

PRELIMINARY OFFICIAL STATEMENT DATED MAY 31, 2023

NEW ISSUE

BOND ANTICIPATION NOTES

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Fire District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters" herein.*

*The Fire District will designate the Notes as "qualified tax-exempt obligations" pursuant to the provision of Section 265(b)(3) of the Code.*

**CUTCHOQUE FIRE DISTRICT, IN THE TOWN OF SOUTHOLD  
SUFFOLK COUNTY, NEW YORK**

**\$1,500,000 BOND ANTICIPATION NOTES – 2023  
(the "Notes")**

**Date of Issue: June 27, 2023**

**Maturity Date: June 27, 2024**

The Notes are general obligations of the Cutchogue Fire District, in the Town of Southold, in Suffolk County, New York (the "Fire District") and will contain a pledge of the faith and credit of the Fire District for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Fire District, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended (the "Tax Levy Limit Law"). (See "Tax Levy Limit Law" herein).

The Notes will not be subject to redemption prior to maturity.

The Notes will be issued in registered form and, at the option of the purchaser(s), the Notes will be (i) registered in the name of the successful bidder(s) or (ii) registered to Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes.

If the Notes are registered in the name of the successful bidder, a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the Fire District, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidders.

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the Fire District to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Fire District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "Description of Book-Entry-Only System" herein).

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on June 8, 2023 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. Munistat Services, Inc. has served as Municipal Advisor to the Fire District in connection with the issuance of the Notes. It is expected that delivery of the Notes will be made in New York, New York or as otherwise agreed on or about June 27, 2023.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE FIRE DISTRICT FOR THE PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE FIRE DISTRICT'S AGREEMENT TO PROVIDE CONTINING DISCLOSURE FOR THE NOTES, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

June , 2023

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**CUTCHOGUE FIRE DISTRICT, IN THE TOWN OF SOUTHOLD  
SUFFOLK COUNTY, NEW YORK**

260 New Suffolk Road  
Cutchogue, NY 11935  
Telephone (631) 734-6907

**BOARD OF COMMISSIONERS**

Michael Finnican, Chairman

Larry Behr  
David Blados  
Steve Harned  
Christopher Talbot

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Peter J. Zwerlein, Fire District Treasurer  
Thomas J. Shalvey, Jr., Secretary  
Richard Lark, Esq., Fire District Attorney

\* \* \*

**BOND COUNSEL**

Hawkins Delafield & Wood LLP  
New York, New York

\* \* \*

**MUNICIPAL ADVISOR**



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No dealer, broker, salesman or other person has been authorized by the Fire District to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor there any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Fire District from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Fire District since the date hereof.

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**OFFICIAL STATEMENT**

**CUTCHOGUE FIRE DISTRICT, IN THE TOWN OF SOUTHOLD  
SUFFOLK COUNTY, NEW YORK**

**Relating To**

**\$1,500,000 BOND ANTICIPATION NOTES - 2023  
(the "Notes")**

This Official Statement, including the cover page and appendices thereto, has been prepared by the Fire District and presents certain information relating to the Fire District's \$1,500,000 Bond Anticipation Notes – 2023 (the "Notes"). All quotations from and summaries and explanations of provisions of the Constitution and laws of the State of New York (the "State") and acts and proceedings of the Fire District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the Fire District relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain. Accordingly, the Fire District's overall economic situation and outlook (and all of the specific Fire District-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this world-wide event. (See "RISK FACTORS" and "IMPACT OF COVID-19" herein.)

**THE NOTES**

**Description**

The Notes are general obligations of the Fire District. The Fire District has pledged its faith and credit for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Fire District, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See "*Tax Levy Limit Law*" herein).

The Notes will be dated and will mature, without the option of prior redemption, as indicated on the cover page hereof.

The Fire District Treasurer will act as Fiscal Agent for any Notes issued in book-entry form and the purchaser may act as Paying agent for any Notes registered in the name of the purchaser. Paying agent fees, if any, for those Notes registered to the purchaser will be paid by the purchaser(s). The Fire District's contact information is as follows Peter J. Zwerlein, Fire District Treasurer, Cutchogue Fire District, in the Town of Southold, 260 New Suffolk Road, Cutchogue, NY 11935, Phone (631) 734-6907, and email: cutfdtreas@optonline.net.

**No Optional Redemption**

The Notes will not be subject to redemption prior to their maturity.

**Book-Entry System**

DTC will act as securities depository for any Notes issued as book-entry notes. Such Notes will be issued as fully-registered securities, in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each Note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). Standard & Poor’s assigns a rating of “AA+” to DTC. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Fire District on the payable date, in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC (nor its nominee) or the Fire District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Fire District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Fire District. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered to the Noteowners. The Fire District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, note certificates will be printed and delivered to the Noteowners.

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the Fire District takes no responsibility for the accuracy thereof. In addition, the Fire District will not have any responsibility or obligation to participants, to indirect participants or to any beneficial owner with respect to: (i) the accuracy of any records maintained by DTC, any participant or any indirect participant; (ii) the payments by DTC or any participant or any indirect participant of any amount with respect to the principal of, or premium, if any, or interest on the Notes or (iii) any notice which is permitted or required to be given to Noteowners.

Source: The Depository Trust Company, New York, New York.

### **Authorization for and Purpose of Notes**

The Notes are being issued in accordance with the Constitution and statutes of the State of New York, including the Local Finance Law, and pursuant to the Bond Resolution duly adopted by the Board of Commissioners of the Fire District on August 29, 2022, and subsequently approval as a proposition by a majority of the qualified voters of the Fire District voting thereon at the Special Election held on September 27, 2022, to finance the construction of a new firehouse and improvements to the existing firehouse. The total estimated cost of the project is \$16,000,000. The proceeds of the Notes in the amount of \$1,500,000 will be used to provide original financing for the project.

For further information regarding bond authorizations of the Fire District for capital purposes and other matters relating thereto see "*Indebtedness of the Fire District*", herein.

### **Security and Source of Payment**

Each Note when duly issued and paid for will constitute a contract between the Fire District and the holder thereof.

The Notes will be general obligations of the Fire District and will contain a pledge of the faith and credit of the Fire District for the payment of the principal thereof and the interest thereon. The pledge of the faith and credit of municipalities and school districts mandated by Article VIII, Section 2, of the New York Constitution was upheld by the Court of Appeals in several cases decided at the time of the New York City financial crisis in the 1970s and 1980s (see *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 NY 2n 731 (1976) and subsequent cases). The opinion of the Court of Appeals in the Flushing National Bank decision states that "...an obligation containing a pledge of the City's 'faith and credit' is secured by a promise both to pay and to use in good faith the City's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words 'faith' and 'credit' are used and they are not tautological." Albeit the pledge of the faith and credit of a fire district (including the Fire District) is not constitutionally mandated, such pledge is required pursuant to the Local Finance Law (Section 100.00) for the incurrence of fire district indebtedness and should be accorded a similar judicial interpretation. In the words of the Court of Appeals, "That is what the words say and this is what the courts have held they mean..." is a clear statement as to the meaning of the pledge of faith and credit.

For the payment of such principal of and interest on the Notes, the Fire District has the power and statutory authority to cause the levy of ad valorem taxes on all taxable real property in the Fire District, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See "*Tax Levy Limit Law*" herein).

Pursuant to the Section 100.00 of the New York State Local Finance Law, the Fire District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes. The State is precluded from restricting the power of the Fire District to require the levy of taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Fire District's power to cause an increase to its annual tax levy, unless the Fire District complies with certain procedural requirements to permit the Towns, on behalf of the Fire District, to levy certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*" herein).

## **BONDHOLDER RISKS AND MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE**

There are certain potential risks associated with an investment in the Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

The Fire District's credit rating could be affected by circumstances beyond the Fire District's control. The Fire District's credit rating could be affected by circumstances beyond the Fire District's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of Fire District property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the Fire District's credit rating could adversely affect the market value of the Notes.

If and when an owner of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Notes. The market value of the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Note is sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the Fire District to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (see "*Tax Matters*" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the Fire District, without providing exclusion for debt service on obligations issued by municipalities and fire districts, including the Fire District, may affect the market price and/or marketability for the Notes. (See "*The Tax Levy Limit Law*" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the Fire District could impair the financial condition of such entities, including the Fire District and the ability of such entities, including the Fire District to pay debt service on their respective obligations.

A public health threat such as the COVID-19 pandemic may also affect the operations and/or finances of the Fire District. (See "*Impact of COVID-19*," herein.)

## **CYBERSECURITY**

The Fire District, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the Fire District faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the Fire District invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage Fire District digital networks and systems and the costs of remedying any such damage could be substantial. The Fire District has purchased cybersecurity insurance to mitigate damages in the event they occur.



## REMEDIES UPON DEFAULT

Neither the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Notes if the Fire District defaults in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Notes upon the occurrence of such default. Each Note is a general obligation contract between the Fire District and the owner for which the faith and credit of the Fire District is pledged and while remedies for enforcement of payment are not expressly included in the Fire District's contract with such holders, any permanent repeal by statute or constitutional amendment of a bondholder's and/or noteholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional. (See also "*Security and Source of Payment*" herein for discussion of the statutory (but not constitutional) mandate that a fire district, including the Fire District, pledge its faith and credit to the payment of its indebtedness.)

Upon default of the payment of principal of or interest on the Notes, at suit of the owner, a Court has power in proper and appropriate proceedings to render a judgment against the Fire District. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. Courts also have the power in proper and appropriate proceedings to order payment of a judgment on such Notes from funds lawfully available therefor or, in the absence thereof, to order the Fire District to take all lawful action to obtain the same, including the inclusion of the required amount in the next request to the Town in place such amount in the next annual tax levy. In exercising its discretion as to whether to enter such an order, the Courts may take into account all relevant factors, including the current operating needs of the Fire District and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on a Note, the owner of such Note could, among other things, seek to obtain a writ of mandamus from a Court requiring the governing body of the Fire District to cause the assessment, levy and collection of an *ad valorem* tax, upon all property of the Fire District subject to taxation by the Fire District, sufficient to pay the principal of and interest on the Notes as the same shall come due (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Notes and the proceedings with respect thereto, all of which are included in the contract with the owners of the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of holders of bonds and notes, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the Fire District.

Pursuant to Article VIII, Section 2 of the State Constitution, municipalities and school districts are required to provide an annual appropriation of monies for the payment of due principal of and interest on indebtedness. Specifically this Constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This Constitutional provision providing for first revenue set aside does not apply by its terms to the Fire District. However, pursuant to Section 100.00 of the Local Finance Law, a fire district, including the Fire District, must pledge its faith and credit to the payment of its indebtedness.

While the courts in the State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While Courts in the State have upheld and sustained the rights of bondholders and/or noteholders, a Court might hold that future events, including a financial crisis as such may occur in the State or in any of its political subdivisions, including municipalities and fire districts of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

## **NO DEFAULT STATE**

No principal or interest payment on Fire District indebtedness is past due. The Fire District has never defaulted in the payment of the principal of and/or interest on any indebtedness.

