

**ORCHARD PARK FIRE DISTRICT**

**Financial Statements as of  
December 31, 2016  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

# ORCHARD PARK FIRE DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

June 29, 2017

To the Board of Fire Commissioners of  
Orchard Park Fire District:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Orchard Park Fire District (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of these 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 of 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 reasonable 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 activities, the major fund and the aggregate remaining fund information of the District as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

### **Report on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, 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 other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control over financial reporting and compliance.

# ORCHARD PARK FIRE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED DECEMBER 31, 2016

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The discussion and analysis of Orchard Park Fire District's financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the District's performance.

### FINANCIAL HIGHLIGHTS

Key financial highlights for 2016 are as follows:

- In total, net assets increased \$313,267.
- General revenues amounted to \$2,137,552.
- The District had \$1,824,285 in net expenses related to governmental activities.
- Revenues of the District were adequate to provide for public safety expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of the following parts: Management's discussion and analysis; the basic financial statements consisting of government-wide financial statements, and fund financial statements (government and fiduciary); notes to the basic financial statements; and required supplemental information.

#### Government-Wide Financial Statements

The basic government-wide and fund financial statements present the financial results on different methods of accounting. Included in the financial statements are reconciliations that explain the difference between the two methods.

Government-wide financial statements are prepared on the accrual basis of accounting and economic resources focus. The required financial statements are: Statement of Net Position and Statement of Activities. The Statement of Net Position reports all assets and liabilities, both financial and capital, and short-term and long-term of the District. The Statement of Activities reports all revenues and expenses during the year, regardless of when cash is received or paid.

#### Fund Financial Statements

Government funds financial statements are prepared on the modified accrual basis of accounting and current financial resources focus. This is the traditional form for our financial statements. The required financial statements are: Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. The Balance Sheet shows only assets and liabilities that come due during the year or soon thereafter; no capital asset or long-term liabilities are included. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports revenues for which cash is received during or soon after the end of the year; expenditures for goods or services which have been received and payment is due during or soon after the end of the year.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Fund Financial Statements (Continued)

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities explains the differences between the two balance sheets. Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities traces the change in fund balances to the change in net position reported in the Government-wide Statement of Activities.

Fiduciary Funds are used to account for resources held for pension benefits administered outside the District. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Condensed Government-wide Financial Data	2016	2015
Current assets	\$ 1,223,797	\$ 3,187,950
Station and equipment, net of accumulated depreciation	<u>6,131,850</u>	<u>3,734,118</u>
Total assets	<u>\$ 7,355,647</u>	<u>\$ 6,922,068</u>
Accounts payable and accrued liabilities	200,347	38,479
Noncurrent liabilities	<u>-</u>	<u>41,556</u>
Total liabilities	200,347	80,035
Net Position:		
Net investment in capital assets	6,131,850	3,692,562
Unrestricted	<u>1,023,450</u>	<u>3,149,471</u>
Net position	<u>7,155,300</u>	<u>6,842,033</u>
Total liabilities and net position	<u>\$ 7,355,647</u>	<u>\$ 6,922,068</u>
Expenditures for governmental activities, net of program revenues:		
Public safety - fire	1,331,330	1,412,241
Depreciation - unallocated	<u>492,955</u>	<u>495,345</u>
Total expenditures, net of program revenues	1,824,285	1,907,586
General revenues:		
Property taxes	1,843,459	1,711,313
Foreign fire insurance tax proceeds	81,113	77,009
Interest income	5,727	6,060
Reimbursements	30,204	-
Lease income	172,667	235,989
Gain on sale of assets	<u>4,382</u>	<u>27,500</u>
Total revenue	<u>2,137,552</u>	<u>2,057,871</u>
Changes in net position	<u>\$ 313,267</u>	<u>\$ 150,285</u>

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Financial Analysis of the District as a Whole

The District's net position increased by \$313,267 for the year ended December 31, 2016 or approximately 4.4 percent, to a total of \$7,155,300. Of the \$7,155,300 in net position, \$6,131,850 is net investment in capital assets.

