

OFFICIAL STATEMENT

RENEWAL ISSUE

BOND ANTICIPATION NOTES

In the opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, under existing statutes, regulations, rulings, and court decisions, and assuming continuing compliance with certain tax certifications described herein, interest on the Notes is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986 (the "Code"), as amended. Bond Counsel is also of the opinion that the interest on the Notes is not treated as an item of tax preference for the purpose of the federal alternative minimum tax imposed on individuals. Furthermore, Bond Counsel is of the opinion that, under existing statutes, interest on the Notes is exempt from personal income taxes imposed by New York State and any political subdivision thereof. See "TAX EXEMPTION" herein.

The Notes will be deemed designated by the Fire District and will be treated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

CLARENCE FIRE DISTRICT NO. 1 IN THE TOWN OF CLARENCE ERIE COUNTY, NEW YORK

\$1,200,000 BOND ANTICIPATION NOTES, 2018 (the "Notes")

Date of Issue: June 13, 2018

Maturity Date: June 13, 2019

The Notes are general obligations of the Clarence Fire District No. 1 in the Town of Clarence, Erie County, New York (the "Fire District" or "District"), and will contain a pledge of the faith and credit of the Fire District 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 Chapter 97 of the Laws of 2011 of the State of New York. See "TAX-INFORMATION-Tax Levy Limitation Law" herein).

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

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

If the Notes are issued in registered book-entry form, such notes ("DTC Notes") will be delivered to DTC, which will act as securities depository for the DTC Notes. Beneficial owners will not receive certificates representing their interest in the DTC Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those DTC Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on said DTC 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 DTC 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 "Book-Entry-Only System" herein).

The Notes are offered when, as and if issued by the Fire District and subject to the final approving opinion of Hodgson Russ LLP, Buffalo, New York, Bond Counsel to the Fire District, and certain other conditions. Capital Markets Advisors, LLC 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 available on or about June 13, 2018 in Jersey City, New Jersey (through the facilities of DTC) or as otherwise may be agreed upon between the Fire District and the purchaser.

THE FIRE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF RULE 15c2-12 UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE NOTES. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE NOTES. UNDER CERTAIN CIRCUMSTANCES, THE FIRE DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN DESIGNATED EVENTS FOR THE NOTES, AS REQUIRED BY THE RULE. SEE "DISCLOSURE UNDERTAKING," HEREIN.

Dated: May 25, 2018

**CLARENCE FIRE DISTRICT NO. 1
IN THE TOWN OF CLARENCE
ERIE COUNTY, NEW YORK**

BOARD OF FIRE COMMISSIONERS

Douglas G. GarlapoChairman
David R. Metzger Vice-Chairman
James Schlabach. Commissioner
Nathan M. Work Commissioner
Douglas J. Larkin..... Commissioner

Kim M. Lash..... Treasurer
Megan C. Kiener Secretary
Mark C. Butler, Esq..... Fire District Attorney

INDEPENDENT AUDITOR

**Amato, Fox & Company, PC
Tonawanda, New York**

BOND COUNSEL

**Hodgson Russ LLP
Buffalo, New York**

MUNICIPAL ADVISOR



**Capital Markets Advisors, LLC
Hudson Valley * Long Island * Southern Tier * Western New York
(716) 662-3910**

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 Fire District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be 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 that 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

CLARENCE FIRE DISTRICT NO. 1 IN THE TOWN OF CLARENCE ERIE COUNTY, NEW YORK

Relating to

**\$1,200,000
BOND ANTICIPATION NOTES, 2018
(the "Notes")**

This Official Statement including the cover page and appendices hereto, presents certain information relating to the Clarence Fire District No. 1 in the Town of Clarence, Erie County, New York (the "Fire District," "Town," "County," and "State," respectively) in connection with the sale of \$1,200,000 Bond Anticipation Notes, 2018 (the "Notes").

All quotations from and summaries and explanations of provisions of the Constitution and laws of 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.

THE NOTES

Description

The Notes are dated June 13, 2018 and will mature, without the option of prior redemption, as stated on the cover page hereof. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

At the option of the purchaser, the Notes will be issued in registered form (i) registered in the name of the successful bidder or (ii) book-entry form registered to Cede & Co., as the partnership nominee for DTC.

If the Notes are issued in registered form 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, as Paying Agent, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidder.

If the Notes are issued in registered book-entry form, such notes ("DTC Notes") will be delivered to DTC, which will act as securities depository for the DTC Notes. Beneficial owners will not receive certificates representing their interest in the DTC Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those DTC Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on said DTC Notes will be paid in Federal Funds by the Paying Agent 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 DTC 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 "Book-Entry-Only System" herein.

The Fire District will act as Paying Agent for the Notes. The Fire District's contact information is as follows: Kim M. Lash, Fire District Treasurer, 10355 Main Street, Clarence, NY 14031, Phone: (716) 759-8842, Email: klash@clarencedistrict.org.

Authority for and Purpose of Issue

The Notes are authorized to be issued pursuant to the Constitution and laws of the State, including among others, the Town Law, the Local Finance Law and pursuant to a bond resolution duly adopted by the Board of Fire Commissioners of the Fire District on March 30, 2015.

The bond resolution authorized the issuance of up to \$1,500,000 in serial bonds of the Fire District to finance the construction of an addition to and the reconstruction of the Fire District building located at 10355 Main Street, Clarence, New York. Such resolution was approved by qualified voters of the Fire District at a Special Election on May 5, 2015.

The proceeds of the Notes, along with \$300,000 of available funds of the Fire District, will be used to redeem and renew, in part, an outstanding bond anticipation note of the Fire District that was issued on June 14, 2017.

Nature of Obligation

Each Note when duly issued and paid for will constitute a contract between the Fire District and the holder(s) 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. For the payment of such principal and interest the Fire District has the power and statutory authorization to levy *ad valorem* taxes on all the taxable real property in the Fire District, subject to applicable statutory limits (see “TAX INFORMATION-Tax Levy Limitation Law” herein).

Under the 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. Under the State Constitution, the State is specifically precluded from restricting the power of the Fire District to levy taxes on real estate therefor.

Book-Entry-Only System

The following applies to the extent that the Notes are issued in book-entry form. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Notes. The Notes will be issued as fully-registered notes registered 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 which bears the same rate of interest and CUSIP number, in the aggregate principal amount of such issue, and will be deposited with DTC. One fully registered note certificate will be issued and deposited with DTC for each maturity of the Notes in the aggregate principal amount of the issue. DTC, the world’s largest depository, 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 securities 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”). 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 and www.dtc.org.

Purchases of the 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 and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all the 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 account 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. Redemption notices shall be sent to DTC. If less than all of the securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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 District 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 District, on 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 or the District, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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 District. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCE THAT DTC DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR

THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE DISTRICT MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Source: The Depository Trust Company

MARKET FACTORS

The financial condition of the Fire District as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the Fire District's control. There can be no assurance that adverse events in the State, including, for example, the seeking by a municipality 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. If a significant default or other financial crisis should occur in the affairs of the State or at any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the Fire District to arrange for additional borrowings and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The Fire District is not dependent on financial assistance from the State; however, the Town is so dependent. If the State should experience difficulty in borrowing funds in anticipation of the receipt of the State taxes in order to pay State aid to municipalities and school districts in the State, including the Town, in any year, the Town may be affected by a delay, until sufficient State taxes have been received by the State to make State aid payments to the Town.

No delay in payment of State aid to the Town is presently anticipated although no assurance can be given that there will not be a delay in payment thereof. In several recent years, the Town received delayed payments of State aid, which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations.

The market for the Notes could also be affected if the Internal Revenue Code of 1986, as amended (the "Code") were to be amended to reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the Fire District. See the discussion in "TAX EXEMPTION" herein.

TAX EXEMPTION

Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, will deliver an opinion that, under existing law, the interest on the Notes is excluded from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for the purpose of the individual alternative minimum tax imposed by the Code. However, such opinion will note that the District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to federal income taxation from the date of issuance of the Notes. Such opinion will state that interest on the Notes is exempt from personal income taxes imposed by New York State or any political subdivision thereof (including The City of New York).

In rendering the foregoing opinions, Hodgson Russ LLP will note that the exclusion of the interest on the Notes from gross income for federal income tax purposes is subject to, among other things, continuing compliance by the District with the applicable requirements of Code sections 141, 148, and 149, and the regulations promulgated thereunder (collectively, the “Tax Requirements”). In the opinion of Hodgson Russ LLP, the tax certificate and nonarbitrage certificate that will be executed and delivered by the District in connection with the issuance of the Notes (collectively, the “Certificates”) established requirements and procedures, compliance with which will satisfy the Tax Requirements.

The Tax Requirements referred to above, which must be complied with in order that interest on the Notes remains excluded from gross income for federal income tax purposes, include, but are not limited to:

1. The requirement that the proceeds of the Notes be used in a manner so that the Notes are not obligations which meet the definition of a “private activity bond” within the meaning of Code section 141;
2. The requirements contained in Code section 148 relating to arbitrage bonds; and
3. The requirements that payment of principal or interest on the Notes not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) as provided in Code section 149(b).

In the Certificates, the District will covenant to comply with the Tax Requirements, and to refrain from taking any action which would cause the interest on the Notes to be includable in gross income for federal income tax purposes. Any violation of the Tax Requirements may cause the interest on the Notes to be included in gross income for federal income tax purposes from the date of issuance of the Notes. Hodgson Russ LLP expresses no opinion regarding other federal tax consequences arising with respect to the Notes.

