	-	31,391
 Cumulative Results of Operations Effect	 -	 -	 26,321	 \$ -	 \$ (26,321)
 Cumulative Balance Sheet Effect	 \$ 163,476	 \$ 127,808	 \$ 35,668		



## Eastchester Fire District

Significant Written Communications Between  
Management and Our Firm  
Year Ended December 31, 2017

Representation Letter



BOARD OF  
FIRE COMMISSIONERS  
Peter Incledon , Chairman  
Dennis J. Winter  
Anthony J. Lore, Sr.  
Stuart L. Rabin  
Thomas Roche

FIRE DISTRICT  
OF THE  
TOWN OF EASTCHESTER, N.Y.  
HEADQUARTERS  
255 MAIN STREET  
EASTCHESTER, N.Y. 10709-2901  
Tel: (914) 793-6402  
Fax: (914) 779-2759

FIRE DISTRICT  
BRIAN TWEEN  
Fire Chief  
JAMIE HEDSTROM  
Treasurer

April 10, 2018

BST & Co. CPAs, LLP  
26 Computer Drive West  
Albany, New York 12205

This representation letter is provided in connection with your audit of the regulatory basis financial statements of the Eastchester Fire District (Fire District) as of and for the year ended December 31, 2017, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles permitted by the New York State Office of the State Comptroller (OSC).

We confirm, to the best of our knowledge and belief, that as of April 10, 2018:

*Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated June 20, 2014, for the preparation and fair presentation of the financial statements referred to above in accordance with OSC's regulatory basis of accounting.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of the OSC's regulatory basis of accounting.

6. All events subsequent to the date of the financial statements that requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with the OSC's regulatory basis of accounting.
8. We have not completed the process of evaluating the effect from adopting the guidance in Governmental Accounting Standards Board Statements as discussed in Note 7 to the financial statements. The Fire District is, therefore, unable to disclose the effects that adopting the guidance in these accounting standards will have on its financial position and the results of operations when such guidance is adopted.
9. We have reviewed long-lived assets to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable.
10. We agree with the findings of specialists in evaluating the Fire District's other postemployment benefits obligations and net pension liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
11. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances
12. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.
13. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private.
14. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
15. We have no knowledge of any uncorrected misstatements in the financial statements.

*Information Provided*

16. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;

- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
  - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
17. All transactions have been recorded in the accounting records and are reflected in the financial statements.
18. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
19. We have no knowledge of allegations of fraud or suspected fraud affecting the entity's financial statements involving:
- a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
20. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, or others.
21. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
22. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
23. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
24. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Fire District's ability to record, process, summarize and report financial data.
25. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
26. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

*Compliance Considerations*

27. In connection with your audit conducted in accordance with Government Auditing Standards, we confirm that management:

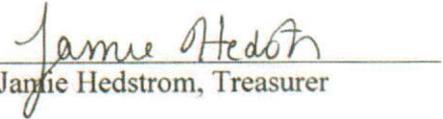
- a. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
- b. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Fire District.
- c. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- d. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
- e. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
- f. Is 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.
- g. Acknowledges its responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
- h. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that you report.
- i. Has a process to track the status of audit findings and recommendations.
- j. Has identified for you previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- k. Has provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
- l. Acknowledges its responsibilities as they relate to non-audit services performed by you, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

Very truly yours,

EASTCHESTER FIRE DISTRICT

A handwritten signature in cursive script, appearing to read "Peter Incledon", written over a horizontal line.

Peter Incledon, Chairman  
Board of Fire Commissioners

A handwritten signature in cursive script, appearing to read "Jamie Hedstrom", written over a horizontal line.

Jamie Hedstrom, Treasurer



Board of Fire Commissioners  
Eastchester Fire District  
Eastchester, New York

In planning and performing our audit of the regulatory basis financial statements of the Eastchester Fire District (the District) as of and for the year ended December 31, 2017, 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, 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 opinion 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

Following is a description of an other identified deficiency in internal control that we determined did not constitute a significant deficiency or material weakness:

#### **Accounts Payable Cut-off and Other Year-end Adjustments**

*Finding:* As part of our audit of accounts payable, we deployed sampling techniques and selected payments made by the District during the months of January and February 2018. Our testing noted several instances whereby amounts paid in January or February of 2018 pertained to the Fire District's annual reporting period ended December 31, 2017 and were improperly excluded from accounts payable at December 21, 2017. We also noted one instance of an expenditure accrued as of December 31, 2017, that pertained to the 2018 reporting period.

