

Town of Saratoga, New York

Financial Report

December 31, 2016

Town of Saratoga, New York

Financial Report

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CONTENTS

	Page
Independent Auditor's Report	1-3
Financial Statements - Regulatory Basis	
Balance Sheet - Governmental Funds and Account Group	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5
Balance Sheet - Fiduciary Fund	6
Notes to Regulatory Financial Statements	7-22
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>	23-24
Schedule of Findings and Responses	25-26



Independent Auditor's Report

Supervisor and Town Board
Town of Saratoga, New York
Schuylerville, New York

Report on the Financial Statements

We have audited the accompanying financial statements of each governmental fund, the fiduciary fund, and the account group of the Town of Saratoga, New York (Town) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's regulatory basis 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 and reporting practices permitted by the New York State Office of the State Comptroller. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness 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 opinions.

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

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

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each governmental fund, the fiduciary fund, and the account group of the Town as of December 31, 2016, or the changes in financial position of the governmental funds for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The Town has not presented its non-current governmental assets account group as of December 31, 2016. Presentation of the non-current governmental assets account group is required under regulatory accounting and reporting practices permitted by the New York State Office of the State Comptroller.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the matter described in the “Basis for Qualified Opinion on the Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of each governmental fund, the fiduciary fund, and the account group of the Town as of December 31, 2016, and the changes in financial position of each governmental fund for the year then ended, in accordance with accounting and reporting practices permitted by the New York State Office of the State Comptroller described in Note 1.

Emphasis of Matter

As discussed in Note 9, the Town has restated the January 1, 2016 fund balance of the General Outside Village Fund to account for sales tax revenue reported in the incorrect period. Our opinions are 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 September 5, 2017, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

BST & CO. CPAs, LLP

Albany, New York
September 5, 2017



Town of Saratoga, New York

Balance Sheet - Governmental Funds and Account Group - Regulatory Basis

	December 31, 2016						Account Group Non-current Governmental Liabilities
	Governmental Funds					Total Governmental Funds	
	General	Special Revenue		Special Grant	Fire Protection		
	General Outside Village	Highway					
ASSETS AND OTHER DEBITS							
ASSETS							
Cash, unrestricted	\$ 978,523	\$ 1,437,095	\$ 659,650	\$ 38,188	\$ -	\$ 3,113,456	\$ -
Cash, restricted	406,840	-	167,278	-	-	574,118	-
Due from other funds	-	52,144	-	-	-	52,144	-
Due from other governments	14,274	214,584	-	471,077	-	699,935	-
Prepaid expenses	7,776	1,546	11,794	-	-	21,116	-
	<u>1,407,413</u>	<u>1,705,369</u>	<u>838,722</u>	<u>509,265</u>	<u>-</u>	<u>4,460,769</u>	<u>-</u>
OTHER DEBITS							
Provision to be made in future budgets for indebtedness	-	-	-	-	-	-	2,526,983
	<u>\$ 1,407,413</u>	<u>\$ 1,705,369</u>	<u>\$ 838,722</u>	<u>\$ 509,265</u>	<u>\$ -</u>	<u>\$ 4,460,769</u>	<u>\$ 2,526,983</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
LIABILITIES							
Accounts payable	\$ 10,165	\$ 1,060	\$ 6,372	\$ 308,640	\$ -	\$ 326,237	\$ -
Accrued liabilities	11,183	1,637	16,031	-	-	28,851	-
Due to other governments	-	-	-	200,000	-	200,000	-
Due to other funds	52,144	-	-	-	-	52,144	-
Security deposits and other	8,792	-	-	-	-	8,792	-
Net pension liability	-	-	-	-	-	-	377,252
Bonds payable	-	-	-	-	-	-	2,100,000
	<u>82,284</u>	<u>2,697</u>	<u>22,403</u>	<u>508,640</u>	<u>-</u>	<u>616,024</u>	<u>2,477,252</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,077</u>	<u>-</u>	<u>246,077</u>	<u>49,731</u>
FUND BALANCE							
Fund balance							
Nonspendable	7,776	1,546	11,794	-	-	21,116	-
Restricted	406,840	-	167,278	-	-	574,118	-
Assigned	111,798	1,701,126	637,247	-	-	2,450,171	-
Unassigned (deficit)	798,715	-	-	(245,452)	-	553,263	-
Total fund balance	<u>1,325,129</u>	<u>1,702,672</u>	<u>816,319</u>	<u>(245,452)</u>	<u>-</u>	<u>3,598,668</u>	<u>-</u>
	<u>\$ 1,407,413</u>	<u>\$ 1,705,369</u>	<u>\$ 838,722</u>	<u>\$ 509,265</u>	<u>\$ -</u>	<u>\$ 4,460,769</u>	<u>\$ 2,526,983</u>