Prospective purchasers of the Notes should be aware that ownership of, accrual or receipt of interest on, or disposition of, the Notes may have collateral federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Notes. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from their ownership of, or receipt of interest on, or disposition of, the Notes. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and the proceeds of the sale of a bond or note before maturity within the United States. Backup withholding may apply to a holder of the Notes under Code section 3406, if such holder fails to provide the information required on Internal Revenue Service (“IRS”) Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the holder as being subject to backup withholding because of prior underreporting. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner’s United States federal income tax provided the required information is furnished to the IRS. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Notes from gross income for federal income tax purposes.

Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Notes may affect the tax status of interest on the Notes. The Code has been continuously subject to legislative modifications, amendments, and revisions, and proposals for further changes are regularly submitted by leaders of the legislative and executive branches of the federal government. No representation is made as to the likelihood of such proposals being enacted in their current or similar form, or if enacted, the effective date of any such legislation, and no assurances can be given that such proposals or amendments will not materially and adversely affect the economic value of the Notes or the tax consequences of ownership of the Notes.

Prospective purchasers are encouraged to consult with their own legal and tax advisors with respect to these matters.

DOCUMENTS ACCOMPANYING DELIVERY OF THE NOTES

Absence of Litigation

Upon delivery of the Notes, the District will furnish certificates, dated the date of delivery of the Notes, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Notes. Additional certificates will state that there is no controversy or litigation of any nature now pending or threatened by or against the District wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the District or adversely affect the power of the District to levy, collect, and enforce the collection of taxes or other revenues for the payment of its Notes, which has not been disclosed in this Official Statement.

Legal Matters

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of Hodgson Russ LLP, Bond Counsel. Such opinion will be available at the time of delivery of the Notes and will be to the effect that the Notes are valid and legally binding general obligations of the District for which the District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the District is subject to the levy of *ad valorem* real property taxes to pay the Notes and interest thereon, without limitation as to rate or amount (subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of the State). Such opinion shall also contain further statements to the effect that (a) the enforceability of rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted, and (b) such law firm has not been requested to examine or review and has not examined or reviewed the accuracy or sufficiency of the Official Statement, or any additional proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the District which has been or may have been furnished or disclosed to purchasers of the Notes, and expresses no opinion with respect to such financial or other information, or the accuracy or sufficiency thereof.

Closing Certificates

Upon the delivery of the Notes, the purchaser will be furnished with the following items: (i) a certificate of the Fire District Treasurer to the effect that as of the date of this Official Statement and at all times subsequent thereto, up to and including the time of the delivery of the Notes, this Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and further stating that there has been no adverse material change in the financial condition of the District since the date of this Official Statement to the date of issuance of the Notes; and having attached thereto a copy of this Official Statement; (ii) a certificate signed by an officer of the District evidencing payment for the Notes; (iii) a closing certificate evidencing the due execution of the Notes, including statements that (a) no litigation of any nature is pending or, to the knowledge of the signers, threatened, restraining or enjoining the issuance and delivery of the Notes or the levy and collection of taxes to pay the principal of and interest thereon, nor in any manner questioning the proceedings and authority under which the Notes were authorized or affecting the validity of the Notes thereunder, (b) neither the corporate existence or boundaries of the District nor the title of the signers to their respective offices is being contested, (c) no authority or proceedings for the issuance of the Notes have been repealed, revoked or rescinded; and (iv) a nonarbitrage certificate and tax certificate executed by the Fire District Treasurer, as described under "TAX EXEMPTION" herein.

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, unless the Notes are purchased for the

buyer's own account as principle for investment and not for resale, the Fire District will provide an executed copy of its "Disclosure Undertaking" (the "Undertaking"). Such Undertaking will constitute a written agreement or contract of the Fire District for the benefit of holders of and owners of beneficial interests in the Notes, to provide, or cause to be provided, to (i) the Electronic Municipal Market Access ("EMMA") system implemented by the Municipal Securities Rulemaking Board ("MSRB") established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto, (ii) the appropriate state information depository ("SID") if any, for the state of New York, as designed by the Commission in accordance with the Rule, timely notice not in excess of ten (10) business days after the occurrence of any of the following events with respect to the Notes:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, 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 or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (vii) modifications to rights of Noteholders, if material; (viii) bond and note calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the Fire District; (xiii) the consummation of a merger, consolidation, or acquisition involving the Fire District or the sale of all or substantially all of the assets of the Fire District, 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; and (xiv) appointment of a successor or additional trustee or the change of the name of a trustee, if material.

Event (iii) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (iii) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (iv) the Fire District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the securities.

With respect to the event described in item (xii) above, such event is considered to have occurred upon the occurrence of any of the following: the appointment of a receiver, fiscal agent or similar officer for the Fire District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Fire District, 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 Fire District.

The Fire District may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Notes; but the Fire District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The Fire District's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Notes shall have been paid in full. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the Fire District, and no person or entity, including a holder of the Notes, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the Fire District to comply with the Undertaking will not constitute a default with respect to the Notes.

The Fire District reserves the right to amend or modify the Undertaking under certain circumstances as set forth therein; provided that any such amendment or modification will be done in a manner consistent with the Rule as then in effect.

For the past five years, the Fire District has not been subject to any continuing disclosure requirements under the Rule.

RATING

The Fire District has not applied for a rating on the Notes. The Fire District does not have a long term rating.

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC, Orchard Park, New York, (the “Municipal Advisor”) is an independent municipal advisor registered with the United States Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor has served as the independent financial advisor to the Fire District in connection with this transaction.

In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement. The Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the Fire District to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is not a law firm and does not provide legal advice with respect to this or any debt offerings of the Fire District. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Notes.

ADDITIONAL INFORMATION

Periodic public reports relating to the financial condition of the Fire District, its operations and the balances, receipts and disbursements of the various funds of the Fire District are available for public inspection at the Fire District’s office, 10355 Main Street, Clarence, New York 14031 or by contacting Kim M. Lash, Treasurer at (716) 759-8842 and lashkim@aol.com. Information may be obtained from the Fire District's municipal advisor, Capital Markets Advisors, LLC (716) 662-3910.

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

This Official Statement is submitted only in connection with the sale of the Notes by the Fire District and may not be reproduced or used in whole or in part for any other purpose.

Capital Markets Advisors, LLC may place a copy of this Official Statement on its website at www.capmark.org. 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. Capital Markets Advisors, LLC 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 Capital Markets Advisors, LLC assumes any liability or responsibility for errors or omissions on such website. Further, Capital Markets Advisors, LLC 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. Capital Markets Advisors, LLC and the Fire District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

This Official Statement has been duly executed and delivered by the Treasurer of the Fire District.

**CLARENCE FIRE DISTRICT NO. 1
IN THE TOWN OF CLARENCE**

By: _____
Kim M. Lash
Fire District Treasurer

DATED: May 25, 2018

APPENDIX A
THE DISTRICT

THE DISTRICT

General Information

The Clarence Fire District No. 1 (the “District”) is located in the southeast section of the Town of Clarence (the “Town”) in Erie County (the “County”), New York (the “State”). The Clarence Fire Company was organized in 1916, and the Clarence Fire District No. 1 in 1920. The District currently provides fire protection to approximately 7,600 residents in 12 square miles in the southeast corner of the Town. The District responds to an average of about 500 alarms per year, of which approximately 75% are EMS.

The Town, with a land area of approximately 52 square miles, is a rural residential community, located in northeast Erie County, adjacent to the Towns of Lancaster and Amherst, approximately 15 miles to the east of the City of Buffalo. The Town had a population of 30,123 according to the 2010 U.S. census, an increase of 30.3% over the 1990 census. According to the 2010 U.S. Census population estimates, the Town population continues to grow and is estimated at 30,673.

The area itself is primarily residential in nature with commercial activity concentrated around the center of Town. In addition, the Town is home to a few of Western New York’s more prominent light industrial manufacturing firms including Wilson Greatbatch Ltd. and Innovative Concepts in Entertainment, Inc. Many of the residents are employed within the Town while others find employment in the commercial and industrial activities of the City of Buffalo and Western New York.

Fire District Organization

Subject to the provisions of the State Constitution, the District operates pursuant to the Local Finance Law, other laws generally applicable to the District, and any special laws applicable to the District. Under such laws, there is no authority for the District to have a charter or adopt local laws.

The legislative power of the District is vested in the Board of Fire Commissioners (the “Board”). Under current law, an election is held within the District boundaries on the second Tuesday of December each year to elect members of the Board. Board members are generally elected for a term of five years.

In early January of each year, the Board meets for the purposes of reorganization. At that time, the Board elects a Chairman and Vice Chairman.

Financial Organization

Pursuant to the Local Finance Law, the Treasurer is the chief fiscal officer of the District.

Financial Statements and Accounting Procedures

The financial accounts of the District are maintained in accordance with the New York State Uniform System of Accounting for Fire Districts. Such accounts are audited annually by independent auditors, and are available for public inspection upon request. Amato, Fox & Company, PC, CPAs, Tonawanda, New York serve as the independent auditor to the District. A copy of the District’s audited financial statements for the fiscal year ended December 31, 2016 is attached as an Appendix to this document.

Budgetary Procedure

The District’s fiscal year begins on January 1 and ends on December 31. Under current law, after a public hearing the budget is submitted to the Town of Clarence, which then submits it to the County for collection.

Summaries of the District’s Adopted Budgets for the two most recent fiscal years may be found in Appendix B, herein.

Fire District Facilities

The District operates one main station. Statistics relating to the District are shown below:

TABLE 1
District Statistics

<u>Item</u>	<u>Number</u>
Engines	2
Hazmat Vehicle	1
Rescue Truck	1
Chief Vehicles	3
Ladder Truck	1
Ambulance	1
Utility Vehicles	1

Source: District Officials.

Employees

The District provides services through three part-time office/maintenance employees and 50 volunteers, none of whom are represented by organized labor.

