

TOWN OF WATERFORD, NEW YORK

FINANCIAL STATEMENTS
(REGULATORY BASIS OF ACCOUNTING) –
GENERAL FUND, SPECIAL REVENUE FUNDS, AND
CAPITAL PROJECTS FUND

As of and for the year ended December 31, 2019

TOWN OF WATERFORD, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and Members of the Town Board
Town of Waterford, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Waterford, New York, which comprise the balance sheet – the general fund, special revenue funds and capital projects fund as of December 31, 2019, and the related statement of revenues, expenditures and changes in fund balances (deficit) – the general fund, special revenue funds and capital project fund for the year ended December 31, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions allowed by the New York State Office of the State Comptroller as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund, special revenue funds and capital projects fund of the Town of Waterford, New York as of December 31, 2019, and the changes in financial position for the general fund, special revenue funds and capital project fund for the year then ended, in accordance with the financial reporting provisions allowed by the New York State Office of the State Comptroller as described in Note 1.

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

As described in Note 1, the financial statements are prepared by the Town of Waterford, New York, on the basis of the financial reporting provisions allowed by the New York State Office of the State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the New York State Office of the State Comptroller.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Town of Waterford, New York, as of December 31, 2019, or changes in net position, or cash flows thereof for the year then ended.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Town of Waterford, New York – regulatory basis. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the financial statements – regulatory basis.

The budgetary comparison information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the 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 July 24, 2020, on our consideration of the Town of Waterford, New York’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Waterford, New York’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Waterford, New York’s internal control over financial reporting and compliance.

UHY LLP

Albany, New York
July 24, 2020

TOWN OF WATERFORD, NEW YORK
BALANCE SHEET – THE GENERAL FUND, SPECIAL REVENUE FUNDS AND CAPITAL PROJECTS FUND
(REGULATORY BASIS OF ACCOUNTING)
December 31, 2019

	Governmental Fund Types						Capital Projects
	Special Revenue Funds					Subtotal	
	General	Highway	Sewer	Town Outside Village	Others		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES							
ASSETS:							
Cash and cash equivalents	\$ 848,520	\$ 58,527	\$ 305,932	\$ 373,572	\$ 19,773	\$ 757,804	\$ 719,716
Other receivables	24,297	9,777	262,387	29,086	71,431	372,681	-
Due from other funds	99,155	-	-	59,774	-	59,774	-
Due from other governments	100,006	-	33	369,385	-	369,418	6,629
Prepaid expenses	112,526	5,321	6,830	4,045	3,707	19,903	-
Total assets	1,184,504	73,625	575,182	835,862	94,911	1,579,580	726,345
DEFERRED OUTFLOWS OF RESOURCES:							
Total assets plus deferred outflows of resources	\$ 1,184,504	\$ 73,625	\$ 575,182	\$ 835,862	\$ 94,911	\$ 1,579,580	\$ 726,345
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	\$ 42,816	\$ 51,851	\$ 51,043	\$ 50,038	\$ 2,500	\$ 155,432	\$ 163,167
Accrued liabilities	39,391	18,588	9,810	3,985	-	32,383	-
Due to other funds	749	-	-	-	74,284	74,284	83,896
Due to other governments	-	-	-	109	4,686	4,795	-
Due to Water Authority	-	-	-	-	-	-	109,017
Bond anticipation notes payable	-	-	-	-	-	-	792,510
Total liabilities	82,956	70,439	60,853	54,132	81,470	266,894	1,148,590
DEFERRED INFLOWS OF RESOURCES:							
	6,300	-	-	-	70,577	70,577	-
FUND BALANCES:							
Nonspendable:							
Prepaid expenses	112,526	5,321	6,830	4,045	3,707	19,903	-
Assigned to:							
Town Outside Village Fund	-	-	-	777,685	-	777,685	-
Sewer Fund	-	-	469,268	-	-	469,268	-
Appropriations	267,750	-	38,231	-	7,725	45,956	-
Other purposes	3,681	-	-	-	10,867	10,867	-
Unassigned (deficit)	711,291	(2,135)	-	-	(79,435)	(81,570)	(422,245)
Total fund balances	1,095,248	3,186	514,329	781,730	(57,136)	1,242,109	(422,245)
Total liabilities, deferred inflows of resources and fund balances	\$ 1,184,504	\$ 73,625	\$ 575,182	\$ 835,862	\$ 94,911	\$ 1,579,580	\$ 726,345

See notes to financial statements.