## **BANKRUPTCY**

The Federal Bankruptcy Code (Chapter IX) allows public bodies, such as municipalities, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Title 6-A of the Local Finance Law specifically authorizes any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts and fire districts, there can be no assurance that it will not become applicable in the future. As such, the undertakings of the Fire District should be considered with reference, specifically, to Chapter IX, and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Bankruptcy proceedings by the Fire District if authorized by the State in the future could have adverse effects on bondholders and/or noteholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the Fire District after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes.

The above references to said Chapter IX are not to be construed as an indication that the State will consent in the future to the right of the Fire District to file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness or that the Fire District is currently considering or expects to resort to the provisions of Chapter IX if authorized to do so in the future.

### **No Past Due Debt**

No principal or interest payment on Fire District indebtedness is past due. The Fire District has never defaulted in the payment of the principal of and/or interest on any indebtedness.

## **THE FIRE DISTRICT**

### **Description**

The Fire District serves the hamlet of Cutchogue in Southold Township, Suffolk County, New York, located on the North Fork, a peninsula at the east end of Long Island. It is about 80 miles east of New York City. The region is characterized by its agriculture and maritime industries and it is an increasingly popular tourist destination with over 60 wineries, eight of them within the Cutchogue boundary.

It is also a popular and growing area for second homeowners and seasonal vacationers.

The Fire District consists of a small downtown area with shops and offices surrounded by residential areas, farmland and open space. About one-quarter of the district is comprised of farmland. Its north and south borders are water bodies – the Great Peconic Bay to the south, and the Long Island Sound to the north along which are numerous marinas. East and west boundaries are the hamlets of Mattituck and Peconic.

Two main east-west thoroughfares run through the hamlet, NYS Route 25 and Suffolk County Route 48.

The Fire District is served by a weekly newspaper (The Suffolk Times), several churches and a public library. A branch of the Long Island Railroad provides easy access to New York City, and the rest of Long Island. Water is supplied to a majority of the Fire District by the Suffolk County Water Authority with the remainder being served by wells maintained by the Fire District. Electric power is provided by PSEG Long Island and gas by National Grid. Telephone service is available from AT&T, Verizon, Optimum, and major cellular providers. Cable and Wi-Fi service is provided by Optimum and Verizon. Police protection is provided by the Southold Town Police.

## Form of Government

The Fire District was established in 1928 in accordance with the laws of the State of New York. It encompasses an area of approximately 11 miles.

The Fire District is governed by a five (5) member Board of Fire Commissioners, who are elected to five (5) year terms on a staggered basis. The Chairman of the Board is elected by the Commissioners at the Organizational Meeting held each year within the first fifteen days in January, at which time the Board appoints a Secretary and Treasurer. A volunteer force is responsible for the operation of the Fire Department equipment and apparatus.

## Employees

The Fire District has 16 paid part-time employees, none of which are represented by organized labor units.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### Population Trends

The following table sets forth population statistics for the Town of Southold, Suffolk County and New York State.

<u>Year</u>	<u>Town of Southold</u>	<u>Suffolk County</u>	<u>New York State</u>
1990	19,836	1,321,977	17,990,455
2000	20,599	1,419,369	18,976,457
2010	23,175	1,518,475	19,541,453
2020	22,177	1,481,364	19,514,849

a. Based on American Community Survey 5-year Estimated (2017-2020).

### Income Data

Income data are not available for the Fire District as such. The smallest area for which such statistics are available (which includes the Fire District) is the Town of Southold. The information set forth below with respect to such Town is included for information purposes only. It should not be inferred from the inclusion of such data in this Statement that the Fire District is necessarily representative of the Town or vice versa.

	Per Capita Money Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020<sup>a</sup></u>
Town of Southold	\$19,037	\$27,619	\$41,450	\$56,282
Suffolk County	18,481	26,577	35,411	46,466
State of New York	16,501	23,389	30,791	40,898

  

	Median Household Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020<sup>a</sup></u>
Town of Southold	\$35,392	\$49,898	\$83,240	\$87,109
Suffolk County	49,128	65,288	84,235	105,362
New York State	32,965	43,393	55,217	71,117

Source: United States Bureau of the Census.

a. Based on American Community Survey 5-Year Estimates (2017-2020).

## Unemployment Rates

<u>Annual Averages:</u>	<u>Suffolk County</u>	<u>New York State</u>
2018	3.8	4.1
2019	3.5	3.8
2020	8.5	10.0
2021	4.9	7.2
2022	3.1	4.4
2023 (2 Months)	3.5	4.6

Source: Department of Labor, State of New York

### INDEBTEDNESS OF THE FIRE DISTRICT

**Constitutional Requirements.** The New York State Constitution (Article VIII, Section 2) does not directly address the power of fire districts, including the Fire District, to contract indebtedness and the levy of taxes upon real estate in support thereof (although Article VIII, Section 3 thereof excludes, inter alia, fire districts from limitations imposed therein upon municipal or other corporations possessing the power to contract indebtedness or to levy or require the levy of taxes or benefit assessments upon real estate).

**Local Finance Law Requirements.** The New York State Local Finance Law limits the power of the Fire District (and municipalities, school and other fire districts of the State) to issue obligations and contract indebtedness. Such limitations include the following, in summary form, and are generally applicable to the Fire District and the Notes.

**Purpose and Pledge.** Pursuant to the Local Finance Law, the Fire District shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The Fire District may contract indebtedness only for a Fire District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

**Payment and Maturity.** Except for certain short-term indebtedness contracted in anticipation of taxes, or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the periods of probable usefulness of the objects or purposes as determined by statute or in the alternative, the weighted average period of probable usefulness of the several objects or purposes for which such indebtedness is to be contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Fire District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The Fire District is required to provide an annual appropriation for the payment of interest due during the fiscal year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

**General.** The Fire District is subject to certain statutory limitations restricting the powers of the Fire District in the areas of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Fire District, so as to prevent abuses in the exercise of such powers. As has been noted under "*Security and Source of Payment*", the State Legislature is prohibited from restricting the power of the Fire District to cause the levy of taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Fire District's power to increase its annual tax levy, unless the Fire District complies with certain procedural requirements to permit the Fire District to cause the levy of certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*" herein).

## Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the Fire District to borrow and incur indebtedness subject, of course, to the provisions set forth above. The power to spend money, however, generally derives from other laws, including the Town Law and the General Municipal Law.

Pursuant to the Local Finance Law, the Fire District authorizes the issuance of bonded indebtedness by the adoption of a bond resolution approved by a vote of at least three-fifths of the entire membership of the Board of Fire Commissioners, which, pursuant to the Local Finance Law, is the finance board of the Fire District. All of such resolutions are subject to referendum.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, appropriates the requisite funds, authorizes the issuance of serial bonds to finance the appropriation, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect to such object or purpose.

Each bond resolution also provides for the authorization of the issuance of bond anticipation notes prior to the issuance of the subject serial bonds. Statutory law in New York permits notes to be renewed each year provided that (i) amortization of principal commences within two years of the date of incurrence of the debt, and, (ii) such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. (See "*Payment and Maturity*" under "*Constitutional Requirements*" herein).

The Local Finance Law also provides for a twenty-day statute of limitations after publication of a bond resolution (in summary or in full), together with a statutory notice which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. Except on rare occasions the District complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

In addition, pursuant to the bond resolution, the Board of Fire Commissioners may delegate to the Fire District Treasurer, the chief fiscal officer of the Fire District, the power to issue and sell bonds and bond anticipation notes.

In general, the Local Finance Law contains similar provisions providing the Fire District with power to issue general obligation revenue anticipation notes, tax anticipation notes, deficiency notes and budget notes, subject to the prescribed statutory procedures and limitations.

**Debt Limit.** The Fire District has the power to contract indebtedness for any Fire District purpose authorized by the Legislature of the State so long as the aggregate principal amount thereof shall not exceed three per centum (3.00%) of the full valuation of taxable real property of the Fire District, except as otherwise provided by the New York Local Finance Law, and subject to certain enumerated exclusions and deductions such as cash or appropriations for principal of debt. The three per centum limit may be exceeded if the proposition for approval of the bond resolution is approved by a two-thirds vote of the qualified voters of the Fire District and the State Comptroller consents thereto. The method for determining full valuation is by taking the assessed valuation of taxable real property for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined.

There is no constitutional limitation on the amount that may be raised by the Fire District by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the Fire District to increase its annual tax levy, unless the Fire District complies with certain procedural requirements to permit the Fire District to cause the levy of certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*" herein).

The following table sets forth the computation of the debt limit of the Fire District and its debt contracting margin:

**Computation of Debt Limit and Debt Contracting Margin**  
(As of May 31, 2023)

<u>In Town of:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate (%)</u>	<u>Full Valuation</u>
Southold (2021-2022)	\$20,420,553	0.70	\$2,917,221,857
Total			\$2,917,221,857
Debt Limit - 3% of Full Valuation			\$87,516,656
Inclusions:			
Outstanding Bonds			\$0
Bond Anticipation Notes			<u>0</u>
Total Indebtedness			<u>0</u>
Exclusions (Estimated Building Aid) <sup>a</sup>			<u>0</u>
Total Net Indebtedness Before Issuing the Notes			<u>0</u>
The Notes			1,500,000
Less: BANs Being Redeemed by the Notes			<u>0</u>
Net Effect of Issuing the Notes			<u>1,500,000</u>
Total Net Indebtedness After Issuing the Notes			<u>1,500,000</u>
Net Debt Contracting Margin			<u><u>\$87,516,656</u></u>
Per Cent of Debt Contracting Margin Exhausted			0.00%

<sup>a</sup> The latest completed assessment roll for which a State Equalization Rate has been established.

**Details of Short-Term Indebtedness Outstanding**

As of the date of this Official Statement, the Fire District has no short-term debt outstanding.

**Trend of Outstanding Indebtedness**

	Fiscal Year Ending December 31:				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Bonds	\$0	\$0	\$0	\$0	\$0
BANs	0	0	0	0	0
<b>Total Debt Outstanding</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Source: Financial Statements of the Fire District

**Debt Service Requirements - Outstanding Bonds**

As of the date of this Official Statement, the Fire District does not have any long-term debt outstanding.

**Debt Service Requirements - Leases**

Fiscal Year Ending <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 50,512	\$ 5,516	\$ 56,028
2024	51,838	4,190	56,028
2025	53,199	2,829	56,028
2026	54,595	1,433	56,028
	<u>\$ 210,144</u>	<u>\$13,968</u>	<u>\$224,112</u>

**Authorized but Unissued Debt**

The Fire District has authorized but unissued debt in the aggregate amount of \$16,000,000 for the construction of a new fire house and improvements to the existing firehouse. The Notes will finance \$1,500,000 of such authorized amount. (See "Authorization for and Purpose of Notes" herein.)