See accompanying Notes to Regulatory Financial Statements.

Town of Saratoga, New York

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Regulatory Basis

Year Ended December 31, 2016						
Governmental Funds						
Special Revenue						
	General	General Outside Village	Highway	Special Grant	Fire Protection	Total Governmental Funds
REVENUES						
Real property taxes and tax items	\$ 623,224	\$ -	\$ -	\$ -	\$ 47,720	\$ 670,944
Nonproperty taxes	100,000	423,927	800,000	-	-	1,323,927
Departmental income	1,890	38,584	-	-	-	40,474
Use of money and property	91,419	1,584	884	193	-	94,080
Licenses and permits	3,446	-	-	-	-	3,446
Fines and forfeitures	26,063	-	-	-	-	26,063
Sale of property and compensation for loss	3,332	-	48,724	-	-	52,056
Miscellaneous local sources	24,932	-	-	-	-	24,932
State aid	180,840	-	169,525	500,243	-	850,608
Federal aid	-	-	-	187,310	-	187,310
Total revenues	1,055,146	464,095	1,019,133	687,746	47,720	3,273,840
EXPENDITURES						
General government support	459,619	-	-	-	-	459,619
Public safety	21,748	6,094	-	-	47,720	75,562
Health	-	1,286	-	-	-	1,286
Transportation	91,461	-	719,143	-	-	810,604
Economic opportunity and development	1,145	-	-	-	-	1,145
Culture and recreation	99,770	6,000	-	746,320	-	852,090
Home and community services	6,650	46,304	-	187,311	-	240,265
Employee benefits	104,418	9,008	157,652	-	-	271,078
Capital outlays	-	-	239,996	-	-	239,996
Debt service						
Principal	160,000	-	-	-	-	160,000
Interest	94,539	-	-	-	-	94,539
Total expenditures	1,039,350	68,692	1,116,791	933,631	47,720	3,206,184
Excess (deficiency) of revenues over expenditures	15,796	395,403	(97,658)	(245,885)	-	67,656
OTHER FINANCING SOURCES (USES)						
Operating transfers in	145,000	-	136,597	-	-	281,597
Operating transfers out	(20,000)	(261,597)	-	-	-	(281,597)
Total other financing sources (uses)	125,000	(261,597)	136,597	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	140,796	133,806	38,939	(245,885)	-	67,656
FUND BALANCE, beginning of year, restated	1,184,333	1,568,866	777,380	433	-	3,531,012
FUND BALANCE, end of year	\$ 1,325,129	\$ 1,702,672	\$ 816,319	\$ (245,452)	\$ -	\$ 3,598,668

See accompanying Notes to Regulatory Financial Statements.

Town of Saratoga, New York

Balance Sheet - Fiduciary Fund - Regulatory Basis

	<u>December 31,</u> <u>2016</u>
	<u>Fiduciary</u> <u>Fund Type</u> <u>Trust</u> <u>and Agency</u>
Cash	<u>\$ 59,652</u>
Due to other funds	\$ 2,625
Due to other governments	2,435
Other liabilities	<u>54,592</u>
Total liabilities	<u>\$ 59,652</u>

Town of Saratoga, New York

Notes to Regulatory Financial Statements December 31, 2016

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization

The Town of Saratoga, New York (Town) is governed by Town Law and other general laws of the State of New York. The governing body of the Town is the Town Board, which consists of the Supervisor and four Board members. The Supervisor is responsible for overall operations and serves as Chief Executive Officer and Chief Fiscal Officer.

The Town provides its residents with general government support, street maintenance, recreational facilities, and various other services.

