

**Marlborough Fire District**

Financial Report

December 31, 2017

# Marlborough Fire District

## Financial Report

December 31, 2017

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## Independent Auditor's Report

Board of Fire Commissioners  
Marlborough Fire District  
Marlboro, New York

### Report on the Financial Statements

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, fiduciary fund, and account group of the Fire District as of December 31, 2017, and the changes in financial position of the governmental fund for the year then ended in accordance with 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 June 29, 2018, 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.

BST & CO. CPAs, LLP

Albany, New York  
June 29, 2018



## Marlborough Fire District

### Balance Sheet - Governmental Fund, Fiduciary Fund, and Account Group - Regulatory Basis

	December 31, 2017		
	Governmental Fund	Fiduciary Fund	Account Group
	General	Trust and Agency Fund	Non-Current Governmental Assets
<b>ASSETS</b>			
Cash	\$ 53,908	\$ -	\$ -
Cash, restricted	405,717	-	-
Service award program assets	-	921,921	-
Fixed assets	-	-	2,794,699
	-	-	2,794,699
<b>Total assets</b>	<b>\$ 459,625</b>	<b>\$ 921,921</b>	<b>\$ 2,794,699</b>
<b>LIABILITIES, OTHER CREDITS, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 74,400	\$ -	\$ -
Service awards	-	921,921	-
Total liabilities	74,400	921,921	-
<b>OTHER CREDITS</b>			
Investment in fixed assets	-	-	2,794,699
	-	-	2,794,699
<b>FUND BALANCE</b>			
Restricted	405,717	-	-
Unassigned	(20,492)	-	-
Total fund balance	385,225	-	-
<b>Total liabilities, other credits, and fund balance</b>	<b>\$ 459,625</b>	<b>\$ 921,921</b>	<b>\$ 2,794,699</b>

# Marlborough Fire District

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

	<b>Year Ended December 31, 2017</b>
	<b><u>General Fund</u></b>
<b>REVENUES</b>	
Real property taxes	\$ 574,750
Interest and earnings	637
Miscellaneous local sources	683
State aid	1,500
Total revenues	<u>577,570</u>
<b>EXPENDITURES</b>	
Public safety	
Contractual expenditures	182,810
Equipment and capital outlay	235,172
Employee benefits	
Local pension fund	99,580
Workers' compensation	41,173
Payroll Taxes	1,184
Total expenditures	<u>559,919</u>
<b>Excess of revenues over expenditures</b>	<b>17,651</b>
<b>FUND BALANCE, <i>beginning of year</i></b>	<b><u>367,574</u></b>
<b>FUND BALANCE, <i>end of year</i></b>	<b><u>\$ 385,225</u></b>

# Marlborough Fire District

## Notes to Regulatory Financial Statements December 31, 2017

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

#### a. Organization

The Marlborough 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 was formed January 7, 1924, and 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. Under the regulatory basis, the Fire District is required to use the modified accrual basis of accounting. This regulatory basis varies from accounting principles generally accepted in the United States of America (U.S. GAAP) primarily in that under U.S. GAAP:

- Financial statements include two additional statements, the statement of net position and the statement of activities, collectively referred to as the "government-wide" financial statements which are presented on the full accrual basis of accounting.
- A Management's Discussion and Analysis (MD&A) is required as supplementary information that precedes the basic financial statements and is intended to provide an objective analysis of the government's financial activities, both on a current and long-term basis, based on current conditions.
- Other supplementary information is required by U.S. GAAP, including budgetary comparison schedules for the general fund and each major special revenue fund that has a legally adopted annual budget, and the schedule of funding progress for other postemployment benefits.
- Fund-based financial statements must be reconciled to the "government-wide" financial statements.
- Capital assets, other than land, are depreciated and reported on the "government-wide" statement of net position at net book value, and depreciation expense is allocated to the major functions on the statement of activities based on the use of the underlying assets.
- Long-term liabilities are included in the statement of net position with an offset to total fund balance; other debits are not included in the statement of net position.
- Length of Service Awards Program (LOSAP) assets included in non-qualified trusts would be reported within the general fund instead of the fiduciary fund. In addition, the entire LOSAP obligation would be reported as a component of non-current governmental liabilities in the government-wide financial statements. The discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher (or equivalent quality on another rating scale), instead of the expected investment rate of return.