**Calculation of Estimated Overlapping and Underlying Indebtedness**

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Suffolk	08/11/2022	0.87	\$12,014,426	\$10,498,749
Town of Southold	08/31/2022	18.32	5,688,858	5,508,487
Mattituck-Cutchogue UFSD	10/05/2022	49.68	4,369,356	4,019,808
<b>Totals</b>			<u><b>\$22,072,640</b></u>	<u><b>\$20,027,044</b></u>

Sources: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published Official Statements.

**Debt Ratios**  
(As of May 31, 2023)

	<u>Amount</u>	<u>Per Capita<sup>a</sup></u>	<u>Percentage of Full Value (%)<sup>b</sup></u>
Total Direct Debt	\$ 0	\$ 0	0.000
Net Direct Debt	0	0	0.000
Total Direct & Applicable Total Overlapping Debt	22,072,640	5,748	0.757
Net Direct & Applicable Net Overlapping Debt	20,027,044	5,215	0.687

- a. The current population of the Fire District is 3,840.  
b. The full valuation of taxable property is \$2,917,221,857.

**FINANCES OF THE FIRE DISTRICT**

**Independent Audit**

The financial affairs of the Fire District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Fire District has complied with the requirements of various state and federal statutes. The financial statements of the Fire District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended December 31, 2022. A copy of such report is included herein as Appendix B.

**Investment Policy**

Pursuant to State law, including Sections 10 and 11 of the GML, the Fire District is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The Fire District may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the Fire District, itself; (5) certificates of participation issued in connection with installment purchase agreements entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the Fire District pursuant to law, in obligations of the Fire District.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the Fire District, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML.

The Board of Fire Commissioners of the Fire District has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the Fire District are made in accordance with such policy.

**Service Award Program**

The Fire District established a defined benefit Service Award Program (referred to as a "LOSAP" – length of service award program – under Section 457(e)(11) of the Internal Revenue Code) effective March 1, 1993 for the active volunteer firefighter members of the Fire District. The program was established pursuant to Article 11-A of the New York State General Municipal Law. The program provides municipally-pension like to facilitate the recruitment and retention of active volunteer firefighters. The Fire District is the sponsor of the program.



Under the program, participating volunteers begin to be paid a service award upon attainment of the program "entitlement age". The amount of the service award paid to a volunteer is based upon the number of years of service credit the volunteer earned under the program for performing active volunteer firefighter activities.

Active volunteer firefighters who have reached the age of 17 and who have completed the sponsor's probationary period are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five year of firefighting service or upon attaining the program's entitlement age while an active volunteer. The program's entitlement age is 65. 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 points. Points are granted for the performance of certain firefighter activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of active volunteer firefighting service rendered prior to the establishment of the program as an active volunteer firefighter member of the Fire Department.

A participant's service award benefit is paid as a ten year certain and continuous monthly payment life annuity. The amount payable each month equals \$20 multiplied by the total number of years of service credit earned by the volunteer under the point system. The maximum number of years of service credit a participant may earn is 30 years under the program.

Currently, there are no other forms of payment of a volunteer's earned service award under the program. Except in the case of death or total and permanent disablement, service awards commence to be paid when a participant attains the entitlement age. Volunteers who continue to be active after attaining the entitlement age and beginning to be paid a service award continue to have the opportunity to earn program credit and to thereby increase their service award payments.

The Fire District contributions to the LOSAP since 2018 are follows:

Fiscal Year Ending	
<u>December 31:</u>	<u>LOSAP</u>
2018	359,344
2019	354,535
2020	409,490
2021	408,945
2022	394,504
2023 (Budget)	415,000

Sources: Audited Financial Statements and Fire Districts Officials.

### **Budgetary Procedures**

The Board of Fire Commissioners, with the assistance of the Fire District Treasurer, prepares a budget each year. The budget is then adopted by the Board as its final budget for the coming fiscal year. The budget is not subject to referendum unless the operating portion exceeds the limitations provided by law. The budget is submitted to the Town of Southold and the Town is specifically prohibited from making any change in the Fire District budget, which is included in the Town budget. Following adoption by the Town Board such budget becomes the adopted budget of the Town, which levies and collects taxes for Fire District purposes.

### **Revenues**

The Fire District receives most of its revenue from a real property tax on all non-exempt real property situated within the Fire District. A summary of such revenues for the five most recently completed fiscal years and the amounts budgeted for 2022 and 2023 may be found in Appendix A.

#### *Real Property Taxes*

See "Tax Information", herein.

### **Expenditures**

A summary of such Expenditures for the five most recently completed fiscal years and the amounts budgeted for 2022 and 2023 may be found in Appendix A.

## TAX INFORMATION

### Real Property Taxes

Methods and procedures to require the levy, collection and enforcement of this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the Fire District are prepared by the Town. Assessment valuations are determined by the Town assessor and the State Office of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Office of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aid and are used by many localities in the calculation or debt contracting and real property taxing limitations. The Fire District is not subject to constitutional real property taxing limitations. However, the Tax Levy Limit Law imposes a statutory limitation on the Fire District's power to increase its annual tax levy. As a result, the power of the Fire District to cause the levy of real estate taxes on all the taxable real property within the Fire District is subject to statutory limitations set forth in Tax Levy Limit Law.

The following table sets forth the percentage of the Fire District's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2018 through 2022, inclusive and the amounts budgeted for the 2023 fiscal year.

<u>Fiscal Year Ending</u> <u>December 31:</u>	<u>Total Revenue</u>	<u>Real Property</u> <u>Taxes</u>	<u>Real Property</u> <u>Taxes to</u> <u>Revenues (%)</u>
2018	\$1,608,135	\$1,599,100	99.44
2019	1,669,104	1,597,363	95.70
2020	1,716,264	1,617,131	94.22
2021	1,807,474	1,691,135	93.56
2022	2,069,421	1,970,079	95.20
2023 (Budgeted)	2,025,579	2,022,529	99.85

Sources: Audited Financial Statements (2018-2022) and Adopted Budgets of the Fire District (2023).

### Tax Collection Procedure

Real property taxes for the fire District are levied and billed with taxes for County and Town purposes. Fire District taxes are collected by the Town. The Town is required to pay the full amount of each warrant presented by the Fire District, whether or not these amounts are actually collected by the Town. Accordingly, the Fire District receives 100% of its tax levy May 1<sup>st</sup> each year. The Town enforces delinquent taxes through tax lien proceedings and in-rem foreclosure proceedings. Town County, and special district taxes or assessments for the period from January 1<sup>st</sup> to December 31<sup>st</sup> are due in a single payment on April 1<sup>st</sup>. Payment may be made without penalty until April 30<sup>th</sup>, after which the penalty is 2% during May, 5% during June and July, 7% during August and September, 10% during October, November and December and 12% thereafter to tax lien date (generally the following May).

### Tax Levy Limit Law

Prior to the enactment of Chapter 97 of the New York Laws of 2011, as amended (the "*Tax Levy Limit Law*") all the taxable real property within the Fire District had been subject to the levy of ad valorem taxes to pay the bonds and notes of the Fire District and interest thereon without limitation as to rate or amount. However, the Tax Levy Limit Law imposes a tax levy limitation upon the Fire District for any fiscal year commencing after January 1, 2012, without providing an exclusion for debt service on obligations issued by the Fire District. As a result, the power of the Fire District to cause the levy of real estate taxes on all the taxable real property within the Fire District, to pay the principal of and interest on the Notes, is subject to the statutory limitations imposed by the Tax Levy Limit Law.

The following is a brief summary of certain relevant provisions of Tax Levy Limit Law. The summary is not complete and the full text of the Tax Levy Limit Law should be read in order to understand the details and implications thereof.

The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the Fire District, subject to certain exceptions. The Tax Levy Limit Law permits the Fire District to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor", which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The Fire District is required to calculate its tax levy limit for the upcoming year in accordance with the provisions above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the Fire District, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Fire District. The Board of Fire Commissioners of the Fire District can adopt a resolution, approved by a vote of sixty percent of the total voting power of the Board of Fire Commissioners, to override the tax levy limit for a given year.

There can be no assurances that the Tax Levy Limit Law will not come under legal challenge for violating applicable law (i) for not providing an exception for debt service on obligations issued prior to the enactment of the Tax Levy Limit Law, (ii) by effectively eliminating the exception for debt service to general real estate tax limitations, and (iii) by limiting the pledge of its faith and credit by a fire district for the payment of debt service on obligations issued by such fire district because the Tax Levy Limit Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation bonds or notes of the Fire District or such indebtedness incurred after the effective date of the Tax Levy Limit Law.

### Valuations, Rates and Levies

A summary of Valuations and Levies may be found in Appendix A.

#### Selected Listing of Large Taxable Properties<sup>a</sup> 2021-22 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
Keyspan	Utility	\$274,634
Cardinale, Alan	Commercial	281,550
Strong's Marina	Marina	134,330
E&C Property Holdings	Social	128,400
Norris, Susan	Estate	114,700
Rimor Dev LLC	Condo	113,400
55 Cox Neck Rd Realty	Residential	103,100
Serota Nathan L	Commercial	71,300
Laurel Links Country Club	Golf Club	61,220
Vanston Bear LLC	Residential	66,900
Marlake Associates	Agriculture	58,000
Marratooka Properties	Agriculture	57,900
North Fork Country Club	Golf Club	55,600
Gluckman, Thomas	Residential	49,500
1663 Bridge LLC	Residential	46,800
	Total <sup>a</sup>	\$1,617,334 <sup>b</sup>

a. The chart referenced above reflects the largest taxable properties located in the Mattituck-Cutchogue Union Free School District.

b. Represents 7.92% of the 2021-22 Assessed Valuation of the Fire District.

## **LITIGATION**

In common with other fire districts, the Fire District from time to time may receive notices of claim and is party to litigation. Currently, in the opinion of the Fire District attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no claims or actions pending in which the Fire District has not asserted and/or has the ability to assert a substantial and adequate defense, no which, if determined against the Fire District, would have a substantial adverse material effect on the financial condition of the Fire District.

## **IMPACT OF COVID-19**

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the Fire District's financial condition and operating results in various ways, including by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. The outbreak of the disease affected travel, commerce and financial markets globally. The outbreak caused the Federal government to declare a national state of emergency, which was followed by the enactment of a variety of stimulus measures designed to address financial stability and liquidity issues caused by the outbreak. The State also declared a state of emergency which has since been terminated and the Governor took steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses for an extended period. The resurgence could have a material adverse effect on the State and municipalities and school districts located in the State, including the Fire District. The Fire District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Fire District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. The Tax Certificate of the Fire District (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Notes will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Fire District in connection with the Notes, and Bond Counsel has assumed compliance by the Fire District with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Fire District, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

### **Certain Ongoing Federal Tax Requirements and Certifications**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Fire District, in executing the Tax Certificate, will certify to the effect that the Fire District will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### **Original Issue Discount**

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a note with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Notes. In general, the issue price for each maturity of Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a “Discount Note”), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Notes.