All governmental activities and functions performed for the Town are the direct responsibility of the Town Board.

b. Basis of Presentation

The Town has elected to prepare its financial statements on the regulatory basis as permitted by the New York State Office of the State Comptroller (OSC) for annual reports submitted to that office. This regulatory basis varies from accounting principles generally accepted in the United States of America (U.S. GAAP) primarily in that under U.S. GAAP:

- Financial statements include two additional statements, the statement of net position and the statement of activities, collectively referred to as the “government-wide” financial statements which are presented on the full accrual basis of accounting.
- A Management’s Discussion and Analysis (MD&A) is required as supplementary information that precedes the basic financial statements and is intended to provide an objective analysis of the government’s financial activities, both on a current and long-term basis, based on current conditions.
- Other supplementary information is required by U.S. GAAP, including budgetary comparison schedules for the General Fund and each major special revenue fund that has a legally adopted annual budget, and the schedule of funding progress for other postemployment benefits.
- Fund-based financial statements must be reconciled to the “government-wide” financial statements.
- Capital assets, other than land, are depreciated and reported on the “government-wide” statement of net position at net book value, and depreciation expense is allocated to the major functions on the statement of activities based on the use of the underlying assets.

c. Financial Reporting Entity

The financial reporting entity consists of the primary government, which is the Town.

Town of Saratoga, New York

Notes to Regulatory Financial Statements December 31, 2016

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

c. Financial Reporting Entity - Continued

In evaluating how to define the Town for financial reporting purposes, management has considered various separate legal entities as potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. A second criterion used in evaluating potential component units is the scope of public service. A third criterion used in evaluating potential component units is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, no component units have been included within the financial statements.

d. Fund Accounting

The Town uses funds and an account group to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in governmental funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental fund types are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (Special Revenue Funds) and the acquisition or construction of general fixed assets (Capital Projects Funds). The General Fund is used to account for all activities of the general government not accounted for in another fund.

The following are the Town's governmental fund types:

General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds of the Town include the following:

1. General Outside Village Fund is used to account for transactions required by statute to be charged to the area of the Town outside the Villages of Schuylerville and Victory.
2. Special District Funds such as Fire Protection are used to account for taxes or other revenues which are raised or received to provide special services to areas that encompass less than the whole Town.
3. Highway Fund is used to account for revenues and expenditures for highway purposes in accordance with Section 141 of the Highway Law.
4. Special Grant Fund is used to account for the receipt of grant funding and the administration of the related grant programs.

Town of Saratoga, New York

Notes to Regulatory Financial Statements December 31, 2016

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

d. Fund Accounting - Continued

Fiduciary Funds are used to account for assets held by the Town in a trustee or custodial capacity. The Town has the following fiduciary fund:

Trust and Agency Fund is used to account for assets held on behalf of outside parties, including other governments.

Account Groups - The Town also uses the following account group:

Non-Current Governmental Liabilities are used to account for the unmatured general long-term debt and liabilities of the Town which are not recorded as liabilities in another fund.

e. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental funds and fiduciary funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction that can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes available if they are collected within 60 days after year end. A 120-day availability period is used for revenue recognition for all other governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are state and federal aid, sales tax, interest revenue, and fines. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Governmental fund expenditures are recorded when the fund liability is incurred except that:

- Payment of prepaid expenses and purchase of inventory type items are recorded as expenditures when the related amounts are due and payable. This method is generally referred to as the "purchase" method, as opposed to the "consumption" method.
- Principal and interest on indebtedness are recorded as expenditures when the related debt service amounts are due and payable, which normally approximates the date the debt is paid.
- Compensated absences, such as vacation leave and compensation time, which vest or accumulate with eligible employees, are recorded as expenditures in the payroll period that the leave credits are used by employees.

