



Sound Beach Fire District

Regulatory Basis

Financial Statements

With Independent Auditor's Report

December 31, 2024

SOUND BEACH FIRE DISTRICT

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DECEMBER 31, 2024

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners of  
Sound Beach Fire District  
152 Sound Beach Boulevard  
Sound Beach, NY 11789

### **Report on the Audit of the Financial Statements (Regulatory Basis)**

We have audited the accompanying financial statements (regulatory basis) of the Sound Beach Fire District (the "District") as of and for the year ended December 31, 2024, as listed in the table of contents, and the related notes to these financial statements.

#### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statements (regulatory basis) referred to in the first paragraph present fairly, in all material respects, the respective financial position of the General Fund, Capital Projects Fund, Non-Current Government Assets and Non-Current Government Liabilities Account Groups of the District, as of December 31, 2024 and its changes in the Governmental Funds' financial position for the year then ended, in accordance with the financial reporting provisions of the Office of the New York State Comptroller's Uniform System of Accounts as described in Note 1.

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" section of our report, the accompanying financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the District as of December 31, 2024, or the changes in net position thereof for the year then ended.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinion on the regulatory basis of accounting and our adverse opinion on U.S. generally accepted accounting principles.

#### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statements, the financial statements are prepared by the District in accordance with the financial reporting provisions of the Office of the New York State Comptroller's Uniform System of Accounts, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Office of the New York State Comptroller. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of the Office of the New York State Comptroller's Uniform System of Accounts, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the regulatory basis financial statements that collectively comprise the District's financial statements as a whole. The Supplemental Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – General Operating Fund – Regulatory Basis included in this report is not a required part of the regulatory basis financial statements under the regulatory basis of accounting described in Note 1. This statement is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects, in relation to the regulatory basis financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2025 on our consideration of the 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 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Craig Fitzsimmons & Meyer, LLP". The signature is written in a cursive, flowing style.

Smithtown, NY  
May 1, 2025

# Sound Beach Fire District

Regulatory Basis

Financial Statements

December 31, 2024

SOUND BEACH FIRE DISTRICT  
COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS AND ACCOUNT GROUPS - REGULATORY BASIS  
DECEMBER 31, 2024

	Governmental Funds					Account Groups		
	-----General-----			Total General Funds	Capital Projects Fund	Total Governmental Funds	Non-Current Government Assets	Non-Current Government Liabilities
	Operating	Capital Reserve	Service Award Program					
<b>ASSETS</b>								
Cash	\$ 228,577	\$ 34,180	\$ -	\$ 262,757	\$ 65,891	\$ 328,648	\$ -	\$ -
Cash in time deposits	673,435	1,361,825	-	2,035,260	921,439	2,956,699	-	-
Accounts receivable	36,990	-	-	36,990	-	36,990	-	-
Due from other funds	57,964	100,000	-	157,964	-	157,964	-	-
Prepays	77,662	-	-	77,662	-	77,662	-	-
Service award program assets	-	-	2,687,603	2,687,603	-	2,687,603	-	-
Land, buildings and equipment	-	-	-	-	-	-	9,359,634	-
Amounts to be provided for in future budgets	-	-	-	-	-	-	-	5,787,710
<b>Total assets</b>	<b>\$ 1,074,628</b>	<b>\$ 1,496,005</b>	<b>\$ 2,687,603</b>	<b>\$ 5,258,236</b>	<b>\$ 987,330</b>	<b>\$ 6,245,566</b>	<b>\$ 9,359,634</b>	<b>\$ 5,787,710</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 76,546	\$ 15,044	\$ -	\$ 91,590	\$ 280,747	\$ 372,337	\$ -	\$ -
Accrued liabilities	16,868	-	-	16,868	-	16,868	-	-
Due to other funds	100,000	-	-	100,000	57,964	157,964	-	-
Bonds payable	-	-	-	-	-	-	-	2,005,000
Retained percentages, contracts payable	-	-	-	-	-	-	-	25,537
Net pension liability - proportionate share	-	-	-	-	-	-	-	282,412
Compensated absences payable	649	-	-	649	-	649	-	48,357
Service award program payable	-	-	-	-	-	-	-	3,426,404
<b>Total liabilities</b>	<b>194,063</b>	<b>15,044</b>	<b>-</b>	<b>209,107</b>	<b>338,711</b>	<b>547,818</b>	<b>-</b>	<b>5,787,710</b>
<b>DEFERRED INFLOWS</b>								
Property tax revenue collected in advance	47,464	-	-	47,464	-	-	-	-
<b>Total liabilities and deferred inflows</b>	<b>241,527</b>	<b>15,044</b>	<b>-</b>	<b>256,571</b>	<b>338,711</b>	<b>595,282</b>	<b>-</b>	<b>5,787,710</b>
<b>FUND BALANCES</b>								
Non-current government assets	-	-	-	-	-	-	9,359,634	-
Restricted Funds								
Building reserve	-	261,129	-	261,129	-	261,129	-	-
Equipment reserve	-	1,219,832	-	1,219,832	-	1,219,832	-	-
Service award program	-	-	2,687,603	2,687,603	-	2,687,603	-	-
Other	-	-	-	-	648,619	648,619	-	-
Non-spendable	77,662	-	-	77,662	-	77,662	-	-
Assigned unappropriated	213,872	-	-	213,872	-	213,872	-	-
Assigned appropriated	138,000	-	-	138,000	-	138,000	-	-
Unassigned	403,567	-	-	403,567	-	403,567	-	-
<b>Total fund balances</b>	<b>833,101</b>	<b>1,480,961</b>	<b>2,687,603</b>	<b>5,001,665</b>	<b>648,619</b>	<b>5,650,284</b>	<b>9,359,634</b>	<b>-</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 1,074,628</b>	<b>\$ 1,496,005</b>	<b>\$ 2,687,603</b>	<b>\$ 5,258,236</b>	<b>\$ 987,330</b>	<b>\$ 6,245,566</b>	<b>\$ 9,359,634</b>	<b>\$ 5,787,710</b>

The accompanying notes are an integral part of these financial statements.