Employee Pension Benefits

The District participates in the Length of Service Awards Program (“LOSAP”). The District established a defined benefit LOSAP for the active volunteer firefighters under Section 457(e)(11) of the Internal Revenue Code. The program took effect on January 1, 1991. The program was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally funded deferred compensation to volunteer firefighters to facilitate the recruitment of active volunteer firefighters. The Clarence Fire District No. 1 is the Sponsor of the Program and the Program Administrator.

For the last three audited fiscal years and the previous budget year the District has made contributions as follows:

<u>Fiscal Year</u>	
<u>Ended</u>	<u>LOSAP</u>
2017	\$90,000
2016	86,100
2015	70,000
2014	70,113

Investment Policy Permitted Investments

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the “GML”), the District is generally permitted to deposit moneys in banks and trust company 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 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.

All of the foregoing instruments and 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 instruments and investments purchased with the proceeds of bonds, 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 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 in Section 10 of the GML.

The Board of Commissioners had 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 District are made in accordance with such policy.

FINANCIAL FACTORS

Real Property Taxes

The following table sets forth total general fund revenues and real property tax revenues during the last five audited fiscal years.

<u>Fiscal Year</u> <u>Ended December 31:</u>	<u>Total</u> <u>Revenues</u> ⁽¹⁾	<u>Real Property</u> <u>Taxes</u>	<u>Real Property</u> <u>Taxes to</u> <u>Revenues</u>
2012	\$930,891	\$923,345	99.2%
2013	976,581	934,585	95.7%
2014	960,521	953,500	99.3%
2015	964,556	961,977	99.7%
2016	1,016,998	943,965	92.8%
2017 <i>Budget</i>	944,965	943,965	99.9%
2018 <i>Budget</i>	944,965	943,965	99.9%

(1) General Fund.

Source: Audited Financial Statements for the District.

State Aid

The District does not receive State aid.

TAX INFORMATION

Real Property Tax Assessments and Rates

The following table sets forth the assessed and full valuation of taxable real property which is subject to taxation for fire districts purposes and real property tax levy for fire district purposes.

TABLE 3
Real Property Tax Assessments and Rates
(Fiscal Years Ending December 31:)

	<u>Roll Year 2013</u> <u>Tax Year 2014</u>	<u>Roll Year 2014</u> <u>Tax Year 2015</u>	<u>Roll Year 2015</u> <u>Tax Year 2016</u>	<u>Roll Year 2016</u> <u>Tax Year 2017</u>	<u>Roll Year 2017</u> <u>Tax Year 2018</u>
Taxable Assessed Valuation	\$621,413,573	\$629,661,180	\$682,658,189	\$691,712,355	\$697,219,226
State Equalization Rate	100.00%	100.00%	100.00%	100.00%	100.00%
Full Valuation	\$621,413,573	\$629,661,180	\$682,658,189	\$691,712,355	\$697,219,226

(1) Equalization Rate for the Town of Clarence.

Source: District Officials

Tax Limit

The State Constitution does not limit the amount that may be raised by the District-wide tax levy on real property in any fiscal year. See, however, the discussion immediately below under the sub-heading “Tax Levy Limitation Law.”

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, the counties comprising New York City and the Big 5 City School Districts (Buffalo, Rochester, Syracuse, Yonkers and New York). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It expires on June 16, 2020 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index (“CPI”), over the amount of the prior year’s tax levy. Certain adjustments would be permitted for taxable real property full valuation increases or changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are permissible exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, the Police and Fire Retirement System, and the Teachers’ Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the tax levy limitation provisions.

Article 8 Section 2 of the State Constitution requires every issuer of general obligation notes and bonds in the State to pledge its faith and credit for the payment of the principal thereof and the interest thereon. This has been interpreted by the Court of Appeals, the State's highest court, in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the city’s faith and credit is both a commitment to pay and a commitment of the city’s revenue generating powers to produce the funds to pay. Hence, 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. That is what the words say and that is what courts have held they mean.”

Article 8 Section 12 of the State Constitution specifically provides as follows:

“It shall be the duty of the legislature, subject to the provisions of this constitution, to restrict the power of taxation, assessment, borrowing money, contracting indebtedness, and loaning the credit of counties, cities, towns and villages, so as to prevent abuses in taxation and assessments and in contracting of indebtedness by them. Nothing in this article shall be construed to prevent the legislature from further restricting the powers herein specified of any county, city, town, village or school district to contract indebtedness or to levy taxes on real estate. The legislature shall not, however, restrict the power to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.”

On the relationship of the Article 8 Section 2 requirement to pledge the faith and credit and the Article 8 Section 12 protection of the levy of real property taxes to pay debt service on bonds subject to the general obligation pledge, the Court of Appeals in the *Flushing National Bank* case stated:

“So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the city’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted...While phrased in permissive language, these provisions, when read together with the requirement of the pledge of faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

In addition, the Court of Appeals in the *Flushing National Bank* case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of municipalities.

Therefore, while the Tax Levy Limitation Law may constrict an issuer’s power to levy real property taxes for the payment of debt service on debt contracted after the effective date of Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer’s pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer’s levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

It is possible that the Tax Levy Limitation Law will be subject to judicial review to resolve the constitutional issues raised by its adoption. Although courts in New York have historically been protective of the rights of holders of general obligation debt of political subdivisions, the outcome of any such legal challenge cannot be predicted.

Tax Collection Procedure

District taxes are levied by the Board of Fire Commissioners and collected by the Town of Clarence based on the tax roll provided by the Town. Such taxes are due and payable February 15. The Town of Clarence remits to the Fire District tax receipts as levied without adjustments.

Ten of the Largest Taxpayers

The following are the top ten taxpayers for the 2017 Assessment Roll and the 2018 Tax Year.

TABLE 4
Taxable Assessments

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Percentage of Total Valuation</u> ⁽¹⁾
New York State Electric & Gas	\$28,965,352	4.15%
National Fuel Gas Dist. Corp	15,766,138	2.26%
Rock Oak West I, LLC	8,460,000	1.21%
Bros of Mercy of Montabaur	7,310,000	1.05%
Rock Oak Central, LLC	3,800,000	0.55%
Verizon New York Inc.	3,775,171	0.54%
Lexington Centre, LLC	3,420,000	0.49%
10123 Main Street Inc.	3,400,000	0.49%
Claremount New York, LLC	3,100,000	0.44%
Karl, Ludvik	<u>2,100,000</u>	<u>0.30%</u>
	<u>\$80,096,661</u>	<u>11.49%</u>

(1) Total taxable assessed valuation for 2017 is \$697,219,226.

Source: Town Assessor

DISTRICT INDEBTEDNESS

Constitutional and Statutory Requirements

The New York State Constitution limits the power of the District (and other municipalities and school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the District and the bonds.

Purpose and Pledge. The 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 District may contract indebtedness only for a 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 within three fiscal year periods, 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 period of probable usefulness of the object or purpose determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the 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 District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise

of such power; however, as has been noted under “THE NOTES-Nature of Obligation”, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

Statutory Procedure

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

Pursuant to the Local Finance Law, the District authorizes the issuance of bonds by the adoption of a resolution, approved by the members of the District’s Board of Commissioners, the finance board of the Fire District. All bond resolutions are subject to approval by the qualified voters of the Fire District at referendum.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

1. (a) Such obligations are authorized for an object or purpose of which the District is not authorized to expend money; or
(b) The provisions of the law which should be complied with as of the date of publication of the notice were not substantially complied with;

and an action, suit or proceeding contesting such validity is commenced within 20 days after the date of such publication or the notice; or

2. Such obligations were authorized in violation of the provisions of the Constitution of New York.

The District typically complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, 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 thereto.

The Local Finance Law permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of issuance of such notes and provided that such renewals do not extend five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional and Statutory Requirements" herein.)

In general, the Local Finance Law contains provisions providing the District with power to issue certain other short-term general obligation indebtedness including budget notes, capital notes, revenue anticipation notes, and tax anticipation notes.

The Board, as the finance board of the District, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, the Board may delegate the power to sell the obligations to the District Treasurer, the chief fiscal officer of the District, pursuant to the Local Finance Law.

Debt Limit. The Fire District has the power to contract indebtedness for any Fire District purpose so long as the outstanding principal amount thereof shall not exceed three percentum of the full valuation of taxable real estate of

the District and subject to certain enumerated exclusions and deductions such as cash or appropriations for current debt service.

Remedies Upon Default

Under current law, provision is made for contract creditors of the District to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to 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 subject to execution or attachment to satisfy a judgment, although judicial mandates to officials to appropriate and pay judgments out of current funds or the proceeds of a tax levy have been issued.

Remedies for enforcement of payments are not expressly included in the District’s contract with holders of its bonds and notes, although any permanent repeal by statute or constitutional amendment of such holders remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

The State has consented that any municipality in the State may 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. Subject to such consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debts including judicial control over identifiable and unidentifiable creditors.

In recent times, certain events and legislation affecting remedies on default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of holders of the bonds and notes, such courts might hold the future events, including financial crises as they may occur in the State and in municipalities of the State, require the exercise by the State of its emergency police powers and to ensure the continuation of essential services.

No principal or interest payments on the District indebtedness are past due. The District has never defaulted in the payment of the principal of or interest on any indebtedness.

Statutory Debt Limit and Net Indebtedness

The following table sets forth the current debt-contracting limitation of the District as of May 25, 2018.

TABLE 5
Statutory Debt Limit and Net Indebtedness

Full Valuation of Taxable Real Property	\$697,219,226
Debt Contracting Margin (3% of Full Valuation)	20,916,577
Outstanding Indebtedness (Principal Only):	
Bonds	0
BANs	<u>1,500,000</u>
Total Net Indebtedness	<u>1,500,000</u>
Net Debt-Contracting Margin	<u>\$19,416,577</u>
Percentage of Debt-Contracting Margin Exhausted	<u>7.17%</u>

Source: District Officials

Short-Term Indebtedness

The District has \$1,500,000 of bond anticipation notes outstanding that will mature on June 14, 2018, and will be redeemed and renewed, in part, with budgetary appropriations and proceeds of the Notes.

