

**Eastchester Fire District**

Financial Report

December 31, 2019

# Eastchester Fire District

## Financial Report

December 31, 2019

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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, 2019, 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 the financial reporting provisions of the Fire District Accounting and Reporting Manual of the New York State Office of the State Comptroller (Manual). 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 opinions 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.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental fund, the non-current governmental assets account group, and the non-current governmental liabilities account group of the Fire District as of December 31, 2019, and the changes in financial position of the governmental fund for the year then ended in accordance with the financial reporting provisions of the Manual.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1, the financial statements are prepared by the Fire District in accordance with the financial reporting provisions of the Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New York State. Our opinions are not modified with respect to this matter.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2020, on our consideration of the Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fire District's internal control over financial reporting and compliance.

### **Restriction on Use**

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

Albany, New York  
March 19, 2020

BST & CO. CPAs, LLP



## Eastchester Fire District

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

	December 31, 2019		
	Governmental Fund General Fund	Account Groups	
		Non-Current Governmental Assets	Non-Current Governmental Liabilities
<b>ASSETS AND OTHER DEBITS</b>			
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,050,062	\$ -	\$ -
Cash, restricted	1,863,341	-	-
Accounts receivable	4,504	-	-
Prepaid expenditures	733,811	-	-
Fixed assets	-	7,953,775	-
<b>Total assets</b>	<b>10,651,718</b>	<b>7,953,775</b>	<b>-</b>
<b>OTHER DEBITS</b>			
Total non-current governmental liabilities	-	-	34,164,527
<b>Total assets and other debits</b>	<b>\$ 10,651,718</b>	<b>\$ 7,953,775</b>	<b>\$ 34,164,527</b>
<b>LIABILITIES, OTHER CREDITS, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 89,999	\$ -	\$ -
Accrued expenses	328,404	-	-
Net pension liability, proportionate share	-	-	3,261,567
Other postemployment benefits	-	-	28,619,784
Compensated absences	-	-	2,283,176
<b>Total liabilities</b>	<b>418,403</b>	<b>-</b>	<b>34,164,527</b>
<b>OTHER CREDITS</b>			
Total non-current governmental assets	-	7,953,775	-
<b>FUND BALANCES</b>			
Nonspendable	733,811	-	-
Restricted	1,863,341	-	-
Assigned	5,614,984	-	-
Unassigned	2,021,179	-	-
<b>Total fund balances</b>	<b>10,233,315</b>	<b>-</b>	<b>-</b>
<b>Total liabilities, other credits, and fund balances</b>	<b>\$ 10,651,718</b>	<b>\$ 7,953,775</b>	<b>\$ 34,164,527</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, 2019</u>
<b>REVENUES</b>	
Real property taxes	\$ 17,241,456
Insurance recoveries	70,898
Use of money and property	129,625
Miscellaneous local sources	11,687
Refund of prior year expenditures	39,945
Total revenues	<u>17,493,611</u>
<b>EXPENDITURES</b>	
Public Safety	
Personnel services	9,275,803
Employee benefits	5,805,766
Contractual expenditures	1,165,226
Equipment and capital outlays	373,190
Total expenditures	<u>16,619,985</u>
<b>Excess of revenues over expenditures</b>	<b>873,626</b>
<b>FUND BALANCE, <i>beginning of year</i></b>	<u>9,359,689</u>
<b>FUND BALANCE, <i>end of year</i></b>	<u><b>\$ 10,233,315</b></u>

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2019

### 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 in accordance with the financial reporting provisions of the Fire District Accounting and Reporting Manual of the New York State Office of the State Comptroller (OSC) (Manual) 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.
- Fund-based financial statements must be reconciled to the "government-wide" financial statements.
- 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.
- 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, 2019

### 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 (GASBI 6), *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.

The Fire District's account groups are prepared using the accrual basis of accounting. Assets and liabilities 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.

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.

Non-Current Governmental Liabilities - Accounts for long-term liabilities which are not recorded as a liability in another fund.