Our other substantive audit procedures noted necessary year-end adjustments for accrued payroll, prepaid expenditures and opening fund equity to accurately reflect those account balances.

The cumulative effect of these adjustments was corrected by management.

*Recommendation:* We recommend that management enhance existing processes and controls to help ensure that expenditures are reported in the period that the goods and/or services are received, regardless of the timing of the payment. In addition, we recommend management develop processes and controls to ensure that opening fund equity reconciles to the prior year audited financial statements; that prepaid expenditures have been reconciled to supporting documentation and calculation; and accrued payroll has been adjusted as appropriate.

This communication is intended solely for the information and use of management, the Board of Fire Commissioners, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Albany, New York  
April 10, 2018

BST & CO. CPAs, LLP





April 10, 2018

Board of Fire Commissioners  
Eastchester Fire District  
225 Main Street  
Eastchester, New York 10709

Dear Members of the Board:

This letter includes a comment and suggestion with respect to matters that came to our attention in connection with our audit of the regulatory basis financial statements of the Eastchester Fire District (District) as of and for the year ended December 31, 2017. This item is offered as a constructive suggestion to be considered part of the ongoing process of modifying and improving the District's practices and procedures.

**Capital Asset Inventory**

*Observation:* During our audit, we noted that the District has not recently performed a physical inventory of its capital assets, including buildings and improvements and machinery and equipment.

*Suggestion:* We suggest that the District perform a physical inventory of all capital assets. The physical inventory should then be reconciled to the schedule of property, machinery and equipment maintained by the Fire District. The inventory listing should also be compared to the Fire District's insurance policy to ensure adequate coverage. This comparison should also identify situations where insurance coverage may be more than is needed.

This letter is intended solely for the information and use of management, the Board of Fire Commissioners, and others within the Fire District, and is not intended to be, and should not be, used by anyone other than these specified parties. We appreciate serving Eastchester Fire District and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

Very truly yours,

BST & Co. CPAs, LLP

A handwritten signature in black ink that reads 'Brendan K. Kennedy'. The signature is written in a cursive style with a long, sweeping underline.

Brendan K. Kennedy, Partner

BKK/emt

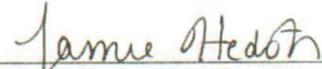
- a. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
- b. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Fire District.
- c. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- d. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
- e. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
- f. Is 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.
- g. Acknowledges its responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
- h. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that you report.
- i. Has a process to track the status of audit findings and recommendations.
- j. Has identified for you previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- k. Has provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
- l. Acknowledges its responsibilities as they relate to non-audit services performed by you, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

Very truly yours,

EASTCHESTER FIRE DISTRICT



Peter Incledon, Chairman  
Board of Fire Commissioners



---

Jamie Hedstrom, Treasurer



Board of Fire Commissioners  
Eastchester Fire District  
Eastchester, New York

In planning and performing our audit of the regulatory basis financial statements of the Eastchester Fire District (the District) as of and for the year ended December 31, 2017, 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, 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 opinion 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

Following is a description of an other identified deficiency in internal control that we determined did not constitute a significant deficiency or material weakness:

#### **Accounts Payable Cut-off and Other Year-end Adjustments**

*Finding:* As part of our audit of accounts payable, we deployed sampling techniques and selected payments made by the District during the months of January and February 2018. Our testing noted several instances whereby amounts paid in January or February of 2018 pertained to the Fire District's annual reporting period ended December 31, 2017 and were improperly excluded from accounts payable at December 31, 2017. We also noted one instance of an expenditure accrued as of December 31, 2017, that pertained to the 2018 reporting period.

Our other substantive audit procedures noted necessary year-end adjustments for accrued payroll, prepaid expenditures and opening fund equity to accurately reflect those account balances.

The cumulative effect of these adjustments was corrected by management.