

**TOWN OF NEW HARTFORD,
NEW YORK**

*Basic Financial Statements, Required
Supplementary Information and Supplementary
Information for the Year Ended December 31, 2017
and Independent Auditors' Reports*

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Town Board
Town of New Hartford, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of New Hartford, New York (the "Town"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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 (1) unmodified audit opinion on the discretely presented component unit, each major fund, and the aggregate remaining fund information; and (2) qualified opinion on the governmental activities.

Basis for Qualified Opinion on Governmental Activities

The Town does not maintain a complete record of capital assets for governmental activities. As a result, we were unable to obtain sufficient appropriate audit evidence to support the Town's balance of capital assets for governmental activities. Accounting principles generally accepted in the United States of America require that capital assets be properly presented and valued in the government-wide financial statements. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined. Additionally, the Town has not recorded the value of the long-term pension liability related to its Length of Service Award Program ("LOSAP"), or the related deferred inflows of resources and deferred outflows of resources, thereof. Accounting principles generally accepted in the United States of America require that the long-term pension liability and related deferred inflows of resources and deferred outflows of resources be properly presented and valued in the government-wide financial statements. The amount by which this departure would affect the assets, deferred inflows of resources, deferred outflows of resources, net position, and expenses of the governmental activities has not been determined.

Qualified Opinion on Governmental Activities

In our opinion, except for the effects, if any, of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to present fairly, in all material respects, the respective financial position of the governmental activities of the Town, as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the Discretely Presented Component Unit, Each Major Fund, and the Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Town, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other

knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information, as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2018 on our consideration of the Town's internal control over financial reporting and 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 Town's internal control over financial reporting and compliance.

Drescher & Malecki LLP

July 13, 2018

TOWN OF NEW HARTFORD, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2017

As management of the Town of New Hartford, New York (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2017. This document should be read in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation.

Financial Highlights

- The liabilities and deferred inflows of resources of the Town's primary government exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$2,494,778 (*net position*). This consists of \$3,217,545 net investment in capital assets, \$160,016 restricted for specific purposes and an unrestricted net position deficit of \$5,872,339 for amounts available to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total primary government net position decreased by \$1,830,834 during the year ended December 31, 2017.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5,115,037, a decrease of \$619,234 from the prior year's combined ending fund balance of \$5,734,271.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$2,052,752, or 53.6 percent of total General Fund expenditures. This total amount is *available for spending* at the Town's discretion and constitutes approximately 93.5 percent of the General Fund's total fund balance of \$2,195,056 at December 31, 2017.
- During the year ended December 31, 2017, the Town's total serial bonds outstanding decreased by \$782,988 as a result of scheduled principal payments.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets, liabilities and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services and unallocated interest and fiscal charges. The Town does not engage in any business-type activities.

The government-wide financial statements include not only the Town itself (known as the *primary government*), but also a legally separate Library (the New Hartford Public Library) for which the Town is financially accountable. Financial information for this discretely presented component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the General Fund, Police Fund, Highway Part-Town Fund, Sewer Fund and Capital Projects Fund, all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources are not available to support the Town’s own programs. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Town maintains one fiduciary fund, the Agency Fund.

The fiduciary fund financial statement can be found on page 19 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-48 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town’s progress in funding its obligation to provide postemployment benefits to its employees, the Town’s net pension liability, and the Town’s budgetary comparison schedules for the General Fund, Police Fund, Highway Part-Town Fund and Sewer Fund. Required Supplementary Information and a related note to the required supplementary information can be found on pages 49-58 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information immediately following the Required Supplementary Information in the Supplementary Information section on pages 59-60 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the Town, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,494,778 at the close of the most recent fiscal year, as compared to \$663,944 at the close of the fiscal year ended December 31, 2016.

Table 1, as shown on the following page, presents a condensed statement of net position as compared to the prior year.

Table 1—Condensed Statement of Net Position—Primary Government

	Governmental Activities	
	December 31,	
	2017	2016
Current assets	\$ 7,998,844	\$ 6,976,310
Capital assets	12,912,907	12,928,316
Total assets	<u>20,911,751</u>	<u>19,904,626</u>
Deferred outflows of resources	<u>2,064,639</u>	<u>3,938,347</u>
Current liabilities	2,962,134	1,293,409
Noncurrent liabilities	<u>21,995,307</u>	<u>22,628,529</u>
Total liabilities	<u>24,957,441</u>	<u>23,921,938</u>
Deferred inflows of resources	<u>513,727</u>	<u>584,979</u>
Net position:		
Net investment in capital assets	3,217,545	3,679,964
Restricted	160,016	244,133
Unrestricted	<u>(5,872,339)</u>	<u>(4,588,041)</u>
Total net position	<u>\$ (2,494,778)</u>	<u>\$ (663,944)</u>

The largest portion of the Town's net position, \$3,217,545, reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets. The Town uses these capital assets to provide a variety of services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$160,016, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining portion of the Town's net position, (\$5,872,339) is considered to be an unrestricted net deficit.

Table 2, as presented on the following page, shows the changes in net position for the years ended December 31, 2017 and December 31, 2016.

