

TOWN OF WATERFORD, NEW YORK
FINANCIAL STATEMENTS
OF THE
GENERAL FUND, SPECIAL REVENUE FUNDS, AND
CAPITAL PROJECTS FUND

Year ended December 31, 2018

TOWN OF WATERFORD, NEW YORK

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**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, 2018, 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, 2018, 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, 2018, 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 21, 2019 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 21, 2019

TOWN OF WATERFORD, NEW YORK
BALANCE SHEET - ALL GOVERNMENTAL FUND TYPES
December 31, 2018

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:

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										
Total liabilities, deferred inflows of resources and fund balances										

	Governmental Fund Types							Capital Projects
	Special Revenue Funds							
	General	Highway	Sewer	Town Outside Village	Others	Subtotal		
\$ 933,637	\$ 29,014	\$ 364,652	\$ 508,964	\$ 42,194	\$ 944,824	\$ 752,706		
33,335	14,506	235,430	28,712	1,541	280,189	-		
3,707	-	-	22,959	-	22,959	-		
57,512	-	33	357,153	-	357,186	34,926		
103,340	5,086	6,289	3,885	3,707	18,967	-		
1,131,531	48,606	606,404	921,673	47,442	1,624,125	787,632		
\$ 1,131,531	\$ 48,606	\$ 606,404	\$ 921,673	\$ 47,442	\$ 1,624,125	\$ 787,632		
\$ 87,590	\$ 29,654	\$ 40,815	\$ 47,164	\$ 3,253	\$ 120,886	\$ 74,879		
42,655	15,766	8,499	2,712	-	26,977	-		
645	-	-	-	3,707	3,707	22,314		
-	-	-	97	2,561	2,658	-		
-	-	-	-	-	-	109,017		
-	-	18,703	-	-	18,703	-		
-	-	-	-	-	-	329,515		
130,890	45,420	68,017	49,973	9,521	172,931	535,725		
-	-	-	-	-	-	-		
103,340	5,086	6,289	3,885	3,707	18,967	-		
-	-	-	-	4,775	4,775	-		
-	-	-	867,815	-	867,815	-		
-	-	490,830	-	-	490,830	-		
275,000	-	41,268	-	21,315	62,583	-		
2,263	-	-	-	8,124	8,124	-		
620,038	(1,900)	-	-	-	(1,900)	251,907		
1,000,641	3,186	538,387	871,700	37,921	1,451,194	251,907		
\$ 1,131,531	\$ 48,606	\$ 606,404	\$ 921,673	\$ 47,442	\$ 1,624,125	\$ 787,632		

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, 2018

	Governmental Fund Types							Capital Projects
	Special Revenue Funds							
	General	Highway	Sewer	Town Outside Village	Others	Subtotal		
REVENUES								
Real property taxes	\$ 2,745,695	-	\$ 901,449	\$ -	\$ 861,192	\$ 1,762,641	\$ -	
Sales tax	-	-	-	1,801,300	-	1,801,300	-	
Use of money and property	95,730	-	-	2	-	2	-	
Licenses and permits	6,246	-	25	145,876	-	145,901	-	
Fines and forfeitures	22,169	-	-	-	-	-	-	
Compensation for loss	26,638	2,652	-	-	-	2,652	-	
Issuance of serial bonds	-	-	-	-	-	-	871,329	
Miscellaneous local sources	77,520	4,979	-	35,688	48,610	89,277	59,498	
State aid	158,017	2,758	-	42,348	-	45,106	154,851	
Federal aid	-	-	-	-	282,681	282,681	-	
Total revenues	3,132,015	10,389	901,474	2,025,214	1,192,483	4,129,560	1,085,678	
EXPENDITURES								
General government support	936,827	29,994	47,058	58,654	500	136,206	75,263	
Public safety	1,014,182	-	-	42,672	144,413	187,085	32,450	
Transportation	18,457	631,029	-	62,276	34,948	728,253	271,369	
Health	-	-	-	-	372,349	372,349	-	
Culture and recreation	35,107	-	-	207,345	-	207,345	62,267	
Economic assistance and opportunity	-	-	-	-	282,681	282,681	-	
Home and community services	51,336	-	604,456	340,774	85,640	1,030,870	-	
Employee benefits	607,413	164,279	97,583	75,534	-	337,396	-	
Debt service (principal of \$545,901 and interest of \$302,034)	255,784	102,781	135,096	42,219	312,055	592,151	-	
Total expenditures	2,919,106	928,083	884,193	829,474	1,232,586	3,874,336	441,349	
Excess (deficiency) of revenues over expenses	212,909	(917,694)	17,281	1,195,740	(40,103)	255,224	644,329	
Transfers	(36,708)	917,694	29,177	(935,881)	41,361	52,351	(15,643)	
Net change in fund balances	176,201	-	46,458	259,859	1,258	307,575	628,686	
FUND BALANCES (DEFICIT)								
Fund balances (deficit), beginning of year	824,440	3,186	491,929	611,841	36,663	1,143,619	(376,779)	
Fund balances, end of year	\$ 1,000,641	\$ 3,186	\$ 538,387	\$ 871,700	\$ 37,921	\$ 1,451,194	\$ 251,907	

