

**TOWN OF WATERFORD, NEW YORK**

FINANCIAL STATEMENTS  
OF THE  
GENERAL FUND, SPECIAL REVENUE FUNDS, AND  
CAPITAL PROJECTS FUND

Year ended December 31, 2017

# TOWN OF WATERFORD, NEW YORK

## TABLE OF CONTENTS

	Page
<b>Independent Auditor's Report on the Financial Statements of the General Fund, Special Revenue Funds, and Capital Projects Fund</b>	1
<b>Financial Statements</b>	
Balance Sheet - All Governmental Fund Types	3
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) – All Governmental Fund Types	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - General and Each Major Special Revenue Fund	5
Notes to Financial Statements	7
<b>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 <i>Government Auditing Standards</i></b>	17

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS OF THE GENERAL FUND, SPECIAL REVENUE  
FUNDS, AND CAPITAL PROJECTS FUND**

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

**Report on the Financial Statements of the General Fund, Special Revenue Funds, and Capital Projects Fund**

We have audited the accompanying financial statements of the general fund, special revenue funds and capital projects fund of the Town of Waterford, New York as of and for the year ended December 31, 2017, and the related notes to the 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 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.

***Opinion***

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, 2017, and the changes in financial position and the budgetary comparison for the general fund and each major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the general fund, special revenue funds and capital projects fund and do not purport to, and do not present fairly the financial position of the Town of Waterford, New York, as of December 31, 2017, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2018 on our consideration of the Town of Waterford'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 the 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's internal control over financial reporting and compliance.

**UHY** LLP

Albany, New York  
June 4, 2018

**TOWN OF WATERFORD, NEW YORK**  
**BALANCE SHEET - ALL GOVERNMENTAL FUND TYPES**  
 December 31, 2017

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**ASSETS:**

Cash and cash equivalents  
 Other receivables  
 Due from other funds  
 Due from other governments  
 Prepaid expenses  
 Total assets

**DEFERRED OUTFLOWS OF RESOURCES:**

Total assets plus deferred outflows of resources

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES**

**LIABILITIES:**

Accounts payable  
 Accrued liabilities  
 Due to other funds  
 Due to other governments  
 Due to Water Authority  
 Other liabilities  
 Bond anticipation notes payable  
 Total liabilities

**DEFERRED INFLOWS OF RESOURCES:**

**FUND BALANCES (DEFICIT):**

Nonspendable:  
 Prepaid expenses  
 Restricted for:  
 Water Fund debt service reserve  
 Assigned to:  
 Town Outside Village Fund  
 Sewer Fund  
 Appropriations  
 Other purposes  
 Unassigned (deficit)  
 Total fund balances (deficit)

Total liabilities, deferred inflows of resources and fund balances (deficit)

	Governmental Fund Types							Capital Projects	
	General	Special Revenue Funds							Subtotal
		Highway	Sewer	Outside Village	Others				
\$ 770,568	\$ 39,659	\$ 313,067	\$ 189,923	\$ 42,073	\$ 584,722	\$ 158,024			
6,065	7,694	237,213	113,791	-	358,698	-			
242,333	-	-	50,101	-	50,101	-			
110	16,548	32	292,945	-	309,525	47,263			
107,846	7,643	5,836	3,418	150	17,047	-			
1,126,922	71,544	556,148	650,178	42,223	1,320,093	205,287			
-	-	-	-	-	-	-			
\$ 1,126,922	\$ 71,544	\$ 556,148	\$ 650,178	\$ 42,223	\$ 1,320,093	\$ 205,287			
\$ 66,220	\$ 50,186	\$ 36,120	\$ 35,746	\$ 3,395	\$ 125,447	\$ 215,037			
35,736	18,172	9,396	2,497	-	30,065	-			
645	-	-	-	-	-	91,499			
-	-	-	94	2,165	2,259	-			
-	-	-	-	-	-	109,017			
-	-	18,703	-	-	18,703	-			
-	-	-	-	-	-	166,513			
102,601	68,358	64,219	38,337	5,560	176,474	582,066			
199,881	-	-	-	-	-	-			
107,846	7,643	5,836	3,418	150	17,047	-			
-	-	-	-	4,775	4,775	-			
-	-	-	537,155	-	537,155	-			
-	-	440,582	-	-	440,582	-			
186,052	-	45,511	71,268	-	116,779	-			
3,139	(4,457)	-	-	31,738	31,738	-			
527,403	-	-	-	-	(4,457)	(376,779)			
824,440	3,186	491,929	611,841	36,663	1,143,619	(376,779)			
\$ 1,126,922	\$ 71,544	\$ 556,148	\$ 650,178	\$ 42,223	\$ 1,320,093	\$ 205,287			

See notes to financial statements.