SOUND BEACH FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2024

	Governmental Funds					
	-----General-----			Total General Funds	Capital Projects Fund	Total Governmental Funds
	Operating	Capital Reserve	Service Award Program			
<b>REVENUES</b>						
Real property taxes	\$ 2,087,270	\$ -	\$ -	\$ 2,087,270	\$ -	\$ 2,087,270
Ambulance charges	235,552	-	-	235,552	-	235,552
Interest and earnings	114,493	65,330	109,867	289,690	-	289,690
Insurance recoveries	75,440	-	-	75,440	-	75,440
Refunds of prior year expenses	902	-	-	902	-	902
State aid, other	12,380	-	-	12,380	-	12,380
<b>Total revenues</b>	<b>2,526,037</b>	<b>65,330</b>	<b>109,867</b>	<b>2,701,234</b>	<b>-</b>	<b>2,701,234</b>
<b>EXPENDITURES</b>						
Personal services	570,225	-	-	570,225	-	570,225
Equipment and capital outlay	66,963	233,862	-	300,825	437,961	738,786
Fire protection - contractual	716,501	-	-	716,501	-	716,501
State retirement system	74,053	-	-	74,053	-	74,053
Local pension fund	-	-	198,620	198,620	-	198,620
Social security	42,774	-	-	42,774	-	42,774
Workers' compensation	55,094	-	-	55,094	-	55,094
Disability Insurance	4,695	-	-	4,695	-	4,695
Life Insurance	-	-	4,239	4,239	-	4,239
Hospital and medical	103,434	-	-	103,434	-	103,434
Serial bond, principal	235,000	-	-	235,000	-	235,000
Serial bond, interest	25,470	-	-	25,470	-	25,470
<b>Total expenditures</b>	<b>1,894,209</b>	<b>233,862</b>	<b>202,859</b>	<b>2,330,930</b>	<b>437,961</b>	<b>2,768,891</b>
Excess (deficiency) of revenues over expenditures	631,828	(168,532)	(92,992)	370,304	(437,961)	(67,657)
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Operating transfers in	-	375,000	144,239	519,239	-	519,239
Operating transfers (out)	(519,239)	-	-	(519,239)	-	(519,239)
<b>Total other financing sources and (uses)</b>	<b>(519,239)</b>	<b>375,000</b>	<b>144,239</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances for Year</b>	<b>112,589</b>	<b>206,468</b>	<b>51,247</b>	<b>370,304</b>	<b>(437,961)</b>	<b>(67,657)</b>
Fund Balances - Beginning of Year	720,512	1,274,493	2,636,356	4,631,361	1,086,580	5,717,941
Fund Balances - End of Year	\$ 833,101	\$ 1,480,961	\$ 2,687,603	\$ 5,001,665	\$ 648,619	\$ 5,650,284

The accompanying notes are an integral part of these financial statements.

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. Summary of Significant Accounting Policies

The financial statements of the Sound Beach Fire District (District) as of and for the year ended December 31, 2024 have been prepared using accounting practices prescribed in the Uniform System of Accounts (USA) prescribed and permitted by the Office of the New York State Comptroller (OSC), a Regulatory Basis, which differs from accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The financial statements of the District have been prepared using only the current financial resources measurement focus and the modified accrual basis of accounting. This method differs from GAAP, which requires the preparation of additional financial statements using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting requires the capitalization and depreciation of property and equipment and the recording of long-term liabilities. Under the modified accrual basis of accounting, property and equipment are recorded as an expenditure when purchased and the satisfaction of long-term liabilities are recognized as expenditures when paid. In addition, GAAP requires the financial statements to be prepared in accordance with the Governmental Accounting Standard's Board (GASB) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB 34 financial statements require the presentation of government-wide financial statements and management's discussion and analysis. The accounting practices used to prepare these financial statements do not require compliance with GASB 34.

A full discussion of the modified accrual basis of accounting as prescribed by the USA is found in the notes which follow.

The significant accounting policies of the District are described below:

a. Financial Reporting Entity

The District is a district corporation and political subdivision of the State of New York, distinct from the municipalities in which it is located. In general, the District is governed by an elected Board of Fire Commissioners (Board) and is required to have a treasurer and secretary. The District has the legal authority to levy taxes on real property and to borrow in its own name. The District is governed by General Municipal Law and other laws of the State of New York and its subdivisions. The scope of activities included in the accompanying financial statements are the transactions which comprise the District's operations and are governed by, or significantly influenced by, the Board of Fire Commissioners. The Board of Fire Commissioners is comprised of five (5) members who are elected to laddered five (5) year terms.

The primary function of the District is to provide fire protection, rescue and emergency services to the community. Services such as firefighting, fire prevention, ambulance services and public education support this primary function.

The financial reporting entity includes all funds, functions and organizations over which the District's Board exercises oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. No other governmental organizations have been included or excluded from the reporting entity.

b. Basis of Presentation

Fund Financial Statements

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to assist management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. Summary of Significant Accounting Policies – continued

b. Basis of Presentation – continued

Fund Financial Statements – continued

The fund financial statements provide information about the District's funds, and account groups. Separate statements for each fund category and account group are presented. The District's financial statements reflect the following fund types and account groups:

*Governmental Fund Types*

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 the governmental funds is based upon determination of financial position and changes in financial position. The following are the District's governmental fund types:

I. General

- a. Operating Fund – the fund is the principal operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Capital Reserve Fund – the fund is used to account for the accumulation of financial resources and the disbursements for the acquisition, construction or renovation of major capital facilities, or equipment. These funds were established within the provisions of New York State General Municipal Law. Fund expenditures may only be disbursed for the purpose for which the reserve was established. Expenditures from these "type" reserves require resolution from the Board of Commissioners, subject to a permissive referendum. Interest earned on the reserve funds becomes part of that respective reserve.
- c. Service Award Program Fund – the service award program fund is used to account for the accumulation of financial resources and the disbursements of the assets, of the defined benefit length of service award program for active volunteer firefighters. This fund was established within the provisions of New York State General Municipal Law. The program provides municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters.