### Financial Analysis of the District's Funds

Governmental fund balances decreased by \$2,126,021. The main reason for the differences in the increase in District net position of \$313,267 and the decrease of \$2,126,021 in governmental fund balance is because the cost of governmental activities includes expenditures for debt payments and excludes depreciation expense of capital assets. In addition, the governmental fund balance is reduced for the purchase of capital assets. The detail for these differences is shown on the reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental funds to the statement of activities.

### Budgetary Highlights

General Fund tax revenue was approximately equal to the amount budgeted. The foreign fire insurance tax proceeds and payments of \$81,113 were not included in the original budget because the amount received is paid out to the fire companies. The District earned \$5,727 of interest income during the year. In addition, building and vehicle lease payments totaling \$172,667 were received or accrued from Orchard Park Fire District - EMS, Inc.

The overall expenditures of the District were \$2,126,021 more than the original budgeted amount.

### Capital Assets

As of December 31, 2016 and 2015 the District had invested a net cumulative \$6,131,850 and \$3,734,118, respectively, in a broad range of capital assets including land, buildings and improvements, vehicles and equipment.

Capital assets balances at December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Capital Assets:		
Land	\$ 229,852	\$ 155,729
Construction in progress	1,648,304	86,588
Buildings and improvements	4,711,454	4,044,346
Vehicles	4,492,552	4,461,900
Equipment	<u>1,915,858</u>	<u>1,500,190</u>
Total capital assets	12,998,020	10,248,753
Less: Accumulated depreciation	<u>(6,866,170)</u>	<u>(6,514,635)</u>
Net capital assets	<u>\$ 6,131,850</u>	<u>\$ 3,734,118</u>

### Current and Long-Term Debt

During the year ended December 31, 2016, the District paid \$41,556 on an installment debt.

## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

### **Economic Factors and Next Year's Budget**

For the year 2017 the Fire District was able to sustain its budget through property taxes, lease income and other miscellaneous revenue sources. The 2017 budget was adopted on September 13, 2016, by the Commissioners and approved on October 18, 2016 at a public hearing.

### **Contacting the District's Financial Management**

This financial statement is designed to provide a general overview of the District's finances. If you have questions about this financial statement or need additional financial information, contact the District's Office at P.O. Box 1290, Orchard Park, NY 14127.



# ORCHARD PARK FIRE DISTRICT

## STATEMENT OF NET POSITION DECEMBER 31, 2016

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### ASSETS

Cash	\$ 977,622
Due from related party	43,244
Note receivable, related party	202,931
Capital assets, net	<u>6,131,850</u>
Total assets	<u>\$ 7,355,647</u>

### LIABILITIES

Accounts payable	<u>\$ 200,347</u>
Total liabilities	<u>200,347</u>

### NET POSITION

Net investment in capital assets	6,131,850
Unrestricted	<u>1,023,450</u>
Total net position	<u>\$ 7,155,300</u>

The accompanying notes are an integral part of these statements.

**ORCHARD PARK FIRE DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Public safety - fire	1,331,330	\$ -	\$ -	\$ -	\$ (1,331,330)
Depreciation - unallocated	<u>492,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(492,955)</u>
Total governmental activities	<u>\$ 1,824,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,824,285)</u>

**GENERAL REVENUES:**

Taxes levied for general purposes	1,843,459
Foreign fire insurance tax proceeds	81,113
Lease income	172,667
Reimbursements	30,204
Gain on sale of equipment	4,382
Interest income	<u>5,727</u>
Total general revenues	<u>2,137,552</u>
Change in net position	313,267
Net position - beginning of year	<u>6,842,033</u>
Net position - end of year	<u>\$ 7,155,300</u>

The accompanying notes are an integral part of these statements.