# Marlborough Fire District

## Notes to Regulatory Financial Statements December 31, 2017

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

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

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 transactions 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.

Governmental fund expenditures are recorded when the fund liability is incurred except that:

- Expenditures for prepaid expenditures and inventory-type items are recognized at the time of purchase.
- Costs of acquiring capital assets are recorded as expenditures when the related acquisition amounts are due and payable.

The Fire District's fiduciary fund and account group are reported on the accrual basis of accounting.

#### *c. Fund Accounting*

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

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

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.

Fiduciary Fund - Accounts for resources held by the Fire District in a trustee or agency capacity for others and cannot be used to support the Fire District's own programs. The Fire District does not maintain any investment or private purpose trust funds but does maintain the following Fiduciary Fund:

Trust and Agency Fund - Accounts for assets held by the Fire District as trustee or agent for individuals, private organizations, and other governmental units. Agency funds are custodial in nature, and do not involve measuring the results of operations. There is no operating statement, only a balance sheet. The Fiduciary Fund includes the Fire District's LOSAP trust fund.



# Marlborough Fire District

## Notes to Regulatory Financial Statements December 31, 2017

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

#### *c. Fund Accounting - Continued*

Account Group - The Fire District also uses the following account group:

Non-Current Governmental Assets - Used to account for land, buildings, machinery, and equipment utilized for general government purposes.

#### *d. Estimates*

The preparation of financial statements in accordance with the financial report provisions of the Manual requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other financing sources/(uses) during the reporting year. Actual results could differ from those estimates.

#### *e. Budget*

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 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 submits the Fire District's budget and fund balance statements to the budget officer of the Town of Marlborough by November 30 of the year the budget is prepared. The Fire District budget, as attached to the annual town budget, is sent to the county, for the levy of taxes for Fire District purposes.

#### *f. Cash and Investments*

The Fire District's deposit and investment policies are governed by state statutes and various resolutions of the Board. Fire District monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The Fire District is authorized to use demand accounts and certificates of deposit. Permissible investments under State statute include obligations of the U.S. Treasury and U.S. agencies repurchase agreements and obligations of New York State or its localities.

Collateral is required by State statute for certificates of deposit and for all deposits not covered by federal deposit insurance. The Fire District's investment policy requires all other deposits in excess of federal deposit 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, municipalities, and school districts.

Restricted cash is reserved for purposes and use of the Board. To establish a reserve, the Board must adopt a resolution subject to voter referendum. Expenditures from reserves can only be made following the adoption of a resolution subject to permissive referendum.

At December 31, 2017, all of the Fire District's cash balances were covered by FDIC insurance or collateralized by securities.

# Marlborough Fire District

## Notes to Regulatory Financial Statements December 31, 2017

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

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

The Fire District has accumulated assets for volunteer firefighters under a Length of Service Awards Program benefit plan. Assets held under this plan are invested in Massachusetts Mutual Life Insurance Company of America's (MassMutual) general investment account, which functions like a money market fund. The general investment account focuses on the fixed income segment and may invest in Treasuries, agencies, public bonds, private placements, bank loans, commercial mortgage loans, mortgage backed securities, and other types of debt. These investments are reported at book value, which may be different than liquidation value.

#### *g. Capital Assets*

Capital assets, which include property, buildings, and machinery and equipment, are reported as general fixed assets. Capital assets are defined by the Fire District as assets with an initial individual cost exceeding \$500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated fixed assets are recorded at estimated fair value at the date of donation.