The District does not have tax anticipation notes (“TANs”) or revenue anticipation (“RANs”) outstanding and has not issued such notes in recent years.

Trend of Capital Indebtedness

The Fire District has no outstanding long-term debt.

Overlapping and Underlying Debt

In addition to the District, other political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the District. The real property taxpayers of the District are responsible for a proportionate share of outstanding debt obligations of these subdivisions. Such taxpayers’ share of overlapping and underlying debt is based on the amount of the District’s equalized property values taken as a percentage of each separate unit’s total values. The following table presents the amount of overlapping and underlying debt and the District’s share of this debt. Authorized but unissued debt has not been included.

TABLE 7
Statement of Direct and Overlapping Indebtedness

<u>Issuer</u>	<u>Net Debt Outstanding</u>	<u>As of</u>	<u>District’s Share</u>	<u>Amount Applicable To District</u>
Erie County	\$475,089,545	09/30/17	1.4%	\$6,651,254
Clarence Town	\$39,276,000	05/16/18	19.4%	<u>7,619,544</u>
Total Net Overlapping Debt				14,270,798
Total Net Direct Debt				<u>1,500,000</u>
Net Direct and Overlapping Debt				<u>\$15,770,798</u>

Source: *Official Statements of Town and County*

Debt Ratios

The following table presents certain debt ratios relating to the District’s direct and overlapping indebtedness.

TABLE 8
Debt Ratios

	<u>Amount</u>	<u>Debt Per Capita</u> ⁽¹⁾	<u>Debt to Full Value</u> ⁽²⁾
Net Direct Debt	\$1,500,000	197	2.15%
Net Direct and Overlapping Debt	15,770,798	2,075	2.26%

⁽¹⁾ The population of the District is estimated by District officials to be approximately 7,600.

⁽²⁾ The District’s full value of taxable real property for fiscal year 2018 is \$697,219,226.

Authorized and Unissued Debt

The District has no authorized but unissued indebtedness.

Long-Term Debt

The District did not have any long-term debt as of May 25, 2018.

ECONOMIC AND DEMOGRAPHIC DATA

Population

The District estimates its population to be approximately 7,600. The following table presents population trends for the Town, the County and the State, based upon recent census data. Data provided in the following table is not necessarily representative of the District.

**TABLE 9
Population Trend**

	<u>2000</u>	<u>2010</u>	<u>% Change</u>
Town	26,123	30,673	17.4%
County	950,265	919,040	(3.4%)
State	18,976,457	19,378,102	2.1%

Source: U.S. Census Bureau

Employment and Unemployment

The following tables provide information concerning employment and unemployment in the Town, County and State. Data provided for the Town, County and State are not necessarily representative of the District.

**TABLE 10
Civilian Labor Force**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Town	16.3	16.3	16.6	16.6	16.5
County	460.3	450.4	451.2	448.1	448.6
State	9,659.3	9,591.3	9,644.6	9,668.7	9,704.7

Source: New York State Department of Labor, Bureau of Labor Statistics. Information not seasonally adjusted.

Unemployment rates are not compiled for the District, but are available for the Town, County and State. The following tables are not necessarily representative of the District.

**TABLE 11
Yearly Average Unemployment Rates**

<u>Year</u>	<u>Town</u>	<u>County</u>	<u>State</u>
2013	5.6%	7.4%	7.7%
2014	4.5%	6.1%	6.3%
2015	3.9%	5.3%	5.3%
2016	3.7%	4.9%	4.8%
2017	3.8%	5.2%	4.7%

Source: New York State Department of Labor statistics. Information not seasonally adjusted.

**TABLE 12
Monthly Unemployment Rates**

<u>Month</u>	<u>Town</u>	<u>County</u>	<u>State</u>
April 2017	3.4%	4.9%	4.4%
May	3.4%	4.9%	4.4%
June	3.6%	5.0%	4.6%
July	3.5%	5.3%	4.9%
August	3.7%	5.2%	4.9%
September	3.8%	4.9%	4.7%
October	3.6%	4.8%	4.4%
November	3.7%	5.0%	4.4%
December	3.8%	5.2%	4.4%
January 2018	4.2%	5.8%	5.1%
February	4.6%	6.1%	5.1%
March	4.0%	5.6%	4.8%

Source: New York State Department of Labor statistics. Information not seasonally adjusted.

Financial Institutions

The following commercial banks have one or more offices located within or near the District: M&T Bank, Key Bank, Five Star Bank, and Evans National Bank.

LITIGATION

In common with other Districts, the District from time to time receives notices of claim and is party to litigation. Except as otherwise set forth herein and apart from matters provided for by applicable insurance coverage, the attorneys for the District are unaware of any claims or action pending which, if determined against the District, would have an adverse material effect on the financial condition of the District.

End of Appendix A

APPENDIX B
FINANCIALS

Clarence Fire District No. 1
 Balance Sheet
 General Fund
 Fiscal Year Ended December 31:

	<u>2015</u>	<u>2016</u>
Current Assets:		
Cash	\$173,500	\$108,826
Cash - restricted	1,971,584	1,912,605
Total Assets:	<u>\$2,145,084</u>	<u>\$2,021,431</u>
Liabilities and Fund Balance:		
Accounts Payable	<u>36,556</u>	<u>0</u>
Total Liabilities	<u>36,556</u>	<u>0</u>
Fund Balance		
Restricted for:		
Building	\$1,450,179	\$1,388,385
Equipment	521,405	524,220
Unassigned	136,944	108,826
Total Fund Balance	<u>2,108,528</u>	<u>2,021,431</u>
Total Liabilities & Fund Balance	<u>\$2,145,084</u>	<u>\$2,021,431</u>

Source: Audited Financial Statements of the Fire District. This summary is not audited.

Clarence Fire District No. 1
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balance
 General Fund
 Fiscal Year Ended December 31:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:					
Real Property Taxes	\$923,345	\$934,585	\$953,500	\$961,977	\$943,965
Interest Earnings	3,354	2,557	1,572	1,285	1,535
Hall Rental	1,600	1,600	650	650	0
Insurance Recoveries	0	0	1,497	0	8,042
Sale of Equipment	2,476	34,851	100	0	0
Federal Aid-Other Public Safety	0	0	1,000	0	63,456
Grants from Local Governments	0	0	0	0	0
Miscellaneous	0	0	0	0	0
Gifts and donations	0	0	0	100	0
Refund of Prior Year Expenditures	116	2,988	2,202	544	0
Total Revenue	<u><u>\$930,891</u></u>	<u><u>\$976,581</u></u>	<u><u>\$960,521</u></u>	<u><u>\$964,556</u></u>	<u><u>\$1,016,998</u></u>
Expenditures:					
General Support	\$450,737	\$288,231	\$337,342	\$429,542	\$796,710
Fire Protection	95,734	330,279	97,870	84,716	171,665
Employee Benefits	174,632	172,539	142,007	140,372	146,368
Depreciation	0	0	0	0	0
Total Expenditures	<u><u>721,103</u></u>	<u><u>791,049</u></u>	<u><u>577,219</u></u>	<u><u>654,630</u></u>	<u><u>1,114,743</u></u>
Excess of Revenues Over Expenditures	<u><u>209,788</u></u>	<u><u>185,532</u></u>	<u><u>383,302</u></u>	<u><u>309,926</u></u>	<u><u>(97,745)</u></u>
Fund Balance at Beginning of year	<u><u>1,019,980</u></u>	<u><u>1,229,768</u></u>	<u><u>1,415,300</u></u>	<u><u>1,798,602</u></u>	<u><u>2,108,528</u></u>
Fund Balance at End of Year	<u><u>\$1,229,768</u></u>	<u><u>\$1,415,300</u></u>	<u><u>\$1,798,602</u></u>	<u><u>\$2,108,528</u></u>	<u><u>\$2,010,783</u></u>

Source: Audited Financial Statements of the Fire District. This summary is not audited.

Clarence Fire District No. 1
Consolidated Statement of Budgeted Revenues and Expenditures
General Fund
Fiscal Year Ending December 31:

	2017	2018
Estimated Revenues		
Real Property Taxes	\$943,965	\$943,965
Interest Earnings	1,000	1,000
Total Revenues	\$944,965	\$944,965
Planned Expenditures		
Personnel Expenses	\$272,500	\$277,425
Firematic Equipment Expenses	118,000	156,000
EMS (First Aid) Expenses	16,000	16,000
Building Expenses	482,265	440,340
Office & Technology Expenses	56,200	55,200
Total Expenditures	\$944,965	\$944,965

Source: Adopted Budgets of the District.

**CLARENCE FIRE DISTRICT NO. 1
CLARENCE, NEW YORK**

**BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED DECEMBER 31, 2016

Clarence Fire District No. 1

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Clarence Fire District No. 1

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Clarence Fire District No. 1
Clarence, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clarence Fire District No. 1, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Clarence Fire District No. 1's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clarence Fire District No. 1 as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-14 and 38-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clarence Fire District No. 1's basic financial statements. The schedules of revenue and expenditures (excluding budgetary amounts) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements, themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedules of revenue and expenditures, are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017 on our consideration of the Clarence Fire District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Clarence Fire District No. 1's internal control over financial reporting and compliance.

Amato, Fox & Company, P.C.

June 30, 2017

CLARENCE FIRE DISTRICT NO. 1

**Management’s Discussion and Analysis
December 31, 2016**

This section of the Clarence Fire District No. 1 (the “District”) annual financial report presents a discussion and analysis of the District’s financial performance during the fiscal year ended December 31, 2016. Please read it in conjunction with the District’s Basic Financial Statements following this section.