**ORCHARD PARK FIRE DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 977,622
Due from related party	43,244
Note receivable, related party	<u>202,931</u>
Total assets	<u>\$ 1,223,797</u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES:</b>	
Accounts payable	<u>\$ 200,347</u>
Total liabilities	<u>200,347</u>
<b>FUND BALANCE:</b>	
Nonspendable	190,931
Unassigned	<u>832,519</u>
Total fund balance	<u>1,023,450</u>
Total liabilities and fund balance	<u>\$ 1,223,797</u>

The accompanying notes are an integral part of these statements.

**ORCHARD PARK FIRE DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

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Total fund balance - governmental funds	\$ 1,023,450
Capital assets used in governmental activities are not current financial resources and; therefore, are not reported in the funds.	<u>6,131,850</u>
Total net position of governmental activities	<u>\$ 7,155,300</u>

The accompanying notes are an integral part of these statements.

# ORCHARD PARK FIRE DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2016

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	<u>General Fund</u>
REVENUES:	
Real property taxes	\$ 1,843,459
Lease income	172,667
Foreign fire insurance tax proceeds	81,113
Reimbursements	30,204
Sale of assets	20,200
Interest income	<u>5,727</u>
Total revenues	<u>2,153,370</u>
EXPENDITURES:	
Services and supplies	977,195
Capital outlay	2,906,505
Distribution of foreign fire insurance tax proceeds	81,113
Payment of debt principal	41,556
Salaries and benefits	<u>273,022</u>
Total expenditures	<u>4,279,391</u>
CHANGE IN FUND BALANCE	(2,126,021)
FUND BALANCE - beginning of year	<u>3,149,471</u>
FUND BALANCE - end of year	<u>\$ 1,023,450</u>

The accompanying notes are an integral part of these statements.

## ORCHARD PARK FIRE DISTRICT

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

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Net change in fund balances - governmental funds \$ (2,126,021)

Amounts reported for governmental activities in the statement of activities  
and change in net position are different because:

Governmental funds report outlays for assets as expenditures.  
However, in the Statement of Activities, the cost of these  
assets are allocated over the estimated useful lives as depreciation  
expense. This is the amount by which capital outlays exceeded  
depreciation expense during the year.

Current capital outlays	2,906,505	
Depreciation	<u>(492,955)</u>	
		2,413,550

In the statement of activities, a gain or loss on sales, trade-ins, or other  
dispositions of capital assets is reported, whereas in the governmental  
funds, the proceeds received from dispositions of capital assets  
increases financial resources. Thus, the change in net position differs  
from the change in fund balance by the net book value of capital assets  
disposed.

(15,818)

Debt obligations paid during 2016 consisted of:  
Installment debt

41,556

Change in net position of governmental activities

\$ 313,267

The accompanying notes are an integral part of these statements.

**ORCHARD PARK FIRE DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2016**

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	<u>Pension Trust</u>
<b>ASSETS</b>	
Equity in pooled cash and investments	\$ 2,907,457
Prepaid assets	<u>8,050</u>
Total assets	<u>2,915,507</u>
<b>LIABILITIES</b>	
Other liabilities	<u>-</u>
Total liabilities	<u>-</u>
<b>NET POSITION</b>	
Held in trust	<u>\$ 2,915,507</u>

The accompanying notes are an integral part of these statements.

# ORCHARD PARK FIRE DISTRICT

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2016

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	Pension Trust
ADDITIONS:	
Contributions	\$ 183,516
Investment income	<u>100,114</u>
Total additions	<u>283,630</u>
DEDUCTIONS:	
Benefits	81,340
Investment expenses	<u>13,950</u>
Total deductions	<u>95,290</u>
CHANGE IN NET POSITION	188,340
NET POSITION - beginning of year	<u>2,727,167</u>
NET POSITION - end of year	<u><u>\$ 2,915,507</u></u>

The accompanying notes are an integral part of these statements.



