

Bay Shore Fire District
ANNUAL FINANCIAL REPORT
December 31, 2013

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A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners
Bay Shore Fire District
Bay Shore, New York

Report on the Annual Financial Report Update Document (Financial Section)

We have audited the accompanying Annual Financial Report Update Document (Financial Section) of Bay Shore Fire District, as of and for the year ended December 31, 2013, and the related notes to the Annual Financial Report Update Document, as listed in the table of contents.

Management's Responsibility for the Annual Financial Report Update Document

Management is responsible for the preparation and fair presentation of the Annual Financial Report Update Document in conformity with accounting practices prescribed or permitted by the New York State Office of the State Comptroller (regulatory basis), which is a special purpose framework of accounting other than U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the Annual Financial Report Update Document that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the Annual Financial Report Update Document 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 Annual Financial Report Update Document is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Financial Report Update Document. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Annual Financial Report Update Document, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the Annual Financial Report Update Document in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Annual Financial Report Update Document.

To the Board of Fire Commissioners
Bay Shore Fire District
Bay Shore, New York

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

As described more fully in Note 1, the Bay Shore Fire District prepares its Annual Financial Report Update Document using accounting practices prescribed or permitted by the New York State Office of the State Comptroller, which is a special purpose framework of accounting other than accounting principles generally accepted in the United States of America. The effects on the Annual Financial Report Update Document of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Opinions

In our opinion, the Annual Financial Report Update Document (Financial Section) referred to above presents fairly, in all material respects, the assets, liabilities and fund balances of Bay Shore Fire District, as of December 31, 2013 and the revenues it received and expenditures made for the year then ended in conformity with the basis of accounting described in Note 1.

Our audits were conducted for the purpose of forming opinions on the Annual Financial Report Update Document (Financial Section) taken as a whole. The Supplemental Section listed on page two of the Annual Financial Report Update Document is presented for purposes of additional analysis and is not a required part of the Annual Financial Report Update Document.

The information, except for the Fire District Questionnaire, has not been subjected to the auditing procedures applied in the audit of the Annual Financial Report Update Document and, accordingly, we express no opinion on it.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2014, on our consideration of Bay Shore 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 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 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 Bay Shore Fire District's internal control over financial reporting and compliance.

Sheehan & Company C.P.A. P.C.

Brightwaters, New York
March 14, 2014



All Numbers in This Report
Have Been Rounded To
The Nearest Dollar

ANNUAL FINANCIAL REPORT
UPDATE DOCUMENT
For The
FIRE DISTRICT of Bay Shore
County of Suffolk
For the Fiscal Year Ended 12/31/2013

AUTHORIZATION

ARTICLE 3, SECTION 30 of the GENERAL MUNICIPAL LAW:

1. ***Every Municipal Corporation *** shall annually make a report of its financial condition to the Comptroller. Such report shall be made by the Chief Fiscal Officer of such Municipal Corporation ***

5. All reports shall be certified by the officer making the same and shall be filed with the Comptroller *** It shall be the duty of the incumbent officer at the time such reports are required to be filed with the Comptroller to file such report ***

State of NEW YORK
Office of The State Comptroller
Division of Local Government and School Accountability
Albany, New York 12236

FIRE DISTRICT OF Bay Shore

*** FINANCIAL SECTION ***

Financial Information for the following funds and account groups are included in the Annual Financial Report filed by your government for the fiscal year ended 2012 and has been used by the OSC as the basis for preparing this update document for the fiscal year ended 2013:

- (A) GENERAL
- (TA) AGENCY

All amounts included in this update document for 2012 represent data filed by your government with OSC as reviewed and adjusted where necessary.

*** SUPPLEMENTAL SECTION ***

The Supplemental Section includes the following sections:

- 1) Statement of Indebtedness
- 2) Schedule of Time Deposits and Investments
- 3) Bank Reconciliation
- 4) Local Government Questionnaire
- 5) Schedule of Employee and Retiree Benefits
- 6) Schedule of Energy Costs and Consumption
- 7) Schedule of Other Post Employment Benefits (OPEB)

All numbers in this report will be rounded to the nearest dollar.