- II. Capital Projects Fund - the capital projects fund is used to account for and report financial resources that are restricted, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. This fund is used to account for and report each capital projects complete financial history (i.e., resources received and expended).

c. Account Groups

Account Groups are used to establish accounting control and accountability for the Fire District's general long-term assets and general long-term liabilities. The two account groups are not "funds". They are accounting entities, not fiscal entities, and are concerned only with the measurement of financial position, and not with the results of operations. The District utilizes the following account groups:

- I. Non-Current Government Assets Account Group – the non-current government assets account group is used to account for land, buildings, improvements and equipment owned by the Fire District. The District accounts for land, buildings and equipment at historical cost.

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. Summary of Significant Accounting Policies – continued

c. Account Groups – continued

II. Non-Current Government Liabilities Account Group – the non-current government liabilities account group is used to account for all long-term debt and other obligations of the Fire District. Long-term indebtedness includes obligations such as vested or accumulated actuarial obligations of the District's service award program, retirement plan obligations, or accumulated vacation and/or sick leave, and the District's obligations under bonds and other long-term financing arrangements which will be funded in future budgets.

d. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures and the related assets, deferred outflows, liabilities and deferred inflows are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured (i.e., expenditures or expenses).

Modified Accrual (Regulatory) Basis – The governmental fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus, in accordance with the New York State Uniform System of Accounts (USA) for Fire Districts.

Under this basis of accounting, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered to be available if collected within sixty (60) days after the calendar year.

Expenditures are recorded when the related fund liability is incurred, except for prepaid expenses which are recognized in the period of benefit, principal and interest on general long-term debt are not funded as expenditures until payment is due; unfunded claims and judgments, and other post-employment benefits are charged as expenditures when payment is due.

e. Cash

Cash consists of cash on hand and moneys in demand deposit checking or savings accounts.

f. Cash in Time Deposits

Cash in time deposits consists of moneys held in interest bearing checking accounts and other interest bearing accounts, such as money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

g. Cash in Reserves

Cash balances in Capital Reserves are considered to be restricted, because their use is restricted by New York State General Municipal Law. While separate bank accounts are not required to be maintained, the separate identity of each reserve fund must be maintained.

h. Restricted Length of Service Award Program Assets

The District sponsors the Sound Beach Fire District Defined Benefit Service Award Program, a pension like defined benefit plan for volunteer members of the Sound Beach Fire Department. The service award program assets are restricted for the purpose of providing benefits to the participants of the plan. The Plan assets are reported at their held to maturity value. This value is inclusive of surrender charges totaling \$34,724 at December 31, 2024.

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. Summary of Significant Accounting Policies – continued

i. Property Taxes

Real property taxes are levied annually by the District no later than November 1<sup>st</sup> and become a lien on December 1<sup>st</sup>. The District's tax levy is collected through May 10<sup>th</sup> by the Town of Brookhaven and remitted to the District through June annually. The County of Suffolk is responsible for all uncollected taxes.

j. Ambulance Charges

During the year ended December 31, 2024, the District adopted the provisions of the EMS Cost Recovery Act (the "act"). The provisions contained in the Act amended Section 209-b of the General Municipal Law to enable fire departments, fire companies, or fire districts to bill for ambulance services. The District subsequently engaged a third-party billing company to bill for eligible ambulance calls. Revenues recognized for these services are based on the amounts collected by the District and represent net billings. Given the uncertainty surrounding the collections on these claims, the District believes this is a conservative approach to revenue recognition. For the year ended December 31, 2024, the District recognized \$235,552 in ambulance charges. As of December 31, 2024, \$36,990 of the ambulance charges recognized during the year were outstanding and collected subsequent to year end.

k. Accounts Receivable

Accounts receivable (when present) are recorded as earned, and are shown gross, which, in the opinion of the District, is the net realizable value. Management reviews accounts receivable annually and if amounts are considered uncollectible, they are charged to the General Fund.

l. Prepaid Expenditures

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as assets on the Balance Sheet using the consumption method. Under the consumption method, a current asset shown as prepaid items in the financial statements. A current asset for the prepaid amounts is recorded at the time of purchase and an expenditure is reported in the year the goods or services are consumed.

m. Interfund Transfers

The operations of the District give rise to certain transactions between the governmental funds, including transfers of expenditures and revenues to provide services and construct assets. Interfund transfers and the related receivables and payables (i.e., due from/to other funds) have been recorded in the funds where applicable. If applicable, the amounts reported on the Combined Balance Sheet – Government Funds and Account Groupings – Regulatory Basis for due to and due from other funds represent amounts due between different governmental fund types.

n. Land, Buildings and Equipment

The modified accrual basis of accounting requires that land, buildings and equipment purchased in the current year be recorded as an expenditure in the respective governmental funds at the time of purchase.

Current year purchases are recorded as additions and assets removed from inventory are deleted at their historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, are reported as follows:

	Capitalization Threshold
Land	\$5,000
Buildings	\$5,000
Equipment	\$5,000

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. Summary of Significant Accounting Policies – continued

o. Fund Balance and Equity Classifications

The District has implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). GASB 54 changed the classification of fund balance to focus on the constraints imposed on resources in governmental funds, instead of the previous focus on availability for appropriation.

Fund balance is broken down into five (5) different classifications: nonspendable, restricted, committed, assigned, and unassigned.

*Nonspendable* consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans 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. Restricted funds include capital reserves which are used to finance all or part of the cost of construction, reconstruction or acquisition of a specific or type of capital improvement or acquisition of a specific item or items or type of equipment.

*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 Commissioners is the decision-making authority that can, by 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 Commissioners by resolution has authorized the District Treasurer to assign fund balance. Assigned appropriated fund balance at December 31, 2024 is \$138,000. This will be used to underwrite next year's budget. Assigned unappropriated fund balance results from the Ambulance Charges outlined in Note 1, it is the District's intention to utilize this balance for future EMS related expenditures.

*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 is only used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When resources are available from multiple classifications, the District spends funds in the following order: restricted, committed, assigned, unassigned.