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2019

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

#### *d. Budget*

The Fire District employs the following budgetary procedures:

- i. The Board is required to annually adopt a Fire District budget setting detailed estimates of revenues to be received and expenditures to be made during the fiscal year for which the budget is proposed. The Fire District calculates its statutory spending limitation to ensure the Fire District does not exceed the maximum amount which may be expended by the Fire District without voter approval. The budget is subject to certain public hearing requirements. As a result, the Fire District holds a public hearing on the proposed budget on the third Tuesday in October of the year the budget is prepared. The proposed budget must be adopted by resolution of the Board at least twenty-one days before the date of the public hearing. After the public hearing, the Board of the Fire District must file or submit the Fire District's budget and fund balance statements to the budget officer of the Town of Eastchester by November 7<sup>th</sup> of the year the budget is prepared. The Fire District budget, as attached to the annual town budget, is sent to Westchester County, for the levy of taxes for Fire District purposes.
- ii. Encumbrances are recorded to reserve a portion of fund balance for outstanding purchase commitments to be financed from current appropriations. Expenditures for such commitments are recorded in the period in which the liability is incurred. The ensuing year's authorized appropriations are increased by the amount of encumbrances carried forward.

#### *e. Estimates*

The preparation of financial statements in accordance with the financial reporting provisions of the Manual requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows and inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

The Fire District considers investments with maturities of 90 days or less from the date of acquisition to be a cash equivalent. Currently, the Fire District does not have any cash equivalents.

Collateral is required by New York State (State) statute for certificates of deposit and for all deposits not covered by the Federal Deposit Insurance Corporation (FDIC) federal deposit insurance. The Fire District's investment policy requires all other deposits in excess of FDIC insurance to be collateralized. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. At December 31, 2019, all of the Fire District's deposits were covered by FDIC insurance or collateralized by securities.

Restricted cash is reserved for use and purposes by the Board in accordance with New York State General Municipal Law. To establish a reserve, the Board must adopt a resolution subject to a voter referendum. Expenditures from reserves can only be made following the adoption of a resolution, subject to permissive referendum.

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2019

### 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.

At December 31, 2019 investments consisted solely of U.S. Treasury Bills with original maturities of four-weeks. The Fire District reports its Treasury Bill investments as cash equivalents.

#### *g. Prepaid Expenditures*

Prepaid expenditures within the General Fund are composed of pension contributions and health insurance paid in 2019 that pertain to the 2020 reporting period. These amounts will be amortized into pension expense and insurance 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, the Fire District 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 (expenditure) until then. The Fire District reports deferred outflows of resources related to various pension transactions as detailed in Note 4.

A deferred inflow of resources is 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. The Fire District reports deferred inflows of resources related to various pension transactions as detailed in Note 4.

#### *j. Compensated Absences*

Compensated absences include amounts for earned and unused vacation 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, 2019.

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2019

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

#### *k. Fund Balance*

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The five fund balance classifications are as follows:

*Nonspendable* - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact.

*Restricted* - Amounts that have restraints that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Fund balance restricted by the Board may only be used subject to permissive referendum in accordance with New York State law.

*Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action, such as legislation, resolution, or ordinance by the government's highest level of decision-making authority.

*Assigned* - Amounts that are constrained only by the government's intent to be used for a specified purpose but are not restricted or committed in any manner.

*Unassigned* - The residual amount in the General Fund after all of the other classifications have been established. In a special revenue fund, if expenditures and other financing uses exceed the amounts restricted, committed, or assigned for those purposes, then a negative unassigned fund balance will occur.

Note 2 provides further details regarding the Fire District's fund balance classifications.

The Fire District's fund balance policy is set by the Board, the highest level of decision-making authority. The Fire District considers "formal action" for a committed fund balance to be the passing of a Board resolution. The Board has delegated the ability to assign fund balance to the Treasurer. The Fire District considers fund balance spent in the order of restricted, committed, assigned, and unassigned.

#### *l. Real Property Taxes*

Annually, the Fire District prepares and files with the budget officers of the Town of Eastchester, detailed estimates of amounts of revenues to be received and expenditures to be made in the upcoming year.

#### *m. Donated Services*

The value of services provided by the volunteer firefighters has not been determined or reflected in these financial statements.