Town of Saratoga, New York

Notes to Regulatory Financial Statements December 31, 2016

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

e. Basis of Accounting - Continued

- Claims and judgments payable are recorded only when they mature or become due for payment within the period.

f. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, other financing sources, expenses, and other financing uses during the reporting year. Actual results could differ from those estimates.

g. Budgetary Data

The Town employs the following budgetary procedures:

- i. No later than September 30, the Supervisor submits a tentative budget to the Town Clerk for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all operating funds of the Town.
- ii. After a public hearing is conducted to obtain taxpayer comments, but no later than November 20, the Town adopts the preliminary budget.
- iii. All revisions that alter appropriations of any department or fund must be approved by the Town Board.
- iv. Budgetary appropriations are established for individual capital projects through resolutions authorizing the corresponding Capital Projects Fund to be established which remains in effect for the life of the project.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgeting control purposes to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year-end are recorded as reservations of fund balances since the commitments do not constitute expenditures or liabilities. Open encumbrances, after review by the Town Board, are added to the subsequent year's budget to provide the modified budget. Expenditures for such commitments are recorded in the period in which the liability is incurred. The Town had no encumbrances at December 31, 2016.

Budgets are adopted on a basis consistent with accounting practices prescribed by the OSC. Annual appropriated budgets are adopted for the General and Special Revenue Funds. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all Capital Projects Funds.

Town of Saratoga, New York

Notes to Regulatory Financial Statements December 31, 2016

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

h. Cash

The Town's investment policies are governed by State statutes. Town monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The Town is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies and obligations of New York State or its localities.

Collateral is required for all Town monies not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and local governments.

i. Receivables

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines an allowance for doubtful accounts, if any, by identifying troubled accounts and by using historical experience applied to an aging of accounts. The Town and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. Saratoga County assumes enforcement responsibility for all taxes levied in the Town.

j. Interfund Transactions

During the course of operations, the Town processes several transactions that affect more than one fund and other transactions between the various funds. Interfund services provided and used are accounted for as revenues in the provider funds and expenditures or expenses in the user funds. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Advances or loans from one fund to another are recorded as receivables in the remitting fund and payables in the receiving fund. Other interfund transactions generally represent transfers of resources from one fund to be utilized in another fund and are reported as transfers. Interfund transactions that are unpaid between funds are recorded in the financial statements as due from other funds (receivables) and due to other funds (payables).

k. Deferred Inflows of Resources and Unearned Revenues

A deferred inflow of resources is an acquisition of resources by the Town that is applicable to a future reporting period. The Town's deferred inflows of resources arise when potential revenue does not meet both of the "measurable" and "available" criteria for recognition in the current period as defined in Note 1e. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the deferred inflow is removed from the balance sheet, and revenue is recognized. The Town recognized deferred inflows of resources of \$246,077 pertaining to unavailable grant revenues in the Special Grant Fund at December 31, 2016. Deferred inflows of resources at December 31, 2016 within the non-current governmental liabilities account group represent changes in certain assumptions of the net pension liability.

Unearned revenues arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. The Town does not have any unearned revenues as of December 31, 2016.

Town of Saratoga, New York

Notes to Regulatory Financial Statements December 31, 2016

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

l. Vacation and Sick Leave

Town employees are granted vacation and sick leave and may earn compensatory absences only with prior approval of a department head. Vacation leave must be used in the year it is earned. Accumulated sick leave is forfeited in the event of termination, resignation, retirement, or death.

m. Postretirement Benefits

The Town provides healthcare insurance coverage benefits for eligible retired employees and their spouses in accordance with the provisions of the Town's employee handbook. Coverage includes healthcare insurance and prescription drug coverage for eligible retirees and their spouses based on the lifetime of the retiree. Town employees become eligible for these benefits if they are retirement eligible and have twelve years of full-time employment with the Town. Retiree contribution amounts are determined based on the dates of hire and are a percentage of the individual plan premium. An additional contribution is required for spousal coverage. Surviving spouses can continue coverage through the Consolidated Omnibus Budget Reconciliation Act (COBRA). Healthcare benefits are provided through an insurance company. The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. Postretirement benefits were provided to nine individuals, at a cost of \$39,561 for the year ended December 31, 2016.

n. Long-Term Debt Obligations

Principal and interest payments are recognized as expenditures of a governmental fund when paid. Long-term debt is recognized as a liability of a governmental fund when due. The remaining portion of such obligations is reported in the non-current governmental liabilities account group.

Governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

o. Fund Balance

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The five fund balance classifications are as follows:

Nonspendable - 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 - Amounts that have restraints that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action, such as legislation, resolution, or ordinance by the government's highest level of decision-making authority.