The District has, by resolution, adopted a fund balance policy that states the District has a targeted minimum unrestricted (the total of committed, assigned, and unassigned) fund balance that will guarantee the rendition of necessary services by the District in the event of adverse economic conditions, revenue shortfalls and unforeseen expenditures due to emergency conditions. For 2024, the Board of Commissioners determined the minimum unrestricted fund balance should range between \$55,712 and \$167,135.

Portions of fund balance are reserved or designated to either satisfy legal restrictions or to plan for future expenditures. Interest earned on reserve fund resources becomes part of the respective reserve fund. While a separate bank account is not necessary for each reserve fund, a separate identity for each reserve fund must be maintained.

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

1. Summary of Significant Accounting Policies – continued

p. Compensated Absences

Employees accrue sick, personal and vacation leave each pay period in accordance with District policy. Per the District policy, upon separation from service, employees are paid for vacation time earned and accrued but not used. Unused sick and personal time are not paid out upon separation from service.

The obligation for compensated absences is accounted for in the non-current government liabilities account group. The liability for compensated absences is calculated based on the pay rates in effect at the end of the year and includes the total of all paid time off leave earned by employees but unused as of December 31, 2024.

For the year ended December 31, 2024, GASB No. 101 *Compensated Absences* became applicable to the District and was adopted. This Statement outlines the recognition, measurement, and disclosure process of compensated absences, including vacation, sick leave, and other types of paid time off that employees may accumulate and eventually use or be paid for upon separation from employment. This statement was applied at December 31, 2024, and immaterially affected the financial statements.

q. Accrued Liabilities and Long-Term Obligations

In the fund financial statements, liabilities are reported only to the extent that expenses have been incurred and they are due for payment; requiring outflow of financial resources. Long term obligations are accounted for in the Non-Current Government Liabilities Account Group; the expenditures related to these long-term obligations are recognized only when payment is due.

r. Other Benefits

Eligible District employees receive health insurance benefits pursuant to District policy and participate in the New York State and Local Employee's Retirement System. District employees may choose to participate in the District's elective deferral compensation plan established under Internal Revenue Code (IRC) § 457.

Eligible volunteer firefighters participate in the District sponsored Length of Service Award Program.

s. Use of Estimates

The preparation of financial statements on the regulatory basis requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows (when present), liabilities and deferred inflows (when present) and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, and potential contingent liabilities.

t. Total Columns of the Financial Statements

The total columns in the combined financial statements are presented only to facilitate financial analysis. Data in these columns do not represent the financial position, results of operations or changes in financial position in conformity with accounting principles generally accepted in the United States of America, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

u. Reclassifications

Certain amounts presented in these co-existing financial statements have been reclassified from the Annual Financial Report submitted to the OSC. Management believes that the financial statement presentation, while different than the Annual Financial Report, conforms in all material respects to the accounting practices as set forth in the USA, prescribed and permitted by the OSC, which is a comprehensive basis of accounting other than GAAP.

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. Summary of Significant Accounting Policies – continued

v. Stewardship, Compliance, Accountability

i. Budget Procedures

The District is required to annually adopt a budget and, subject to certain public hearing requirements, hold a public hearing on the proposed budget during the third week in October.

The proposed budget must be adopted by resolution of the Board on or before the 21<sup>st</sup> day prior to the public hearing. The proposed budget must include estimates of revenues, the appropriation required for expenditures, and fund balance. After the public hearing, the Board must file or submit the District's budget and fund balance statement to the town clerk of the Town by November 7<sup>th</sup>.

Budgets are adopted on the basis of the financial reporting provisions of the State of New York Uniform System of Accounts for Fire Districts. Any revisions to the annual budget are approved by a resolution of the Board of Fire Commissioners.

In April 2019 New York State made permanent the provisions of 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 Fire District in a particular year, beginning with the 2012 budget year. The growth of the District's annual levy is limited to the lesser of two percent (2%) or the annual change in the national unadjusted Consumer Price Index for All Urban Consumers – All Items (CPI-U), subject to certain limited exceptions and adjustments. The District's annual levy for 2024 did not exceed the New York State Tax Cap.

ii. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed as a control in preventing over expenditure of established appropriations. Open encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year. Expenditures for such commitments are recorded in the period in which the liability is incurred. There were no encumbrances at year end.

iii. Budget Basis of Accounting

Budgets are adopted annually by the Board in accordance with the laws of New York State. Appropriations authorized for the current year are increased by the amount of encumbrances, commitments or assignments carried forward from the prior year.

w. Deferred Outflows/Inflows of Resources

The District has adopted GASB Statement No. 63 and GASB Statement No. 65. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, defined and classified deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of fund balance that applies to future period(s), and as such, will not be recognized as an outflow of resources (expense/expenditure) until that time. A deferred inflow of resources is an acquisition of fund balance that applies to future period(s), and as such, will not be recognized as an inflow of resources (revenue) until that time.

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. Summary of Significant Accounting Policies – continued

x. Leases

The District has adopted GASB No. 87 *Accounting and Financial Reporting for Leases*. However, according to guidance published by the Office of the New York State Comptroller, GASB 87 should only be applied to the Regulatory Basis of Accounting when those leases of the local government are deemed to be material. The District has determined that no leases of the District are material. As such, while the District has leases which meet the criteria for recognition under GASB 87 the standard has not been applied.

y. Debt

The District has adopted GASB No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Under this standard debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For disclosure purposes, debt does not include leases, except for contracts reported as a financial purchase of the underlying asset, or accounts payable.

2. Deposits with Financial Institutions and Investments

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 obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit as provided for by law for all deposits not covered by FDIC insurance.

Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

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 Governmental Accounting Standards Board (GASB) directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year-end. The District's general operating fund and general capital reserve funds do not purchase investments for a long enough duration for it to be considered to be exposed to a material interest rate risk.

Investments in NYCLASS

The District participates in the New York City Local Government Investment Cooperative (NYCLASS) a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, §119-O, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. Total investments of the cooperative as of December 31, 2024 are \$13,339,269,064 of which \$2,118,478,701 in Repurchase Agreements, \$7,970,285,586 in Treasury Bills, \$1,570,595,153 in U.S. Treasury Securities, and \$1,679,909,624 in collateralized bank deposits, with various interest rate and due dates.