FINANCIAL HIGHLIGHTS

The assets of the District exceeded liabilities at the close of the 2016 fiscal year by \$4,312,375 (net position). The Net Position of \$4,312,375 is as follows:

Unrestricted	\$	108,826
Investments in Capital Assets, Net of Related Debt		2,290,944
Restricted for Reconstruction, Building and Capital		1,912,605

Unrestricted Net Position of \$108,826 may be used to meet ongoing obligations of the District. Restricted net position includes reserves for reconstruction, building and capital. Investments in Capital Net Assets are shown net of Related Debt.

The District’s total net position increased by \$363,304 during the year ended December 31, 2016.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report consists of two parts - *Management's Discussion and Analysis* (this section), and the *Basic Financial Statements*.

Basic Financial Statements

Governmental-Wide Financial Statements are two statements designed to provide readers with a broad overview of the District’s finances in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all District assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

CLARENCE FIRE DISTRICT NO. 1

Management's Discussion and Analysis December 31, 2016

The *Statement of Activities* presents information showing how net position changed during the most recent year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these Government-Wide Financial Statements distinguish functions of the District that are principally supported by taxes. The District does not have any functions that are intended to recover all or, in part, a portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general support, fire protection, employee benefits, and depreciation.

The Government-Wide Financial Statements can be found on pages 15 and 16 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like any other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All funds of the District can be divided into two categories: Governmental Funds, and Fiduciary Funds.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Funds Financial Statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus on governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Governmental-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund. The General Fund includes all reserve funds which are restricted for their specific purpose and require a permission referendum for expenditure.

The Basic Governmental Fund Financial Statements can be found on pages 17 and 18 of this report.

CLARENCE FIRE DISTRICT NO. 1

Management's Discussion and Analysis December 31, 2016

Fiduciary Funds for the District account for funds that are required to be held for beneficiaries of the defined benefit plan entitled "Length of Service Awards Program" (LOSAP).

The basic Fiduciary Funds Financial Statements can be found on pages 19 and 20 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

The Notes can be found on pages 23 -37 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4,312,375 at the close of the fiscal year.

CLARENCE FIRE DISTRICT NO. 1

Management's Discussion and Analysis
December 31, 2016
Summary of Net Position

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Assets:		
Cash and Other Assets	\$ 2,021,431	\$ 2,155,732
Construction in Progress	559,809	-
Capital Assets - Net Depreciation	<u>1,731,135</u>	<u>1,829,895</u>
Total Assets	<u>\$ 4,312,375</u>	<u>\$ 3,985,627</u>
Liabilities:		
Other Liabilities	\$ -	\$ 36,556
Total Liabilities	<u>-</u>	<u>36,556</u>
Net Position:		
Unrestricted	108,826	147,592
Investment in Capital Assets, Net of Related Debt	2,290,944	1,829,895
Restricted - Reserved for Building, Capital and Reconstruction	<u>1,912,605</u>	<u>1,971,584</u>
Total Net Position	<u>4,312,375</u>	<u>3,949,071</u>
Total Liabilities and Net Position	<u>\$ 4,312,375</u>	<u>\$ 3,985,627</u>

CLARENCE FIRE DISTRICT NO. 1

**Management's Discussion and Analysis
December 31, 2016**

The District's Net Assets reflect \$2,290,944 as investments in Capital Assets (land, building, furniture and equipment), which is net of related debt used to acquire those assets. The District uses these Capital Assets to provide services to citizens primarily in the form of fire fighting protection; consequently, these assets are not available for future operations or spending.

Another portion of the District's Net Position amounting to \$1,912,605 represents reserves for building, capital and reconstruction projects anticipated by the Board.

The remaining balance of District Net Position of \$108,826 represents Unrestricted Net Position, which is available for use by the District to pay ongoing obligations to citizens and creditors.

CLARENCE FIRE DISTRICT NO. 1

**Management's Discussion and Analysis
December 31, 2016**

The following table indicates the change in net assets for governmental activities:

	<u>2016</u>	<u>2015</u>
Revenues:		
Real Property Taxes	\$ 943,965	\$ 961,977
Interest and Earnings	1,535	1,285
Hall Rental	-	650
Refunds of Expenditures	-	544
Insurance Recoveries	8,042	-
Gifts and Donations	-	100
Federal Aid-Other Public Safety	63,456	-
Total Revenues	<u>1,016,998</u>	<u>964,556</u>
Expenses:	<u>653,694</u>	<u>821,833</u>
Excess of Revenues over Expenses	<u>363,304</u>	<u>142,723</u>
Net Position at Beginning of Year	<u>3,949,071</u>	<u>3,806,348</u>
Net Position at End of Year	<u>\$ 4,312,375</u>	<u>\$ 3,949,071</u>

Revenue and Detail Expenses are shown on pages 11 and 12 with changes from prior year.

CLARENCE FIRE DISTRICT NO. 1

Management's Discussion and Analysis December 31, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses *fund accounting* to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The District functions are contained in the General Fund, where applicable. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financial requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

At December 31, 2016, the District's governmental funds reported total fund balances of \$2,021,431, a decrease of \$97,745 in comparison with the prior year. Fund balance of \$108,826 constitutes unassigned fund balance, which is available to meet the District's current and future operational needs. The remainder of fund balance is restricted and assigned to indicate that it is *not* available for new spending because it has already been committed.

The General Fund is the chief operating fund of the District. At December 31, 2016, unassigned balance of the General Fund was \$108,826, while total fund balance reached \$2,021,431. As a measure of General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 9.8% of total expenditures, while total fund balance represents 181.3 % of that same amount.

Revenues for governmental functions totaled \$1,016,998 in fiscal year ended December 31, 2016, which represents an increase of 5.1 % from the fiscal year ended December 31, 2015.

CLARENCE FIRE DISTRICT NO. 1

**Management's Discussion and Analysis
December 31, 2016**

At the end of the year, the District is able to report a positive balance in its net asset category. The following presents the amount of revenues from various sources, as well as, changes from prior year:

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Amount</u> <u>of Increase</u> <u>(Decrease)</u>
Revenues			
Real Property Taxes	\$ 943,965	\$ 961,977	\$ (18,012)
Interest and Earnings	1,535	1,285	250
Hall Rental	-	650	(650)
Refunds of Expenditures	-	544	(544)
Insurance Recoveries	8,042	-	8,042
Gifts and Donations	-	100	(100)
Federal Aid-Other Public Safety	63,456	-	63,456
Total Revenues	<u>\$ 1,016,998</u>	<u>\$ 964,556</u>	<u>\$ 52,442</u>

District activity revenues are budgeted each year based upon needed expenditures in order to balance the budget. An analysis of budgeted revenues compared to actual revenues is included as a schedule in this report.

The following provides an explanation of revenues by source that changed significantly over the prior year:

- Real Property Tax decrease of \$18,012 was primarily due to decrease in tax levy.
- Hall Rental decrease of \$650 was due to no meetings at the hall.
- Insurance Recoveries increase of \$8,042 was due primarily to an event that did not occur in 2015.
- Federal Aid-Other Public Safety –increase of \$63,456 was due to a FEMA Grant received for equipment to handle hazardous materials.

CLARENCE FIRE DISTRICT NO. 1

**Management's Discussion and Analysis
December 31, 2016**

The following table presents expenses by function, compared to prior year amounts:

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>
Expenses:			
General Support	\$ 236,901	\$ 429,542	\$ (192,641)
Fire Protection	171,665	84,176	87,489
Construction in Progress	559,809	-	559,809
Employee Benefits	<u>146,368</u>	<u>140,372</u>	<u>5,996</u>
Total Expenses	<u>\$ 1,114,743</u>	<u>\$ 654,090</u>	<u>\$ 460,653</u>

The following provides an explanation of the expenditures that changed significantly over the prior year:

- General Support decrease of \$192,641 was due primarily a reduction in building costs, which resulted from capital construction.
- Fire Protection increase of \$87,489 was due primarily to an increase in equipment.
- Construction in Progress increase of \$559,809 was due to capital construction, which started in 2016.
- Employee Benefits increase of \$5,996 was due primarily to an increase in LOSAP.

CLARENCE FIRE DISTRICT NO. 1

**Management's Discussion and Analysis
December 31, 2016**

Statements of Revenues, Expenditures and Changes in Fund Balance: Governmental Funds

	<u>General</u>
Fund Balance @ December 31, 2014	\$ 1,809,250
Revenue	964,556
Expenditures	<u>(654,630)</u>
Excess (Deficiency) of Revenues over Expenditures	309,926
 Fund Balance @ December 31, 2015	 <u>2,119,176</u>
Revenues	1,016,998
Expenditures	<u>(1,114,743)</u>
Excess (Deficiency) of Revenues over Expenditures	(97,745)
 Fund Balance @ December 31, 2016	 <u><u>\$ 2,021,431</u></u>

CLARENCE FIRE DISTRICT NO. 1

**Management's Discussion and Analysis
December 31, 2016**

CAPITAL ASSETS

Capital Assets

The District's investment in capital assets for its governmental activities as of December 31, 2016, amounted to \$2,290,944 (net of accumulated depreciation). The investment includes land, buildings, and equipment.