# ORCHARD PARK FIRE DISTRICT

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### 1. DESCRIPTION OF THE DISTRICT

The Orchard Park Fire District (the "District") was formed in 1923. The District is comprised of the Windom, Orchard Park and Hillcrest Fire Companies. The District is governed by a board of five fire commissioners. They are authorized to adopt rules and regulations governing all fire companies within the district. The District's primary source of revenue is from property taxes.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board ("GASB"). The most significant of the District's accounting policies are described below.

#### **Basis of Presentation**

##### **Government-Wide Financial Statements**

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

The government-wide statements are prepared using the full accrual, economic resources measurement focus. All assets and deferred outflows and liabilities and deferred inflows associated with the operation of the District are included in the statement of net position. All revenues and expenses during the year, regardless of when cash is received or paid, are included in the District's statement of activities. Fiduciary funds are not included in entity-wide statements.

The government-wide statements of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include grants received that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenue identifies the extent to which each governmental function is self-financing or draws from general revenues of the District.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Presentation (Continued)

#### Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing resources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary funds are reported using the economic resources measurement focus.

#### Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of when measurements are made, regardless of the measurement focus applied. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund statements are using the modified accrual basis of accounting.

#### Revenue - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that resources will be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within six months of year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants and entitlements. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and entitlements is recognized in the year in which eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

#### Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The District had no unearned revenue at year end.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Accounting (Continued)

#### Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time goods or services are received.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

#### Budget

The annual budget is adopted on a basis consistent with governmental fund accounting. The District's governing board must prepare a proposed budget and hold a public hearing to discuss the contents of the proposed budget. The public hearing for 2016 was held on the third Tuesday in October 2015 as required by law. The hearing was conducted and scheduled in a manner to maximize public participation.

The budget is revised as necessary by the District's governing board to give consideration to unanticipated income and expenditures. The budget lapses at the end of the year. The original and final revised budgets for the General Fund are presented as Required Supplemental Information.

The difference between the excess revenues over expenditures shown on the Statement of Revenues and Expenditures - Budget and Actual are reconciled to the net change in fund balance on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds as follows:

Excess expenditures over revenue per Budget	\$ (1,898,421)
Revenue Accruals	(7,975)
Expenditure Accruals	<u>(219,625)</u>
Net change in fund balance	<u>\$ (2,126,021)</u>

#### Assets, Liabilities, and Equities

- **Cash and Cash Equivalents**

The District considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash.

As authorized by General Municipal Law, the District may invest in special time deposit accounts, certificates of deposit, obligations of the United States of America, obligations guaranteed by agencies of the United States of America where payment of principal and interest are guaranteed by the Government, and obligations of the State of New York.

At December 31, 2016, the reported amount of the Fire District's deposits was \$366,548, not including the fiduciary fund. The Federal Deposit Insurance Corporation insures deposits up to \$250,000 for all interest-bearing accounts. In addition, the District has a collateral agreement with KeyBank for \$915,462. This agreement pledges bank owned securities with a current value to equal or exceed the District's checking and savings accounts held by the bank.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Accounting (Continued)

#### Assets, Liabilities, and Equities (Continued)

- **Capital Assets**

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	15 - 40 years
Vehicles	7 - 20 years
Furniture and equipment	3 - 7 years

- **Liabilities and Debt Obligations**

Payables, accrued liabilities and long-term debt obligations are reported as liabilities in the Statement of Net Position. In general, governmental funds payable and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are recorded as obligations of the funds. However, claims and judgments, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

- **Net Position and Fund Balances**

When both restricted and unrestricted net position is available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When both committed, assigned, or unassigned resources are available for use, it is the District's policy to use committed resources first, followed by assigned resources and then unassigned resources as they are needed. The District does reserve the right to be selective in the use of such restricted assets that best fit the District's needs.