Bay Shore FIRE DISTRICT
Annual Update Document
For the Fiscal Year Ending 2013

(A) GENERAL

Balance Sheet

Code Description	2012	EdpCode	2013
Assets			
Cash	742,366	A200	438,974
TOTAL Cash	742,366		438,974
Cash Special Reserves	1,078,882	A230	1,061,024
TOTAL Restricted Assets	1,078,882		1,061,024
TOTAL Assets and Deferred Outflows of Resources	1,821,248		1,499,998

Bay Shore FIRE DISTRICT
Annual Update Document
For the Fiscal Year Ending 2013

(A) GENERAL

Balance Sheet

Code Description	2012	EdpCode	2013
Accounts Payable		A600	100,412
TOTAL Accounts Payable	148,088		100,412
Accrued Liabilities		A601	23,083
TOTAL Accrued Liabilities	19,768		23,083
TOTAL Liabilities	167,856		123,495
Fund Balance			
Capital Reserve		A878	1,061,024
TOTAL Restricted Fund Balance	941,882		1,061,024
Assigned Unappropriated Fund Balance		A915	
TOTAL Assigned Fund Balance	137,000		0
Unassigned Fund Balance		A917	315,479
TOTAL Unassigned Fund Balance	574,510		315,479
TOTAL Fund Balance	1,653,392		1,376,503
TOTAL Liabilities, Deferred Inflows And Fund Balance	1,821,248		1,499,998

Bay Shore FIRE DISTRICT
Annual Update Document
For the Fiscal Year Ending 2013

(A) GENERAL

Results of Operation

Code/Description	2012	EdpCode	2013
Revenues			
Real Property Taxes	1,119,209	A1001	1,167,126
TOTAL Real Property Taxes	1,119,209		1,167,126
Other Payments In Lieu of Taxes	9,978	A1081	11,287
TOTAL Real Property Tax Items	9,978		11,287
Fire Protection Services Other Govts	1,338,276	A2262	1,365,042
TOTAL Intergovernmental Charges	1,338,276		1,365,042
Interest And Earnings	1,985	A2401	1,536
TOTAL Use of Money And Property	1,985		1,536
Sales of Equipment		A2665	1
Insurance Recoveries	15,941	A2680	
TOTAL Sale of Property And Compensation For Loss	15,941		1
Refunds of Prior Year's Expenditures	4,225	A2701	
Unclassified (specify)	6	A2770	
TOTAL Miscellaneous Local Sources	4,231		0
St Aid Emergency Disaster Assistance	4,605	A3960	
TOTAL State Aid	4,605		0
Fed Aid, Emergency Disaster Assistance	13,814	A4960	71,212
TOTAL Federal Aid	13,814		71,212
TOTAL Revenues	2,508,039		2,616,204
TOTAL Detail Revenues And Other Sources	2,508,039		2,616,204

Bay Shore FIRE DISTRICT
Annual Update Document
For the Fiscal Year Ending 2013

(A) GENERAL

Results of Operation

Code/Description	2012	EdpCode	2013
Expenditures			
Payment of Mta Payroll Tax, contr Expend	405	A19804	
TOTAL Payment of Mta Payroll Tax	405		0
TOTAL General Government Support	405		0
Fire, Pers Serv	576,105	A34101	595,860
Fire, Equip & Cap Outlay	369,191	A34102	787,615
Fire, Contr Expend	856,690	A34104	917,359
TOTAL Fire	1,801,986		2,300,834
TOTAL Public Safety	1,801,986		2,300,834
State Retirement System	94,633	A90108	100,767
Local Pension Fund, Empl Bnfts	186,708	A90258	191,669
Social Security, Employer Cont	42,800	A90308	43,214
Worker's Compensation, Empl Bnfts	95,755	A90408	100,842
Disability Insurance, Empl Bnfts	371	A90558	468
Hospital & Medical (dental) Ins, Empl Bnft	167,358	A90608	155,299
TOTAL Employee Benefits	587,625		592,259
TOTAL Expenditures	2,390,016		2,893,093
TOTAL Detail Expenditures And Other Uses	2,390,016		2,893,093

Bay Shore FIRE DISTRICT
Annual Update Document
For the Fiscal Year Ending 2013

(A) GENERAL

Analysis of Changes in Fund Balance

Code/Description	2012	EdpCode	2013
Analysis of Changes in Fund Balance			
Fund Balance - Beginning of Year	1,542,212	A8021	1,653,392
Prior Period Adj -Decrease In Fund Balance	6,843	A8015	
Restated Fund Balance - Beg of Year	1,535,369	A8022	1,653,392
ADD - REVENUES AND OTHER SOURCES	2,508,039		2,616,204
DEDUCT - EXPENDITURES AND OTHER USES	2,390,016		2,893,093
Fund Balance - End of Year	1,653,392	A8029	1,376,503