**TOWN OF WATERFORD, NEW YORK**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES (DEFICIT) – ALL GOVERNMENTAL FUND TYPES**  
 Year Ended December 31, 2017

	Governmental Fund Types						Capital Projects
	Special Revenue Funds						
	General	Highway	Sewer	Outside Village	Others	Subtotal	
<b>REVENUES</b>							
Real property taxes	\$ 2,695,025	-	\$ 874,642	\$ -	\$ 852,730	\$ 1,727,372	\$ -
Sales tax	-	-	-	1,673,241	-	1,673,241	-
Use of money and property	31,098	-	-	-	-	-	-
Licenses and permits	6,263	-	-	-	-	-	-
Fines and forfeitures	21,043	-	50	159,723	-	159,773	-
Compensation for loss	67	-	-	-	-	-	-
Miscellaneous local sources	11,496	2,723	1,484	19,953	28,303	52,463	42,701
State aid	153,630	-	-	115,273	-	115,273	47,263
Federal aid	-	16,548	-	-	301,505	318,053	-
Total revenues	2,918,622	19,271	876,176	1,968,190	1,182,588	4,046,175	89,964
<b>EXPENDITURES</b>							
General government support	910,469	29,171	46,977	117,214	500	193,862	-
Public safety	990,075	-	-	51,450	144,467	195,917	27,602
Transportation	17,936	638,399	-	61,684	33,617	733,700	346,574
Health	-	-	-	-	366,845	366,845	-
Culture and recreation	42,528	-	-	312,058	-	312,058	38,885
Economic assistance and opportunity	-	-	-	-	301,505	301,505	-
Home and community services	30,363	-	608,232	381,389	50,889	1,040,510	-
Employee benefits	628,091	164,826	96,971	84,858	-	946,655	-
Debt service (principal of \$484,470 and interest of \$326,285)	256,498	79,573	132,853	39,539	308,082	560,047	-
Total expenditures	2,875,982	911,969	885,033	1,048,192	1,205,905	4,051,099	413,061
Excess (deficiency) of revenues over expenses	42,640	(892,698)	(8,857)	919,998	(23,367)	(4,924)	(323,097)
Transfers	(27,524)	892,698	-	(892,698)	23,149	23,149	4,375
Net change in fund balances	15,116	-	(8,857)	27,300	(218)	18,225	(318,722)
<b>FUND BALANCES (DEFICIT)</b>							
Fund balances (deficit), beginning of year	809,324	3,186	500,786	584,541	36,881	1,125,394	(58,057)
Fund balances (deficit), end of year	\$ 824,440	\$ 3,186	\$ 491,929	\$ 611,841	\$ 36,663	\$ 1,143,619	\$ (376,779)

See notes to financial statements.

**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, 2017**

	General Fund			Special Revenue Funds - Highway			Variance Favorable (Unfavorable)
	Original Budget	Modified Budget	Actual	Original Budget	Modified Budget	Actual	
<b>REVENUES</b>							
Real property taxes	\$ 2,694,886	\$ 2,695,025	\$ 2,695,025	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-	-	-
Use of money and property	38,950	32,356	31,098	-	-	-	(1,258)
Licenses and permits	5,000	6,200	6,263	-	-	-	63
Fines and forfeitures	31,000	21,043	21,043	-	-	-	43
Compensation for loss	-	67	67	-	-	-	-
Miscellaneous local sources	-	11,495	11,496	1,500	2,625	2,723	98
State aid	130,000	153,330	153,630	-	-	-	-
Federal aid	-	-	-	-	-	16,548	16,548
Total revenues	2,899,836	2,919,473	2,918,622	1,500	2,625	19,271	16,646
<b>EXPENDITURES</b>							
General government support	868,625	969,253	910,469	26,527	29,180	29,171	9
Public safety	1,134,765	1,022,817	990,075	-	-	-	-
Transportation	22,900	20,900	17,938	644,830	669,330	638,399	30,931
Health	-	-	-	-	-	-	-
Culture and recreation	53,051	50,551	42,528	-	-	-	-
Home and community services	45,830	35,830	30,383	-	-	-	-
Employee benefits	722,980	648,325	628,091	180,527	166,027	164,826	1,201
Debt service (principal and interest)	256,470	256,502	256,498	79,574	79,574	79,573	1
Total expenditures	3,104,621	3,004,178	2,875,982	931,458	944,111	911,969	32,142
(Deficiency) excess of revenues over expenses	(204,785)	(84,705)	42,640	(929,958)	(941,486)	(892,698)	48,788
Transfers	(20,900)	(27,275)	(27,524)	929,958	941,486	892,698	(48,788)
Net change in fund balances	(225,685)	(111,980)	15,116	-	-	-	-
<b>FUND BALANCES (DEFICIT)</b>							
Fund balances, beginning of year	809,324	809,324	809,324	3,186	3,186	3,186	-
Fund balances, end of year	\$ 583,639	\$ 697,344	\$ 824,440	\$ 3,186	\$ 3,186	\$ 3,186	\$ -

See notes to financial statements.