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, 2018

	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	\$ 2,743,153	\$ 2,745,695	\$ 2,745,695	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-	-	-	-
Use of money and property	28,850	32,597	95,730	63,133	-	-	-	-
Licenses and permits	5,000	6,050	6,246	196	-	-	-	-
Fines and forfeitures	25,000	22,450	22,169	(281)	-	-	-	-
Compensation for loss	-	520	26,638	26,118	-	-	2,652	2,652
Miscellaneous local sources	-	77,520	77,520	-	1,500	4,979	4,979	-
State aid	120,000	150,514	158,017	7,503	-	2,758	2,758	-
Federal aid	-	-	-	-	-	-	-	-
Total revenues	2,922,003	3,035,346	3,132,015	96,669	1,500	7,737	10,389	2,652
EXPENDITURES								
General government support	957,017	986,571	936,827	49,744	29,814	29,993	29,994	(1)
Public safety	1,059,939	1,048,845	1,014,182	34,663	-	-	-	-
Transportation	19,275	19,275	18,457	818	655,456	680,862	631,029	49,833
Health	-	-	-	-	-	-	-	-
Culture and recreation	47,910	37,428	35,107	2,321	-	-	-	-
Home and community services	65,625	52,194	51,336	858	-	-	-	-
Employee benefits	680,235	671,803	607,413	64,390	176,043	166,043	164,279	1,764
Debt service (principal and interest)	247,404	255,790	255,784	6	125,800	102,782	102,781	1
Total expenditures	3,077,405	3,071,906	2,919,106	152,800	987,113	979,680	928,083	51,597
(Deficiency) excess of revenues over expenses	(155,402)	(36,560)	212,909	249,469	(985,613)	(971,943)	(917,694)	54,249
Transfers	(30,650)	(36,958)	(36,708)	250	985,613	971,943	917,694	(54,249)
Net change in fund balances	(186,052)	(73,518)	176,201	249,719	-	-	-	-
FUND BALANCES (DEFICIT)								
Fund balances, beginning of year	824,440	824,440	824,440	-	3,186	3,186	3,186	-
Fund balances, end of year	\$ 638,388	\$ 750,922	\$ 1,000,641	\$ 249,719	\$ 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, 2018

	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	\$ 911,725	\$ 911,725	\$ 901,449	\$ (10,276)	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	1,660,500	1,674,541	1,801,300	126,759
Use of money and property licenses and permits	-	-	-	-	-	-	2	2
Fines and forfeitures	-	25	25	-	157,150	144,560	145,876	1,316
Compensation for loss	-	-	-	-	-	-	-	-
Miscellaneous local sources	-	-	-	-	22,163	33,664	35,688	2,024
State aid	-	-	-	-	41,170	41,674	42,348	674
Federal aid	-	-	-	-	-	-	-	-
Total revenues	911,725	911,750	901,474	(10,276)	1,880,983	1,894,439	2,025,214	130,775
EXPENDITURES								
General government support	52,329	47,068	47,058	10	85,857	78,670	58,654	20,016
Public safety	-	-	-	-	58,178	47,178	42,672	4,506
Transportation	-	-	-	-	64,080	64,080	62,276	1,804
Health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	254,208	220,996	207,345	13,651
Home and community services	664,949	659,901	604,456	55,445	360,199	367,199	340,774	26,425
Employee benefits	104,860	98,860	97,583	1,277	105,527	87,527	75,534	11,993
Debt service (principal and interest)	135,098	135,098	135,096	2	38,589	42,224	42,219	5
Total expenditures	957,236	940,927	884,193	56,734	966,638	907,874	829,474	78,400
(Deficiency) excess of revenues over expenses	(45,511)	(29,177)	17,281	46,458	914,345	986,565	1,195,740	209,175
Transfers	-	29,177	29,177	-	(985,613)	(986,565)	(935,881)	50,684
Net change in fund balances	(45,511)	-	46,458	46,458	(71,268)	-	259,859	259,859
FUND BALANCES (DEFICIT)								
Fund balances, beginning of year	491,929	491,929	491,929	-	611,841	611,841	611,841	-
Fund balances, end of year	\$ 446,418	\$ 491,929	\$ 538,387	\$ 46,458	\$ 540,573	\$ 611,841	\$ 871,700	\$ 259,859

See notes to financial statements.

TOWN OF WATERFORD, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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, 2018

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, 2018

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, 2018.

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.