Bay Shore FIRE DISTRICT
Annual Update Document
For the Fiscal Year Ending 2013

(A) GENERAL

Budget Summary

Code/Description	2013	EdpCode	2014
Estimated Revenues			
Est Rev - Real Property Taxes	2,540,940	A1049N	2,690,200
TOTAL Estimated Revenues	2,540,940		2,690,200
TOTAL Estimated Revenues And Other Sources	2,540,940		2,690,200

Bay Shore FIRE DISTRICT
Annual Update Document
For the Fiscal Year Ending 2013

(A) GENERAL

Budget Summary

Code;Description	2013	EdpCode	2014
Appropriations			
App - Public Safety	1,590,440	A3999N	1,737,400
App - Employee Benefits	650,500	A9199N	725,500
TOTAL Appropriations	2,240,940		2,462,900
App - Interfund Transfer	300,000	A9999N	227,300
TOTAL Other Uses	300,000		227,300
TOTAL Appropriations And Other Uses	2,540,940		2,690,200

Bay Shore FIRE DISTRICT
Annual Update Document
For the Fiscal Year Ending 2013

(TA) AGENCY

Balance Sheet

Code/Description	2012	EdpCode	2013
Assets			
Service Award Program Assets	3,464,349	TA461	3,607,278
TOTAL Investments	3,464,349		3,607,278
TOTAL Assets and Deferred Outflows of Resources	3,464,349		3,607,278

Bay Shore FIRE DISTRICT
Annual Update Document
For the Fiscal Year Ending 2013

(TA) AGENCY

Balance Sheet

Code/Description	2012	EdpCode	2013
Service Awards		TA13	3,607,278
TOTAL Agency Liabilities	3,464,349		3,607,278
TOTAL Liabilities	3,464,349		3,607,278
TOTAL Liabilities, Deferred Inflows And Fund Balance	3,464,349		3,607,278

Bay Shore FIRE DISTRICT
Statement of Indebtedness
For the Fiscal Year Ending 2013

02/14/2014

First Year	Debit Code	Description	Cops Flag	Comp Flag	Date of Issue	Date of Maturity	Int. Rate	Var?	Amt. Orig. Issued	O/S Beg. of Year	Paid Dur. Year	Redeemed Bond Proc.	Prior Yr. Adjust.	Accreted Interest	O/S End of Year
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Bay Shore FIRE DISTRICT
Schedule of Time Deposits and Investments
For the Fiscal Year Ending 2013

	EDP Code	Amount
CASH:		
On Hand	9Z2001	
Demand Deposits	9Z2011	\$1,674,903.00
Time Deposits	9Z2021	
Total		\$1,674,903.00
 COLLATERAL:		
- FDIC Insurance	9Z2014	\$500,000.00
Collateralized with securities held in possession of municipality or its agent	9Z2014A	\$1,221,729.00
Total		\$1,721,729.00
 INVESTMENTS:		
- Securities (450)		
Book Value (cost)	9Z4501	
Market Value at Balance Sheet Date	9Z4502	
Collateralized with securities held in possession of municipality or its agent	9Z4504A	
 - Repurchase Agreements (451)		
Book Value (cost)	9Z4511	
Market Value at Balance Sheet Date	9Z4512	
Collateralized with securities held in possession of municipality or its agent	9Z4514A	

Bay Shore FIRE DISTRICT
Bank Reconciliation
For the Fiscal Year Ending 2013

Include All Checking, Savings and C.D. Accounts

Bank Account Number	Bank Balance	Add: Deposit In Transit	Less: Outstanding Checks	Adjusted Bank Balance
****-2281	\$98,544	\$0	\$98,432	\$112
****-3465	\$200,010	\$0	\$0	\$200,010
****-5101	\$260,015	\$0	\$22,423	\$237,592
****-5165	\$1,786	\$0	\$1,326	\$460
****-5984	\$52,492	\$0	\$0	\$52,492
****-5992	\$530,148	\$0	\$26,846	\$503,302
****-5976	\$531,114	\$22,423	\$48,307	\$505,230
****-6865	\$794	\$0	\$0	\$794
	Total Adjusted Bank Balance			\$1,499,992
	Petty Cash			\$0
	Adjustments			\$6.00
	Total Cash			\$1,499,998
	Total Cash Balance All Funds			\$1,499,998

* Must be equal

Bay Shore FIRE DISTRICT
 Fire District Questionnaire
 For the Fiscal Year Ending 2013