TOWN OF WATERFORD, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES (DEFICIT) – THE GENERAL FUND, SPECIAL REVENUE FUNDS AND CAPITAL PROJECTS FUND
(REGULATORY BASIS OF ACCOUNTING)
Year Ended December 31, 2019

	Governmental Fund Types						Capital Projects
	Special Revenue Funds					Subtotal	
	General	Highway	Sewer	Town Outside Village	Others		
REVENUES							
Real property taxes	\$ 2,638,814	\$ 1,567	\$ 108,775	\$ -	\$ 878,910	\$ 989,252	\$ -
Real property tax items	5,989	-	-	-	-	-	-
Non property tax items	-	-	-	2,318,427	-	2,318,427	-
Departmental income	25,147	-	760,558	17,094	10,210	787,862	-
Intergovernmental charges	107,211	-	-	58,438	-	58,438	-
Use of money and property	28,490	-	-	2	-	2	-
Licenses and permits	5,370	-	-	28,641	-	28,641	-
Fines and forfeitures	17,901	-	-	-	-	-	-
Sale of property and compensation for loss	47,790	31,780	26,151	-	-	57,931	-
Miscellaneous local sources	4,625	-	357	49,251	34,660	84,268	-
State aid	127,734	-	-	2,658	-	2,658	20,080
Federal aid	-	-	-	-	300,926	300,926	-
Proceeds from obligations	-	-	-	-	-	-	89,004
Total revenues	3,009,071	33,347	895,841	2,474,511	1,224,706	4,628,405	109,084
EXPENDITURES							
General government support	893,485	27,160	32,001	42,902	500	102,563	93,013
Education	1,907	-	-	-	-	-	-
Public safety	1,007,953	-	-	58,124	177,448	235,572	6,333
Health	-	-	-	-	377,933	377,933	-
Transportation	18,088	947,975	-	62,514	175,497	1,185,986	523,551
Economic assistance and opportunity	-	-	-	1,168	-	1,168	-
Culture and recreation	11,165	-	-	229,240	67,111	296,351	-
Home and community services	49,967	-	663,962	693,046	300,927	1,657,935	155,561
Employee benefits	609,941	175,147	97,721	99,290	-	372,158	-
Debt service (principal of \$630,409 and interest of \$304,151)	301,394	152,343	126,215	43,120	311,488	633,166	-
Total expenditures	2,893,900	1,302,625	919,899	1,229,404	1,410,904	4,862,832	778,458
Excess (deficiency) of revenues over expenses	115,171	(1,269,278)	(24,058)	1,245,107	(186,198)	(234,427)	(669,374)
Transfers	(20,564)	1,269,278	-	(1,335,077)	91,141	25,342	(4,778)
Net change in fund balances	94,607	-	(24,058)	(89,970)	(95,057)	(209,085)	(674,152)
FUND BALANCES (DEFICIT)							
Fund balances (deficit), beginning of year	1,000,641	3,186	538,387	871,700	37,921	1,451,194	251,907
Fund balances, end of year	\$ 1,095,248	\$ 3,186	\$ 514,329	\$ 781,730	\$ (57,136)	\$ 1,242,109	\$ (422,245)

See notes to financial statements.

TOWN OF WATERFORD, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Waterford, Saratoga County, New York (the "Town") was founded in 1816. The Town is governed by County Law, other general laws of the State of New York, and various local laws and ordinances. The Town Board is the legislative body responsible for overall operations. The Town Supervisor serves as chief executive officer and chief fiscal officer.

The Town provides the following basic services: police and law enforcement, fire protection, water and sewer, trash collection, recreation, street maintenance and snow removal, and general administrative services.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standard Board (GASB) as they relate to fund accounting for fiscal accountability. Fiscal accountability is one of the primary objectives of financial reporting and is designed to demonstrate that the actions of the government during the current period have complied with public decisions concerning the raising and spending of public monies during the reporting cycle.

In June 1999, the GASB approved Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments which became effective for the Town for the period ended December 31, 2004. This statement requires the financial statements to include government-wide financial statements on a full accrual basis, in addition to the fund financial information presented by the Town of Waterford in these financial statements. It further requires information relating to fixed assets, including infrastructure and depreciation, component units and reconciliation between government-wide and fund statements, as well as management discussion and analysis.