Town of Saratoga, New York

Notes to Regulatory Financial Statements December 31, 2016

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

o. Fund Balance - Continued

Assigned - Amounts that are constrained only by the government's intent to be used for a specified purpose, but are not restricted or committed in any manner.

Unassigned - The residual amount in the General Fund after all of the other classifications have been established. In a Special Revenue Fund, if expenditures and other financing uses exceed the amounts restricted, committed, or assigned for those purposes, then a negative unassigned fund balance will occur.

The Town's fund balance policy is set by the Town Board, the highest level of decision-making authority. The Town Board considers "formal action" for a committed fund balance to be the passing of a Board resolution. The Board has delegated the ability to assign fund balance to the Supervisor. The Town considers fund balance spent in the order of restricted, committed, assigned, and unassigned.

Note 4 provides further details regarding the Town's fund balance classifications.

p. Sales Tax

In accordance with a County resolution, the Town receives sales tax revenue from the County. The County distributes monthly to the Town a share of 50% of the revenue received by the County. This share is based upon the percentage of the Town's full value assessment to the County's full value assessment (less the full value of the City of Saratoga Springs). In addition, the County distributes to the Town a share of \$3 million collected by the County. This share is equal to the Town's population as a percentage of the total County population multiplied by the Town's full value as a percentage of the Town and County's combined full value. Sales tax revenue for the year ended December 31, 2016 was \$1,323,927.

q. Subsequent Events

The Town has evaluated subsequent events for potential recognition or disclosure through September 5, 2017, the date the financial statements were available to be issued.

r. New Accounting Pronouncements

Government Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information should be disclosed in the notes to the financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*. GASB No. 77 requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.

Town of Saratoga, New York

Notes to Regulatory Financial Statements December 31, 2016

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

r. New Accounting Pronouncements - Continued

- Commitments made by government, other than to abate taxes, as part of a tax abatement agreement.

Tax abatements of the Town are not material.

The adoption of these new pronouncements did not have an effect on the Town's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Town administration prepares a proposed budget for approval by the Town Board for the General and General Outside Village Funds, the only funds with legally adopted budgets. The budgets are adopted annually no later than November 20, on the regulatory basis as permitted by the OSC. Appropriations are adopted at the program line item level. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year and any appropriated reserve funds. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the fiscal year end. Supplementary appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Expenditures may not legally exceed budgeted appropriations at the activity level.

Note 3 - Cash and Restricted Cash

It is the Town's policy for deposits to be secured by collateral valued at fair value or par, whichever is lower, less the amount of FDIC insurance. The Town's deposits were fully insured or collateralized with securities held by the Town or by its agent in the Town's name as of December 31, 2016.

Restricted assets consist of cash for the following:

General Fund - Building Reserve	\$ 254,883
General Fund - Other Reserves	151,957
Highway Fund - Equipment Reserve	<u>167,278</u>
	<u><u>\$ 574,118</u></u>

Town of Saratoga, New York

Notes to Regulatory Financial Statements December 31, 2016

Note 4 - Fund Balance

Fund balance at December 31, 2016 is as follows:

	General	General Outside Village	Highway	Special Grant
Nonspendable	\$ 7,776	\$ 1,546	\$ 11,794	\$ -
Restricted				
Other	151,957	-	-	-
Capital reserve	254,883	-	167,278	-
	<u>406,840</u>	<u>-</u>	<u>167,278</u>	<u>-</u>
Unrestricted				
Assigned for				
Appropriations	111,798	43,536	159,187	-
Special revenue purposes	-	1,657,590	478,060	-
Unassigned (deficit)	798,715	-	-	(245,452)
	<u>910,513</u>	<u>1,701,126</u>	<u>637,247</u>	<u>(245,452)</u>
Total fund balance	<u>\$ 1,325,129</u>	<u>\$ 1,702,672</u>	<u>\$ 816,319</u>	<u>\$ (245,452)</u>

Note 5 - Retirement System

a. Plan Description and Benefits Provided

The Town participates in the New York State and Local Employees' Retirement System (System), which is a cost-sharing, multiple employer public employee retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits 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 System.