Equity is classified in the government-wide financial statements as net position and is displayed in three components as follows:

- Net investment in capital assets represents capital assets, net of accumulated depreciation and reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted represents net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted represents all other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Accounting (Continued)

#### Assets, Liabilities, and Equities (Continued)

- **Net Position and Fund Balances (Continued)**

Equity is classified in the governmental fund financial statements as fund balance and is further classified as nonspendable, restricted, committed, assigned or unassigned as follows:

- Nonspendable fund balance cannot be spent because it is either (1) not in spendable form, or (2) legally or contractually required to be maintained intact. The \$190,931 reported as nonspendable at December 31, 2016 represents the long-term portion of notes receivable.
- Restricted fund balance is a fund balance with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, the Board of Fire Commissioners (the "Board"). A resolution, ordinance or vote by the Board is required to establish, modify or rescind a fund balance commitment.
- Assigned fund balance is constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board is authorized to assign amounts to a specific purpose in accordance with the District's budget policy.
- Unassigned fund balance is a residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund.

#### Property Tax Revenue

The Town of Orchard Park bills and collects the taxes for the District. Taxes are due from property holders by February 15 for the fiscal year ending December 31. Tax revenue is remitted to the District shortly after the due date by the Town and recognized by the District when received.

#### Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### Income Taxes

The District is a political subdivision of New York State and a district corporation under Section 174(7) Town Law that is exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no tax expense is reflected in the financial statements.

### 3. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2016, is shown below:

	<u>Balance 12/31/15</u>	<u>Capital Acquisitions</u>	<u>Sales/Dispositions</u>	<u>Balance 12/31/16</u>
Depreciable capital assets:				
Building and improvements	\$ 4,044,346	\$ -	\$ -	\$ 4,044,346
Vehicles	4,461,900	187,890	(157,238)	4,492,552
Furniture and equipment	<u>1,500,190</u>	<u>415,668</u>	<u>-</u>	<u>1,915,858</u>
Total depreciable capital assets	<u>10,006,436</u>	<u>603,558</u>	<u>(157,238)</u>	<u>10,452,756</u>
Less: Accumulated depreciation				
Building and improvements	(2,860,566)	(133,763)	-	(2,994,329)
Vehicles	(2,454,322)	(235,139)	141,420	(2,548,041)
Furniture and equipment	<u>(1,199,747)</u>	<u>(124,053)</u>	<u>-</u>	<u>(1,323,800)</u>
Total accumulated depreciation	<u>(6,514,635)</u>	<u>(492,955)</u>	<u>141,420</u>	<u>(6,866,170)</u>
Net depreciable capital assets	<u>3,491,801</u>	<u>110,603</u>	<u>(15,818)</u>	<u>3,586,586</u>
Nondepreciable capital assets:				
Land	155,729	74,123	-	229,852
Construction-in-progress	86,588	1,561,716	-	1,648,304
Building not in service	<u>-</u>	<u>667,108</u>	<u>-</u>	<u>667,108</u>
Total non-depreciable capital assets	<u>242,317</u>	<u>2,302,947</u>	<u>-</u>	<u>2,545,264</u>
Capital assets, net	<u>\$ 3,734,118</u>	<u>\$ 2,413,550</u>	<u>\$ (15,818)</u>	<u>\$ 6,131,850</u>

Depreciation expense of \$492,955 was unallocated and charged to governmental activities.

### 4. CHANGES IN DEBT

In 2014, the District financed three hydraulic stretchers for \$124,667. The terms of the installment agreement are for three annual payments, with no interest.

The following is a summary of debt transactions for the year ended December 31, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment debt	\$ 41,556	\$ -	\$ 41,556	\$ -	\$ -

## 5. INSURANCE

The District maintains comprehensive coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The District also maintains workers' compensation insurance through the State Insurance Fund. Settled claims have not exceeded coverage in any of the past three years.

## 6. PENSION PLAN

The information contained in this note is based on information for the Length of Service Awards Program for the plan year ending January 1, 2017, which is the most recent plan year for which complete information is available.