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2019

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

*n. Subsequent Events*

The Fire District has evaluated subsequent events for potential recognition or disclosure through March 19, 2020, the date the financial statements were available to be issued. Subsequent to year-end, the Fire District entered into an agreement with a vendor to settle a disputed invoice. The Fire District paid the settlement of approximately \$30,000 in February 2020. This settlement was not considered due and payable at December 31, 2019, and therefore will be reported as an expenditure in 2020.

### Note 2 - Fund Balances

A summary of the Fire District's fund balances is as follows:

	December 31, 2019
Non-spendable	
Prepaid expenditures	\$ 733,811
Restricted	
House capital reserve	1,863,341
Assigned	
Machinery and equipment	
Apparatus	1,114,984
Cascade system	57,049
Vehicle	52,313
Radio equipment	54,008
Liquidity reserve	4,500,000
Total assigned	5,614,984
Unassigned	2,021,179
Total fund balances	\$ 10,233,315

The Fire District has established a capital reserve in accordance with New York General Municipal Law § 6-g, for the purposes of financing future building repairs and improvements.

Management of the Fire District has assigned fund balance for the following purposes:

- Machinery and equipment reserve - the Fire District plans to finance the future acquisition of apparatus equipment, cascade system equipment, a new vehicle and radio equipment with current financial resources.
- Liquidity reserve - the Fire District generally receives its property tax receipt from the Town of Eastchester in May. Accordingly, the first four months of each fiscal year are financed with current financial resources.

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2019

### Note 3 - Fixed Assets

The following is a reconciliation of the Fire District's fixed assets:

	Balance at December 31, 2018	Additions	Disposals	Balance at December 31, 2019
Land	\$ 23,400	\$ -	\$ -	\$ 23,400
Buildings and improvements	2,053,603	103,027	-	2,156,630
Machinery and equipment	6,083,119	314,864	(624,238)	5,773,745
 Total fixed assets	\$ 8,160,122	417,891	\$ (624,238)	\$ 7,953,775

### Note 4 - Retirement Systems

#### *Plan Description*

The Fire District participates in the following plans administered by the Office of the New York State Comptroller: the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS), which are collectively referred to as the New York State and Local Retirement System (the System). The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. ERS and PFRS are cost-sharing, multiple- employer, defined benefit pension plans. The Public Employees' Group Life Insurance Plan (GLIP) provides death benefits in the form of life insurance. For financial reporting purposes, GLIP amounts are apportioned to and included as part of either ERS or PFRS.

For the year ended December 31, 2019, the Fire District did not have any employees participating in ERS or any ERS net pension liability.

The System issues a publicly available financial report that includes financial statements, expanded disclosures, and required supplementary information for the System. The report may be obtained by writing to the New York State and Local Retirement System, Office of the State Comptroller, 110 State Street, Albany, New York, 12244-0001 or electronically online at the System's website [www.osc.state.ny.us/pension/cafr.htm](http://www.osc.state.ny.us/pension/cafr.htm).

#### *Plan Benefits*

The System provides retirement benefits as well as death and disability benefits. Retirement benefits are established by the New York State Retirement and Social Security Law (RSSL) and are dependent upon the point in time at which the employees last joined the System. The RSSL has established distinct classes of membership.

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2019

### Note 4 - Retirement Systems - Continued

#### *Plan Description - Continued*

The System uses a tier concept within ERS and PFRS to distinguish these groups, as follows:

#### ERS

- Tier 1 - Those persons who last became members before July 1, 1973.
- Tier 2 - Those persons who last became members on or after July 1, 1973, but before July 27, 1976.
- Tier 3 - Generally, those persons who are State correction officers who last became members on or after July 27, 1976, but before January 1, 2010, and all others who last became members on or after July 27, 1976, but before September 1, 1983.
- Tier 4 - Generally, except for correction officers, those persons who last became members on or after September 1, 1983, but before January 1, 2010.
- Tier 5 - Those persons who last became members on or after January 1, 2010, but before April 1, 2012.
- Tier 6 - Those persons who first became members on or after April 1, 2012.

#### PFRS

- Tier 1 - Those persons who last became members before July 31, 1973.
- Tier 2 - Those persons who last became members on or after July 31, 1973, but before July 1, 2009.
- Tier 3 - Those persons who last became members on or after July 1, 2009, but before January 9, 2010.
- Tier 4 - Not applicable.
- Tier 5 - Those persons who last became members on or after January 9, 2010, but before April 1, 2012, or who were previously PFRS Tier 3 members who elected to become Tier 5.
- Tier 6 - Those persons who first became members on or after April 1, 2012.