Capital assets net of depreciation are presented below:

	<u>2016</u>	<u>2015</u>	<u>Amount of Increase (Decrease)</u>
Land	\$ 197,400	\$ 197,400	\$ -
Construction in Progress	559,809	-	559,809
Buildings	470,832	487,293	(16,461)
Equipment	<u>1,062,903</u>	<u>1,145,202</u>	<u>(82,299)</u>
Total	<u>\$ 2,290,944</u>	<u>\$ 1,829,895</u>	<u>\$ 461,049</u>

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

Clarence Fire District No. 1
10355 Main Street
Clarence, NY 14031

BASIC FINANCIAL STATEMENTS

CLARENCE FIRE DISTRICT NO. 1

**Statement of Net Position
December 31, 2016**

ASSETS

Current Assets:

Cash	\$	2,021,431
Construction in Progress		559,809
Capital Assets, Net of Depreciation		<u>1,731,135</u>

Total Assets

\$ 4,312,375

LIABILITIES AND NET POSITION

Current Liabilities:

Accounts Payable	\$	<u>-</u>
Total Liabilities		<u>-</u>

Net Position:

Investment in Capital Assets, Net of Related Debt		2,290,944
Unrestricted		108,826
Restricted - Reserve for Building, Capital and Reconstruction		<u>1,912,605</u>
Total Net Position		<u>4,312,375</u>

Total Liabilities and Net Position

\$ 4,312,375

The accompanying notes are an integral part of the Basic Financial Statements.

CLARENCE FIRE DISTRICT NO. 1

**Statement of Activities and Changes in Net Position
For the Year Ended December 31, 2016**

Expenses:

General Support	\$	236,901
Fire Protection		64,677
Employee Benefits		146,368
Depreciation		<u>205,748</u>
Total program expenses		<u>653,694</u>

General revenues:

Real Property Taxes		943,965
Interest and Earnings		1,535
Insurance Recoveries		8,042
FEMA Grant		<u>63,456</u>
Total general revenues		<u>1,016,998</u>

Increase in net position 363,304

Net Position - Beginning of Year 3,949,071

Net Position - End of Year \$ 4,312,375

The accompanying notes are an integral part of the Basic Financial Statements.

CLARENCE FIRE DISTRICT NO. 1

**Balance Sheet - Governmental Funds
December 31, 2016**

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 108,826	\$ -	\$ 108,826
Cash - Restricted for Reserve Funds	1,912,605	-	1,912,605
Total Assets	<u>\$ 2,021,431</u>	<u>\$ -</u>	<u>\$ 2,021,431</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ -	-	\$ -
Total Liabilities	-	-	-
Fund Balance:			
Restricted:			
Restricted for Building	1,388,385	-	1,388,385
Restricted for Equipment	524,220	-	524,220
Unassigned	108,826	-	108,826
Total Fund Balance	<u>2,021,431</u>	-	<u>2,021,431</u>
Total Liabilities and Fund Balance	<u>\$ 2,021,431</u>	<u>\$ -</u>	<u>\$ 2,021,431</u>

The accompanying notes are an integral part of the Basic Financial Statements.

CLARENCE FIRE DISTRICT NO. 1

**Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
For the Year Ended December 31, 2016**

Expenses:

General Support	\$	236,901
Fire Protection		64,677
Employee Benefits		146,368
Depreciation		<u>205,748</u>
Total program expenses		<u>653,694</u>

General revenues:

Real Property Taxes		943,965
Interest and Earnings		1,535
Insurance Recoveries		8,042
FEMA Grant		<u>63,456</u>
Total general revenues		<u>1,016,998</u>

Increase in net position 363,304

Net Position - Beginning of Year 3,949,071

Net Position - End of Year \$ 4,312,375

The accompanying notes are an integral part of the Basic Financial Statements.

CLARENCE FIRE DISTRICT NO. 1

**Statement of Fiduciary Net Position
December 31, 2016**

	Fiduciary Net Position Length of Service Awards Program (LOSAP)
	<hr/>
Assets:	
Investments	\$ <u>1,808,882</u>
Total Assets	\$ <u><u>1,808,882</u></u>
Liabilities:	
Amounts due Beneficiaries	\$ <u>-</u>
Net Assets:	
Restricted for Beneficiaries	<u>1,808,882</u>
Total Liabilities and Net Position	\$ <u><u>1,808,882</u></u>

The accompanying notes are an integral part of the Basic Financial Statements.

CLARENCE FIRE DISTRICT NO. 1

**Statement of Change in Fiduciary Net Position
For the Year Ended December 31, 2016**

	Fiduciary Net Position Length of Service Awards Program (LOSAP)
	<u> </u>
Additions:	
Contributions - Normal and Past Service Amortization Cost	\$ 86,100
Changes in fair market value of investments	50,850
Earnings on Investments	<u>62,063</u>
Total Additions	<u>199,013</u>
Deductions:	
Distributions to Participants	148,562
Investment Expense	<u>13,534</u>
Total Deductions	<u>162,096</u>
Decrease in Net Position	<u>36,917</u>
Net Position at Beginning of Year	<u>1,771,965</u>
Net Positon at End of Year	<u><u>\$ 1,808,882</u></u>

The accompanying notes are an integral part of the Basic Financial Statements.

CLARENCE FIRE DISTRICT NO. 1

**Reconciliation of Governmental Fund Balances
to Statement of Net Position
December 31, 2016**

	<u>Total Governmental Funds</u>	<u>Long-Term Assets and Liabilities</u>	<u>Statement of Net Position Total</u>
Assets:			
Unrestricted Cash	\$ 108,826	\$ -	\$ 108,826
Restricted Cash	1,912,605	-	1,912,605
Capital Assets, Net	<u>-</u>	<u>2,290,944</u>	<u>2,290,944</u>
Total Assets	<u>\$ 2,021,431</u>	<u>\$ 2,290,944</u>	<u>\$ 4,312,375</u>
Liabilities:			
Accounts Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance/Net Position	<u>2,021,431</u>	<u>2,290,944</u>	<u>4,312,375</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 2,021,431</u>	<u>\$ 2,290,944</u>	<u>\$ 4,312,375</u>

The accompanying notes are an integral part of the Basic Financial Statements.

CLARENCE FIRE DISTRICT NO. 1

**Reconciliation of Governmental Funds
Revenues, Expenditures and Changes in Fund Balance
to Statement of Activities
For the Year Ended December 31, 2016**

	<u>Total Governmental Funds</u>	<u>Capital Related Items</u>	<u>Statement of Activities Total</u>
Revenues:			
Real Property Tax	\$ 943,965	\$ -	\$ 943,965
Interest and Earnings	1,535	-	1,535
Insurance Recoveries	8,042	-	8,042
FEMA Grant	<u>63,456</u>	-	<u>63,456</u>
Total Revenues	<u>1,016,998</u>	<u>-</u>	<u>1,016,998</u>
Expenditures:			
General Support	796,710	(559,809)	236,901
Fire Protection	171,665	(106,988)	64,677
Employee Benefits	146,368	-	146,368
Depreciation	<u>-</u>	<u>205,748</u>	<u>205,748</u>
Total Expenditures	<u>1,114,743</u>	<u>(461,049)</u>	<u>653,694</u>
Excess (Deficiency) of Revenues over Expenditures	(97,745)	461,049	363,304
Fund Equity /Net Position at Beginning of Year	<u>2,119,176</u>	<u>1,829,895</u>	<u>3,949,071</u>
Fund Balance/Net Position at End of Year	<u>\$ 2,021,431</u>	<u>\$ 2,290,944</u>	<u>\$ 4,312,375</u>

The accompanying notes are an integral part of the Basic Financial Statements.

CLARENCE FIRE DISTRICT NO. 1

Notes to Basic Financial Statements December 31, 2016

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of Clarence Fire District No. 1 (The Fire District) is presented to assist in understanding the Fire District's Basic Financial Statements. The Basic Financial Statements and notes are the representation of the Fire District's management, which is responsible for its integrity and objectivity. As more fully explained under Basis of Presentation, the accounting policies conform to accounting principles generally accepted in the United States of America and those prescribed by the State Comptroller of the State of New York. The records are on the double-entry modified accrual basis of accounting.

The Basic Financial Statements of the Clarence Fire District No. 1 (the "District) have been prepared in conformity with generally accepted accounting principles (GAAP) as apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the District are described below:

Reporting Entity - The Clarence Fire District No. 1 was formed in 1920 and provides fire protection services for a portion of the Town of Clarence, New York through one firehouse. The District is governed by the laws of New York State.

The District is an independent entity governed by a Board of Commissioners that consists of five members. The Treasurer serves as the Chief Fiscal Officer. The Board is responsible for, and controls all activities related to the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The accompanying Basic Financial Statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, there are no additional entities included in the District's Basic Financial Statements.

Basis of Presentation:

District-wide Statements - The Statement of Net Position and Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities are financed primarily through tax revenue received through a District tax levy. The Statement of Activities presents direct expenses and revenues for the direct cost of operations for the Fire District.

CLARENCE FIRE DISTRICT NO. 1

Notes to Basic Financial Statements December 31, 2016

Note 1 - Summary of Significant Accounting Policies (Cont.)

Fund Financial Statements - The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of Fund Financial Statements is on major governmental funds, each displayed in a separate column.

The District reports the following governmental funds:

General Fund- This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund. The general fund includes all reserve funds. The fund operates within the financial limits of an annual budget adopted by the Board of Commissioners.

Fiduciary Fund- This fund is used to account for money and other assets received and held by the Fire District in the capacity of trustee for individuals. These include Agency Funds. The Agency Fund is used to account for the assets and corresponding benefits payable regarding the Service Award Program.

Measurement Focus and Basis of Accounting - The District-wide and fiduciary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly, receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 365 days after the end of the fiscal year, except for real property taxes, which are considered to be available if collected within 60 days after the end of the fiscal year.

CLARENCE FIRE DISTRICT NO. 1

Notes to Basic Financial Statements December 31, 2016

Note 1 - Summary of Significant Accounting Policies (Cont.)

Measurement Focus and Basis of Accounting (Cont.)

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. The District did not have any long-term debt at December 31, 2016.

Property Tax Collections - The Town of Clarence acts as a collection agent for the real property taxes levied for Clarence Fire District No. 1. After collecting the taxes due, the Town transfers the funds to the Town Supervisor who remits them to the Fire District's Treasurer.