The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems for the custody and control of their funds. The System issues publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

b. Funding Policy

The System is noncontributory except for: (1) employees who joined the New York State and Local Employees' Retirement System after July 26, 1976, who contribute 3% of their salary for the first ten years of membership, and (2) employees who join after January 1, 2010, and police and fire personnel who join after January 9, 2010, who will contribute 3% of their salary for their entire career. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions.

Town of Saratoga, New York

Notes to Regulatory Financial Statements December 31, 2016

Note 5 - Retirement System - Continued

b. Funding Policy - Continued

The required contributions for the current year and the two preceding years were:

2016	\$	84,462
2015		99,958
2014		115,154

Contributions made to the System were equal to 100% of the contributions required for each year.

The current System contribution for the Town was charged to various departments within the governmental funds.

c. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At December 31, 2016, the Town reported a liability of \$377,252 for its proportionate share of the net pension liability of the System in the non-current governmental liabilities account group. The net pension liability was measured as of March 31, 2016, and the total pension liability was determined by an actuarial valuation as of April 1, 2015. The Town's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to the System's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2016 measurement date, the Town's proportionate share was 0.0023504%.

For the year ended December 31, 2016, the Town recognized pension expense of \$88,336 in the governmental funds. Deferred outflows of resources and deferred inflows of resources at December 31, 2016, are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,906	\$ 44,717
Changes of assumptions	100,602	-
Net differences between projected and actual investment earnings on pension plan investments	223,807	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	5,014
Total	\$ 326,315	\$ 49,731

Town of Saratoga, New York

Notes to Regulatory Financial Statements December 31, 2016

Note 5 - Retirement System - Continued

c. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions - Continued

Amounts recognized as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized as follows:

Year ending December 31,	
2017	\$ 70,128
2018	70,128
2019	70,128
2020	<u>66,200</u>
Total	<u>\$ 276,584</u>

d. Actuarial Assumptions

The actuarial assumptions used in the April 1, 2015 valuation, with updated procedures used to roll forward the total pension liability to March 31, 2016, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Actuarial cost method	Entry age normal
Inflation rate	2.7 percent
Salary scale	4.9 percent, indexed by service
Investment rate of return, including inflation	7.0 percent compounded annually, net of expenses
Cost of living adjustment	1.4% annually
Decrement	Developed from the Plan's 2010 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

The long-term expected rate of return on the System's pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major class as well as historical investment data and plan performance.

e. Investment Asset Allocation

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

Town of Saratoga, New York

Notes to Regulatory Financial Statements December 31, 2016

Note 5 - Retirement System - Continued

e. Investment Asset Allocation - Continued

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Absolute return strategies	3.00%	6.75%
Opportunistic portfolio	3.00%	8.60%
Real assets	3.00%	8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation-Indexed bonds	2.00%	4.00%
	100.00%	

f. Discount Rate

The discount rate projection of cash flows assumes that contributions from members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0 % and the impact of using a discount rate that is 1% higher or lower than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability (asset)	\$ 850,676	\$ 377,252	\$ (22,771)

Town of Saratoga, New York

Notes to Regulatory Financial Statements December 31, 2016

Note 5 - Retirement System - Continued

h. Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the New York State and Local Employee's Retirement System as of March 31, 2016, were as follows (amounts in thousands):

Employers' total pension liability	\$ 172,303,544
Plan net position	<u>156,253,265</u>
 Employers' net pension liability	 <u><u>\$ 16,050,279</u></u>
 Ratio of plan net position to the employers' total pension liability	 <u><u>90.7%</u></u>

Note 6 - Bonds Payable

The Town borrows money in order to acquire land and equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the assets. These long-term liabilities, which are full faith and credit debt of the Town, are recorded in the non-current governmental liabilities account group in the financial statements. 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.