	Response
1) Has your district adopted a written procurement policy and is it complied with?	Y
2) Has your district contracted to have an independent audit of its financial statements? If not, has the Board of Fire Commissioners performed an internal audit of the Treasurer's records and reports?	Y
3) Does your district have a written travel policy and is it complied with?	Y
4) Are monthly bank reconciliations performed?	Y
5) What is your district's statutory spending limitation margin (amount) for the next fiscal	\$1,620,624
6) Does your district have a Length of Service Award Program (LOSAP) for volunteer firefighters? If so, how are the LOSAP funds invested?	
Marketable Securities	Y
Annuities	Y
Life Insurance	Y
Other (describe) EMPIRE NATIONAL BANK	
7) Has your Fire District adopted an investment policy as required by General Municipal Law, Section 39?	Y

Bay Shore FIRE DISTRICT
Employee and Retiree Benefits
For the Fiscal Year Ending 2013

Total Full Time Employees:		6			
Total Part Time Employees:		11			
Account Code	Description	Total Expenditures (All Funds)	# of Full Time Employees	# of Part Time Employees	# of Retirees
90108	State Retirement System	\$100,767.00	6	11	
90158	Police and Fire Retirement				
90258	Local Pension Fund	\$191,669.00			
90308	Social Security	\$43,214.00	6	11	
90408	Worker's Compensation Insurance	\$100,842.00	6	11	
90458	Life Insurance				
90508	Unemployment Insurance				
90558	Disability Insurance	\$468.00	6	11	
90608	Hospital and Medical (Dental) Insurance	\$155,299.00	6		4
90708	Union Welfare Benefits				
90858	Supplemental Benefit Payment to Disabled Fire Fighters				
91890	Other Employee Benefits				
Total		\$592,259.00			
Computed Total From Financial Section (comparative purposes only)		\$592,259.00			

Bay Shore FIRE DISTRICT
 Energy Costs and Consumption
 For the Fiscal Year Ending 2013

Energy Type	Total Expenditures	Total Volume	Units Of Measure	Alternative Units Of Measure
Gasoline	\$19,918	5,798	gallons	
Diesel Fuel	\$17,225	5,100	gallons	
Fuel Oil	\$12,326	3,000	gallons	
Natural Gas	\$15,014	8,774	cubic feet	THERMS
Electricity	\$59,700	292,027	kilowatt-hours	
Coal			tons	

Bay Shore FIRE DISTRICT
Schedule of Other Post Employment Benefits (OPEB)
For the Fiscal Year Ending 2013

Annual OPEB Cost and Net OPEB Obligation

1. Type of Other Post Employment Benefits Plan
2. Annual Required Contribution(ARC)
3. Interest on Net OPEB Obligation
4. Adjustment to Annual Required Contribution
5. Annual OPEB Expense
6. Less: Actual Contribution Made
7. Increase in Net OPEB Obligation
8. Net OPEB Obligation - beginning of year
9. Net OPEB Obligation - end of year
10. Total Other Post Employment Benefits as reported in Accounts 683 in Financial Section, Current Fiscal Year
11. Percentage of Annual OPEB Cost Contributed (Actual Contribution Made/Annual OPEB Cost)

Funded Status and Funding Process

12. Actuarial Accrued Liability(AAL)
13. Less: Actuarial Value of Plan Assets
14. Unfunded Actuarial Accrued Liability(UAAL)
15. Funded Ratio(Actuarial Value of Plan Assets/AAL)
16. Annual Covered Payroll (of active employees covered by the plan)
17. UAAL as Percentage of Annual Covered Payroll

Other OPEB Information

18. Date of most recent actuarial valuation
19. Actuarial method used
20. Assumed rate of return on investments discount rate .00%
21. Amortization period of UAAL(in years)

FIRE DISTRICT DEMOGRAPHICS

Postal or Mailing Address:

195 FIFTH AVENUE Street Address or PO Box	BAY SHORE City	NY State	11706 Zip
(631) 665-4227 Fire District Telephone Number	(631) 665-4205 Fire District Fax Number		
BSFDCOM3@OPTONLINE.NET Official Email Address	Website		
Physical Address: (If Different From Postal Address)			
Street Address	City	State	Zip

**BOARD DEMOGRAPHICS
CHIEF FISCAL OFFICER**

PATRICK J. FUSCO Name	TREASURER Title		
195 FIFTH AVENUE Street Address or PO Box	BAY SHORE City	NY State	11706 Zip
(631) 665-4227 Telephone Number	(631) 665-4205 Fax Number		
BSFDCOM3@OPTONLINE.NET Email Address	12/31/2016 Term End Date		

CHAIRMAN OF THE BOARD

GREGORY NARDONE Name	CHAIRMAN Title		
195 FIFTH AVENUE Street Address or PO Box	BAY SHORE City	NY State	11706 Zip
(631)665-4227 Telephone Number	(631)665-4205 Fax Number		
Email Address	12/31/2013 Term End Date		