In general, under Section 1288 of the Code, OID on a Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Note. An owner’s adjusted basis in a Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Note even though there will not be a corresponding cash payment.

Owners of Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Notes.

## **Note Premium**

In general, if an owner acquires a note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “note premium” on that note (a “Premium Note”). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the note premium over the remaining term of the Premium Note, based on the owner’s yield over the remaining term of the Premium Note, determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such note). An owner of a Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Note should consult their own tax advisors regarding the treatment of note premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of note premium on, sale, exchange, or other disposition of Premium Notes.

## **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

## **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of the law firm of Hawkins Delafield & Wood LLP, Bond Counsel to the Fire District with respect to the Notes, which will be available at the time of delivery of the Notes, substantially in the form set forth in Appendix C.

## DISCLOSURE UNDERTAKING

This Official Statement is in a form “deemed final” by the Fire District for the purposes of Securities and Exchange Commission Rule 15c2-12 (the “Rule”). At the time of the delivery of the Notes, the Fire District will provide an executed copy of its “Undertaking to Provide Notices of Events” (the “Undertaking”) substantially in the form set forth in Appendix D.

## RATING

The Notes are not rated. The Fire District does not presently have a credit rating because it does not have any long-term debt.

## MUNICIPAL ADVISOR

Munistat Services, Inc. (the “Municipal Advisor”), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the Fire District on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the Fire District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the Fire District or the information set forth in this Official Statement or any other information available to the Fire District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

## ADDITIONAL INFORMATION

Additional information may be obtained from the office of Peter J. Zwerlein, Fire District Treasurer, Cutchogue Fire District, in the Town of Southold, 260 New Suffolk Road, Cutchogue, NY 11935, Phone (631) 734-6907, and email: [cutfdtreas@optonline.net](mailto:cutfdtreas@optonline.net) or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number (631) 331-8888 and website: [www.munistat.com](http://www.munistat.com).

Munistat Services, Inc. may place a copy of this Official Statement on its website at [www.munistat.com](http://www.munistat.com). Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the Fire District nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the Fire District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the Fire District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be, in fact, realized. This Official Statement is not to be construed as a contract or agreement between the Fire District and the original purchasers or owners of any of the Notes.

The preparation and distribution of this Official Statement has been authorized by various resolutions of the Fire District which delegates to the Fire District Treasurer the power to sell and issue the Notes.

By: s/s \_\_\_\_\_  
PETER J. ZWERLEIN  
Fire District Treasurer  
Cutchogue Fire District, in the Town of Southold  
Cutchogue, New York

June , 2023

**APPENDIX A**

**FINANCIAL INFORMATION**



**CUTCHOGUE FIRE DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**TOTAL GOVERNMENT FUNDS**

	Fiscal Year Ending December 31:				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Revenues					
Real Property Taxes and Tax Items	\$ 1,599,100	\$ 1,597,363	\$ 1,617,131	\$ 1,691,135	\$ 1,970,079
Use of Money and Property	4,231	13,600	96,605	100,086	98,292
Sale of Property and Compensation	3,179	55,127		16,128	1,000
Miscellaneous Local Sources	625	1,514	2,528	125	50
State Aid	1,000	1,500			
<b>Total Revenues</b>	<b>\$ 1,608,135</b>	<b>\$ 1,669,104</b>	<b>\$ 1,716,264</b>	<b>\$ 1,807,474</b>	<b>\$ 2,069,421</b>
Expenditures					
Personal Services	184,888	193,535	224,046	215,780	220,088
Equipment and Capital Outlay	72,038	484,520	296,478	261,061	107,397
Contractual Expenditures	469,324	506,852	457,919	504,201	589,505
State Retirement System	8,775	6,465	7,293	3,863	5,797
Local Pension Fund	360,000	415,000	238,949	199,733	246,219
Social Security	14,145	14,810	17,134	16,509	16,837
Workers Compensation	52,297	64,355	77,836	77,615	51,838
Life Insurance	4,886	5,527	5,448	6,173	8,669
Unemployment Insurance	750	545	622	2,182	2,724
Disability Insurance	537	563	610	587	637
Hospital and Medical Insurance	15,221	18,700	12,384	11,392	14,579
Debt Service	70,876	70,726	55,925	55,923	55,921
<b>Total Expenditures</b>	<b>1,253,737</b>	<b>1,781,598</b>	<b>1,394,644</b>	<b>1,355,019</b>	<b>1,320,211</b>
Excess (deficiency) of Revenues Over Expenditures	354,398	(112,494)	321,620	452,455	749,210
OTHER FINANCING SOURCES AND USES					
Proceeds from Installment Purchase Debt					
Operating transfers in					
Operating transfers (out)					
Total other financing sources and (uses)	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances for Year	354,398	(112,494)	321,620	452,455	749,210
Fund Balances - Beginning of Year	1,807,424	2,161,822	2,049,328	5,078,197	5,530,652
Prior Period Adjustment			2,707,249		
Fund Balances- End of Year	<u>\$ 2,161,822</u>	<u>\$ 2,049,328</u>	<u>\$ 5,078,197</u>	<u>\$ 5,530,652</u>	<u>\$ 6,279,862</u>

The restatement was performed to fund balance at the beginning of 2020 due to a change in accounting principle resulting from the adoption of GASB 84, as required by the regulatory basis of accounting prescribed by the New York State Office of the State Comptroller in the current year. The implementation of GASB 84 eliminated the District's use of the Agency Fund, which prior to adjustment at January 1, 2020 reflected assets and liabilities of \$2,707,249 and required the District to report its length of service award program activity within the General Fund.

Note: This Schedule is not Audited.

Source: Annual Financial Report Update Documents (2018-2022)

**Balance Sheet  
General Fund**

	Year Ended December 31:		
	2020	2021	2022
<b>ASSETS:</b>			
Cash	\$ 670,732	\$ 650,485	\$ 963,373
Cash Special Reserve	1,512,179	1,682,071	1,885,942
Service Award Programs	<u>2,964,619</u>	<u>3,269,922</u>	<u>3,502,929</u>
 Total Assets	 <u>\$ 5,147,530</u>	 <u>\$ 5,602,478</u>	 <u>\$ 6,352,244</u>
 <b>LIABILITIES:</b>			
Accounts Payable	\$ 54,495	\$ 56,033	\$ 56,217
Accrued Expenses	<u>14,838</u>	<u>15,793</u>	<u>16,165</u>
 Total Liabilities	 <u>\$ 69,333</u>	 <u>\$ 71,826</u>	 <u>\$ 72,382</u>
 <b>FUND BALANCES:</b>			
Restricted	4,476,798	4,951,993	5,388,871
Assigned	320,793	33,484	106,127
Unassigned	<u>280,606</u>	<u>545,175</u>	<u>784,864</u>
 Total Fund Balances	 <u>5,078,197</u>	 <u>5,530,652</u>	 <u>6,279,862</u>
 Total Liabilities, Deferred inflows, and Fund Balances	 <u>\$ 5,147,530</u>	 <u>\$ 5,602,478</u>	 <u>\$ 6,352,244</u>

***This Schedule is not Audited***

Source: Annual Financial Report Update Documents (2020-2022)

## BUDGET SUMMARIES

	Fiscal Year Ending December 31:	
	<u>2022</u>	<u>2023</u>
Revenues:		
Real Property Taxes	\$ 1,956,178	\$ 2,022,529
Other Income	2,500	3,050
Total Revenues	\$ 1,958,678	\$ 2,025,579
Expenditures:		
Personnel Services	\$ 338,000	\$ 325,000
Equipment	155,000	182,500
Contractual and Other Expenses	592,050	613,550
State Retirement System	7,500	7,500
Service Awards Program	415,000	415,000
Social Security	26,000	25,500
Workers Compensation	85,000	58,000
Unemployment Insurance	2,000	2,500
Medical and Hospital Insurance	7,100	
Group Term Life Insurance	7,500	9,500
Cancer Disability Benefits	17,500	15,500
Fire/Rescue Equipment Financing	56,028	56,029
Transfer to Reserves	250,000	315,000
Total Expenditures	\$ 1,958,678	\$ 2,025,579

Adopted Budgets of the Fire District

**CUTCHOGUE FIRE DISTRICT, IN THE TOWN OF SOUTHOLD**

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND /OR UPDATED BY THE FIRE DISTRICT'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORT IN THIS OFFICIAL STATEMENT HAS NOT BEEN REQUESTED NOR OBTAINED.

# **CUTCHOGUE FIRE DISTRICT**

**ANNUAL FINANCIAL REPORT**  
**December 31, 2022**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Fire Commissioners  
Cutchogue Fire District  
Cutchogue, New York

### **Report on the Audit of the Annual Financial Report Update Document**

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

We have audited the accompanying Annual Financial Report Update Document (Financial Section) of Cutchogue Fire District (the District), as of and for the year ended December 31, 2022 and the related notes to the Annual Financial Report Update Document, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the Annual Financial Report Update Document (Financial Section) referred to above presents fairly, in all material respects, the assets, liabilities and fund balances of the District, as of December 31, 2022, and the revenues it received, and expenditures made for the year then ended in conformity with the basis of accounting 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 paragraph, the Annual Financial Report Update Document (Financial Section) referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2022, or changes in financial position for the year then ended.

#### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles and Unmodified Opinion on Regulatory Basis of Accounting**

As described more fully in Note 1, the District prepares its Annual Financial Report Update Document (Financial Section) using accounting practices prescribed or permitted by the New York State Office of the State Comptroller, which is a basis of accounting other than accounting

principles generally accepted in the United States of America, to meet the requirements of the New York State Office of the State Comptroller.

The effects on the Annual Financial Report Update Document (Financial Section) 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.

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Report Update Document (Financial Section) 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.

#### **Responsibilities of Management for the Annual Financial Report Update Document (Financial Section)**

Management is responsible for the preparation and fair presentation of the Annual Financial Report Update Document (Financial Section) in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, as described in Note 1. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the Annual Financial Report Update Document (Financial Section) that is 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 within one year after the date the financial statements are available to be issued.

#### **Auditor's Responsibilities for the Audit of the Annual Financial Report Update Document (Financial Section)**

Our objectives are to obtain reasonable assurance about whether the Annual Financial Report Update Document (Financial Section) as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 generally accepted auditing standards 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the Annual Financial Report Update Document (Financial Section).

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Annual Financial Report Update Document (Financial Section), 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 Annual Financial Report Update Document (Financial Section).
- 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 Annual Financial Report Update Document (Financial Section).
- Conclude whether, in our judgement 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.