**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, 2017**

	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)
<b>REVENUES</b>								
Real property taxes	\$ 879,825	\$ 872,825	\$ 874,642	\$ 1,817	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	1,630,704	1,660,704	1,673,241	12,537
Use of money and property	-	-	-	-	-	-	-	-
Licenses and permits	-	50	50	-	157,300	151,816	159,723	7,907
Fines and forfeitures	-	-	-	-	-	-	-	-
Compensation for loss	-	-	-	-	-	-	-	-
Miscellaneous local sources	-	1,484	1,484	-	23,482	23,746	19,953	(3,793)
State aid	-	-	-	-	41,170	115,693	115,273	(420)
Federal aid	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>879,825</b>	<b>874,359</b>	<b>876,176</b>	<b>1,817</b>	<b>1,852,656</b>	<b>1,951,959</b>	<b>1,968,190</b>	<b>16,231</b>
<b>EXPENDITURES</b>								
General government support	51,868	47,014	46,977	37	84,263	138,894	117,214	21,680
Public safety	-	-	-	-	58,613	60,264	51,450	8,814
Transportation	-	-	-	-	62,376	62,376	61,684	692
Health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	239,574	332,664	312,058	20,606
Home and community services	660,045	661,545	608,232	53,313	358,013	393,532	381,389	12,143
Employee benefits	114,427	112,315	96,971	15,344	110,892	89,220	84,858	4,362
Debt service (principal and interest)	132,855	132,855	132,853	2	39,542	39,542	39,539	3
<b>Total expenditures</b>	<b>959,195</b>	<b>953,729</b>	<b>885,033</b>	<b>68,696</b>	<b>953,273</b>	<b>1,116,492</b>	<b>1,048,192</b>	<b>68,300</b>
(Deficiency) excess of revenues over expenses	(79,370)	(79,370)	(8,857)	70,513	899,383	835,467	919,998	84,531
Transfers	-	-	-	-	(929,958)	(941,486)	(892,698)	48,788
Net change in fund balances	(79,370)	(79,370)	(8,857)	70,513	(30,575)	(106,019)	27,300	133,319
<b>FUND BALANCES (DEFICIT)</b>								
Fund balances, beginning of year	500,786	500,786	500,786	-	584,541	584,541	584,541	-
Fund balances, end of year	\$ 421,416	\$ 421,416	\$ 491,929	\$ 70,513	\$ 553,966	\$ 478,522	\$ 611,841	\$ 133,319

See notes to financial statements.

**TOWN OF WATERFORD, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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 and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended.

(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, 2017**

**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, as well as the Tugboat Roundup.

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 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.

**TOWN OF WATERFORD, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(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, 2017.

**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.

**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.

In 2017, the Town accepted payments of 2018 property taxes beginning on December 28, 2017 as a result of the amended federal tax code and the suspension of the New York State law prohibiting prepayment of such taxes. Approximately \$200,000 was recorded in the Trust and Agency Fund as of December 31, 2017.

(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.

**TOWN OF WATERFORD, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(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

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 \$151,658, vacation time of \$13,282 and compensatory time of \$5,521 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 \$8,488 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 letter of credit held by a third party. Coverage was as follows:

	<u>Demand Deposits</u>
Bank balances	\$ 1,798,022
FDIC insurance	\$ 500,000
Letter of credit	\$ 3,000,000

**TOWN OF WATERFORD, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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, 2017:

	<u>Bonds</u>	<u>Compensated Absences</u>
Payable at January 1, 2017	\$ 9,457,286	\$ 179,536
Deductions	<u>(471,405)</u>	<u>(587)</u>
Payable at December 31, 2017	<u>\$ 8,985,881</u>	<u>\$ 178,949</u>

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

- (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, 2017:

<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	3.823-4.581%	01/01/28	\$ 605,000
Statutory Installment Bond - Town Hall Improvements	02/10/06	883,000	4.550%	02/10/20	189,214
Statutory Installment Bond - Linda Lane Drainage	08/09/07	200,000	4.700%	08/09/22	66,667
Serial Bond - Public Improvement *	07/30/08	4,250,000	4.750-5.000%	08/01/38	100,000
Serial Bond - Improvements and Tax Settlements	02/24/11	1,025,666	4.250-4.750%	02/01/26	665,000
Serial Bond - Improvements	03/20/14	685,000	3.000-3.750%	03/01/29	605,000
Serial Bond-Improvements	04/28/15	400,000	3.125-4.000%	04/01/35	370,000
Serial Bond- Improvements	10/01/15	2,089,706	3.250-3.750%	10/01/40	1,915,000
Refunding Bonds - Water System Improvements **	2/17/16	3,775,000	1.500-4.000%	08/01/38	3,730,000
Serial Bond - Water System Improvements	5/12/16	<u>760,000</u>	2.000-4.000%	05/01/41	<u>740,000</u>
Total		<u>\$ 15,256,665</u>			<u>\$ 8,985,881</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.