The Town has elected not to implement GASB 34 due to the costs associated with the development and maintenance of the information required to present government-wide financial statements. The accompanying financial statements present the financial position of the general fund, special revenue funds and capital projects fund of the Town of Waterford, New York, and the changes in financial position thereof. The budgetary comparison for the general fund and special revenue-type funds is presented as other information.

(a) Financial Reporting Entity

The financial reporting entity consists of the general fund, the special revenue funds and the capital projects fund of the Town of Waterford and does not include any other funds, account groups or component units of the Town.

(b) Basis of Presentation - Fund Accounting

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances (net assets), revenues, and expenditures (expenses). The following fund types are used by the Town:

GOVERNMENTAL FUND TYPES

Governmental funds are those in which most governmental functions of the Town are reported. The acquisition, use and balances of the Town's expendable financial resources and the related liabilities are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon determination of net income. The following are the Town's governmental fund types:

TOWN OF WATERFORD, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUND TYPES (Continued)

General Fund - The general fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted for specified purposes. The Town maintains the following special revenue funds:

- Outside Village Fund - used to account for landfill monitoring costs, Parks and Recreation, Planning Board and Zoning Board activities, and refuse collection operations.
- Highway Fund - used to account for highway operations.
- Special District Funds - used to account for resources of the special districts. The Town has a number of water, sewer, fire protection, lighting, and ambulance districts which supply services to portions of the Town. The water district is treated as a separate entity and is not included in the Town's reporting entity. (See Financial Reporting Entity)
- Special Grant Fund - used to account for federal monies received to provide rental housing and economic development assistance.
- Miscellaneous Special Revenue Fund - used to account for the revenue and expenses associated with the souvenir shop at the Canal Visitor's Center. The souvenir shop purchases items such as beverage mugs, polo shirts, sweatshirts, and other memorabilia for resale to visitors who are interested in obtaining an item which serves as a remembrance of their visit to Waterford. The Miscellaneous Special Revenue Fund also accounts for the revenue and expenses associated with the Steamboat Meet, the Tugboat Roundup, as well as the Dragon Boat Meet.

Capital Projects Fund - The capital projects fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

(c) Basis of Accounting

The Town has elected to prepare its financial statements on the regulatory basis as allowed by the New York State Office of the State Comptroller for annual reports submitted to that office, which varies from generally accepted accounting principles in the United States of America (U.S. GAAP). The regulatory basis under the New York State Office of the Comptroller uses the modified accrual basis of accounting for the general fund, special revenue funds and capital project fund. This regulatory basis varies from U.S. GAAP primarily in that under U.S. GAAP:

- Financial statements include two additional statements, the statement of net position and the statement of activities, collectively referred to as the "government-wide" financial statements which are presented on the full accrual basis of accounting.
- A Management's Discussion and Analysis (MD&A) is required as supplementary information that precedes the basic financial statements and is intended to provide an objective analysis of the government's financial activities, both on a current and long-term basis, based on current conditions.
- Other supplementary information is required by U.S. GAAP, including budgetary comparison schedules for the General Fund and each major special revenue fund that has a legally adopted annual budget, and the schedule of funding progress for other postemployment benefits.

TOWN OF WATERFORD, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Fund-based financial statements must be reconciled to the “government-wide” financial statements.
- Capital assets, other than land, are depreciated and reported on the “government-wide” statement of net position at net book value, and depreciation expense is allocated to the major functions on the statement of activities based on the use of the underlying assets.

The Town’s financial statements include only the general fund, special revenue funds and capital project fund. The financial transactions of the Town are reported in the general fund, special revenue funds and capital project fund. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when they are susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt and compensated absences, are recorded when the liability is incurred, if measurable.

In applying the susceptible-to-accrual concept to State and Federal Aid, the legal and contractual requirements of the individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are generally reflected as revenues at the time of receipt.

The primary non-property tax item is sales tax which is recorded as revenue when it is susceptible to accrual. Court and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Inter-governmental revenues and interest income are accrued when their receipt occurs within sixty days of the end of the accounting period and such amounts relate to the current period.

(d) Fund Balance Classification

Fund balances are classified as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Board. The Town did not have any committed resources as of December 31, 2019.

Assigned - This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Board or through the Town Board delegating this responsibility to the Town Supervisor through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

TOWN OF WATERFORD, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned - This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

(e) Property Taxes

Real property taxes are levied annually no later than December 31 by Saratoga County and become a lien on January 1. Taxes are collected during the period January 1 to March 31. Taxes for county purposes are levied together with taxes for town and special district purposes as a single bill. The town and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. Unpaid town taxes are turned over to the county for enforcement. Any such taxes remaining unpaid at year end are relieved as county taxes in the subsequent year.