Restricted Resources - When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

Estimates - The preparation of Basic Financial Statements in conformity with accounting principles general accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Basic Financial Statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, potential contingent liabilities and useful lives of long-lived assets.

Cash (and Cash Equivalents)/Investments - The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

CLARENCE FIRE DISTRICT NO. 1

**Notes to Basic Financial Statements
December 31, 2016**

Capital Assets - Capital assets are reported at actual cost for acquisitions subsequent to 2006. For assets acquired prior to 2006, estimated historical costs, based on insurance values were used. Donated assets are reported at estimated fair market value at the time received. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 500	Straight-line	40 years
Building Improvements	500	Straight-line	20-40 years
Furniture and Equipment	500	Straight-line	5-15 years

Fund Balance - Fund balance represents the excess of accumulated receipts over disbursements. No portion of this amount was appropriated as a financing source for the 2017 budget

Budgetary Data – At least five days prior to third Tuesday in October, the Fire District Board of Commissioners must approve the budget for the ensuing calendar year. On the third Tuesday in October, the District must hold a public hearing on the proposed budget. After the public hearing, the Board of Commissioners must file the District’s budget and fund balance statement with Town of Clarence Town Clerk by November 7. The budget includes proposed cash revenues and the proposed means of financing cash expenditures for the General Fund. The budget is not subject to Town Board and/or voter approval. The Budget is subject to a New York State statutory spending limitation. The budgeted amounts are as originally adopted, or as amended by the Board of Fire Commissioners.

Other Benefits - Firefighters participate in the Length of Service Awards Program (LOSAP), which is a defined benefit pension program (See Note 6). In addition to providing pension benefits, the District provides life insurance coverage to its active members in the amount of \$10,000.

CLARENCE FIRE DISTRICT NO. 1

Notes to Basic Financial Statements December 31, 2016

Note 1- Summary of Significant Accounting Policies (Cont.)

Accrued Liabilities and Long-Term Obligations - Payables, accrued liabilities and long-term obligations are reported in the District-wide Basic Financial Statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments that will be paid from governmental funds are reported as a liability in the fund's financial statements only to the extent that they are due for payment in the current year.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

Equity Classifications:

District-wide Statements - In the district-wide statements there are three classes of net position:

Restricted Net Position consists of amounts designated for building, construction and equipment, which is planned by the Board of Commissioners.

Invested in Capital Assets, Net of Related Debt consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Unrestricted Net Position reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Funds Statements - Unreserved fund balance consists of two classifications. A designation of unreserved fund balance indicates the planned use of these resources in the subsequent year's budget. The undesignated portion reports remaining fund balance that has not been designated or reserved.

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. Reserve funds are established through Board of Commissioner action and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund.

CLARENCE FIRE DISTRICT NO. 1

Notes to Basic Financial Statements December 31, 2016

Note 2 - Explanation of Differences between Governmental Fund Statements and District-wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The Basic Financial Statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities - Total fund balances of the District's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the Governmental Funds Balance Sheets.

Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities - Differences between the Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of two broad categories. The amounts shown below represent:

Capital Related Differences - Capital related differences include the difference between proceeds for the sale of capital assets reported on Governmental Funds statements and the gain or loss on the sale of assets as reported on the Statement of Activities.

CLARENCE FIRE DISTRICT NO. 1

**Notes to Basic Financial Statements
December 31, 2016**

Note 3 - Stewardship, and Compliance, and Accountability

Budgets - The District Treasurer prepares a proposed budget for approval by the Board of Commissioners for the General Fund for which legal (appropriated) budgets are adopted. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures that may be incurred. Appropriations lapse at the end of the fiscal year unless expended. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Commissioners as a result of selected new revenue sources not included in the original budget (when permitted by law). These Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year. Budgets are adopted annually on a basis consistent with GAAP.

Note 4 - Cash (and Cash Equivalents) – Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks

Cash - Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District’s investment policies, as discussed previously in these notes.

The District’s aggregate bank balances included balances not covered by depository insurance at year-end, are collateralized as follows:

Collateralized with securities held by the pledging financial institution, or its Trust Department of Agent, but not in District's name	\$ 1,900,428
FDIC Coverage	<u>250,000</u>
	<u>\$ 2,150,428</u>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$1,808,882 in the fiduciary funds, which represented the value of the Length of Service Award Program (LOSAP). These funds are covered by Securities Investor Program Corporation (SIPC).

CLARENCE FIRE DISTRICT NO. 1

**Notes to Basic Financial Statements
December 31, 2016**

Note 5 - Capital Assets

Capital asset balances and activity for the year ended December 31, 2016 were as follows:

	<u>Balance January 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance December 31, 2016</u>
Governmental Activities:				
Capital Assets that are not Depreciated:				
Land	\$ 197,400	\$ -	\$ -	\$ 197,400
Construction in Progress	-	559,809	-	559,809
Total	<u>\$ 197,400</u>	<u>\$ 559,809</u>	<u>\$ -</u>	<u>\$ 757,209</u>
 Capital Assets that are Depreciated:				
Buildings and Improvements	\$ 1,773,903	\$ -	\$ -	\$ 1,773,903
Equipment	2,964,394	106,988	-	3,071,382
Total Depreciable Historical Cost	<u>4,738,297</u>	<u>106,988</u>	-	<u>4,845,285</u>
 Less Accumulated Depreciation:				
Buildings	1,286,610	16,461	-	1,303,071
Equipment	1,819,192	189,287	-	2,008,479
Total Accumulated Depreciation	<u>3,105,802</u>	<u>205,748</u>	-	<u>3,311,550</u>
 Total Depreciable Historical Cost, Net	 <u>\$ 1,632,495</u>	 <u>\$ (98,760)</u>	 <u>\$ -</u>	 <u>\$ 1,533,735</u>

CLARENCE FIRE DISTRICT NO. 1

Notes to Basic Financial Statements December 31, 2016

Note 6 - Fiduciary Fund – Defined Benefit Volunteer Firefighter Service Award Program

The Clarence Fire District No. 1 (District) Basic Financial Statements are for the year ended December 31, 2016. The information contained in this note based on information for the Length of Service Awards Program (LOSAP) is for the year ended December 31, 2016.

Length of Service Awards Program – LOSAP - The District established a defined benefit LOSAP for the active volunteer firefighters-under Section 457(e)(11) of the Internal Revenue Code. The program took effect on January 1, 1991. The program was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally –funded deferred compensation to volunteer firefighters to facilitate the recruitment of active volunteer firefighters. The Clarence Fire District No. 1 is the Sponsor of the Program and the Program Administrator.

Program Description:

Participation, vesting and service credit – In a defined benefit LOSAP, participating volunteers begin to be paid a Service Award upon attainment of the Program’s Entitlement Age. An eligible Program Participant is defined by the Program Sponsor to be an active volunteer firefighter who is at least 18 years of age and has earned one year of Service Award Program Service Credit. The amount of the Service Award paid to a participant is based upon the number of years of Service Credit the volunteer earned under the Program for performing active volunteer firefighter activities.

Participants acquire a non-forfeitable right to be paid a Service Award after earning credit for five years of service or upon attaining the Program’s Entitlement Age while an active volunteer. The Program’s Entitlement Age is age 60. An active volunteer firefighter earns a reward of Service Award Program Service Credit 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 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 have received Service Award Program Service 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 Clarence Fire Company.

CLARENCE FIRE DISTRICT NO. 1

Notes to Basic Financial Statements December 31, 2016

Note 6- Fiduciary Fund- Defined Benefit Volunteer Firefighter Service Award Program (Cont.)

Benefits – A Participant's Service Award benefit is paid as a Straight Life Annuity. Effective January 1, 1998, a participant may choose to be paid an optional form. The amount payable each month equals \$20 multiplied by the total number of years of Service Program Service Credit earned by the Participant under the point system. The optional form of payment is an actuarial reduced ten-year certain and continuous monthly payment annuity. The maximum number of years of Service Credit, a Participant may earn under the Program is 30 years. Currently, there are no other forms of a volunteer's earned Service Award under the Program. Except in the case of Pre-Entitlement Age death or total and permanent disablement, a Participant's Service Award will not be paid until he or she 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 Pre-Entitlement Age death and disability benefit is equal to the actuarial value of the Participant's earned Service Award at the time of death or disablement. The Program does not provide extra line-of-duty death or disability benefits. All death and disability benefits are self insured and are paid from the Program Trust Fund.

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

Fiduciary Investment and Control – After the end of year each calendar year, the Fire District Secretary prepares and certifies a list of names of all persons who were active volunteer members of the fire department during the year indicating which volunteers earned fifty points. The certified list is delivered to the Board of Fire Commissioners for the Board's review and approval. The Fire District Secretary maintains the point system records to verify each volunteer's points on forms provided and/or approved by the Board of Fire Commissioners.

The Board of Fire Commissioners has retained Penflex, Inc. to assist in the administration of the Program. The services provided by Penflex are described in the attached agreement between Penflex and the Clarence Fire District No. 1.

Based on the certified calendar year volunteer firefighter listings Penflex determines and certifies in writing to the Board of Fire Commissioners the amount of the Service Award to be paid to a Participant or to a Participant's designated beneficiary. As authorized by the Board of Fire Commissioners, Penflex then directs the paying agent to pay the Service Award. No Service Award benefit payment is made without the written certification from Penflex and written confirmation to the Fire District.

CLARENCE FIRE DISTRICT NO. 1

**Notes to Basic Financial Statements
December 31, 2016**

Note 6- Fiduciary Fund- Defined Benefit Volunteer Firefighter Service Award Program (Cont.)

Penflex bills the Clarence Fire District No. 1 for the services it provides. Penflex invoices are authorized for payment by the Board of Commissioners in the same manner as any other invoice presented to the Fire District for payment. The Fire District pays Penflex invoices from its general fund.