The above amounts represent the cost of the investment pool shares, and are considered to approximate fair value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of the New York Cooperative Liquid Assets Securities System (NYCLASS).

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2. Deposits with Financial Institutions and Investments – continued

Investments in NYCLASS – continued

According to the GASB, in order for an investment pool to qualify for the use of amortized cost accounting for financial reporting purposes, it must meet all of the criteria listed in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. NYCLASS and NYCLASS Prime are managed as stable value net asset value (“NAV”) pools but do not meet all of the specific criteria outlined in GASB 79 Paragraph 4. Therefore, NYCLASS Participants should report their investments in the pools at fair value. Accordingly, the District has measured its investment in NYCLASS at fair value.

Investment Objective

The District's investment in NYCLASS is primarily for the purpose of achieving competitive returns on its idle cash balances while maintaining liquidity and capital preservation.

Nature of Investment

NYCLASS primarily invests in high-quality, short-term fixed income securities, such as U.S. Treasury securities, government agency securities, and other instruments permitted under New York State law for local government investments. The investment portfolio is managed by professional investment managers appointed by NYCLASS's governing body, subject to oversight by the NYCLASS Board of Trustees.

Fair Value Measurement

The fair value of the District's investment in NYCLASS is determined based on the fair value of NYCLASS's underlying investment portfolio, which is reported to the District on a periodic basis by NYCLASS's investment managers. The fair value measurement is based on observable market prices for securities traded in active markets and valuation techniques, including discounted cash flow analysis, for securities that do not have readily determinable market prices.

Since NYCLASS measures its investments at fair value, the District is not required to categorize its investment in NYCLASS within the fair value hierarchy for purposes of GASB 72, *Fair Value Measurement and Application*.

Risk Factors

While NYCLASS seeks to minimize investment risks through diversification and adherence to investment guidelines, the District acknowledges that investments in fixed income securities are subject to various risks, including interest rate risk, credit risk, and liquidity risk. Furthermore, changes in market conditions, regulatory requirements, and economic factors may impact the performance of NYCLASS's investment portfolio and, consequently, the fair value of the District's investment.

Credit Risk Disclosure

NYCLASS and NYCLASS Prime are rated by S&P Global Ratings. The current rating is ‘AAAm.’

Custodial Credit Risk Disclosure

NYCLASS and NYCLASS Prime are external investment pools and, therefore, are not subject to custodial credit risk; your investment in the pools is exempt from the reporting requirement.

Interest Rate Risk Disclosure

The dollar weighted average days to maturity (WAM) of NYCLASS at December 31, 2024, was 43 days and the weighted average life (WAL) was 83 days. The WAM of NYCLASS Prime at December 31, 2024, was 26 days and the WAL was 43 days.

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2. Deposits with Financial Institutions and Investments – continued

Interest Rate Risk Disclosure – continued

As of December 31, 2024, the fair value of the District's investment in NYCLASS amounted to \$2,862,228. The investment in NYCLASS is classified as cash in time deposits on the District's Combined Balance Sheet – Governmental Funds and Account Groups – Modified Accrual Regulatory Basis.

The District believes that its investment in NYCLASS aligns with its investment objectives and prudent investment practices. However, the District continuously monitors the performance and risk profile of its investment portfolio, including its investment in NYCLASS, to ensure compliance with applicable laws, regulations, and internal investment policies.

The above amounts represent the cost of the investment pool shares, and are considered to approximate fair value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of the New York Cooperative Liquid Assets Securities System (NYCLASS).

3. Land, Buildings and Equipment

Additions and deletions to capital assets are valued at historical cost. Capital asset balances and activity for the year ended December 31, 2024 were as follows:

	<u>Balance</u> <u>1/1/2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>12/31/2024</u>
Land	\$ 84,901	\$ -	\$ -	\$ -	\$ 84,901
Buildings	4,386,824	1,097,793	(190,169)	(38,041)	5,256,407
Equipment	3,953,804	201,588	(137,066)	-	4,018,326
Construction work in progress	494,036	-	(494,036)	-	-
<b>Total</b>	<b>\$ 8,919,565</b>	<b>\$ 1,299,381</b>	<b>\$ (821,271)</b>	<b>\$ (38,041)</b>	<b>\$ 9,359,634</b>

4. Interfund Transactions

As of December 31, 2024, the interfund transactions and balances are detailed as follows:

	<u>Interfund</u> <u>Revenues</u>	<u>Interfund</u> <u>Expenditures</u>	<u>Interfund</u> <u>Receivable</u>	<u>Interfund</u> <u>Payable</u>
General Operating Fund	\$ -	\$ 519,239	\$ 57,964	\$ 100,000
Building Reserve	-	-	100,000	-
Equipment Reserve	375,000	-	-	-
Service Award Program	144,239	-	-	-
Capital Projects Fund	-	-	-	57,964
<b>Total</b>	<b>\$ 519,239</b>	<b>\$ 519,239</b>	<b>\$ 157,964</b>	<b>\$ 157,964</b>

The District transfers from the general operating fund to the reserve and service award program funds in accordance with the general fund budget. The District may also transfer general operating fund surplus based on Board resolution.

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

5. Capital Reserve Activity

Capital reserve fund balances at December 31, 2024 consist of the following:

	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
Fund Balance - Beginning of Year	\$ 276,131	\$ 998,362	\$ 1,274,493
Interest and earnings	13,742	51,588	65,330
Equipment and capital outlay	(28,744)	(205,118)	(233,862)
Operating transfers in	<u>-</u>	<u>375,000</u>	<u>375,000</u>
Fund Balance - End of Year	<u>\$ 261,129</u>	<u>\$ 1,219,832</u>	<u>\$ 1,480,961</u>

6. Pension Plans

New York State and Local Employees' Retirement System

Plan Description

The District participates in the New York State and Local Employees' Retirement System (ERS or System). The System is a cost-sharing, multiple-employer, defined benefit retirement 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 net assets and record changes in the 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. System benefits are established under the New York State Retirement and Social Security Law (NYSRSSL). Once an employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of State stature. 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 NYSSRSSL, 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 in writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244 or may be found at <http://www.osc.state.ny.us/retire/publications/index.php>.

Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

*Tiers 1 and 2*

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

6. Pension Plans – continued

New York State and Local Employees' Retirement System – continued

Benefits Provided – continued

*Tiers 1 and 2* – continued

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

*Tiers 3, 4, and 5*

Eligibility: Tier 3, 4 and 5 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a 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 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. Tier 3, 4 and 5 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

*Tier 6*

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with five or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

*Special Plans*

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

*Ordinary Disability Benefits*

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

6. Pension Plans – continued

New York State and Local Employees' Retirement System – continued

Benefits Provided – continued

*Accidental Disability Benefits*

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

*Ordinary Death Benefits*

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

*Post-Retirement Benefit Increases*

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) 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 exceed 3 percent.

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten (10) years of membership and employees who joined on or after January 1, 2010 who generally contribute 3% of their salary for the entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under 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>2024</u>	<u>2023</u>	<u>2022</u>
District Contributions	\$ 74,053	\$ 60,851	\$ 60,058

The District's contribution to the system is actuarially determined and is established and may be amended by the ERS Board of Trustees.

Chapter 57 of the Laws of 2011 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

6. Pension Plans – continued

New York State and Local Employees' Retirement System – continued

Contributions – continued

- For State fiscal year 2010-2011, the amount in excess of the graded rate of 9.5 percent of employee's covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to 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 taxable fixed income investments of a similar duration.
- For subsequent State fiscal years 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.

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 US Treasury Bond plus one 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 required pension contribution for 2024 was paid as of December 31, 2024.

Pension Liabilities (Asset), Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

At December 31, 2024 the District reported an liability of \$282,412 for its proportionate share of net pension liability. The net pension liability was measured as of March 31, 2024, and the total pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2024 the District's proportion was 0.0019180%. For the year ended December 31, 2024 the District recognized pension expense of \$74,053. The District made a contribution subsequent to the measurement date in the amount of \$77,752; under a GAAP presentation this would be considered a deferred outflow of resources. However, under the modified accrual basis of accounting, \$58,314 was expensed and \$19,438 was recorded as prepaid expense in the general fund.

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

6. Pension Plans – continued

New York State and Local Employees' Retirement System – continued

Pension Liabilities (Asset), Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions – continued

Under a GAAP presentation the District would have reported deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2024 from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 90,965	\$ 7,701
Net difference between projected and actual investment earnings on pension plan investments	-	137,957
Changes of assumptions	106,774	-
Changes in proportion and and differences between employer contribution and proportionate share of contributions	10,228	37,783
District contributions subsequent to the measurement date	<u>77,752</u>	<u>-</u>
Total	<u>\$ 285,719</u>	<u>\$ 183,441</u>

The contributions made subsequent to measurement date will be recognized as a reduction of the net pension liability in the plan year ending March 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized as pension expense under a GAAP basis as follows:

Years ending December 31,:	
2025	\$ (64,170)
2026	45,073
2027	75,477
2028	<u>(31,854)</u>
Total	<u>\$ 24,526</u>

Actuarial Assumptions

The total pension liability at March 31, 2024 was determined by using an actuarial valuation as of April 1, 2023, with update procedures used to roll forward the total pension liability to March 31, 2024. The actuarial valuation used the following actuarial assumptions.

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

6. Pension Plans - continued

New York State and Local Employees' Retirement System – continued

Actuarial Assumptions – continued

Significant actuarial assumptions used in the April 1, 2023 valuation were as follows:

Inflation rate	2.9%
Salary scale	
ERS	4.4%
Investment rate of return, including inflation	5.9% compounded annually, net of investment expenses
Cost of living adjustment	1.5% annually
Decrement tables	Developed from the Plan's 2020 experience study of plan April 1, 2015 through March 31, 2020
Mortality improvement	Society of Actuaries Scale MP-2021

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on MP-2021.

The actuarial assumptions used in the April 1, 2023 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long term expected 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 the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2024 are summarized below:

***Long Term Expected Rate of Return 2024***

<u>Asset Type</u>	Long Term Expected Real Rate	Target Allocation
Domestic Equity	4.00%	32%
International Equity	6.65%	15%
Private Equity	7.25%	10%
Real Estate	4.60%	9%
Opportunistic/ARS Portfolio	5.25%	3%
Credit	5.40%	4%
Real Assets	5.79%	3%
Fixed Income	1.50%	23%
Cash	0.25%	1%
		<u>100%</u>

Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. 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.

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

6. Pension Plans - continued

New York State and Local Employees' Retirement System – continued

Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 5.9%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (4.9%) or 1% higher (6.9%) than the current rate:

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
District's proportionate share of the net pension liability (asset)	<u>\$ 887,932</u>	<u>\$ 282,412</u>	<u>\$ (223,323)</u>

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2024, were as follows:

	(Dollars in Thousands) Employees' Retirement System
Employers' total pension liability	\$240,696,851
Plan net position	<u>(225,972,801)</u>
Employers' net pension liability	<u>\$ 14,724,050</u>
Ratio of plan net position to the employers' total pension liability	93.88%

7. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with IRC § 457 for all employees. The District does not contribute toward this plan. Total deferrals by eligible employees for the year ended December 31, 2024 were \$3,074.

8. Length of Service Awards Program - LOSAP

The Fire District established a defined benefit LOSAP for the active volunteer firefighters of the Sound Beach Fire Department. The program took effect on January 1, 1990. 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.

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

8. Length of Service Awards Program – LOSAP – continued

*Program Description*

Participation, Vesting and Service Credit

Active volunteer firefighters who have reached the age of eighteen (18) and who have completed one (1) year of firefighting service are eligible to participate in the program. Participants acquire a non-forfeitable right to a service award after being credited with five (5) years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is age sixty-two (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 fifty (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 (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 forty (40). Benefits are not payable until age sixty-two (62). On and after that date, 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.