A summary of bonds payable transactions in the non-current governmental liabilities account group is as follows:

	Balance December 31, 2015	Additions	Payments	Balance December 31, 2016	Due Within One Year
Town Hall 2008 Series A	\$ 2,165,000	\$ -	\$ 130,000	\$ 2,035,000	\$ 135,000
Town Hall 2008 Series B	<u>95,000</u>	<u>-</u>	<u>30,000</u>	<u>65,000</u>	<u>30,000</u>
	<u><u>\$ 2,260,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 160,000</u></u>	<u><u>\$ 2,100,000</u></u>	<u><u>\$ 165,000</u></u>

A summary of the Town's indebtedness under bonds payable is as follows:

	Original Date Issued	Original Amount	Interest Rate	Date Final Maturity	December 31, 2016 Outstanding
Town Hall 2008 Series A	8/2008	\$ 2,932,600	4.00%	8/2028	\$ 2,035,000
Town Hall 2008 Series B	8/2008	267,400	5.50%	8/2018	<u>65,000</u>
					<u>2,100,000</u>
Less portion due within one year					<u>165,000</u>
Due within more than one year					<u><u>\$ 1,935,000</u></u>

Town of Saratoga, New York

Notes to Regulatory Financial Statements December 31, 2016

Note 6 - Bonds Payable - Continued

Aggregate minimum maturities of debt service are as follows:

	Principal	Interest	Total
For the year ending December 31,			
2017	\$ 165,000	\$ 28,539	\$ 193,539
2018	175,000	81,151	256,151
2019	145,000	73,889	218,889
2020	150,000	68,234	218,234
2021	160,000	62,234	222,234
2022 through 2026	895,000	243,220	1,138,220
2027 through 2030	410,000	53,605	463,605
	\$ 2,100,000	\$ 610,871	\$ 2,710,871

Note 7 - Interfund Activities

Interfund receivables and payables of the Town consisted of the following:

	Interfund Receivables	Interfund Payables
General	\$ -	\$ 52,144
General - Outside Village	52,144	-
	\$ 52,144	\$ 52,144

A summary of the interfund transfers is as follows:

	Interfund Transfers In	Interfund Transfers Out
General	\$ 145,000	\$ (20,000)
General Outside Village	-	(261,597)
Highway	136,597	-
	\$ 281,597	\$ (281,597)

Note 8 - Commitments and Contingencies

a. *Agreements with the Village of Schuylerville and the Village of Victory.*

The Town annually enters into agreements with the Villages of Schuylerville and Victory for fire protection service for the citizens of the Town.

Town of Saratoga, New York

Notes to Regulatory Financial Statements December 31, 2016

Note 8 - Commitments and Contingencies - Continued

b. Future Lease Revenues

The Town leases office space to several tenants under long-term operating leases. Certain other leases of office space are on a month-to-month basis and can be terminated at any time by the tenant giving notice to the Town. Revenues earned under the lease arrangements during 2016 approximated \$90,000.

c. Environmental Risks

Certain facilities of the Town are subject to federal, state, and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the Town expect such compliance to have, any material effect upon the capital expenditures or financial condition of the Town. The Town believes that its current practices and procedures for control and disposition of regulated wastes comply with applicable federal, state, and local requirements.

d. Cooperative Agreement with Saratoga County and Historic Hudson-Hoosic Rivers Partnership

The Town has entered into an agreement with the County of Saratoga, New York (County) and the Hudson-Hoosic Rivers Partnership (Partnership), in which the Town has granted a license to the Partnership for a two-acre parcel of land on which the Partnership will build the Gateway Visitors Center (Center). In addition, the Town has agreed to act as the assigned payee under a grant agreement between the Partnership and the State of New York, in which the Town is responsible for paying contractors and vendors for the design and construction of the Center. The Town will be reimbursed for costs incurred related to the Center pursuant to a grant agreement between the Partnership and the State of New York. The Town has received an advance of \$200,000 from the County to assist in this process. The advance is repayable to the County upon the Town's receipt of reimbursement under the grant agreement.

Note 9 - Restatement of Fund Balance

The Town has restated the General Fund - Outside Village's opening fund balance for sales tax revenue that should have been recognized at December 31, 2016. The impact on the General Fund Outside Village's beginning of year fund balance is as follows:

Fund balance, January 1, 2016, <i>as originally stated</i>	\$ 1,473,451
Adjustment for prior year revenues	<u>95,415</u>
Fund balance, January 1, 2016, <i>as restated</i>	<u><u>\$ 1,568,866</u></u>

Town of Saratoga, New York

Notes to Regulatory Financial Statements December 31, 2016

Note 10 - Accounting Standards Not Yet Implemented

The Town has not implemented the following accounting pronouncements that are required for financial statements presented in accordance with U.S. GAAP, but may not be required for financial reporting to the OSC:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 establishes financial reporting standards for other postemployment benefits (“OPEB”) plans for state and local governments. This standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information. These requirements are effective for fiscal years beginning after June 15, 2017.