(f) Budgetary Data

General Budget Process - Prior to September 30 of each year, the Budget Officer submits to the Town Clerk a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the sources of financing. Public hearings are conducted to obtain taxpayers' comments. Prior to November 20, the budget is adopted by the Town Board. Town taxes included in the budget are due and payable by January 31 without penalty and interest. Any revisions to the budget are approved by the Town Board.

Budgetary Comparison Information - The budgetary comparison information is presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual for the general fund and each major special revenue fund with a legally adopted budget.

(g) Account Groups

Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. An account group is not a "fund." It is concerned only with the measurement of financial position and is not involved with measurement of results of operations and are not included in the financial statements.

General Long-term Debt Account Group - This account group is used to record all long-term debt of the Town, such as compensated absences, installment purchases, and bonds. Information about general long-term debt is disclosed in Note 3.

Fixed Asset Account Group - The Town does not maintain information related to cost of fixed assets and the amounts that should be recorded in this account group have not been determined.

(h) Other

The following policies are related to transactions affecting governmental funds as well as the account groups.

Compensated Absences - Police

Police officers are granted the following compensated absences each year:

Vacation	10-25 days
Sick leave	1-13 days

TOWN OF WATERFORD, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences – Police (Continued)

Sick leave vests and may be accumulated from year-to-year up to 160 days. Vacation time vests and may be accumulated from year-to-year up to 30 days. Compensatory time vests and may be accumulated from year-to-year up to 80 hours. Upon retirement or death, payment is made for all accumulated time. Payment of unused vacation time and compensatory time is also made upon termination or resignation. The liability for sick leave of \$178,364, vacation time of \$20,803 and compensatory time of \$6,737 is recorded in the general long-term debt account group since it is anticipated that only an immaterial portion will be paid out in any one year.

Compensated Absences - Other

Other personnel are granted the following compensated absences each year:

Vacation	10-15 days
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Vacation time vests and may be accumulated from year-to-year up to 5 days. Vacation time of \$10,676 is also recorded in the general long-term debt account group since it is anticipated that only an immaterial portion will be paid out in any one year.

NOTE 2 — CASH AND CASH EQUIVALENTS

The Town's investment policy is to invest surplus cash in demand accounts. Collateral is required for demand deposits for amounts not covered by federal deposit insurance. Demand deposits at year-end were entirely covered by federal depository insurance or by a collateral held by a third party. Coverage was as follows:

	<u>Demand Deposits</u>
Bank balances	\$ 2,418,931
FDIC insurance	\$ 500,000
Collateral held by a third party	\$ 2,000,000

NOTE 3 — LONG-TERM DEBT

As discussed in Note 1, long-term debt of the Town is recorded in the long-term debt account group and is not included in the financial statements. The following describes long-term debt of the Town:

(a) Changes in Long-term Debt - The following is a summary of changes in long-term debt for the year ended December 31, 2019:

	<u>Bonds</u>	<u>Compensated Absences</u>
Payable at January 1, 2019	\$ 9,359,476	\$ 221,714
Deductions	<u>(541,404)</u>	<u>(5,135)</u>
Payable at December 31, 2019	<u>\$ 8,818,072</u>	<u>\$ 216,579</u>

Additions and deductions to compensated absences are shown net since it is impracticable to determine these amounts separately.

TOWN OF WATERFORD, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 3 — LONG-TERM DEBT (Continued)

(b) Bonds Payable - The Town borrows money in order to construct infrastructure and provide improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are secured by the full faith and credit of the Town, are recorded in the General Long-term Debt Account Group. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

The following is a summary of bonds outstanding at December 31, 2019:

<u>Payable from Description</u>	<u>Original Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate (%)</u>	<u>Date Final Maturity</u>	<u>Outstanding</u>
Special Revenue Funds					
Sewer Fund - Environmental Facilities Corporation	07/24/03	\$ 1,188,293	4.196-4.581%	01/01/28	\$ 505,000
Statutory Installment Bond - Town Hall Improvements	02/10/06	883,000	4.550%	02/10/20	63,072
Statutory Installment Bond - Linda Lane Drainage	08/09/07	200,000	4.700%	08/09/22	40,000
Serial Bond - Improvements and Tax Settlements	02/24/11	1,025,666	4.250-4.750%	02/01/26	540,000
Serial Bond - Improvements	03/20/14	685,000	3.000-3.750%	03/01/29	520,000
Serial Bond-Improvements	04/28/15	400,000	3.250-4.000%	04/01/35	340,000
Serial Bond- Improvements	10/01/15	2,089,706	3.250-3.750%	10/01/40	1,750,000
Refunding Bonds - Water System Improvements *	2/17/16	3,775,000	1.500-4.000%	08/01/38	3,545,000
Serial Bond - Water System Improvements	5/12/16	760,000	2.000-4.000%	05/01/41	700,000
Serial Bond - Repaving, Drainage, and Town Hall Improvements	3/29/18	<u>860,000</u>	3.000-4.000%	04/01/33	<u>815,000</u>
Total		<u>\$ 11,866,665</u>			<u>\$ 8,818,072</u>

* Bonds are issued by the Town of Waterford, but the proceeds were passed through to the Town of Waterford Water Works Authority ("Water Authority"). All proceeds are restricted for use on Water Authority capital improvements. Repayment will be made by the Town through a special water usage tax.

The following table summarizes the Town's future debt service requirements on bonds as of December 31, 2019:

<u>Year Ending Date</u>	<u>Serial Bonds</u>	
	<u>Principal</u>	<u>Interest (Memorandum)</u>
2020	\$ 551,405	\$ 281,052
2021	483,333	266,492
2022	498,334	252,486
2023	495,000	238,216
2024	515,000	223,951
2025-2029	2,450,000	885,269
2030-2034	2,015,000	505,763
2035-2039	1,615,000	182,851
2040-2041	<u>195,000</u>	<u>7,538</u>
	<u>\$ 8,818,072</u>	<u>\$ 2,843,618</u>

(c) Other Long-term Debt - In addition to the above long-term debt the Town had the following noncurrent liabilities:

- Compensated Absences. Represents the earned and unused portion of the liability for compensated absences.
- Deferred Inflows of Resources and Net Pension Liability.

TOWN OF WATERFORD, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 4 — OTHER DEBT

Bond Anticipation Notes - Liabilities for bond anticipation notes (BANs) are accounted for in the General Fund and Capital Projects Fund. Debt service expenditures are recorded in the fund that benefited from the capital project financed by the note, e.g. the General Fund and Special Revenue Funds. State law required that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, providing that stipulated annual reductions of principal are made.

Bond anticipation notes are comprised of the following at December 31, 2019:

<u>Project</u>	<u>Original Date Issued</u>	<u>Balance January 1, 2019</u>	<u>Borrowings</u>	<u>Reductions</u>	<u>Balance December 31, 2019</u>
Police Car	09/23/16	\$ 8,897	\$ -	\$ (8,897)	\$ -
Mower	09/23/16	13,724	-	(4,575)	9,149
Police Car	08/18/17	18,402	-	(9,201)	9,201
Resealing of Various Town Roads	08/18/17	65,992	-	(16,498)	49,494
Fuel System	02/02/18	110,000	-	(22,000)	88,000
Highway Pick-Up Truck	09/28/18	35,000	-	(7,000)	28,000
Police SUV	09/28/18	40,000	-	(13,334)	26,666
Bus	09/28/18	37,500	-	(7,500)	30,000
Paving of Various Town Roads	07/12/19	-	552,000	-	552,000
Total BANS outstanding		<u>\$ 329,515</u>	<u>\$ 552,000</u>	<u>\$ (89,005)</u>	<u>\$ 792,510</u>

NOTE 5 — INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at December 31, 2019, were as follows:

<u>Fund Type</u>	<u>Interfund Receivables</u>	<u>Interfund Payable</u>
General	\$ 99,155	\$ 749
Special revenue	59,774	74,284
Capital projects	-	83,896
Total	<u>\$ 158,929</u>	<u>\$ 158,929</u>

NOTE 6 — OPERATING TRANSFERS

During the course of normal operations, the Town records numerous transactions between funds, including expenditures for the provision of services as well as transfers between funds to finance various projects or debt payments. All operating transfers occur within the governmental funds and are reported as other financing sources (uses) in the combined statement of revenues, expenditures and changes in fund balances (deficit) – all governmental fund types.