The governing board of the sponsor has retained and designated Hometown/RSA Consultants to assist in the administration of the program. The designated program administrator's primary responsibility is to administer the plan for the exclusive benefit of the participants and their beneficiaries. Such duties include the determination of eligibility of firefighters to participate in the plan, the computation of participant entitlements, disbursement of program assets for the payment of benefits or administrative expenses. These must be approved by the Board of Commissioners. The following is an explanation of process for approving disbursements:

*Payment of Benefits:*

Entitlement Benefits – The 3<sup>rd</sup> party administrator prepares and submits to the 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 Administrator signs and returns the paperwork to the 3<sup>rd</sup> party administrator authorizing the 3<sup>rd</sup> party administrator to disburse entitlement benefits.

Death Benefits – Upon notification from the Sponsor of a participant death, the 3<sup>rd</sup> party administrator 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 the 3<sup>rd</sup> party administrator authorizing the 3<sup>rd</sup> party administrator to disburse a death benefit.

Disability Benefits – Upon notification from the Sponsor of a participant total and permanent disability, the 3<sup>rd</sup> party administrator 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 the 3<sup>rd</sup> party administrator to disburse a disability benefit.

Payment of Administrative Expenses – Per the executed service fee agreement, the Sponsor agrees to pay the 3<sup>rd</sup> party administrator as contracted.

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

8. Length of Service Awards Program – LOSAP – continued

Fiduciary Investment and Control – continued

*Payment of Benefits: - continued*

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 trust. The trust agreement is dated February 11, 2005 and the trustee is the Board of Fire Commissioners.

Authority to invest program assets is vested in Board of Fire Commissioners. Program assets are invested in accordance with the program document and the statutory “prudent person” rule and is primarily held in commercial annuity and checking accounts.

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 BPAS Actuarial and Pension Services, LLC. Portions of the following information are derived from a report prepared by the actuary dated March 2025.

*Program Financial Condition*

Assets and Liabilities

Actuarial Present Value of Benefits at December 31, 2024		\$ 3,426,404	
Less: Assets Available for Benefits			
	<u>% of total</u>		
Cash	1.34%	\$ 35,922	
Annuity Contracts <sup>1</sup>	98.66%	<u>2,651,681</u>	<u>2,687,603</u>
Total Unfunded Benefits			<u>\$ 738,801</u>
Unfunded Liability for Prior Service			<u>\$ 738,801</u>
Unfunded Normal Benefits			<u>\$ -</u>

<sup>1</sup> Annuity contracts are reported at their held to maturity value. The cash surrender value of the annuity contracts is \$2,616,957 or \$34,724 less than the value if held to maturity.

Prior Service Costs

Prior service costs are being amortized over a range of 10 to 13 years at a discount rate of 5.00%.

Receipts and Disbursements (most recent plan year data available)

Plan Net Assets - January 1, 2024		\$ 2,636,356	
Changes during the year:			
+ Plan contributions		140,000	
+ Plan contributions - for insurance coverage		4,239	
+ Investment income earned		109,867	
- Plan benefit withdrawals		(198,620)	
- Life insurance premiums paid		<u>(4,239)</u>	
Plan Net Assets - December 31, 2024			<u>\$ 2,687,603</u>

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

8. Length of Service Awards Program – LOSAP – continued

*Program Financial Condition – continued*

Contributions

Amount of sponsor's 2024 contribution recommended by actuary: \$123,631 - \$144,475  
 Amount of sponsor's actual 2024 contribution: \$144,239 <sup>2</sup>  
 Amount of sponsor's 2025 recommended by actuary: \$121,146 - \$137,363

<sup>2</sup> Includes the cost of insurance premiums paid by the District on behalf of LOSAP

Administration Fees

Fees paid to designated program administrator: \$ 6,325

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:

Assumed rate of return on investments: 5.00%.

Mortality Tables used for:

Pre-entitlement	None
Post-entitlement	RP2000 Combined - Unisex
Retirement	None
Death (actives/inactives)	None

9. Long-Term Liabilities

Long-term liability balances and activity for the year are summarized below:

	Balance			Balance	Amounts
	<u>1/1/2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2024</u>	<u>Due Within</u>
					<u>One Year</u>
Bonds payable	\$ 2,240,000	\$ -	\$ (235,000)	\$ 2,005,000	\$ 240,000
Retained percentages, contracts payable	24,702	835	-	25,537	-
Net pension liability - proportionate share	388,065	-	(105,653)	282,412	-
Compensated absences	34,846	13,511	-	48,357	-
Service award program payable	<u>3,404,807</u>	<u>21,597</u>	<u>-</u>	<u>3,426,404</u>	<u>-</u>
Total	<u>\$ 6,092,420</u>	<u>\$ 35,943</u>	<u>\$ (340,653)</u>	<u>\$ 5,787,710</u>	<u>\$ 240,000</u>

a. Bonds Payable

The Fire District borrows money in order to acquire or construct buildings, improvements and apparatus. This enables the cost of capital assets to be borne by the present and future taxpayers that will receive the benefit of these capital assets. These long-term liabilities, which are backed by the full faith and credit of the District, are recorded in the Non-Current Government Liabilities Account Group. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in the future years from taxpayers and others for liquidation of the long-term liabilities.

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

9. Long-Term Liabilities – continued

a. Bonds Payable – continued

The Board of Commissioners by a resolution adopted September 3, 2019 and approved by a Special Election of the qualified voters of the Sound Beach Fire District on October 15, 2019 authorized the construction of improvements to the building and fire protection headquarters for a maximum cost of \$2,920,000. Said improvements was to be financed through the issuance of bonds not to exceed \$2,920,000 with a maximum maturity of twelve (12) years and provided for the levy and collection of taxes to pay the principal and interest of said bonds as the same become due and payable. As a result of this action the District issued \$2,920,000 of serial bonds dated July 1, 2020 with principal payments due annually on June 1<sup>st</sup> over the twelve-year period ending June 1, 2032.