#### *h. Fund Balance*

Fund balances 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 purpose 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.

*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 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.

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.

Note 3 provides further details regarding the Fire District's fund balance classifications.

# Marlborough Fire District

## Notes to Regulatory Financial Statements December 31, 2017

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

*i. Real Property Taxes*

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

*j. Donated Services*

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

*k. Subsequent Events*

The Fire District has evaluated subsequent events for potential recognition or disclosure through June 29, 2018, the date the financial statements were available to be issued.

### Note 2 - Noncurrent Governmental Assets

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

	December 31, 2016	Additions	Disposals	Reclassifications	December 31, 2017
Land	\$ 67,500	\$ -	\$ -	\$ -	\$ 67,500
Buildings	542,715	-	-	-	542,715
Machinery and equipment	1,979,541	204,943	-	-	2,184,484
Total noncurrent governmental assets	\$ 2,589,756	\$ 204,943	\$ -	\$ -	\$ 2,794,699

### Note 3 - Fund Balance

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

Restricted for capital reserve	\$ 405,717
Unassigned	(20,492)
Total fund balance	\$ 385,225

### Note 4 - Service Awards Program

The Fire District's financial statements are for the year ended December 31, 2017. However, the information contained in this note is based on information for the Length of Service Awards Program (LOSAP) for the plan year ended on February 28, 2017. The actuarial calculations are as of March 1, 2016, using the beginning of the year valuation method. The calculations are based on the prior year (March 1, 2016 to February 29, 2017) financial information which is presented below.

# Marlborough Fire District

## Notes to Regulatory Financial Statements December 31, 2017

### Note 4 - Service Award Program - Continued

#### Length of Service Awards Program

The Fire District established a defined benefit LOSAP for the active volunteer firefighters of the Fire District. The program took effect on March 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 Fire District is the sponsor of the program. The program is considered a non-qualified deferred compensation plan, which is designed such that contributions do not result in immediate taxation to program participants. Funds deposited into the program cannot be revoked by the Fire District; however, the funds may be subject to the claims made by the Fire District's general unsecured creditors.

#### Program Description

##### Participation, Vesting, and Service Credit

Active volunteer firefighters who have reached the age of 18 and who have completed one year of qualifying firefighting service are eligible to participate in the program. Participants acquire a non-forfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is 65. 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 five years of firefighting service rendered prior to the establishment of the program. Participants who reach the entitlement age can accrue additional benefits for additional years of service.

##### Benefits

A participant's service award benefit is paid as a monthly payment straight-life annuity. The amount payable each month equals \$20 multiplied by the total number of years of firefighting service credit earned by the participant under the point system. The maximum number of years of service credit a participant may earn under the program is 40 years. A participant's service award will not be paid until attaining the entitlement age, except in the case of pre-entitlement age death or total and permanent disablement. The program provides statutorily mandated death and disability benefits.

For a complete explanation of the program, see the program document, a copy of which is available from the Fire District Secretary.

#### Fiduciary Investment and Control

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.

# Marlborough Fire District

## Notes to Regulatory Financial Statements December 31, 2017

### Note 4 - Service Award Program - Continued

#### Fiduciary Investment and Control - Continued

The Governing Board has retained and designated Volunteer Fireman's Insurance Services, Inc. (VFIS) to assist in the administration of the program. The designated program administrator's function is to administer the plan for the exclusive benefits of the participants and their beneficiaries. In addition, the designated program administrator has other duties, including a) to compute, certify, and direct the trustee with respect to the amount and kind of benefits to which the participants shall be entitled, b) to maintain all necessary records to administer the plan, c) to interpret provisions of the plan, and d) to compute and certify to the sponsor and trustee the sums of money necessary to be contributed to the trust fund. Disbursements of program assets for the payment of benefits or administrative expenses must be approved by the Board. The following is an explanation of the process for approving disbursements:

#### Payment of benefits:

- a. Entitlement benefits - VFIS prepares and submits to the plan administrator (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 sponsor signs and returns the paperwork to VFIS authorizing VFIS to disburse entitlement benefits.
- b. Death benefits - Upon notification from the sponsor of a participant's death, VFIS prepares a Verification of Benefits statement and a Lump-Sum Death Benefit form. Following review for accuracy, the sponsor signs and returns the paperwork accompanied by a death certificate to VFIS authorizing VFIS to disburse a death benefit.
- c. Disability benefits - Upon notification from the sponsor of a participant's 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 sponsor signs and returns the paperwork authorizing VFIS to disburse a disability benefit.

#### Payment of administrative expenses:

Per the executed service fee agreement, the sponsor agrees to payment as contracted.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. Program assets are held in compliance with GML Article 11-A 217(j). The Board created a Service Awards Program Trust Fund through the adoption of a Trust Document, a copy of which is available from the Fire District. The Board is the program's trustee.

Authority to invest program assets is vested in the program trustee, who has designated this responsibility to Hartford Life Insurance Company, as well as to MassMutual. Subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" rule. All assets are invested in group annuity fixed funds.

# Marlborough Fire District

## Notes to Regulatory Financial Statements December 31, 2017

### Note 4 - Service Award Program - Continued

#### Fiduciary Investment and Control - Continued

The sponsor is required to retain an actuary to determine the amount of the sponsor's contributions to the Plan. The actuary retained by the sponsor for this purpose is JF Actuarial Services, Inc. Portions of the following information are derived from a report prepared by the actuary dated August 12, 2017:

#### Program Financial Condition

##### Assets and Liabilities

Present value of accrued benefits		\$ 1,181,556
Less assets available for benefits, group annuity contract		852,319
Total unfunded benefits		\$ 329,237

##### Receipts and Disbursements

Plan net assets, March 1, 2016		\$ 746,951
Plan contributions	92,269	
Investment income earned	24,093	
Cash value, life insurance policies	23,754	
		140,116
Plan benefit withdrawals	(28,400)	
Administrative fees	(2,180)	
Life insurance premiums	(4,168)	
		(34,748)
Plan net assets, February 28, 2017		\$ 852,319

##### Contributions

Amount of Sponsor's contribution recommended by the actuary		\$ 73,074
Amount of Sponsor's actual contribution		92,269

##### Administration Fees

Fees paid to designated program administrator, VFIS		2,180
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#### Funding Methodology and Actuarial Assumptions

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the entry age normal frozen initial liability method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return on investment		4.75%
Mortality tables used for		
Pre-Retirement	1994 Group Annuity (GAR)	
Post-Retirement	1994 Group Annuity (GAR)	
Death (Actives)		N/A

# Marlborough Fire District

## Notes to Regulatory Financial Statements December 31, 2017

### Note 5 - Risks and Uncertainties

#### *LOSAP Investments*

The Fire District's service awards program invests in a MassMutual general investment account. Such accounts are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with such accounts, it is at least reasonably possible that changes in values will occur in the near term and that such changes in values could materially affect plan balances and the amounts reported in the balance sheet.

#### *Self-Insurance*

The Fire District is a participating member in the Ulster County Workers' Compensation Fund, which is a municipal risk sharing pool to administer and insure workers' compensation claims for employees of all the participants. At December 31, 2017, the total outstanding liabilities for the risk pool were approximately \$17 million, while the accumulated reserve for this liability was approximately \$20.3 million, resulting in a surplus of \$3.3 million. The Fire District's share of this surplus as of December 31, 2017 was approximately \$8,000.



**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  
Marlborough Fire District  
Marlboro, 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, fiduciary fund, and account group of the Marlborough Fire District (Fire District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Fire District's regulatory basis financial statements, and have issued our report thereon dated June 29, 2018, which contains unmodified opinions on the regulatory basis.

**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.

BST & CO. CPAs, LLP

Albany, New York  
June 29, 2018