TOWN OF WATERFORD, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 7 — PENSION PLANS

(a) Plan Description

The Town participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). These are cost-sharing multiple-employer retirement systems. Plan benefits, including retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries are provided under the provisions of the New York State Retirement and Social Security Law and are guaranteed under the State Constitution. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors. Obligations of employers and employees to contribute and benefits provided to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

(b) Funding Policy

No employee contribution is required for those hired prior to July 1976. The System requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined the System from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of compensation throughout their active membership in the System. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Town to the pension accumulation fund. For 2019, these rates ranged from 9.2% - 24.7% for the Town's active employees. Employee contributions are deducted from their salaries and remitted on a current basis to the System.

The Town is required to contribute at an actuarially determined rate. The required contributions for the System's fiscal years ending March 31 were:

	<u>ERS</u>	<u>PFRS</u>
2017	\$ 210,137	\$ 144,549
2018	\$ 201,957	\$ 154,538
2019	\$ 180,527	\$ 158,104

The Town's contributions made to the Systems were equal to 100 percent of the contributions required for each year.

(c) Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Pension Liability

At December 31, 2019, the Town's proportionate share of the deferred outflows of resources was approximately \$376,000, and its proportionate share of the deferred inflows of resources and net pension liability was approximately \$299,000 and \$596,000, respectively. The net pension liability was measured

TOWN OF WATERFORD, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 7 — PENSION PLANS (Continued)

as of March 31, 2019, and the total pension liability was determined by an actuarial valuation as of April 1, 2018, with updated procedures used to roll forward the total pension liability to March 31, 2019. The Town's proportion was based on the ratio of its actuarially determined employer contribution to ERS's and PFRS's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2019 measurement date, the Town's proportions were 0.0043666% and 0.0170713% for ERS and PFRS, respectively.

The Town has an additional deferred outflow of resources of approximately \$372,000 as of December 31, 2019 for employer contributions made subsequent to the measurement date of March 31, 2019.

Deferred outflows of resources is reported in the Long-term Asset Account. Deferred inflows of resources and net pension liability are reported in the General Long-term Debt Account Group.

NOTE 8 — RESERVES

Landfill Closure Reserve

State and federal laws and regulations required the Town to close its landfill site in 1993. Although the closure has been completed, the Town must continue to perform certain maintenance and monitoring functions at the site. The Town believes the annual costs of postclosure maintenance and monitoring costs will not be significant to the Town's annual results of operations. Accordingly, these maintenance and monitoring costs are reported as expenditures in the period incurred.

In conjunction with the landfill closure, the Town entered into an agreement with the City of Mechanicville and the Village of Waterford in November 1989 which required that all revenues received from tipping fees be placed and held in an escrow account with the Town of Waterford as the escrow agent. Such fees were to be used to offset future landfill closure costs. Since December 31, 2013, there has been no balance in the landfill closure reserve. In 2019, costs related to landfill monitoring, totaling \$12,598, were incurred. The Town will continue the process of monitoring the landfill during 2020. The Town of Waterford, the City of Mechanicville and the Village of Waterford will contribute funds to cover the costs associated with the landfill monitoring in accordance with the agreement dated November 1989.

NOTE 9 — COMMITMENTS AND CONTINGENCIES

Lawsuits

The Town has been named in several lawsuits arising in the ordinary course of the Town's operations. These claims and lawsuits, in the opinion of management, after considering all relevant facts are either adequately covered by insurance or will not result in material judgments against the Town and, therefore, are not expected to have a material effect on the financial statements.

Tax certiorari proceedings are pending challenging the Town's assessments of various properties. The resolution of such proceedings is not determinable as of the date the financial statements were available for issuance.

Grant Programs

The Town participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The Town believes, based upon its review of current activity and prior experience, the amount of disallowances resulting from these audits, if any, will not be significant to the Town's financial position or results of operations.

TOWN OF WATERFORD, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 10 — OPERATING LEASE

During 2009, the Town entered into a lease agreement with the Waterford Rescue Squad to lease them an ambulance, which was acquired with proceeds from the issuance of a bond anticipation note. The ambulance has a cost of \$131,735. The lease is on an annual basis which is renewed at a rate of \$1 per year unless the Town provides notice to the contrary.