I, PATRICK J. FUSCO hereby certify that I am the Chief Fiscal Officer of the BAY SHORE FIRE DISTRICT, and that the information provided in the annual financial report of the BAY SHORE FIRE DISTRICT, for the fiscal year ended 12/31/2013, is true and correct to the best of my knowledge and belief. By entering the personal identification number assigned by the Office of the State Comptroller to me as the Chief Fiscal Officer of the BAY SHORE FIRE DISTRICT, and adopted by me as my signature for use in conjunction with the filing of the BAY SHORE FIRE DISTRICT's annual financial report, I am evidencing my express intent to authenticate my certification of the BAY SHORE FIRE DISTRICT's annual financial report report for the fiscal year ended 12/31/2013 and filed by means of electronic data transmission.

SHEEHAN & COMPANY, CPA, PC Name of Report Preparer if different than Chief Fiscal Officer	***** Personal Identification Number of Chief Fiscal Officer	00/00/0000 Date
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Bay Shore FIRE DISTRICT
Financial Comments
For the Fiscal Year Ending 2013

Bay Shore Fire District

NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

1. Summary of significant accounting policies:

The Annual Financial Report Update Document (AUD) of the Bay Shore Fire District (the District), as of and for the year ended December 31, 2013 has been prepared in conformity with accounting practices prescribed or permitted by the New York State Office of the State Comptroller (regulatory basis), which is a special purpose framework of accounting other than U.S. generally accepted accounting principles.

Financial reporting entity: The District is a governmental entity that provides fire protection to the local community. The District receives most of its funding from property taxes and fire protection contracts with local communities.

The District is governed by laws of the State of New York. The Board of Fire Commissioners is the legislative body responsible for the overall operation of the District. All activities and functions performed for the District are its direct responsibility. The Treasurer serves as Chief Fiscal Officer of the District.

Basis of presentation: The AUD provides information about the District's funds, including fiduciary funds. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following fund types are used:

Governmental:

General Fund

The General Fund is the principal operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. Debt service is also accounted for in the General Fund.

Apparatus and Equipment Reserve Fund

The Apparatus and Equipment Reserve Fund is used to account for and report financial resources to be used for the acquisition of fire apparatus and equipment needed by the District.

Bay Shore Fire District

NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

1. Summary of significant accounting policies (continued):

Governmental (continued):

Building Reserve Fund

The Building Reserve Fund is used to account for and report financial resources to be used for the acquisition or construction of major capital facilities.

Major Reserve Fund

The Major Reserve Fund is used to account for and report financial resources to be used for the repair or renovation of buildings and apparatus.

For AUD purposes, these funds are all combined and shown as the General Fund.

Fiduciary Fund

Fiduciary funds are used to account for assets held by the District in a trustee or custodial capacity. The District utilizes the following fund:

Agency Fund

The Agency Fund is used to account for and report assets held by the District in the capacity of trustee, custodian or agent for individuals. Agency funds are custodial in nature and do not involve measurement of results of operations.

Basis of accounting: The accompanying AUD has been prepared on the regulatory basis of accounting using the current financial resources measurement focus. Revenues are recognized when measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Cash and cash equivalents: Cash and cash equivalents include demand deposits and temporary investments with original maturities of three months or less from the date of acquisition.

Bay Shore Fire District

NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

1. Summary of significant accounting policies (continued):

Interfund transfers: The operations of the District give rise to certain transactions between funds, including transfers of expenditures and revenues to provide services and construct assets. This is either by budget, Board resolution, permissive referendum or mandatory referendum.

Fund balances: In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, (GASB 54), fund balance is broken down into five different classifications: non-spendable, restricted, committed, assigned and unassigned.

Non-spendable consists of assets that are inherently non-spendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loan receivable, financial assets held for resale and principal of endowments.

Restricted consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments or through constitutional provisions or enabling legislation.

Committed consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year and that require the same level of formal action to remove the constraint. The Board of Fire Commissioners is the decision-making authority that can, by Board resolution, prior to the end of the fiscal year, commit fund balance.

Assigned consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund and, in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. The Board of Fire Commissioners, by Board resolution, can authorize the Treasurer to assign fund balance.