### **Length of Service Awards Program (LOSAP)**

The District established a defined benefit LOSAP for the active volunteer firefighters of the Windom, Orchard Park, and Hillcrest Fire Companies. The program took effect on March 1, 1990. The program was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally funded pension benefits to facilitate the recruitment and retention of active volunteer firefighters. The District is the Plan Sponsor.

### **Program Description**

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

Active volunteer firefighters who have reached the age of 18 and who have completed one year of firefighting service under the point system are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five years of firefighting service, attaining the entitlement age while an active member, or becoming totally and permanently disabled while an active member.

#### **Benefits**

Benefits are paid at \$10 per month multiplied by total years of credited service prior to March 1, 2000; \$20 per month multiplied by total years of credited service after March 1, 2000; total years of service not to exceed 40 years; and service prior to March 1, 1990, limited to five years. Benefits are payable when a participant reaches the later of age 65 or the age after first earning a year of service credit under the point system. The normal benefit is a monthly payment for life, guaranteed for ten years. Post-entitlement age service earned each year is paid as a \$20 increase in the participant's monthly payment. The death benefit amount for pre-entitlement participants is a lump sum equal to the present value of the vested accrued benefit. The beneficiary of a post entitlement age death benefit has the option to continue monthly payments for the balance of the ten year period or receive an actuarial equivalent lump sum.

#### **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 Penflex, Inc. and Nationwide to assist in the administration and investment of the program. The designated program administrator's functions include collecting contributions from the District, determining the amount of the sponsor's contributions to the program, overseeing investments of assets of the program, and paying benefits of the program.

## 6. PENSION PLAN (Continued)

### Program Description (Continued)

#### Fiduciary Investment and Control (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 operations and administration of the program.

Authority to invest program assets is vested in Nationwide. Subject to restriction in the program document, program assets are invested in accordance with a statutory "prudent person" rule.

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 Penflex, Inc. Portions of the following information are derived from a report prepared by the actuary dated January 1, 2017.

#### Program Financial Condition

- **Assets and Liabilities**

Actuarial present value of benefits at January 1, 2017		\$ 3,858,018
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Less: Assets Available for Benefits:

	<u>% of total</u>	
Bond funds	64	\$ 1,867,636
Specialty	8	233,595
International stock	8	232,248
Large-cap stock	18	516,837
Small-cap stock	2	57,141
Prepaid benefits		<u>8,050</u>

Total net assets available for benefits	<u>2,915,507</u>
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Total unfunded benefits	<u>\$ 945,511</u>
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#### Trending Analysis

Program funding ratio:

2016	76%
2015	79%
2014	92%



## 6. PENSION PLAN (Continued)

### Program Financial Condition (Continued)

- **Receipts and Disbursements**

Plan net assets, beginning of the year \$ 2,727,167

Changes during the year:

Plan contributions	183,516
Net Investment gain	86,170
Plan benefit withdrawals	(81,340)
Administrative expense and other	<u>(6)</u>

Plan net assets, end of year \$ 2,915,507

- **Contributions**

Amount of District's contribution recommended by actuary \$ 181,698

Amount of District's actual contribution \$ 183,516

### Funding Methodology and Actuarial Assumptions

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the "Attained Age Normal" cost method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

The assumed rate of return on investment is 4.5%. The prior year assumed rate of return was 4.5%.

Mortality Tables used for:

Post Entitlement Age Mortality	RP-2014 Male Mortality Table without projection
Pre Entitlement Age Mortality	None
Withdrawal	None
Entitlement Age Service	100%

Lagged contribution methodology utilized to provide lead time for District to prepare and budget for the LOSAP contribution.

## 7. INVESTMENTS

The District's investments in the LOSAP consist of bond and stocks with readily determinable fair market values. The District's categorizes its investments in the LOSAP based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments in the LOSAP that are measured using Level 2 or Level 3 inputs.