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.

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2019

### Note 4 - Retirement Systems - Continued

#### *Plan Benefits - Continued*

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.

#### *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.

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2019

### Note 4 - Retirement Systems - Continued

#### *Funding Policy - Continued*

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 PFRS for the fiscal year ended March 31, 2019 was approximately 23.5 percent of payroll.

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

	<u>PFRS</u>
For the year ended December 31,	
2019	\$ 2,020,319
2018	1,976,325
2017	2,122,432

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, 2019, the Fire District reported a liability of \$3,261,567 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of March 31, 2019. 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, 2019, the Fire District's proportion was 0.00% in ERS and 0.1944809% in PFRS.

For the year ended December 31, 2019, the Fire District's pension expense on an accrual basis was \$2,356,293. At December 31, 2019, the Fire District's accrual basis deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2019

### 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	\$ 792,325	\$ 348,226
Change of assumptions	1,185,014	-
Net difference between projected and actual earnings on pension plan investments	-	653,212
Changes in proportion and differences between the Fire District's contributions and proportionate share of contributions	773,192	136,304
Contributions subsequent to the measurement date	2,020,319	-
	\$ 4,770,850	\$ 1,137,742

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

Plan year ending March 31,	
2020	\$ 871,853
2021	5,369
2022	142,918
2023	481,651
2024	110,998
	\$ 1,612,789

#### *Actuarial Assumptions*

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to rollforward the total pension liability to March 31, 2019. The actuarial valuations used the following actuarial assumptions:

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2019

### Note 4 - Retirement Systems - Continued

#### *Actuarial Assumptions - Continued*

	PFRS
Investment rate of return (net of investment expense, including inflation)	7.0%
Salary scale	5.0%
Inflation	2.5%
Cost of living adjustments	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, 2019 are summarized below:

<u>Asset type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate</u>
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.50%
Real estate	10.00%	5.55%
Absolute return strategies	2.00%	3.75%
Opportunistic portfolio	3.00%	5.68%
Real assets	3.00%	5.29%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	-0.25%
Inflation-indexed bonds	4.00%	1.25%
	100.00%	

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2019

### Note 4 - Retirement Systems - Continued

#### *Discount Rate - Continued*

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%)
PFRS net pension liability (asset)	11,786,815	3,261,567	(3,858,005)

#### *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 (Dollars in thousands):

	March 31, 2019 PFRS
Employers' total pension liability	\$ 34,128,100
Plan net position	(32,451,037)
Employers' net pension liability	\$ 1,677,063
Ratio of plan net position to the Employers' total pension liability	95.1%

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2019

### 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.

The number of participants as of December 31, 2019 was as follows:

	Actives	Inactives Not Receiving Benefits	Inactives Receiving Benefits	Total Census
Female	2	-	-	2
Male	73	-	49	122
Total	75	-	49	124

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.

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At December 31, 2019, the Fire District reported a liability of \$28,619,784 for its OPEB liability. The OPEB liability was measured as of January 1, 2019 by an actuarial valuation as of that date. For the year ended December 31, 2019, the District's OPEB expense on the accrual basis of accounting would have been \$1,104,511, compared to \$646,848 (contributions) recognized on the modified accrual basis of accounting in the General Fund. At December 31, 2019, the Fire District reported deferred outflows of resources related to OPEB as follows:

	<u>Deferred Outflows of Resources</u>
Change in assumptions and other inputs	<u>\$ 4,448,935</u>

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2019

### Note 5 - Other Postemployment Benefits - Continued

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued*

Deferred outflows of resources related to OPEB would be recognized in expense on the accrual basis of accounting as follows:

Year ending December 31,	
2020	\$ 317,781
2021	317,781
2022	317,781
2023	317,781
2024	317,781
Thereafter	2,860,030
	\$ 4,448,935

#### *Actuarial Assumptions*

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	Factor
Discount Rate	3.00%
Measurement Date	January 1, 2018
Salary Scale	3.00%
Mortality	RP 2014 Health Male and Female Tables
Actuarial Cost Method	Entry age normal, as a level percentage of salary.
Coverage Election	100% of all eligible employees.