Unassigned represents the residual classification for the government's General Fund and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

Bay Shore Fire District

NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

1. Summary of significant accounting policies (continued):

Fund balances (continued):

When resources are available from multiple classifications, the District spends funds in the following order:

- Restricted amounts are deemed to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available.
- Within unrestricted fund balance, expenditures are deemed to be spent first from committed amounts, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Real property taxes: All real property assessments are made by the Town of Islip. Real property tax payments are due in two equal installments; the first half payable on December 1 (lien and levy date) preceding the year for which the same is levied and the second half payable May 10, with the first half payable without penalty to January 10 and the second half payable without penalty to May 31. After May 31, all taxes must be paid to Suffolk County Treasurer with a 5% penalty charge and interest at the rate of 1% per month from February 1.

The Town of Islip Receiver of Taxes collects all real estate taxes for the District. The Town of Islip Receiver of Taxes distributes the tax collections to the District. All payments made to the District are made in the year for which the tax has been levied. The Town of Islip Receiver of Taxes turns over uncollected items to the Suffolk County Treasurer who continues the collection of these items. Responsibility for the collection of unpaid taxes rests with Suffolk County.

In June 2011, New York State passed Chapter 97 of the Laws of 2011 (Tax Cap Law). This law applies to all local governments in New York State. The Tax Cap Law restricts the amount of real property taxes that may be levied by the District in a particular year, beginning with the 2012 - 2013 fiscal year. The growth in annual levy is limited to the lesser of 2% or annual change in the national unadjusted Consumer Price Index for All Urban Consumers - All Items (CPI-U), subject to certain exceptions and adjustments.

Bay Shore Fire District

NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

1. Summary of significant accounting policies (continued):

Budgetary data: The District prepares an operating budget for the General Fund each year. The budget is adopted by the Board of Fire Commissioners as its final budget for the coming year. The budget is not subject to referendum. All budget appropriations lapse at the end of each year.

Use of estimates: The preparation of the AUD in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Deposits with financial institutions:

The District's investment policies are governed by state statutes and District policy.

Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include special time deposit accounts, certificates of deposit, obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment and interest are guaranteed by the United States of America and obligations of the State of New York. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The GASB directs that deposits be disclosed according to custodial credit risk. The District's custodial risk is specified by the following categories.

1. Insured by FDIC insurance.
2. Collateralized by securities held by the pledging financial institution's trust department or agent, but not in the District's name.
3. Collateralized by securities held by the pledging financial institution, but not in the District's name.
4. Uncollateralized.

Bay Shore Fire District

NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

2. Deposits with financial institutions (continued):

The District's deposits held by the banks are categorized, based on the above criteria, as follows:

<u>Category</u>	<u>Amount</u>
1	\$ 500,000
2	906,943
3	314,786
4	-
Total	<u>\$1,721,729</u>

The District has adopted an investment policy as required by New York State. The District did not have any investments at year end or during the year. Consequently, the District was not exposed to any material interest rate risk.

3. Pension plan:

Plan description: The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing, multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits.

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement Systems, 110 State Street, Albany, New York 12244.

Funding policy: The System is non-contributory except for employees who joined the ERS after July 27, 1976 who contribute 3% of their salary for the first 10 years of membership and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3% of their salary for the entire length of service, and on or after April 1, 2012 (ERS) who generally contribute between 3% and 6% (based on annual wage) for the entire length of service.

Bay Shore Fire District

NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

3. Pension plan (continued):

Funding policy (continued):

Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required and were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 100,767
2012	94,633
2011	153,446

Chapter 57 of the Laws of 2013 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for up to 12 years in accordance with the following stipulations:

- The maximum amount an employer can amortize is the difference between the normal annual contribution (total bill, excluding payments for deficiency, group life, previous amortizations, incentive costs, and prior year adjustments) and the graded contribution.
- For subsequent State fiscal years (SFYs), the graded rate will increase or decrease by up to one-half of one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- The interest rate will be set annually, and will be comparable to a 12-year U.S. Treasury Bond plus 1 percent.
- For subsequent SFYs in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program.

The District's total pension liability was paid as of February 1, 2014.

Bay Shore Fire District

NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

4. Length of Service Award Program (LOSAP):

The information contained in this note is based on information for the LOSAP for the Plan year ending on December 31, 2014, which is the most recent Plan year for which complete information is available. The funding detail is for the period January 1, 2013 through December 31, 2013.

The District established a defined benefit LOSAP for the active volunteer firefighters of the District. The Program took effect on January 1, 1991. The Program was established pursuant to Article 11-A of the General Municipal Law. The Program provides municipally funded, pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The District is the Sponsor of the Program.