### **Other Information**

Management is responsible for the other information included in the Annual Financial Report Update Document. The other information comprises the supplemental section, except for the Fire District Questionnaire, listed on page two of the Annual Financial Report Update Document but does not include the basic financial section and our auditor's report thereon. Our opinion on the Annual Financial Report Update Document (Financial Section) does not cover the supplemental section except for the Fire District Questionnaire, and we do not express an opinion or any form of assurance thereon.

To the Board of Fire Commissioners  
Cutchogue Fire District  
Page A4

In connection with our audit of the Annual Financial Report Update Document (Financial Section), our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Sheehan & Company C.P.A., P.C.*

Brightwaters, New York  
March 29, 2023

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

ANNUAL FINANCIAL REPORT  
UPDATE DOCUMENT  
For The  
FIRE DISTRICT of Cutchogue  
County of Suffolk  
For the Fiscal Year Ended 12/31/2022

\*\*\*\*\*

AUTHORIZATION

ARTICLE 3, SECTION 30 of the GENERAL MUNICIPAL LAW:

1. \*\*\*Every Municipal Corporation \*\*\* shall annually make a report of its financial condition to the Comptroller. Such report shall be made by the Chief Fiscal Officer of such Municipal Corporation \*\*\*
5. All reports shall be certified by the officer making the same and shall be filed with the Comptroller \*\*\* It shall be the duty of the incumbent officer at the time such reports are required to be filed with the Comptroller to file such report \*\*\*

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

FIRE DISTRICT OF Cutchogue

\*\*\* FINANCIAL SECTION \*\*\*

Financial Information for the following funds and account groups are included in the Annual Financial Report filed by your government for the fiscal year ended 2021 and has been used by the OSC as the basis for preparing this update document for the fiscal year ended 2022:

- (A) GENERAL
- (H) CAPITAL PROJECTS
- (K) GENERAL FIXED ASSETS
- (W) GENERAL LONG-TERM DEBT

All amounts included in this update document for 2021 represent data filed by your government with OSC as reviewed and adjusted where necessary.

\*\*\* SUPPLEMENTAL SECTION \*\*\*

The Supplemental Section includes the following sections:

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

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

Cutchogue FIRE DISTRICT  
Annual Update Document  
For the Fiscal Year Ending 2022

(A) GENERAL

Balance Sheet

Code Description	2021	EdpCode	2022
<b>Assets</b>			
Cash	650,485	A200	963,373
<b>TOTAL Cash</b>	<b>650,485</b>		<b>963,373</b>
Cash Special Reserves	1,682,071	A230	1,885,942
Service Award Program Assets	3,269,922	A461	3,502,929
<b>TOTAL Restricted Assets</b>	<b>4,951,993</b>		<b>5,388,871</b>
<b>TOTAL Assets</b>	<b>5,602,478</b>		<b>6,352,244</b>

Cutchogue FIRE DISTRICT  
Annual Update Document  
For the Fiscal Year Ending 2022

(A) GENERAL

Balance Sheet

Code Description	2021	EdpCode	2022
Accounts Payable	56,033	A600	56,217
<b>TOTAL Accounts Payable</b>	<b>56,033</b>		<b>56,217</b>
Accrued Liabilities	15,793	A601	16,165
<b>TOTAL Accrued Liabilities</b>	<b>15,793</b>		<b>16,165</b>
<b>TOTAL Liabilities</b>	<b>71,826</b>		<b>72,382</b>
<b>Fund Balance</b>			
Capital Reserve	1,682,071	A878	1,885,942
Restricted for Service Award Program	3,269,922	A895	3,502,929
<b>TOTAL Restricted Fund Balance</b>	<b>4,951,993</b>		<b>5,388,871</b>
Assigned Unappropriated Fund Balance	33,484	A915	106,127
<b>TOTAL Assigned Fund Balance</b>	<b>33,484</b>		<b>106,127</b>
Unassigned Fund Balance	545,175	A917	784,864
<b>TOTAL Unassigned Fund Balance</b>	<b>545,175</b>		<b>784,864</b>
<b>TOTAL Fund Balance</b>	<b>5,530,652</b>		<b>6,279,862</b>
<b>TOTAL Liabilities, Deferred Inflows And Fund Balance</b>	<b>5,602,478</b>		<b>6,352,244</b>

Cutchogue FIRE DISTRICT  
Annual Update Document  
For the Fiscal Year Ending 2022

(A) GENERAL

Results of Operation

Code Description	2021	EdpCode	2022
<b>Revenues</b>			
Real Property Taxes	1,691,135	A1001	1,956,185
<b>TOTAL Real Property Taxes</b>	<b>1,691,135</b>		<b>1,956,185</b>
Other Payments In Lieu of Taxes		A1081	13,894
<b>TOTAL Real Property Tax Items</b>	<b>0</b>		<b>13,894</b>
Interest And Earnings	99,011	A2401	96,667
Rental of Real Property	1,075	A2410	1,625
<b>TOTAL Use of Money And Property</b>	<b>100,086</b>		<b>98,292</b>
Sales of Equipment	16,128	A2665	1,000
<b>TOTAL Sale of Property And Compensation For Loss</b>	<b>16,128</b>		<b>1,000</b>
Refunds of Prior Year's Expenditures	120	A2701	50
Unclassified (specify)	5	A2770	
<b>TOTAL Miscellaneous Local Sources</b>	<b>125</b>		<b>50</b>
<b>TOTAL Revenues</b>	<b>1,807,474</b>		<b>2,069,421</b>
<b>TOTAL Revenues</b>	<b>1,807,474</b>		<b>2,069,421</b>

Cutchogue FIRE DISTRICT  
Annual Update Document  
For the Fiscal Year Ending 2022

(A) GENERAL

Results of Operation

Code Description	2021	EdpCode	2022
<b>Expenditures</b>			
Fire, Pers Serv	215,780	A34101	220,088
Fire, Equip & Cap Outlay	261,061	A34102	107,397
Fire, Contr Expend	504,201	A34104	589,505
<b>TOTAL Fire</b>	<b>981,042</b>		<b>916,990</b>
<b>TOTAL Public Safety</b>	<b>981,042</b>		<b>916,990</b>
State Retirement System	3,863	A90108	5,797
Local Pension Fund, Empl Bnfts	199,733	A90258	246,219
Social Security, Employer Cont	16,509	A90308	16,837
Worker's Compensation, Empl Bnfts	77,615	A90408	51,838
Life Insurance, Empl Bnfts	6,173	A90458	8,669
Unemployment Insurance, Empl Bnfts	2,182	A90508	2,724
Disability Insurance, Empl Bnfts	587	A90558	637
Hospital & Medical (dental) Ins, Empl Bnft	11,392	A90608	14,579
<b>TOTAL Employee Benefits</b>	<b>318,054</b>		<b>347,300</b>
Install Pur Debt, Principal	47,961	A97856	
Leases, Principal		A97886	49,220
<b>TOTAL Debt Principal</b>	<b>47,961</b>		<b>49,220</b>
Install Pur Debt, Interest	7,962	A97857	
Leases, Interest		A97887	6,701
<b>TOTAL Debt Interest</b>	<b>7,962</b>		<b>6,701</b>
<b>TOTAL Expenditures</b>	<b>1,355,019</b>		<b>1,320,211</b>
<b>TOTAL Expenditures</b>	<b>1,355,019</b>		<b>1,320,211</b>



Cutchogue FIRE DISTRICT  
Annual Update Document  
For the Fiscal Year Ending 2022

(A) GENERAL

**Analysis of Changes in Fund Balance**

Code Description	2021	EdpCode	2022
<b>Analysis of Changes in Fund Balance</b>			
<b>Fund Balance - Beginning of Year</b>	<b>5,078,197</b>	<b>A8021</b>	<b>5,530,652</b>
Prior Period Adj -Increase In Fund Balance		A8012	
<b>Restated Fund Balance - Beg of Year</b>	<b>5,078,197</b>	<b>A8022</b>	<b>5,530,652</b>
ADD - REVENUES AND OTHER SOURCES	1,807,474		2,069,421
DEDUCT - EXPENDITURES AND OTHER USES	1,355,019		1,320,211
<b>Fund Balance - End of Year</b>	<b>5,530,652</b>	<b>A8029</b>	<b>6,279,862</b>

Cutchogue FIRE DISTRICT  
Annual Update Document  
For the Fiscal Year Ending 2022

(A) GENERAL

Budget Summary

Code Description	2022	EdpCode	2023
<b>Estimated Revenues</b>			
Est Rev - Real Property Taxes	1,956,178	A1049N	2,022,529
Est Rev - Use of Money And Property	2,500	A2499N	3,050
<b>TOTAL Estimated Revenues</b>	<b>1,958,678</b>		<b>2,025,579</b>
<b>TOTAL Estimated Revenues</b>	<b>1,958,678</b>		<b>2,025,579</b>

Cutchogue FIRE DISTRICT  
Annual Update Document  
For the Fiscal Year Ending 2022

(A) GENERAL

Budget Summary

Code Description	2022	EdpCode	2023
<b>Appropriations</b>			
App - Public Safety	1,084,600	A3999N	1,120,450
App - Employee Benefits	568,050	A9199N	534,100
App - Debt Service	56,028	A9899N	56,029
<b>TOTAL Appropriations</b>	<b>1,708,678</b>		<b>1,710,579</b>
Other Budgetary Purposes	250,000	A962N	315,000
<b>TOTAL Other Uses</b>	<b>250,000</b>		<b>315,000</b>
<b>TOTAL Appropriations</b>	<b>1,958,678</b>		<b>2,025,579</b>

Cutchogue FIRE DISTRICT  
Annual Update Document  
For the Fiscal Year Ending 2022

Balance Sheet

Code Description	2021	EdpCode	2022
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Cutchogue FIRE DISTRICT  
Annual Update Document  
For the Fiscal Year Ending 2022

Balance Sheet

Code Description	2021	EdpCode	2022
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Cutchogue FIRE DISTRICT  
Annual Update Document  
For the Fiscal Year Ending 2022

Results of Operation

Code Description	2021	EdpCode	2022
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Cutchogue FIRE DISTRICT  
Annual Update Document  
For the Fiscal Year Ending 2022

Results of Operation

Code Description	2021	EdpCode	2022
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Cutchogue FIRE DISTRICT  
Annual Update Document  
For the Fiscal Year Ending 2022

(H) CAPITAL PROJECTS

**Analysis of Changes in Fund Balance**

Code Description	2021	EdpCode	2022
<b>Analysis of Changes in Fund Balance</b>			
<b>Fund Balance - Beginning of Year</b>		<b>H8021</b>	
<b>Restated Fund Balance - Beg of Year</b>		<b>H8022</b>	
<b>Fund Balance - End of Year</b>		<b>H8029</b>	



Cutchogue FIRE DISTRICT  
Annual Update Document  
For the Fiscal Year Ending 2022