Program assets are required to be held in trust by Article 11-A, for the exclusive purpose of providing benefits to Participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the Program. The Board of Commissioners created a Service Award Program Trust Fund through the adoption of a Trust Document, a copy of which is available from the Fire District Secretary. The Board of Fire Commissioners is the Program Trustee.

Authority to invest the Program assets is vested in the Program Trustee. Program assets are invested in accordance with a statutory prudent person rule and in accordance with an investment policy adopted by the Board of Fire Commissioners.

The Board of Fire Commissioners retained RBC Wealth Management to provide investment management and custodial services.

CLARENCE FIRE DISTRICT NO. 1

**Notes to Basic Financial Statements
December 31, 2016**

Note 6- Fiduciary Fund- Defined Benefit Volunteer Firefighter Service Award Program (Cont.)

The Board of Fire Commissioners is required to retain an actuary to determine the amount of the Fire District’s contributions to the program. The actuarial firm retained by the Fire District for this purpose is Penflex, Inc. Portions of the following are derived from a report by the actuary dated March 23, 2017.

Program Financial Condition:

Assets & Liabilities

Actuarial Present Value of Benefits at December 31, 2016 \$ 2,468,304

Less: Assets Available for Benefits

	% of Total	\$ Amount
Cash & Cash Alternatives	0.4%	\$ 7,958
US equities	24.1%	435,282
International equities	10.0%	180,944
Fixed income	44.8%	810,367
Mixed assets	20.0%	361,973
Other assets	0.0%	-
Interest & dividends	0.0%	3
Benefits payable	<u>0.7%</u>	<u>12,355</u>
	<u>100.0%</u>	<u>1,808,882</u>
Less: Liabilities		<u>-</u>

Total Net Position Available for Benefits 1,808,882

Total Unfunded Benefits \$ 659,422

CLARENCE FIRE DISTRICT NO. 1

**Notes to Basic Financial Statements
December 31, 2016**

Note 6 - Fiduciary Fund – Defined Benefit Volunteer Firefighter Service Award Program (Cont.)

Prior service costs have been amortized and paid. The unfunded liability for additional Service Awards earned after attainment of the entitlement age (post-EA) is being amortized over 1 year at 5.50% interest from the year they are accrued.

Receipts and Disbursements

Plan Net Assets Beginning of Year		\$ 1,771,965
Changes during the year:		
+ Plan contributions	86,100	
+ Investment income earned	62,063	
+/- Changes in fair market value of investments	50,850	
- Benefits Paid/Payable	(148,562)	
- Investment Expense	(13,534)	
- Administrative and Other Fees/Charges	<u>-</u>	
Plan Net Assets End of Year		\$ <u>1,808,882</u>

Contributions

Amount of sponsor's contribution recommended by actuary	\$ 86,038
Amount of sponsor's actual contribution	\$ 86,100

CLARENCE FIRE DISTRICT NO. 1

**Notes to Basic Financial Statements
December 31, 2016**

Note 6 - Fiduciary Fund – Defined Benefit Volunteer Firefighter Service Award Program (Cont.)

Administration Fees

Fees paid to administrative/actuarial services provider	\$5,316
Fees paid for investment management (RBC Wealth Management)	\$13,534

Funding Methodology and Actuarial Assumptions

Normal Costs

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

Assumed rate of return on program investments	5.50%
Mortality Tables used for:	
Withdrawal	<u>None</u>
Disability RP 2014 Mortality Table	
Retirement RP 2014 Mortality Table	
Death (Actives) RP 2014 Mortality Table	
Death (Inactives)	<u>None</u>
Other	<u>N/A</u>

CLARENCE FIRE DISTRICT NO. 1

**Notes to Basic Financial Statements
December 31, 2016**

Note 7 - Interfund Transactions – Governmental Funds

The District had no outstanding interfund transactions at the end of the year.

Note 8 - Risk Management

The District is exposed to various risks of loss related to the torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

Note 9 - Subsequent Events

The District has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 30, 2017 (the date the Financial Statements were available to be issued). The District has been served with a notice of claim resulting from an alleged injury to a resident. The District's attorney has, after consultation with the insurance carriers defense counsel, concluded that even with sufficient insurance coverage, a settlement, if any, would not have a substantial negative impact on the District.

Note 10-District Capital Project

The Board of Fire Commissioners of Clarence Fire District No. 1 has authorized the construction of an addition to the fire hall. A special election was held, and the voters passed a mandatory referendum allowing the District to use up to \$2 million from the Building Reserve and \$1.5 million in borrowed funds. The building expansion is estimated to take a year to complete and a portion of the construction amount to \$559, 809 was performed during 2016.

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CLARENCE FIRE DISTRICT NO. 1

**Schedule of Revenues
Compared to Budget – General Fund
For the Year Ended December 31, 2016**

Account Number	Account Name	Budget	2016 Actual	Variance
Revenues:				
A1001	Real Property Tax	\$ 943,965	\$ 943,965	\$ -
A2401	Interest and Earnings	1,000	214	(786)
B2401	Building Reserve Interest Income	-	1,006	1,006
E2401	Equipment Reserve Interest Income	-	315	315
A2410	Hall Rental	-	-	-
A2680	Insurance Recoveries	-	8,042	8,042
A4960	Federal Aid-Emergency Disaster Assistance	-	63,456	63,456
Total General Fund Revenues		\$ 944,965	\$ 1,016,998	\$ 72,033

See Independent Auditor's Report.

CLARENCE FIRE DISTRICT NO. 1

**Schedule of Expenditures
Compared to Budget – General Fund
For the Year Ended December 31, 2016**

<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>2016 Actual</u>	<u>Variance</u>
General Support				
A1989	Personal Services			
.101	Personnel Services - Secretary	\$ 16,000	\$ 4,231	\$ 11,769
.102	Personnel Services - Treasurer	26,000	27,177	(1,177)
.104	Personnel Services - Building Maintenance Manager	13,000	8,475	4,525
.105	Personnel Services -Janitor	5,000	5,022	(22)
	Total Personal Services	<u>60,000</u>	<u>44,905</u>	<u>15,095</u>
Other				
.401	Utilities/Building Maintenance&Batteries	72,600	51,728	20,872
.405	Repairs	50,500	56,425	(5,925)
.406	Training and Travel	26,000	25,147	853
.407	Association Dues	2,500	2,474	26
.408	Office Supplies	3,400	2,331	1,069
.409	Legal and Audit Fees	11,275	13,089	(1,814)
.410	Computer Capital & Consultant	9,500	11,662	(2,162)
.411	Public Liability	32,000	29,140	2,860
	Total Other	<u>207,775</u>	<u>191,996</u>	<u>15,779</u>
	Total General Support	<u>267,775</u>	<u>236,901</u>	<u>30,874</u>

See Independent Auditor's Report.

CLARENCE FIRE DISTRICT NO. 1

**Schedule of Expenditures
Compared to Budget – General Fund
For the Year Ended December 31, 2016**

Account Number	Account Name	Budget	2016 Actual	Variance
A3410	Fire Protection			
.201	Fire & EMS Equipment Capital	\$ 59,500	\$ 111,104	\$ (51,604)
	Total Fire Protection	<u>59,500</u>	<u>111,104</u>	<u>(51,604)</u>
.400	Other			
.401	Gas, Air, Amherst Alarm Expense	13,500	12,510	990
.403	Inspections, Public Drills, Parades	4,400	6,094	(1,694)
.404	Uniforms	6,000	24,072	(18,072)
.405	Subscriptions and Election	3,500	3,915	(415)
.406	Alarms Mileage	1,500	1,915	(415)
.407	Medical Exams	9,500	10,456	(956)
.408	EMS Disposables	6,000	1,599	4,401
	Total Other	<u>44,400</u>	<u>60,561</u>	<u>(16,161)</u>
	Total Fire Protection	<u>103,900</u>	<u>171,665</u>	<u>(67,765)</u>

See Independent Auditor's Report.

CLARENCE FIRE DISTRICT NO. 1

**Schedule of Expenditures
Compared to Budget – General Fund
For the Year Ended December 31, 2016**

<u>Account Name</u>		<u>Budget</u>	<u>2016 Actual</u>	<u>Variance</u>
Employee Benefits				
A9025.800	Local Pension Plan (LOSAP)	91,900	91,416	484
A9030.800	Social Security	4,590	3,431	1,159
A9040.800	Workers' Compensation/VFBL	55,000	41,743	13,257
A9045.800	Life Insurance	9,300	9,778	(478)
	Total Employee Benefits	<u>160,790</u>	<u>146,368</u>	<u>14,422</u>
	Total General Fund Expenditures	<u>532,465</u>	<u>554,934</u>	<u>(22,469)</u>
A9901 Interfund Transfers				
.101	Equipment Reserve Transfer	2,500 #	-	
.102	Building Improvements Transfer	410,000	-	
	Total Interfund Transfers	<u>412,500</u>	<u>-</u>	
	Total General Fund Expense Budget	<u>\$ 944,965</u>		
	Total Capital Fund		<u>559,809</u>	
	Total All Fund Expenses		<u>\$ 1,114,743</u>	

See Independent Auditor's Report.

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

To the Board of Commissioners
Clarence Fire District No. 1
Clarence, New York

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the government activities, each major fund, and the aggregate remaining fund information of Clarence Fire District No. 1, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Clarence Fire District No. 1's basic financial statements and have issued our report thereon dated June 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clarence Fire District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clarence Fire District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Clarence Fire District's internal control.

A deficiency in 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarence Fire District No. 1's Basic Financial Statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Clarence Fire District No. 1's internal control or on compliance. This report is an integral part of the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Amato, Fox & Company, P.C.

June 30, 2017