Program description:

Participation, vesting and service credit: Active volunteer firefighters who have reached the age of 18 and who have completed 1 year of credited service are eligible to participate in the Program. Participants acquire a nonforfeitable right to a service award after being credited with 5 years of firefighting service or upon attaining the Program's entitlement age and completing 1 year of Plan participation. The Program's entitlement age is 62. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the Program in which he or she accumulates 50 points. Points are granted for the performance of certain activities in accordance with a system established by the Sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for 5 years of firefighting service rendered prior to the establishment of the Program.

Benefits: A participant's benefit under the Program is the actuarial equivalent of a monthly payment for life equal to \$20 multiplied by the person's total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed 40. Benefits are not payable until the first day of the month coincident with or following the attainment of age 62 and completion of 1 year of Plan participation. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age. The Program provides statutorily mandated death and disability benefits.

Fiduciary investment and control: Service credit is determined by the Governing Board of the Sponsor, based on information certified to the Governing Board by each fire company having members who participate in the Program. Each fire company must maintain all required records on forms prescribed by the Governing Board.

Bay Shore Fire District

NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

4. Length of Service Award Program (LOSAP) (continued):

Program description (continued):

Fiduciary investment and control (continued):

The Governing Board of the Sponsor has retained and designated Hometown Firefighters Services (HFS) to assist in the administration of the Program. The designated Program administrator's functions include providing basic annual administration services as follows:

- a) Providing participant enrollment forms;
- b) Providing an annual reminder letter with a review list for the current anniversary date;
- c) Preparation of Explanation of Plan Benefits;
- d) Calculation of Schedule of Benefits and costs annually;
- e) Participants' benefit calculation at time of severance or retirement;
- f) Auxiliary Fund valuation and suggested deposit;
- g) Tax reporting of benefits;
- h) Annual actuarial review and recommended benefit enhancements.

Disbursements of Program assets for the payment of benefits or administrative expenses must be approved. The following is an explanation of the process for approving disbursements:

Payment of benefits:

1. Entitlement benefits - HFS prepares and submits to the Plan Sponsor a Verification of Benefits statement and an Annuity Enrollment Form for participants active at entitlement age and for vested participants upon termination from the Plan. Following review for accuracy, the Plan Sponsor signs and returns the paperwork to HFS authorizing HFS to disburse entitlement benefits.
2. Death benefits - Upon notification from the Plan Sponsor of a participant's death, HFS prepares a Verification of Benefits statement and a Lump Sum Death Benefit form. Following review for accuracy, the Plan Sponsor signs and returns the paperwork accompanied by a death certificate to HFS authorizing HFS to disburse a death benefit.

Bay Shore Fire District

NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

4. Length of Service Awards Program (LOSAP) (continued):

Payment of benefits (continued):

3. Disability benefits - Upon notification from the Plan Sponsor of a participant total and permanent disability, VFIS prepares a Verification of Benefits statement, a Physician Statement form and a Lump Sum Disability Benefit form. Following review for accuracy, the Plan Sponsor signs and returns the paperwork authorizing HFS to disburse a disability benefit.

Payment of administrative expenses:

1. Per the executed Service Fee Agreement, the Plan Sponsor agrees to payment as contracted.

Authority to invest Program assets is vested in Unity Mutual Life Insurance Company. Subject to restrictions in the Program document, Program assets are invested in accordance with a statutory "prudent person" rule. The Sponsor invested Plan funds in a Group Annuity Contract with guarantees of both principal and interest.

The Sponsor is required to retain an actuary to determine the amount of Sponsor's contributions to the Plan. The actuary retained by the Sponsor for this purpose is Harbridge Consulting Group, LLC. Portions of the following information are derived from a report prepared by the actuary dated February 19, 2014. The funding detail is for the period January 1, 2013 through December 31, 2013, the most recent year for which complete information is available.

Bay Shore Fire District

NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

4. Length of Service Awards Program (LOSAP) (continued):

Program financial condition:

Assets and Liabilities

	<u>% of Total</u>	
Actuarial present value of accrued benefits as of December 31, 2013:		
Vested		\$3,459,281
Non-vested		<u>49,625</u>
		<u>\$3,508,906</u> *
Accrued liability at January 1, 2014		\$3,674,020*
Less assets available for benefits:		
Standard Security - Group Annuity Fixed Funds	74.34%	2,681,643
Empire National Bank	.94%	33,915
Genworth Life Insurance - Group Annuity Fixed Funds	8.31%	299,871
Charles Schwab & Company	12.73%	459,237
American General Annuity	3.68%	<u>132,612</u>
Total	<u>100.00%</u>	<u>3,607,278</u>
Total unfunded liability		66,742
Less unfunded liability for a prior service		<u>(66,742)</u>
Unfunded normal benefits		<u>\$ -</u>

* Present value of accrued benefits and accrued liability were determined using different actuarial assumptions.