(K) GENERAL FIXED ASSETS

Balance Sheet

Code Description	2021	EdpCode	2022
<b>Assets</b>			
Land	1,053,403	K101	1,053,403
Buildings	1,579,876	K102	1,579,876
Improvements Other Than Buildings	297,207	K103	297,207
Machinery And Equipment	4,753,942	K104	4,037,311
Infrastructure	425,648	K106	425,648
Net Pension Asset - Proportionate Share		K108	4,984
Accum Deprec, Buildings	-795,879	K112	-795,879
Accum Depr, Imp Other Than Bld	-178,424	K113	-178,424
Accum Depr, Machinery & Equip	-2,812,887	K114	-2,651,643
Accum Deprec, Infrastructure	-382,146	K116	-382,146
Intangible Lease Asset - Mach & Equip		K124	716,631
Accum Amort, Intang Lease Asset-Mach & Equ		K134	-197,076
<b>TOTAL Fixed Assets (net)</b>	<b>3,940,740</b>		<b>3,909,892</b>
<b>TOTAL Assets</b>	<b>3,940,740</b>		<b>3,909,892</b>

Cutchogue FIRE DISTRICT  
Annual Update Document  
For the Fiscal Year Ending 2022

(K) GENERAL FIXED ASSETS

Balance Sheet

Code Description	2021	EdpCode	2022
<b>Liabilities</b>			
Total Non-Current Govt Assets	3,940,740	K159	3,909,892
<b>TOTAL Investments in Non-Current Government Assets</b>	<b>3,940,740</b>		<b>3,909,892</b>
<b>TOTAL Fund Balance</b>	<b>3,940,740</b>		<b>3,909,892</b>
<b>TOTAL</b>	<b>3,940,740</b>		<b>3,909,892</b>

Cutchogue FIRE DISTRICT  
Annual Update Document  
For the Fiscal Year Ending 2022

(W) GENERAL LONG-TERM DEBT

Balance Sheet

Code Description	2021	EdpCode	2022
<b>Assets</b>			
Total Non-Current Govt Liabilities	259,549	W129	210,144
<b>TOTAL Provision To Be Made In Future Budgets</b>	<b>259,549</b>		<b>210,144</b>
<b>TOTAL Assets</b>	<b>259,549</b>		<b>210,144</b>

Cutchogue FIRE DISTRICT  
Annual Update Document  
For the Fiscal Year Ending 2022

(W) GENERAL LONG-TERM DEBT

Balance Sheet

Code Description	2021	EdpCode	2022
Net Pension Liability -Proportionate Share	185	W638	
Lease Liability		W682	210,144
Installment Purchase Debt	259,364	W685	
<b>TOTAL Other Liabilities</b>	<b>259,549</b>		<b>210,144</b>
<b>TOTAL Liabilities</b>	<b>259,549</b>		<b>210,144</b>
<b>TOTAL Liabilities</b>	<b>259,549</b>		<b>210,144</b>

**Cutchogue FIRE DISTRICT**  
**Statement of Indebtedness**  
**For the Fiscal Year Ending 2022**

3/24/2023

County of: Suffolk

Municipal Code: 471179002500

First Year	Debt Code	Description	Cops Flag	Comp Flag	Date of Issue	Date of Maturity	Int. Rate	Var?	Amt. Orig. Issued	O/S Beg. of Year	Paid Dur. Year	Redeemed Bond Proc.	Prior Yr. Adjust.	Accreted Interest	O/S End of Year
2017	IPC E	Spartan ERV Fire Truck			11/21/2017	11/21/2026	2.594%		\$500,000	\$259,364		\$0	(\$259,364)		\$0
<b>Total for Type/Exempt Status - Sums Issued Amts only made in AFR Year</b>									\$0	\$259,364	\$0	\$0	(\$259,364)	\$0	\$0
<b>AFR Year Total for All Debt Types - Sums Issued Amts only made in AFR Year</b>									\$0	\$259,364	\$0	\$0	(\$259,364)	\$0	\$0

Cutchogue FIRE DISTRICT  
Schedule of Time Deposits and Investments  
For the Fiscal Year Ending 2022

	EDP Code	Amount
<b>CASH:</b>		
On Hand	9Z2001	\$0.00
Demand Deposits	9Z2011	\$0.00
Time Deposits	9Z2021	\$0.00
<b>Total</b>		\$0.00
 <b>COLLATERAL:</b>		
- FDIC Insurance	9Z2014	\$0.00
Collateralized with securities held in possession of municipality or its agent	9Z2014A	\$0.00
<b>Total</b>		\$0.00
 <b>INVESTMENTS:</b>		
- Securities (450)		
Book Value (cost)	9Z4501	\$0.00
Market Value at Balance Sheet Date	9Z4502	\$0.00
Collateralized with securities held in possession of municipality or its agent	9Z4504A	\$0.00
- Repurchase Agreements (451)		
Book Value (cost)	9Z4511	\$0.00
Market Value at Balance Sheet Date	9Z4512	\$0.00
Collateralized with securities held in possession of municipality or its agent	9Z4514A	\$0.00

Cutchogue FIRE DISTRICT  
Bank Reconciliation  
For the Fiscal Year Ending 2022

Include All Checking, Savings and C.D. Accounts

Bank Account Number	Bank Balance	Add: Deposit In Transit	Less: Outstanding Checks	Adjusted Bank Balance
****-6692	\$259,095	\$0	\$14,509	\$244,586
****-3080	\$1,066,325	\$0	\$0	\$1,066,325
****-3591	\$707,910	\$0	\$0	\$707,910
****-6693	\$11,063	\$0	\$186	\$10,877
****-9529	\$819,617	\$0	\$0	\$819,617
	Total Adjusted Bank Balance			\$2,849,315
	Petty Cash			\$0
	Adjustments			\$0
	Total Cash			9ZCASH * \$2,849,315
	Total Cash Balance All Funds			9ZCASHB * \$2,849,315
	* Must be equal			

Cutchogue FIRE DISTRICT  
 Fire District Questionnaire  
 For the Fiscal Year Ending 2022

	Response
1) Has your district adopted a written procurement policy and is it complied with?	Y
2) Has your district contracted to have an independent audit of its financial statements? If not, has the Board of Fire Commissioners performed an internal audit of the Treasurer's records and reports?	Y
3) Does your district have a written travel policy and is it complied with?	Y
4) Are monthly bank reconciliations performed?	Y
5) What is your districts statutory spending limitation margin (amount) for the next fiscal	\$1,551,713
6) Does your fire district have a Length of Service Award Program (LOSAP) for volunteer firefighters?	
If so, how are the LOSAP funds invested?	
Marketable Securities	N
Annuities	Y
Life Insurance	N
Other (describe)	
7) Has your Fire District adopted an investment policy as required by General Municipal Law, Section 39?	Y



Cutchogue FIRE DISTRICT  
Employee and Retiree Benefits  
For the Fiscal Year Ending 2022

<b>Total Full Time Employees:</b>		1			
<b>Total Part Time Employees:</b>		13			
<b>Account Code</b>	<b>Description</b>	<b>Total Expenditures (All Funds)</b>	<b># of Full Time Employees</b>	<b># of Part Time Employees</b>	<b># of Retirees</b>
90108	State Retirement System	\$5,797.00	1		
90158	Police and Fire Retirement				
90258	Local Pension Fund	\$246,219.00			
90308	Social Security	\$16,837.00	1	13	
90408	Worker's Compensation Insurance	\$51,838.00	1	13	
90458	Life Insurance	\$8,669.00			
90508	Unemployment Insurance	\$2,724.00	1	13	
90558	Disability Insurance	\$637.00	1	13	
90608	Hospital and Medical (Dental) Insurance	\$14,579.00			
90708	Union Welfare Benefits				
90858	Supplemental Benefit Payment to Disabled Fire Fighters				
91890	Other Employee Benefits				
<b>Total</b>		<b>\$347,300.00</b>			
Computed Total From Financial Section (comparative purposes only)		<b>\$347,300.00</b>			

Cutchogue FIRE DISTRICT  
 Energy Costs and Consumption  
 For the Fiscal Year Ending 2022

Energy Type	Total Expenditures	Total Volume	Units Of Measure	Alternative Units Of Measure
Gasoline	\$12,737	3,170	gallons	
Diesel Fuel	\$6,918	1,564	gallons	
Fuel Oil			gallons	
Natural Gas	\$11,151	6,519	cubic feet	Therms
Electricity	\$25,972	110,928	kilowatt-hours	
Coal			tons	
Propane	\$4,017	1,801	gallons	

# FIRE DISTRICT DEMOGRAPHICS

## Postal or Mailing Address:

<input type="text" value="260 New Suffolk Road"/>	<input type="text" value="Cutchogue"/>	<input type="text" value="NY"/>	<input type="text" value="11035"/>
Street Address or PO Box	City	State	Zip
<input type="text" value="(631) 734-6907"/>	<input type="text" value="(631) 734-7079"/>		
Fire District Telephone Number	Fire District Fax Number		
<input type="text" value="cutfd@optonline.net"/>	<input type="text" value="www.cutchoguefiredept.org"/>		
Official Email Address	Website		
Physical Address: (If Different From Postal Address)			
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Street Address	City	State	Zip

## BOARD DEMOGRAPHICS CHIEF FISCAL OFFICER

<input type="text" value="Peter J. Zwerlein"/>	<input type="text" value="Treasurer"/>		
Name	Title		
<input type="text" value="260 New Suffolk Road"/>	<input type="text" value="Cutchogue"/>	<input type="text" value="NY"/>	<input type="text" value="11935"/>
Street Address or PO Box	City	State	Zip
<input type="text" value="(631) 734-6907"/>	<input type="text" value="(631) 734-7079"/>		
Telephone Number	Fax Number		
<input type="text" value="cutfdtreas@optonline.net"/>	<input type="text" value="12/31/2023"/>		
Email Address	Term End Date		

## CHAIRMAN OF THE BOARD

<input type="text" value="David Blados"/>	<input type="text" value="Commissioner"/>		
Name	Title		
<input type="text" value="260 New Suffolk Road"/>	<input type="text" value="Cutchogue"/>	<input type="text" value="NY"/>	<input type="text" value="11935"/>
Street Address or PO Box	City	State	Zip
<input type="text" value="(631)734-6907"/>	<input type="text" value="(631)734-7079"/>		
Telephone Number	Fax Number		
<input type="text" value="cutfd@optonline.net"/>	<input type="text" value="12/31/2023"/>		
Email Address	Term End Date		

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

<input type="text"/>	<input type="text" value="*****"/>	<input type="text" value="02/23/2024"/>
Name of Report Preparer if different than Chief Fiscal Officer	Personal Identification Number of Chief Fiscal Officer	Date

Cutchogue FIRE DISTRICT  
Financial Comments  
For the Fiscal Year Ending 2022

(K) GENERAL FIXED ASSETS

Account Code Comment

Account Code K108 Reclassified negative W638 to K108 per NYSLRS

Account Code K159 Reclassified negative W638 to K108 per NYSLRS

(W) GENERAL LONG-TERM DEBT

Account Code Comment

Account Code W638 Reclassified negative W638 to K108 per NYSLRS

Account Code W129 Reclassified negative W638 to K108 per NYSLRS

# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

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### 1. **Summary of Significant Accounting Policies:**

The Annual Financial Report Update Document (AUD) of the Cutchogue Fire District (the District), as of and for the year ended December 31, 2022, has been prepared in conformity with accounting practices prescribed or permitted by the New York State Office of the State Comptroller (regulatory basis), which is a special purpose framework of accounting other than U.S. generally accepted accounting principles.