During 2019, the Town entered into a fifteen year lease agreement to lease a rooftop space of Town Hall for a cell phone tower. The lease agreement can be canceled but is subject to a termination fee if canceled within the first five years of the term of the agreement for remaining rent for the first five years. Rental income under the lease was \$21,900 for the year ended December 31, 2019. Future minimum lease payments to be received as of December 31, 2019 are as follows:

<u>Year ending December 31,</u>	
2020	\$ 25,200
2021	25,200
2022	25,200
2023	25,200
2024	<u>6,300</u>
	<u>\$ 107,100</u>

NOTE 11 — SUBSEQUENT EVENTS

In July 2020, the Town issued \$750,000 of general obligation serial bonds to finance various road repaving projects.

OTHER INFORMATION

TOWN OF WATERFORD, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES

Year Ended December 31, 2019

	General Fund				Special Revenue Funds - Highway			
	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)
REVENUES								
Real property taxes	\$ 2,636,782	\$ 2,638,815	\$ 2,638,814	\$ (1)	\$ -	\$ -	\$ 1,567	\$ 1,567
Real property tax items	5,000	5,989	5,989	-	-	-	-	-
Non property tax items	-	-	-	-	-	-	-	-
Departmental income	17,650	25,364	25,147	(217)	-	-	-	-
Intergovernmental charges	92,692	101,790	107,211	5,421	-	-	-	-
Use of money and property	30,200	31,700	28,490	(3,210)	-	-	-	-
Licenses and permits	5,350	5,250	5,370	120	-	-	-	-
Fines and forfeitures	25,000	17,000	17,901	901	-	-	-	-
Sale of property and compensation for loss	-	38,530	47,790	9,260	1,500	31,780	31,780	-
Miscellaneous local sources	-	4,425	4,625	200	-	-	-	-
State aid	120,000	127,735	127,734	(1)	-	-	-	-
Federal aid	-	-	-	-	-	-	-	-
Proceeds from obligations	-	-	-	-	-	-	-	-
Total revenues	<u>2,932,674</u>	<u>2,996,598</u>	<u>3,009,071</u>	<u>12,473</u>	<u>1,500</u>	<u>31,780</u>	<u>33,347</u>	<u>1,567</u>
EXPENDITURES								
General government support	1,066,257	1,087,933	893,485	194,448	31,863	27,186	27,160	26
Education	-	3,000	1,907	1,093	-	-	-	-
Public safety	1,060,876	1,031,078	1,007,953	23,125	-	-	-	-
Health	-	-	-	-	-	-	-	-
Transportation	19,130	19,130	18,088	1,042	683,768	969,160	947,975	21,185
Economic assistance and opportunity	-	-	-	-	-	-	-	-
Culture and recreation	52,809	19,280	11,165	8,115	-	-	-	-
Home and community services	52,844	52,844	49,967	2,877	-	-	-	-
Employee benefits	636,937	632,017	609,941	22,076	165,274	176,543	175,147	1,396
Debt service (principal and interest)	301,396	301,404	301,394	10	152,358	152,343	152,343	-
Total expenditures	<u>3,190,249</u>	<u>3,146,686</u>	<u>2,893,900</u>	<u>252,786</u>	<u>1,033,263</u>	<u>1,325,232</u>	<u>1,302,625</u>	<u>22,607</u>
(Deficiency) excess of revenues over expenses	(257,575)	(150,088)	115,171	265,259	(1,031,763)	(1,293,452)	(1,269,278)	24,174
Transfers	<u>(17,425)</u>	<u>(18,064)</u>	<u>(20,564)</u>	<u>(2,500)</u>	<u>1,031,763</u>	<u>1,293,452</u>	<u>1,269,278</u>	<u>(24,174)</u>
Net change in fund balances	(275,000)	(168,152)	94,607	262,759	-	-	-	-
FUND BALANCES (DEFICIT)								
Fund balances, beginning of year	<u>1,000,641</u>	<u>1,000,641</u>	<u>1,000,641</u>	<u>-</u>	<u>3,186</u>	<u>3,186</u>	<u>3,186</u>	<u>-</u>
Fund balances, end of year	<u>\$ 725,641</u>	<u>\$ 832,489</u>	<u>\$ 1,095,248</u>	<u>\$ 262,759</u>	<u>\$ 3,186</u>	<u>\$ 3,186</u>	<u>\$ 3,186</u>	<u>\$ -</u>

TOWN OF WATERFORD, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES, CONTINUED
Year Ended December 31, 2019