Prior service costs are being amortized over a range of 10 years at a discount rate of 4.75%.

Receipts and Disbursements

Plan net assets, January 1, 2013		\$3,464,349
Changes during the year:		
Plan contributions	\$ 191,669	
Investment income earned	127,619	
Change in market value	3,777	
Plan benefit withdrawals	(173,622)	
Administrative and other fees/charges	<u>(6,514)</u>	
Net increase in Plan assets		<u>142,929</u>
Plan net assets, December 31, 2013		<u>\$3,607,278</u>

Bay Shore Fire District

NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

4. Length of Service Awards Program (LOSAP) (continued):

Contributions

Amount of Sponsor's contribution recommended by actuary	<u>\$ 197,456</u>
Amount of Sponsor's actual contribution	<u>\$ 191,699</u>

Administration Fees

Fees paid to designated Program administrator	<u>\$ 6,514</u>
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Funding methodology and actuarial assumptions:

Normal costs: The actuarial valuation methodology used by the actuary to determine the Sponsor's contribution is Unit Credit Cost Method. The assumptions used by the actuary to determine the Sponsor's contribution and the actuarial present value of benefits are:

For determining annual contributions

Assumed rate of return:

Pre-entitlement	4.75%
Post-entitlement	5.25%

Mortality tables used:

Pre-entitlement	None
Post-entitlement	RP 2000 Mortality - Unisex

5. Post-employment benefits:

In addition to providing LOSAP benefits, the District provides health insurance coverage to retired employees. After 20 years of employment, the District's full time employees who retire at a minimum age of 55 or become eligible for New York State Retirement Incentive Programs will receive payments toward the New York State Empire Plan Hospitalization based on years of service. All employees retiring after January 1, 2006 will contribute to the District 15% of their total premium cost for each year. The surviving spouse of any deceased retired employee will be entitled to the New York State Empire Plan, as applicable, only for a period of three months after the death of the employee.

Bay Shore Fire District

NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

5. Post-employment benefits (continued):

The District recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. During the year, \$144,053 was paid on behalf of 4 retirees and 6 active employees and is recorded as an expenditure in the General Fund. The cost of providing benefits for 4 retirees is not separable from the cost of providing benefits for the 6 active employees.

6. Commitments and contingencies:

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, injuries to employees, errors and omissions, natural disasters, etc. These risks are covered by commercial insurance purchased from independent third-parties. Settled claims from these risks have not exceeded commercial insurance coverage.

In 2012, the District entered into a contract for the purchase of a fire rescue boat from Curtis Marine of New York, Inc. Curtis Marine of New York, Inc. did not complete its contract. The District took title of the boat; however, the boat was not built in accordance with the specifications of the contract. The District was forced to hire its own vendors to complete the needed work so that the boat meets the contract specifications.

Curtis Marine of New York, Inc. has filed a claim against the District in excess of \$25,000. The District believes the claim has no merit. Furthermore, the District has counterclaims against Curtis Marine of New York, Inc. for late delivery of the uncompleted boat.

At this time, it is uncertain as to what the outcome will be.

7. Economic dependency:

For the year ended December 31, 2013, \$1,167,126 or 44% of the District's gross revenues was derived from real property taxes provided by the Town of Islip.

For the year ended December 31, 2013, \$1,177,174 or 45% of the District's gross revenues was derived from fire protection services provided by the Bay Shore Fire Protection District.

Bay Shore Fire District

NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

7. **Economic dependency (continued):**

For the year ended December 31, 2013, \$187,868 or 7% of the District's gross revenues was derived from fire protection services provided by the Village of Brightwaters, Inc.

8. **Effect of new accounting standard on current-period financial statements:**

In March 2012, GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which was implemented by the District during the year ended December 31, 2013. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF ANNUAL FINANCIAL REPORT UPDATE DOCUMENT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Fire Commissioners
Bay Shore Fire District
Bay Shore, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Annual Financial Report Update Document of Bay Shore Fire District (the District), as of and for the year ended December 31, 2013 and the related notes to the Annual Financial Report Update Document and have issued our report thereon dated March 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the Annual Financial Report Update Document, we considered the 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 Annual Financial Report Update Document 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 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.

To the Board of Fire Commissioners
Bay Shore Fire District
Bay Shore, New York

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Annual Financial Report Update Document is 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 Annual Financial Report Update Document 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 results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Brightwaters, New York
March 14, 2014