	Healthcare Cost Trend Rates		
	Year	Pre-65	Post 65
Year 1 Trend	January 1, 2019	8.00%	8.00%
Ultimate Trend	January 1, 2025 & Later	5.00%	5.00%
Grading Per Year		0.50%	0.50%

The discount rate used to measure the liability as of January 1, 2019 was 3.0% and is based on a review of the yield derived from the Bond Buyer-20 Bond GO, S&P Municipal Bond 20-year High Grade Rate Index and Fidelity GA AA 20 years.

# Eastchester Fire District

## Notes to Regulatory Financial Statements December 31, 2019

### Note 5 - Other Postemployment Benefits - Continued

#### *Schedule of Changes in Net OPEB Liability*

The following table presents the changes in the net OPEB liability:

Balance at January 1, 2019	<u>\$ 23,395,405</u>
<i>Changes for the year</i>	
Service cost	269,350
Interest	835,161
Changes in assumptions and other inputs	4,766,716
Benefit payments	<u>(646,848)</u>
Net changes	<u>5,224,379</u>
Balance at December 31, 2019	<u><u>\$ 28,619,784</u></u>

#### *Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Trend Rate and Discount Rate*

The following presents the OPEB liability of the plan as of December 31, 2019 using current health care cost trend rates as well as what the OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower and 1% higher than the current rates:

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 28,619,784	\$ 28,619,784	\$ 36,751,411

The following presents the OPEB liability of the plan as of December 31, 2019, calculated using the discount rate of 3.0%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.0%) or 1-percentage-point higher (4.0%) than the current rate:

	<u>1% Decrease 2.0%</u>	<u>Current Discount Rate 3.0%</u>	<u>1% Increase 4.0%</u>
Total OPEB Liability	\$ 35,844,021	\$ 28,619,784	\$ 23,420,222

### 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.



**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, 2019, 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 March 19, 2020.

**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  
March 19, 2020

BST & CO. CPAs, LLP





March 19, 2020

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, 2019. 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/ldb



## **Eastchester Fire District**

### **Communication With Those Charged With Governance Year Ended December 31, 2019**

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 December 17, 2019. 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 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.

# Eastchester Fire District

## Communication With Those Charged With Governance Year Ended December 31, 2019

### Accounting Policies and Practices - Continued

#### 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.

#### 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

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

#### 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 B.



## Eastchester Fire District

### Summary of Significant Accounting Estimates Year Ended December 31, 2019

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, 2019 regulatory financial statements:

<u>Estimate</u>	<u>Accounting Policy</u>	<u>Estimation Process</u>
<b>Other Postemployment 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.	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.  The actuary uses a projected pay-as-you-go method to determine the Fire District's OPEB contribution.
<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**

Significant Written Communications Between  
Management and Our Firm  
Year Ended December 31, 2019

Representation Letter



BOARD OF  
FIRE COMMISSIONERS  
Dennis J. Winter, Chairman  
Stuart L. Rabin  
Thomas Roche  
Paul J. Carlo  
Brian E. Keating

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

March 19, 2020

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 ended December 31, 2019 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with the financial reporting provisions of the Fire District Accounting and Financial Reporting Manual of the New York State Office of the Statement Comptroller (Manual).

We confirm, to the best of our knowledge and belief, that as of March 19, 2020,

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated December 17, 2019, for the preparation and fair presentation of the financial statements referred to above in accordance with the Manual.
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 Manual.

6. All events subsequent to the date of the financial statements, and for which OSC's regulatory basis of accounting 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 Manual.
8. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
9. 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.
10. We have no knowledge of any uncorrected misstatements in the financial statements.
11. We agree with the findings of specialists in evaluating our net pension liability and other postemployment benefits obligation 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.
12. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits liabilities and costs for financial accounting purposes are appropriate in the circumstances.

#### **Information Provided**

13. 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.
14. All transactions have been recorded in the accounting records and are reflected in the financial statements.
15. 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.
16. 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.
17. 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, regulators, or others.
18. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.

19. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements
20. 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.
21. 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.
22. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

### **Compliance Considerations**

23. 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 of 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