## 7. INVESTMENTS (Continued)

Fair value measurements of the District's investments in the LOSAP are as follows at December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds	\$ 1,867,636	\$ -	\$ -	\$ 1,867,636
Large Cap Stocks	516,837	-	-	516,837
Specialty Stocks	233,595	-	-	233,595
International Stocks	232,248	-	-	232,248
Small Cap Stocks	<u>57,141</u>	<u>-</u>	<u>-</u>	<u>57,141</u>
	<u>\$ 2,907,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,907,457</u>

## 8. RELATED PARTY TRANSACTION

The Orchard Park Fire District - EMS, Inc. (EMS, Inc.) was established as a nonprofit corporation in September 2009 to provide 24 hour emergency rescue and first aid services to the residents of Orchard Park. The District Fire Commissioners represent the majority of the governing body of EMS, Inc.

The District continues to provide emergency rescue service for the residents of the Town of Orchard Park. Through the 911 system, the District relies on the Erie County Mutual Aid Plan, American Medical Response (AMR), Twin City Ambulance, and EMS, Inc. to provide pre-hospital emergency treatment and for the furnishing of supplemental personnel, equipment or service to cover instances or periods of time when Fire District service may not be readily available.

### Ambulance Lease

The District has an agreement to lease fully equipped ambulances, including medical supplies to EMS, Inc. Lease income for ambulances amounted to \$124,667 for the year ended December 31, 2016. The lease calls for an annual rate adjustment. Effective January 1, 2016, EMS, Inc. purchased their own medical supplies and these items were no longer included in the lease payment calculation. The rate per transport decreased from \$67 to \$44 effective January 1, 2016.

### Building Lease

The District leases a portion of a building located at 3920 Taylor Road, Orchard Park, New York to EMS, Inc. with rent payable at \$4,000 per month. The lease was for five years with five year automatic extensions, unless an election is made to terminate the lease six months prior to the renewal date. The District recorded \$48,000 of building lease income for the year ended December 31, 2016.

Future minimum rentals to be received under noncancelable leases with remaining terms of more than one year at December 31, 2016 are as follows:

2017	\$ 48,000
2018	48,000
2019	<u>48,000</u>
Total future minimum lease payments	<u>\$ 144,000</u>

## 8. RELATED PARTY TRANSACTION (Continued)

### Note Receivable

The District has a note receivable from EMS, Inc. effective January 1, 2013. The note was for \$349,488, requiring monthly payments of \$3,000 including interest at an annual rate of 2.66%. The note was amended as of November 1, 2014, and a monthly payment of \$500 principal was required. The note was amended again as of March 1, 2016, and a monthly payment of \$1,000 principal is required. The note matures December 31, 2022. Any balance remaining is due at maturity. Full or partial prepayments are allowed without penalty. The note was established to consolidate amounts owed to the District for lease payments, rescue vehicle purchases and reimbursement of Orchard Park resident co-pays paid by the District. The balance of the note receivable at December 31, 2016 was \$202,931.

### Miscellaneous Services

Various services including equipment repairs, building maintenance and training are provided to the District by EMS, Inc. personnel. For the year ended December 31, 2016, \$59,639 was billed to the District for these services.

### Due from Related Party

At December 31, 2016, \$43,244 was due to the District from Orchard Park Fire District- EMS, Inc. as follows:

Due from EMS, Inc. to the District:	
Ambulance lease payments	\$ 9,642
Interest and other receivable	39,002
Due to EMS, Inc. from the District:	
Miscellaneous services	<u>(5,400)</u>
Balance, December 31, 2016	<u>\$ 43,244</u>

## 9. CONTRIBUTED SERVICES

The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and skills to perform a variety of tasks that assist the District, but these services do not meet the criteria for recognition as contributed services.