Bonds payable are comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at 12/31/2024</u>
Serial Bond - Improvement of property	7/1/2020	6/1/2032	1.20%	\$ 2,005,000

The following is a summary of future debt service requirements for bonds payable:

Fiscal Years Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 240,000	\$ 22,620	\$ 262,620
2026	240,000	19,740	259,740
2027	245,000	16,830	261,830
2028	250,000	13,860	263,860
2029	250,000	10,860	260,860
2030 - 2032	<u>780,000</u>	<u>14,160</u>	<u>794,160</u>
Total	<u>\$ 2,005,000</u>	<u>\$ 98,070</u>	<u>\$ 2,103,070</u>

Outstanding indebtedness at December 31, 2024 aggregated to \$2,005,000. This amount was subject to the constitutional debt limit and represented approximately 5.60% of the District's debt limit.

*Other Long-Term Liabilities*

In addition to the above long-term liabilities, the District had the following non-current liabilities:

b. Compensated Absences

The general fund is typically used to liquidate the long-term liability as employees retire or otherwise terminate employment with the District. The maturity of compensated absences is not determinable.

c. Service Award Program Payable

Represents the actuarial present value of service award benefits due to active and retired members of the Sound Beach Fire Department (see Note 8 for further details related to the service award program).

SOUND BEACH FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

9. Long-Term Liabilities – continued

d. Retained Percentages, Contracts Payable

The amount of money withheld by the District from progress payments made to the contractor until satisfactory completion of the construction contract. Retainage is a form of security for proper completion of the work under the construction contract. Retainage does not meet the definition of a current liability in the government fund until it becomes due and payable upon the satisfactory completion of the work. Under the Office of the New York State Comptrollers guidance, retainages are to be recorded on the supplemental schedule of non-current government liabilities until these monies are due and payable.

10. Commitments – Non-Cancelable Operating Lease

The District leases a copier under non-cancelable operating leases. Rental expense for the year was \$4,659. The minimum remaining operating lease payment is as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Payment</u> <u>Due</u>
2025	<u>\$ 3,106</u>

11. Risk Management and Uncertainties

Claims

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; error and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks did not exceed commercial insurance coverage for the past year.

12. Spending Limitation

The District did not exceed the statutory spending limitation mandated by New York State Law for the year ended December 31, 2024.

13. Related Party Transactions

Members of the Board of Fire Commissioners are eligible to participate in and receive benefits from the LOSAP outlined in Note 8 if they meet certain criteria. Commissioners are required to periodically vote on resolutions or motions related to the District's LOSAP during the normal course of District operations. This presents a conflict of interest for Commissioners that qualify for the LOSAP which is required to be publicly disclosed.

14. Subsequent Events

The date through which management has evaluated the impact of subsequent events on these financial statements is May 1, 2025, which is the date the financial statements were available to be issued.

No events have occurred subsequent to December 31, 2024, that would require adjustment or disclosure in the financial statements.

SOUND BEACH FIRE DISTRICT

SUPPLEMENTAL STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET

AND ACTUAL - GENERAL OPERATING FUND - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget Favorable (Unfavorable)</u>
<u>REVENUES</u>				
Real property taxes	\$ 2,087,270	\$ 2,087,270	\$ 2,087,270	\$ -
Ambulance charges	-	124,239	235,552	111,313
Interest and earnings	35,000	50,000	114,493	64,493
Insurance recoveries	-	55,000	75,440	20,440
Refunds of prior year expenses	-	-	902	902
State aid, other	-	12,380	12,380	-
Rental of real property	500	500	-	(500)
Total revenues	<u>2,122,770</u>	<u>2,329,389</u>	<u>2,526,037</u>	<u>196,648</u>
<u>OTHER FINANCING SOURCES</u>				
Appropriated fund balance - prior year's surplus	<u>136,000</u>	<u>136,000</u>	-	<u>(136,000)</u>
Total revenues and other financing sources	<u>2,258,770</u>	<u>2,465,389</u>	<u>2,526,037</u>	<u>60,648</u>
<u>EXPENDITURES</u>				
Personal services	560,500	572,000	570,225	1,775
Equipment	52,500	66,963	66,963	-
Fire protection - contractual	635,200	758,548	716,501	42,047
State Retirement System	76,100	78,600	74,053	4,547
Local pension fund	140,000	-	-	-
Social security	42,900	43,780	42,774	1,006
Workers' compensation	59,000	55,094	55,094	-
Life Insurance	5,100	-	-	-
Disability Insurance	11,000	4,695	4,695	-
Hospital and medical	141,000	106,000	103,434	2,566
Serial bond, principal	235,000	235,000	235,000	-
Serial bond, interest	25,470	25,470	25,470	-
Total expenditures	<u>1,983,770</u>	<u>1,946,150</u>	<u>1,894,209</u>	<u>51,941</u>
Excess of revenues over expenditures	<u>275,000</u>	<u>519,239</u>	<u>631,828</u>	<u>112,589</u>
<u>OTHER FINANCING USES</u>				
Operating transfers out	<u>(275,000)</u>	<u>(519,239)</u>	<u>(519,239)</u>	-
Total other financing uses	<u>(275,000)</u>	<u>(519,239)</u>	<u>(519,239)</u>	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	112,589	<u>\$ 112,589</u>
Fund Balance - Beginning of Year			<u>720,512</u>	
Fund Balance - End of Year			<u>\$ 833,101</u>	

See paragraph on supplementary information included in the independent auditor's report.

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners of  
Sound Beach Fire District  
152 Sound Beach Boulevard  
Sound Beach, NY 11789

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 regulatory basis financial statements of the Sound Beach Fire District (the District) as of and for the year ended December 31, 2024 and the related notes to the financial statements, as listed in the table of contents, which collectively comprise the Sound Beach Fire District's basic financial statements, and have issued our report thereon dated May 1, 2025. As more fully described in Note 1 to the financial statements the District has prepared their financial statements using practices prescribed and permitted by the Office of the New York State Comptroller, which is a comprehensive statutory basis of accounting (referred to as a "Regulatory Basis") for a governmental entity other than accounting principles generally accepted for governmental entities in the United States of America.

**Report on Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *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.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 financial statements. 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*.

**Report on Compliance and Other Matters – continued**

We noted certain other matters that we reported to the Board of Commissioners of the District in a separate letter dated May 1, 2025.

**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 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.

A handwritten signature in cursive script that reads "Craig Fitzsimmons & Meyer, LLP".

Smithtown, NY  
May 1, 2025