**TOWN OF WATERFORD, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 — LONG-TERM DEBT (Continued)**

\*\* In prior years, certain general obligation bonds were defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the defeased bonds, \$3,440,000, and the trust account assets are not included in the financial statements.

The following table summarizes the Town's future debt service requirements on bonds as of December 31, 2017:

<u>Year Ending Date</u>	<u>Serial Bonds</u>	
	<u>Principal</u>	<u>Interest (Memorandum)</u>
2018	\$ 486,404	\$ 284,037
2019	496,406	266,422
2020	506,404	252,158
2021	433,333	239,023
2022	448,334	226,518
2023-2027	2,275,000	934,745
2028-2032	1,800,000	605,975
2033-2037	1,840,000	303,745
2038-2041	700,000	44,232
	<u>\$ 8,985,881</u>	<u>\$ 3,156,855</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.

**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.

**TOWN OF WATERFORD, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 — OTHER DEBT (Continued)**

Bond anticipation notes are comprised of the following at December 31, 2017:

<u>Project</u>	<u>Original Date Issued</u>	<u>Balance January 1, 2017</u>	<u>Borrowings</u>	<u>Reductions</u>	<u>Balance December 31, 2017</u>
CVC Elevator Replacement	01/18/13	\$ 24,000	\$ -	\$ (12,000)	\$ 12,000
Portable Generator	03/08/13	16,622	-	(8,311)	8,311
Police Car	06/12/14	8,900	-	(8,900)	-
Police Car	09/23/16	26,691	-	(8,897)	17,794
Mower	09/23/16	22,908	-	(4,592)	18,316
Police Car	08/18/17	-	27,602	-	27,602
Resealing of Various Town Roads	08/18/17	-	82,490	-	82,490
Total BANS outstanding		<u>\$ 99,121</u>	<u>\$ 110,092</u>	<u>\$ (42,700)</u>	<u>\$ 166,513</u>

**NOTE 5 — INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables at December 31, 2017, were as follows:

<u>Fund Type</u>	<u>Interfund Receivables</u>	<u>Interfund Payable</u>
General	\$ 242,333	\$ 645
Special revenue	50,101	-
Capital projects	-	91,499
Total	<u>\$ 292,434</u>	<u>\$ 92,144</u>

The interfund receivable balance includes approximately \$200,300 from the Trust and Agency fund.

**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.

**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

**TOWN OF WATERFORD, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 7 — PENSION PLANS (Continued)**

(a) Plan Description (Continued)

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 2017, these rates ranged from 9.2% - 24.8% 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>
2015	\$ 255,936	\$ 154,375
2016	\$ 256,719	\$ 282,308 *
2017	\$ 210,137	\$ 144,549

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

\* The 2016 PFRS contribution includes approximately \$133,000 for past service cost and approximately \$10,000 for benefits under Section 430 of the Retirement and Social Security Law.

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

At December 31, 2017, the Town's proportionate share of the deferred outflows of resources was approximately \$706,000, and its proportionate share of the deferred inflows of resources and net pension liability was approximately \$220,000 and \$935,000, respectively. The net pension liability was measured as of March 31, 2017, and the total pension liability was determined by an actuarial valuation as of April 1, 2016, with updated procedures used to roll forward the total pension liability to March 31, 2017. 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, 2017 measurement date, the Town's proportions were 0.0053160% and 0.0209958% for ERS and PFRS, respectively.

The Town has an additional deferred outflow of resources of approximately \$357,000 as of December 31, 2017 for employer contributions made subsequent to the measurement date of March 31, 2017.

**TOWN OF WATERFORD, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 7 — PENSION PLANS (Continued)**

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

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 2017, costs related to landfill monitoring, totaling \$8,932, were incurred. The Town will continue the process of monitoring the landfill during 2018. 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. Additionally the Town was named in a tax proceeding outstanding as of the date of financial statement issuance where the effect of such proceeding is too early to be determined.

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.

**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.

**TOWN OF WATERFORD, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 11 — SUBSEQUENT EVENTS**

In February 2018, the Town issued \$110,000 of bond anticipation note for the purpose of financing various public improvements.

In March 2018, the Town issued \$860,000 of general obligation serial bonds to finance various projects for road construction and repaving, drainage improvement, and rehabilitation of the town hall.

**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 general fund, special revenue funds, and capital projects fund of the Town of Waterford, New York as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 4, 2018.

**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. However, material weaknesses may exist that have not been identified. 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  
June 4, 2018