## 10. SUBSEQUENT EVENTS

On February 1, 2017, the District issued a one-year bond anticipation note to KeyBank National Association for \$1,600,000 at a rate of 1.28% to assist in financing the partial reconstruction of the District Headquarters and Hillcrest Fire Company building, and for the acquisition of vehicles.

# ORCHARD PARK FIRE DISTRICT

## STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (UNAUDITED) FOR THE YEAR ENDED DECEMBER 31, 2016

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance <u>Final to Actual</u>
<b>REVENUES:</b>				
Real property taxes	\$ 1,832,200	\$ 1,843,459	\$ 1,843,459	\$ -
Ambulance usage lease income		189,244	124,667	(64,577)
Foreign fire insurance tax proceeds	-	81,113	81,113	-
Building lease income	48,000	48,000	48,000	-
Interest and earnings	-	29	5,727	5,698
Sale of equipment	20,000	-	20,200	20,200
Miscellaneous	<u>10,520</u>	<u>(500)</u>	<u>30,204</u>	<u>30,704</u>
<b>Total revenues</b>	<u>1,910,720</u>	<u>2,161,345</u>	<u>2,153,370</u>	<u>(7,975)</u>
<b>EXPENDITURES:</b>				
Personnel services	105,000	56,358	63,025	6,667
Contractual expenditures -				-
Office supplies	10,000	11,619	11,617	(2)
Conventions	30,000	5,923	5,923	-
Fire and EMS training	35,000	49,021	49,021	-
Small equipment repair	35,000	57,051	57,051	-
Fire prevention	7,000	8,919	8,919	-
Public drills, parades	3,000	-	-	-
Publication of notices	1,000	2,233	2,233	-
Retention	3,000	-	-	-
Fuel, light, water	120,000	97,554	97,554	-
Repairs to buildings	170,000	107,873	108,298	425
Maintenance supplies	25,000	10,196	10,196	-
Repairs to apparatus	65,000	113,550	113,648	98
Gasoline, diesel fuel	30,000	15,955	15,955	-
Maintenance of radios and alarms	10,000	28,611	28,611	-
Telephone	35,000	25,244	25,244	-
Insurance	260,000	168,506	168,506	-
Legal	15,000	7,420	7,420	-
Accounting	20,000	16,024	16,024	-
Rescue supplies	90,000	37,094	30,772	(6,322)
Property taxes	7,500	11,939	11,939	-
Hydrant rental	10,520	7,877	7,877	-
Computer operations	35,000	19,634	13,029	(6,605)
Medical bills	17,500	13,829	13,829	-
Worker's comp claims	5,000	1,490	1,490	-
Awards program	210,000	209,997	209,997	-
Airpacks and extinguishers	45,000	356,925	357,697	772
Dispatch	85,000	70,357	70,357	-
Medical Director	-	5,400	10,800	5,400
Social security	4,500	4,716	4,715	(1)
Equipment/capital outlay	-	2,292,984	2,512,178	219,194
Purchase of small equipment	145,000	102,253	102,252	(1)
Purchase of bunker gear	50,000	62,101	62,101	-
Purchase of apparatus	226,700	-	-	-
Foreign fire insurance tax distributions	<u>-</u>	<u>81,113</u>	<u>81,113</u>	<u>-</u>
<b>Total expenditures</b>	<u>1,910,720</u>	<u>4,059,766</u>	<u>4,279,391</u>	<u>219,625</u>
<b>CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ (1,898,421)</u>	<u>\$ (2,126,021)</u>	<u>\$ (227,600)</u>

The accompanying notes are an integral part of this supplementary information.

**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**

June 29, 2017

To the Board of Fire Commissioners of the  
Orchard Park Fire District:

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 activities, the major fund and the aggregate remaining fund information of the Orchard Park Fire District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 29, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Orchard Park Fire District's internal control over financial reporting (internal control) to determine 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 Orchard Park Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Orchard Park 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 material 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 over financial reporting 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.

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

(Continued)

**Compliance and Other Matters**

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