(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, 2018

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 \$175,298, vacation time of \$22,290 and compensatory time of \$13,562 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 \$10,563 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	\$ 2,715,053
FDIC insurance	\$ 500,000
Collateral held by a third party	\$ 3,285,516

TOWN OF WATERFORD, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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, 2018:

	<u>Bonds</u>	<u>Compensated Absences</u>
Payable at January 1, 2018	\$ 8,985,881	\$ 178,949
Additions	860,000	42,765
Deductions	<u>(486,405)</u>	<u>-</u>
Payable at December 31, 2018	<u>\$ 9,359,476</u>	<u>\$ 221,714</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, 2018:

<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	3.920-4.581%	01/01/28	\$ 555,000
Statutory Installment Bond - Town Hall Improvements	02/10/06	883,000	4.550%	02/10/20	126,143
Statutory Installment Bond - Linda Lane Drainage	08/09/07	200,000	4.700%	08/09/22	53,333
Serial Bond - Improvements and Tax Settlements	02/24/11	1,025,666	4.250-4.750%	02/01/26	605,000
Serial Bond - Improvements	03/20/14	685,000	3.000-3.750%	03/01/29	565,000
Serial Bond-Improvements	04/28/15	400,000	3.125-4.000%	04/01/35	355,000
Serial Bond- Improvements	10/01/15	2,089,706	3.250-3.750%	10/01/40	1,830,000
Refunding Bonds - Water System Improvements *	2/17/16	3,775,000	1.500-4.000%	08/01/38	3,690,000
Serial Bond - Water System Improvements	5/12/16	760,000	2.000-4.000%	05/01/41	720,000
Serial Bond - Repaving, Drainage, and Town Hall Improvements	3/29/18	<u>860,000</u>	3.000-4.000%	04/01/33	<u>860,000</u>
Total		<u>\$ 11,866,665</u>			<u>\$ 9,359,476</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, 2018

NOTE 3 — LONG-TERM DEBT (Continued)

The following table summarizes the Town's future debt service requirements on bonds as of December 31, 2018:

<u>Year Ending Date</u>	<u>Serial Bonds</u>	
	<u>Principal</u>	<u>Interest (Memorandum)</u>
2019	\$ 541,405	\$ 296,666
2020	551,404	281,052
2021	483,333	266,492
2022	498,334	252,486
2023	495,000	238,216
2024-2028	2,535,000	963,201
2029-2033	2,075,000	578,913
2034-2038	1,845,000	243,632
2039-2041	335,000	19,626
	<u>\$ 9,359,476</u>	<u>\$ 3,140,284</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.

Bond anticipation notes are comprised of the following at December 31, 2018:

<u>Project</u>	<u>Original Date Issued</u>	<u>Balance January 1, 2018</u>	<u>Borrowings</u>	<u>Reductions</u>	<u>Balance December 31, 2018</u>
CVC Elevator Replacement	01/18/13	\$ 12,000	\$ -	\$ (12,000)	\$ -
Portable Generator	03/08/13	8,311	-	(8,311)	-
Police Car	09/23/16	17,794	-	(8,897)	8,897
Mower	09/23/16	18,316	-	(4,592)	13,724
Police Car	08/18/17	27,602	-	(9,200)	18,402
Resealing of Various Town Roads	08/18/17	82,490	-	(16,498)	65,992
Fuel System	02/02/18	-	110,000	-	110,000
Highway Pick-Up Truck	09/28/18	-	35,000	-	35,000
Police SUV	09/28/18	-	40,000	-	40,000
Bus	09/28/18	-	37,500	-	37,500
Total BANS outstanding		<u>\$ 166,513</u>	<u>\$ 222,500</u>	<u>\$ (59,498)</u>	<u>\$ 329,515</u>

TOWN OF WATERFORD, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 — INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at December 31, 2018, were as follows:

<u>Fund Type</u>	<u>Interfund Receivables</u>	<u>Interfund Payable</u>
General	\$ 3,707	\$ 645
Special revenue	22,959	3,707
Capital projects	-	<u>22,314</u>
Total	<u>\$ 26,666</u>	<u>\$ 26,666</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.

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 2018, these rates ranged from 9.2% - 25.3% for the Town's active employees. Employee contributions are deducted from their salaries and remitted on a current basis to the System.

TOWN OF WATERFORD, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7 — PENSION PLANS (Continued)

(b) Funding Policy (Continued)

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>
2016	\$ 256,719	\$ 282,308 *
2017	\$ 210,137	\$ 144,549
2018	\$ 201,957	\$ 154,538

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, 2018, the Town's proportionate share of the deferred outflows of resources was approximately \$868,000, and its proportionate share of the deferred inflows of resources and net pension liability was approximately \$986,000 and \$361,000, respectively. The net pension liability was measured as of March 31, 2018, and the total pension liability was determined by an actuarial valuation as of April 1, 2017, with updated procedures used to roll forward the total pension liability to March 31, 2018. 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, 2018 measurement date, the Town's proportions were 0.0053963% and 0.0184721% for ERS and PFRS, respectively.

The Town has an additional deferred outflow of resources of approximately \$339,000 as of December 31, 2018 for employer contributions made subsequent to the measurement date of March 31, 2018.

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.

TOWN OF WATERFORD, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 — RESERVES (Continued)

Landfill Closure Reserve (Continued)

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 2018, costs related to landfill monitoring, totaling \$15,278, were incurred. The Town will continue the process of monitoring the landfill during 2019. 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 various tax proceedings 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.

**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, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 21, 2019.

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 16. 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 21, 2019