	Special Revenue Funds - Sewer				Special Revenue Funds - Town Outside Village			
	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)
REVENUES								
Real property taxes	\$ 108,775	\$ 108,775	\$ 108,775	\$ -	\$ -	\$ -	\$ -	\$ -
Real property tax items	-	-	-	-	-	-	-	-
Non property tax items	-	-	-	-	2,242,474	2,319,124	2,318,427	(697)
Departmental income	803,000	803,000	760,558	(42,442)	19,850	14,481	17,094	2,613
Intergovernmental charges	-	-	-	-	18,233	55,387	58,438	3,051
Use of money and property	-	-	-	-	-	2	2	-
Licenses and permits	-	-	-	-	15,000	28,500	28,641	141
Fines and forfeitures	-	-	-	-	-	-	-	-
Sale of property and compensation for loss	-	590	26,151	25,561	-	-	-	-
Miscellaneous local sources	-	357	357	-	6,000	49,251	49,251	-
State aid	-	-	-	-	41,170	188	2,658	2,470
Federal aid	-	-	-	-	-	-	-	-
Proceeds from obligations	-	-	-	-	-	-	-	-
Total revenues	<u>911,775</u>	<u>912,722</u>	<u>895,841</u>	<u>(16,881)</u>	<u>2,342,727</u>	<u>2,466,933</u>	<u>2,474,511</u>	<u>7,578</u>
EXPENDITURES								
General government support	36,775	32,003	32,001	2	78,858	61,657	42,902	18,755
Education	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	62,574	60,074	58,124	1,950
Health	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	65,388	64,388	62,514	1,874
Economic assistance and opportunity	-	-	-	-	1,200	1,168	1,168	-
Culture and recreation	-	-	-	-	259,917	242,938	229,240	13,698
Home and community services	691,493	694,712	663,962	30,750	474,022	696,342	693,046	3,296
Employee benefits	98,559	101,059	97,721	3,338	111,778	99,163	99,290	(127)
Debt service (principal and interest)	126,216	126,216	126,215	1	43,114	43,121	43,120	1
Total expenditures	<u>953,043</u>	<u>953,990</u>	<u>919,899</u>	<u>34,091</u>	<u>1,096,851</u>	<u>1,268,851</u>	<u>1,229,404</u>	<u>39,447</u>
(Deficiency) excess of revenues over expenses	(41,268)	(41,268)	(24,058)	17,210	1,245,876	1,198,082	1,245,107	47,025
Transfers	-	-	-	-	(1,031,763)	(1,488,471)	(1,335,077)	153,394
Net change in fund balances	(41,268)	(41,268)	(24,058)	17,210	214,113	(290,389)	(89,970)	200,419
FUND BALANCES (DEFICIT)								
Fund balances, beginning of year	<u>538,387</u>	<u>538,387</u>	<u>538,387</u>	<u>-</u>	<u>871,700</u>	<u>871,700</u>	<u>871,700</u>	<u>-</u>
Fund balances, end of year	<u>\$ 497,119</u>	<u>\$ 497,119</u>	<u>\$ 514,329</u>	<u>\$ 17,210</u>	<u>\$ 1,085,813</u>	<u>\$ 581,311</u>	<u>\$ 781,730</u>	<u>\$ 200,419</u>

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

To the Supervisor and Members of the Town Board
Town of Waterford, 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 Town of Waterford, New York, which comprise the balance sheet – the general fund, special revenue funds and capital projects fund (regulatory basis of accounting) as of December 31, 2019, and the related statement of revenues, expenditures and changes in fund balances (deficit) – the general fund, special revenue funds and capital project fund (regulatory basis of accounting) for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated July 24, 2020. Unmodified opinion was issued on the Town's financial statements in accordance with regulatory basis of accounting. An adverse opinion was issued on the Town's financial statements in accordance with generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Waterford's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Waterford's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Waterford's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described as follows, that we consider to be significant deficiencies.

- (1) The Town does not have extensive segregation of duties in its financial procedures.
- (2) The Town does not maintain a general fixed asset group of accounts as required by accounting principles generally accepted in the United States of America.

Town's Response

The Town has not implemented these controls because costs to develop and maintain such controls would be excessive.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Waterford's financial statements of the general fund, special revenue funds and capital projects fund are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Waterford, New York's Response to Findings

Town of Waterford, New York's response to the findings identified in our audit is described previously on page 17. Town of Waterford, New York's response was not subjected to the auditing procedures applied in the audit of the financial statements of the general fund, special revenue funds and capital projects fund and, accordingly, we express no opinion on it.

Purpose of this Report

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

UHY LLP

Albany, New York
July 24, 2020