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

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

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

#### **Governmental:**

##### **General Fund**

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

##### **Equipment Reserve Fund**

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

##### **Building Reserve Fund**

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

# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

### 1. Summary of Significant Accounting Policies (continued):

#### Basis of presentation (continued):

#### Governmental (continued):

##### Service Award Program Fund

The Service Award Program Fund is used to account for and report financial resources related to the District's length of service award program (LOSAP).

For reporting purposes, these funds are all combined and shown within the General Fund.

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

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

**Investments:** An investment is a security or other asset (a) that a government holds primarily for the purpose of income or profit and (b) with present service capacity that is based solely on its ability to generate cash or to be sold to generate cash. Investments are generally reported at fair value, except certificates of deposit, which are reported at cost.

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

**Encumbrances:** Encumbrance accounting is used for budget control and monitoring purposes and is reported as part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditures of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as assigned unappropriated fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred, or the commitment is paid.

# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

### 1. Summary of Significant Accounting Policies (continued):

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

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

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

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

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

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

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

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

# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

### 1. Summary of Significant Accounting Policies (continued):

**Fixed assets:** Fixed assets, which include land, buildings, improvements other than buildings, machinery and equipment, and infrastructure, are reported on the Schedule K (General Fixed Assets) on the AUD. The District defines fixed assets as assets with an initial, individual cost of more than \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Major outlays for fixed assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets life are not capitalized.

The costs associated with the acquisition or construction of fixed assets are shown as capital outlay expenditures in governmental funds.

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

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

**Budgetary data:** The District prepares an operating budget for the General Fund each year. The budget is adopted by the Board of Fire Commissioners as its final budget for the coming year as it relates to total spending. The District can adjust the budget as needed by transferring certain budgeted amounts between accounts. The budget is not subject to referendum. All budget appropriations lapse at the end of each year.

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

**Newly adopted accounting standards:** During 2022, the District adopted Governmental Accounting Standards Board Statement No. 87, *Leases* (GASB 87). This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.



# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

### 1. Summary of Significant Accounting Policies (continued):

#### Newly adopted accounting standards (continued):

Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, thereby enhancing the relevance and consistency of information about a government's leasing activities. Refer to Notes 3 and 4 for the related impact of adoption on the District's AUD.

**Subsequent events:** Management has evaluated subsequent events through the date of the report, which is the date the financial statements were available to be issued.

### 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 special time deposit accounts, certificates of deposit, obligations of the United States of America, obligations guaranteed by agencies of the United States of America and obligations of the State of New York. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's risk exposure can be categorized as follows:

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

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

<u>Category</u>	<u>Amount</u>
1	\$ 500,000
2	2,364,010
3	-
4	-
Total	<u>\$2,864,010</u>

# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

**2. Deposits with Financial Institutions and Investments (continued):**

The District did not have any investments at year-end or during the year. Consequently, the District was not exposed to any material interest rate risk. Market risk includes global events which could impact the value of investment securities such as a pandemic, international conflict or bank failure.

**3. Fixed Assets:**

A summary of changes in fixed assets follows:

	<u>Reclassified</u>			<u>Balance</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
	<u>12/31/21</u>			<u>12/31/22</u>
Fixed assets not being depreciated				
Land	\$ 1,053,403	\$ -	\$ -	\$ 1,053,403
Fixed assets being depreciated				
Buildings	1,579,876	-	-	1,579,876
Improvements other than buildings	297,207	-	-	297,207
Machinery and equipment	4,037,311	-	-	4,037,311
Infrastructure	425,648	-	-	425,648
Intangible lease asset - machinery and equipment	716,631	-	-	716,631
Total fixed assets being depreciated	<u>7,056,673</u>	<u>-</u>	<u>-</u>	<u>7,056,673</u>
Less: accumulated depreciation and amortization	<u>4,169,336</u>	<u>35,832</u>	<u>-</u>	<u>4,205,168</u>
Total fixed assets being depreciated, net	<u>2,887,337</u>	<u>(35,832)</u>	<u>-</u>	<u>2,851,505</u>
Fixed assets, net	<u>\$3,940,740</u>	<u>\$ (35,832)</u>	<u>\$ -</u>	<u>\$ 3,904,908</u>

The truck lease amortization and intangible lease asset are presented on the District's AUD, which is included in the above table as Intangible lease asset - machinery and equipment. With the implementation of GASB 87, a lease meeting the criteria of this Statement requires the lessee to recognize a lease liability and an intangible right-to-use asset. Total fixed assets at December 31, 2021 were not impacted by implementation of GASB 87.

**4. Leases:**

In 2017, the District entered into a lease purchase finance agreement with M&T Bank Equipment Finance for the purchase of a 2017 Spartan Fire Truck that ends on November 21, 2026. The value of the equipment at the inception of the lease was \$716,631 which is included in Note 3 as Intangible right-to-use lease - machinery and equipment. The District made a down payment of \$216,631 and financed the remaining \$500,000 balance. Interest and principal are being provided for in the General Fund. Interest is at an annual rate of 2.594%. Lease activity for the year ended December 31, 2022, was as follows:

# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

4. **Leases (continued):**

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>
M&T Bank Equipment				
Finance	\$259,364	\$ -	\$(49,220)	\$210,144
Total	<u>\$259,364</u>	<u>\$ -</u>	<u>\$(49,220)</u>	<u>\$210,144</u>

Annual requirements to amortize this lease liability and related interest are as follows:

<b><u>Due in Fiscal Year Ended</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2023	\$ 50,512	\$ 5,516	\$ 56,028
2024	51,838	4,190	56,028
2025	53,199	2,829	56,028
2026	<u>54,595</u>	<u>1,433</u>	<u>56,028</u>
Total	<u>\$210,144</u>	<u>\$13,968</u>	<u>\$224,112</u>

5. **Pension Plan:**

**Plan description:** The District participates in the New York State and Local Employees' Retirement System (ERS), which is part of the New York State and Local Retirement System (the System). This 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 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 provisions of the New York State Retirement and Social Security Law (NYSRSSL). Once a public 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 a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance.

The System is included in the State's financial report as a pension trust fund. That report may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

**Benefits provided:** The System provides retirement benefits as well as death and disability benefits.

# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

### 5. Pension Plan (continued):

#### Benefits provided (continued):

##### 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% 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% 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 NYSRSSL, 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.

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% of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% of the average of the previous two years.

##### Tiers 3, 4 and 5

**Eligibility:** Tier 3 and 4 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. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 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% 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% 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% of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 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.

# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

### 5. Pension Plan (continued):

#### Benefits provided (continued):

##### Tiers 3, 4 and 5 (continued)

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% 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 ten 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.

**Benefit calculation:** Generally, the benefit is 1.67% 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% 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% of final average salary is applied for each year of service over 20 years. Tier 6 members with ten 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 five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10% of the average of the previous four years.

##### *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.

##### *Accidental Disability Benefits*

For all eligible Tier 1 and Tier 2 ERS members, the accidental disability benefit is a pension of 75% 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.

# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

### 5. Pension Plan (continued):

#### Benefits provided (continued):

##### *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% of the annual Consumer Price Index as published by the U.S. Bureau of Labor but cannot be less than 1% or exceed 3%.

**Contributions:** The System is non-contributory except for employees who joined the ERS after July 27, 1976, who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010, who generally contribute 3% of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required and were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$5,797
2021	3,863
2020	7,293

# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

### 5. Pension Plan (continued):

#### Contributions (continued):

Chapter 57 of the Laws of 2013 of the State of New York, Part BB, amending several sections of the Retirement and Social Security Law, was enacted that allows local employers to amortize a portion of their retirement bill for up to 10 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 1% depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- The interest rate will be set annually and will be comparable to a 12-year U.S. Treasury Bond plus 1%.
- For subsequent SFYs in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

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

The District's total pension liability (asset) was paid as of December 31, 2022.

**Pension assets, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:** At December 31, 2022, the District reported an asset of \$4,984 for its proportionate share of the net pension asset. The net pension asset was measured as of March 31, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset 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 March 31, 2022, the District's proportion was 0.0000610%, which was a decrease of 0.0001245 from its proportion measured at March 31, 2021.

For the year ended December 31, 2022, the District recognized pension expenditures of \$5,797. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

**5. Pension Plan (continued):**

**Pension assets, pension expense (benefit) and deferred outflows of resources and deferred inflows of resources related to pensions (continued):**

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 377	\$ 490
Changes of assumptions	8,318	140
Net difference between projected and actual earnings on pension plan investments	-	16,321
Changes in proportion and differences between District contributions and proportionate share of contributions	1,816	11,748
District contributions subsequent to the measurement date	<u>5,797</u>	<u>-</u>
Total	<u>\$ 16,308</u>	<u>\$ 28,699</u>

The \$5,797 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

<b><u>Year Ended March 31:</u></b>	<b><u>Amount</u></b>
2023	\$ (4,371)
2024	(4,640)
2025	(6,141)
2026	(3,036)

**Actuarial assumptions:** The total pension liability at March 31, 2022, was determined by using an actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension liability to March 31, 2022. The actuarial valuation used the following actuarial assumptions:

Inflation	2.7%
Salary increases	4.4%



# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

**5. Pension Plan (continued):**

**Actuarial assumptions (continued):**

Investment rate of return (net of investment expense, including inflation)	5.9%
Cost-of-living adjustments	1.4%

Annuitant mortality rates are based on April 1, 2015 through March 31, 2020, System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. The previous actuarial valuation as of April 1, 2020, used the same assumptions to measure the total pension liability.

The actuarial assumptions used in the April 1, 2021, valuation are based on the results of an actuarial experience study for the period April 1, 2015 through 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 return, net of investment expenses 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of March 31, 2022, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	32.00%	3.30%
International equity	15.00%	5.85%
Private equity	10.00%	6.50%
Real estate	9.00%	5.00%
Opportunistic/Absolute return strategy	3.00%	4.10%
Credit	4.00%	3.78%
Real assets	3.00%	5.80%
Fixed Income	23.00%	0.00%
Cash	<u>1.00%</u>	(1.00)%
	<u>100.00%</u>	

The real rate of return is net of the long-term inflation assumption of 2.50%.

# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

**5. Pension Plan (continued):**

**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.

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

	<b>1% Decrease <u>(4.9%)</u></b>	<b>Current Assumption <u>(5.9%)</u></b>	<b>1% Increase <u>(6.9%)</u></b>
District's proportionate share of the net pension liability (asset)	\$12,829	(\$4,984)	(\$19,884)

**Pension plan fiduciary net position:** The components of the collective net pension liability (asset) of the participating employers as of March 31, 2022, were as follows:

	<b>(Dollars in Thousands) Employees' Retirement <u>System</u></b>
Employers' total pension liability	\$ 223,874,888
Plan net position	<u>(232,049,473)</u>
Employers' net pension liability (asset)	<u>\$ (8,174,585)</u>
Ratio of plan net position to the employers' total pension liability	103.65%

# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

### 6. **Length of Service Award Program (LOSAP):**

The District's AUD is for the year ended December 31, 2022. The information contained in this note is based on information for the District's Service Award Program for the program year ending on December 31, 2022, which is the most recent Program year for which complete information is available.

The District established a defined benefit award program (referred to as a LOSAP, Length of Service Award Program, under section 457(e)(11) of the Internal Revenue Code), effective March 1, 1993 for the active volunteer firefighter members of the district. The Program was established pursuant to Article 11-A of the General Municipal Law. The Program provides municipally funded, pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The District is the Sponsor of the Program.

#### **Program description:**

**Participation, vesting, and service credit:** Active volunteer firefighters who have reached the age of 17 and who have completed their probationary period are eligible to participate in the Program. Participants acquire a non-forfeitable right to a service award after being credited with five years of firefighting service or upon attaining the Program's entitlement age. The Program's entitlement age is age 65. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the Program in which he or she accumulates 50 points.

Points are granted for the performance of certain activities in accordance with a system established by the sponsor based on a statutory list of activities and point values. A participant may also receive credit for five years of firefighting service rendered prior to the establishment of the Program.

**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 30. Benefits are not payable until the first day of the month coincident with or following the attainment of age 65 and completion of one year of plan participation. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age. The Program provides statutorily mandated death and disability benefits.

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

# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

### 6. **Length of Service Award Program (LOSAP) (continued):**

#### **Fiduciary investment and control (continued):**

The Governing Board of the sponsor has retained and designated Firefly Admin, Inc. to assist in the administration of the Program. The services provided by Firefly Admin, Inc. are described as follows:

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

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

#### **Payment of benefits:**

1. Entitlement benefits – Firefly Admin, Inc. prepares and submits to the plan sponsor a Verification of Benefits Statement and an Annuity Enrollment form for participants active at entitlement age and for vested participants upon termination from the plan. Following review for accuracy, the plan sponsor signs and returns the paperwork to Firefly Admin, Inc. authorizing Firefly Admin, Inc. to disburse entitlement benefits.
2. Death benefits - Upon notification from the plan sponsor of a participant's death, Firefly Admin, Inc. prepares a Verification of Benefits statement and a Lump-Sum Death Benefit form. Following review for accuracy, the plan sponsor signs and returns the paperwork accompanied by a death certificate to Firefly Admin, Inc. authorizing Firefly Admin, Inc. to disburse a death benefit.
3. Disability benefits - Upon notification from the plan sponsor of a participant's total and permanent disability, Firefly Admin, Inc. prepares a Verification of Benefits statement, a Physician Statement form and a Lump-Sum Disability Benefit form. Following review for accuracy, the plan sponsor signs and returns the paperwork authorizing Firefly Admin, Inc. to disburse a disability benefit.

# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

### 6. Length of Service Award Program (LOSAP) (continued):

#### Payment of administrative expenses:

1. Per the executed Service Fee Agreement, the plan sponsor agrees to payment as contracted.

Authority to invest Program assets is vested in East End Financial Group. Subject to restrictions in the Program document, Program assets are invested in accordance with a statutory "prudent person" rule. The sponsor invested plan funds in a general investment account.

The Board of Fire Commissioners is required to retain an actuary to determine the amount of the District's contributions to the plan. The actuary retained by the sponsor for this purpose is Craig T. Relyea of Firefly Admin, Inc. Mr. Relyea is an associate of the American Society of Actuaries. Portions of the following information are derived from a report prepared by the actuary dated March 10, 2023.

#### Program financial condition:

##### Assets and Liabilities

Actuarial present value of accrued benefits		<u>\$3,484,996</u>	
Total as of December 31, 2022			\$ 3,484,996
Less: assets available for benefits:			
Cash and cash equivalents	\$ 134,383		
Fixed income	288,343		
Mutual funds	2,397,393		
Equity funds	385,492		
Exchange traded funds	<u>281,218</u>		
		3,486,829	
January payments withdrawn in December		<u>16,100</u>	
Total net assets available for benefits			<u>3,502,929</u>
Total unfunded benefits (surplus)			<u>\$ (17,933)</u>

##### Receipts and Disbursements

Plan net assets, beginning of year, 1/1/22			\$3,269,922
Changes during the year (increases/(decreases)):			
Plan contributions	\$394,504		
Net investment earnings	94,703		
Plan benefit withdrawals	(246,219)		
Administrative and other fees/charges	<u>(9,981)</u>		
			<u>233,007</u>
Plan net assets, end of year, 12/31/22			<u>\$3,502,929</u>

# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

### 6. Length of Service Award Program (LOSAP) (continued):

#### Funding methodology and actuarial assumptions:

##### Funded ratio:

Plan assets	\$ 3,502,929
Present value of accrued benefits	\$ 3,484,996
Funded ratio	100.5%

The funded ratio is 100.5%, an increase from 84.4% in the prior year. The Plan's funded status has improved in recent years as investment returns have outpaced the actuarial assumed rate.

##### Contributions

Amount of sponsor's contribution recommended by actuary	\$ 302,972
Amount of sponsor's actual contribution	\$ 394,504

##### Administration Fees

Fees paid for investment management	\$ 8,071
Fees paid for administrative services	\$ 9,981

**Normal costs:** The actuarial valuation methodology used by the actuary to determine the Sponsor's contribution is the Unit Credit Method. This Method is designed to fund the Program by requiring an annual contribution equal to the present value of the service earned in the previous year. The assumptions used by the actuary to determine the Sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return on investment      4.50%, net of investment expenses

Tables used for:

Post entitlement age mortality	RP-2014 Mortality Table (gender specific) with no projection for mortality improvement
*Pre-entitlement age mortality	None
*Pre-entitlement age withdrawal	None. Participants are assumed to commence collecting the monthly benefit at the entitlement date

\* For program cost calculation purposes, all pre-entitlement age active volunteer firefighter participants are assumed to survive to the entitlement age, remain active and earn 50 points each year and begin to be paid service awards upon attainment of the entitlement age.

# CUTCHOGUE FIRE DISTRICT

## NOTES TO ANNUAL FINANCIAL REPORT UPDATE DOCUMENT

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### 7. **Commitments and Contingencies:**

**Encumbrances:** In the current year, the District has five reported encumbrances in the amount of \$106,127. This amount is represented in the assigned unappropriated fund balance of \$106,127 reported in the AUD. This amount is mainly for the purchase of a Chevrolet Tahoe, turnout gear and Gemtor FF harnesses.

**Assigned appropriated fund balance:** The District, from time-to-time, will appropriate a portion of its unassigned unappropriated fund balance. During 2022, no such appropriation was made.

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

### 8. **Economic Dependency:**

For the year ended December 31, 2022, approximately 95% of the District's gross revenues were derived from real property taxes and PILOT provided by the Town of Southold.

### 9. **Rental of Real Property:**

On December 13, 2016, the District entered into a lease agreement to lease ground space on its property to a company for the positioning of a communication tower, which has not yet been positioned on the property. The communication tower will not be District owned. This is a 30-year lease commencing on the date of commercial operation of the leased space. Upon notice of lessee, the lease will be renewed for three additional terms of five years each and one additional term of four years. The terms of the lease allow for the lessee to sublease the property and requires the lessee to pay the District 30% of all rents received from the first sub lessee, 35% for the second sublessee and 40% from all subsequent sublessees. There was no rental income related to this lease during the year ended December 31, 2022, and future rental income is not readily determinable.

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

To the Board of Fire Commissioners  
Cutchogue Fire District  
Cutchogue, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Annual Financial Report Update Document of Cutchogue Fire District (the District), as of and for the year ended December 31, 2022, and the related notes to the Annual Financial Report Update Document (Financial Section), which collectively comprise the District's basic financial statements and have issued our report thereon dated March 29, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the Annual Financial Report Update Document (Financial Section), we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Annual Financial Report Update Document (Financial Section) 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 District's Annual Financial Report Update Document (Financial Section) will not be prevented or detected and corrected on a timely basis.



To the Board of Fire Commissioners  
Cutchogue Fire District

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 or significant deficiencies may exist that have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's Annual Financial Report Update Document (Financial Section) is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of Annual Financial Report Update Document (Financial Section). 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sheehan & Company C.P.A., P.C.*

Brightwaters, New York  
March 29, 2023

**APPENDIX C**

**FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL**

## FORM OF OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP  
7 World Trade Center  
250 Greenwich Street  
New York, New York 10007

June 27, 2023

The Board of Commissioner of the  
Cutchogue Fire District, in the Town of Southold,  
County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Cutchogue Fire District, in the Town of Southold (the “Fire District”), in the County of Suffolk, a district corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$1,500,000 Bond Anticipation Notes – 2023 (the “Notes”) of the Fire District dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof. Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes are valid and legally binding general obligations of the Fire District for which the Fire District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Fire District is subject to the levy of ad valorem real estate taxes to pay the Notes and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Notes may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Notes in order that the interest on the Notes be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Notes, restrictions on the investment of proceeds of the Notes prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Notes to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Notes, the Fire District will execute a Tax Certificate relating to the Notes containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Fire District represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Notes will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the Fire District's certifications, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Notes, and (ii) compliance by the Fire District with the procedures and certifications set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

We give no assurances as to the accuracy, sufficiency or completeness of the Preliminary or Final Official Statement or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Fire District which have been or may hereafter be furnished or disclosed to purchasers of said Notes.

Very truly yours,

**APPENDIX D**

**FORM OF EVENTS NOTICE UNDERTAKING**

## UNDERTAKING TO PROVIDE NOTICES OF EVENTS

### Section 1. Definitions

“EMMA” shall mean the Electronic Municipal Market Access System implemented by the MSRB.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the Cutchogue Fire District, in the Town of Southold, in the County of Suffolk, a district corporation of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the Fire District Treasurer as of June 27, 2023.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

“Securities” shall mean the Issuer’s **\$1,500,000 Bond Anticipation Note-2023**, dated June 27, 2023, maturing June 27, 2024, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776 to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;

- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
- (vii) modifications to rights of Securities holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Securities, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a financial obligation, as defined in Rule 15c2-12, of the Issuer, if material, or agreement to covenants, events of default,

remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;



- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **June 27, 2023**.

**CUTCHOGUE FIRE DISTRICT IN THE TOWN OF SOUTHOLD, NEW YORK**

By: \_\_\_\_\_  
Fire District Treasurer