GASB Statement No 82, *Pension Issues* (GASB 82) addresses practice issues raised during implementation of the GASB’s pension accounting and financial reporting standards for state and local governments. The requirements of GASB 82 are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 establishes criteria for identifying fiduciary activities of state and local governments and establishes four types of fiduciary funds that should be reported. The statement also provides guidance for the recognition of liabilities in a fiduciary fund and the related release of liability to a beneficiary. These requirements are effective for fiscal years beginning after December 15, 2018.

Management has not yet estimated the extent of potential impact of these statements on the Town’s financial statements.



**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***

Supervisor and Town Board
Town of Saratoga, New York
Schuylerville, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Town of Saratoga, New York (Town) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's regulatory basis financial statements, and have issued our report thereon dated September 5, 2017, which contains a modified opinion, as discussed therein.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses (2016-001 and 2016-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements 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's Responses to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

BST & CO. CPAs, LLP

Albany, New York
September 5, 2017

Town of Saratoga, New York

Schedule of Findings and Responses December 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Modified

Internal control over financial reporting:

- | | | |
|--|-----------------------|--------------------------------|
| • Material weaknesses identified? | <u> X </u> Yes | <u> </u> No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | <u> </u> Yes | <u> X </u> None Reported |

Noncompliance material to financial statements?	<u> </u> Yes	<u> X </u> No
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Section II - Financial Statement Findings

2016-001 - Controls Over Financial Reporting

Condition - The Town's accounting processes and controls should ensure the proper recognition of revenues, interfund transactions, and cutoff of revenues and expenditures in each reporting period. The Town's financial records required several adjustments, including the following:

- Checks held at year-end.
- Adjustments to opening fund balance related to prior year audited amounts.
- Incorrect entries made within multiple funds, resulting in certain funds not balancing and interfund amounts not agreeing.
- Payroll and sales tax accruals.
- Recording of the Town's net pension liability in the general long-term debt account group.

Cause and Effect - Several adjusting journal entries were required to properly state the financial statements in accordance with the regulatory basis of accounting.

Recommendation - We recommend that management review all year-end financial information to ensure all material items have been properly recorded. This includes reconciliations of balance sheet accounts and year-over-year or budget-to-actual analysis to ensure income statement accounts are reasonably stated. Further, financial information relative to grant agreements should be reviewed and appropriate receivables established based upon the terms of the grants.

View of Responsible Management and Planned Corrective Action: During 2017, management of the Town will implement procedures and controls to allow for the review of year-end financial information to ensure proper recognition of revenues and expenditures within the reporting period.

2016-002 - Non-Current Governmental Assets Account Group

Criteria - The New York State Office of the State Comptroller requires that the Town report its general fixed assets, as well as other long-term assets and deferred outflows of resources, in its financial statements within the non-current governmental assets account group.

Condition - The Town has omitted the non-current governmental assets account group from its financial statements for the year ended December 31, 2016.

Town of Saratoga, New York

Schedule of Findings and Responses December 31, 2016

Section II - Financial Statement Findings - Continued

2016-002 - Non-Current Governmental Assets Account Group - Continued

Effect - As a result of omitting the non-current governmental assets account group, the Town's financial statements for the year ended December 31, 2016, are not in conformity with the regulatory basis of accounting described in Note 1 to its financial statements.

Cause - The Town has not maintained an inventory of its fixed assets at historical cost and, therefore, has not reported the values of these items in its financial statements.

Recommendation - The Town should conduct a physical inventory of its fixed assets, including a valuation of those fixed assets. Fixed assets should be valued and reported at historic cost or a reasonable estimate of historic cost when records or related information is unavailable. Further, deferred outflows of resources related to the Town's net pension liability should be recorded within the account group.

View of Responsible Official and Planned Corrective Actions - At this time, the Town does not intend to perform an inventory of its fixed assets as it has determined that the cost of performing such a task outweighs any benefit that may be gained.