Table 2—Condensed Statements of Changes in Net Position—Primary Government

	<u>Governmental Activities</u>	
	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Program revenues:		
Charges for services	\$ 1,100,410	\$ 1,148,385
Operating grants and contributions	824,766	476,113
Capital grants and contributions	100,000	-
General revenues	<u>12,868,137</u>	<u>12,665,961</u>
Total revenues	<u>14,893,313</u>	<u>14,290,459</u>
Total expenses	<u>16,724,147</u>	<u>15,721,718</u>
Change in net position	(1,830,834)	(1,431,259)
Net position—beginning	<u>(663,944)</u>	<u>767,315</u>
Net position—ending	<u>\$ (2,494,778)</u>	<u>\$ (663,944)</u>

Overall revenues of the primary government increased 4.2 percent from the prior year. This increase was the result of an increase in operating and capital grants and contributions related to highway grants for repairs, combined with an increase in nonproperty taxes related to sales tax. Overall expenses increased 6.4 percent from the year ended December 31, 2016, primarily due to expenses incurred related to a state of emergency during the year for flooding.

A summary of sources of revenues for the years ended December 31, 2017 and December 31, 2016 is presented in Table 3 below.

Table 3—Summary of Sources of Revenues—Primary Government

	<u>Year Ended December 31,</u>		<u>Increase/(Decrease)</u>	
	<u>2017</u>	<u>2016</u>	<u>Dollars</u>	<u>Percent (%)</u>
Charges for services	\$ 1,100,410	\$ 1,148,385	\$ (47,975)	(4.2)
Operating grants and contributions	824,766	476,113	348,653	73.2
Capital grants and contributions	100,000	-	100,000	100.0
Real property taxes and tax items	6,051,647	6,026,710	24,937	0.4
Nonproperty tax items	6,124,231	5,945,761	178,470	3.0
Use of money and property	4,147	3,029	1,118	36.9
Sale of property and compensation for loss	64,186	59,178	5,008	8.5
Miscellaneous	148,843	181,183	(32,340)	(17.8)
Unrestricted state aid	<u>475,083</u>	<u>450,094</u>	<u>24,989</u>	<u>5.6</u>
Total revenues	<u>\$ 14,893,313</u>	<u>\$ 14,290,453</u>	<u>\$ 602,860</u>	<u>4.2</u>

The Town's most significant source of revenue for the year ended December 31, 2017 was nonproperty tax items, which accounted for \$6,124,231 or 41.1 percent of total revenues. The next largest sources of revenue were real property taxes and tax items of \$6,051,647 or 40.6 percent of total revenues and charges for services of \$1,100,410 or 7.4 percent of total revenue. For the year ended December 31, 2016, the Town's most significant source of revenue was real property taxes and tax items of \$6,026,710 or 42.2 percent of total revenues. The next largest sources of revenue were nonproperty tax items of \$5,945,761 or 41.6 percent of total revenues and charges for services of \$1,148,385 or 8.0 percent of total revenue.

A summary of program expenses for the years ended December 31, 2017 and December 31, 2016 is presented below in Table 4:

Table 4—Summary of Program Expenses—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent (%)
General government support	\$ 3,380,158	\$ 2,469,348	\$ 910,810	36.9
Public safety	6,089,107	6,411,930	(322,823)	(5.0)
Health	62,702	80,565	(17,863)	(22.2)
Transportation	4,514,369	3,969,988	544,381	13.7
Economic assistance and opportunity	179,085	125,892	53,193	42.3
Culture and recreation	1,201,699	1,494,109	(292,410)	(19.6)
Home and community services	1,051,622	976,207	75,415	7.7
Interest and fiscal charges	245,405	193,679	51,726	26.7
Total expenses	<u>\$ 16,724,147</u>	<u>\$ 15,721,718</u>	<u>\$ 1,002,429</u>	6.4

The Town's most significant expense item for the year ended December 31, 2017 was public safety, which accounted for \$6,089,107 or 36.4 percent of total expenses. The next largest expense items were transportation of \$4,514,369 or 27.0 percent of total expenses and general government support of \$3,380,158 or 20.2 percent of total expenses. Similarly, for the year ended December 31, 2016, the most significant expense item was public safety, which accounted for \$6,411,930 or 40.8 percent of total expenses. The next largest expenses items were transportation of \$3,969,988, or 25.3 percent of total expenses and general government support of \$2,469,348, or 15.7 percent of total expenses.

Financial Analysis of Governmental Funds

Governmental funds—The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not been limited to use for a particular purpose by an external party, the Town itself, or a group of individuals that has been delegated to assign resources for use for particular purposes by the Town Board.

At December 31, 2017, the Town's governmental funds reported combined ending fund balances of \$5,115,037, a decrease of \$619,234 from the prior year fund balance of \$5,734,271. Total unassigned fund balance is \$1,205,176. The remainder of fund balance is either *nonspendable*, *restricted* or *assigned* to indicate that it is (1) not in spendable form, \$189,202, (2) restricted for particular purposes, \$160,016, or (3) assigned for particular purposes, \$3,560,643.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,052,752, while total fund balance increased to \$2,195,056. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 53.6 percent of total General Fund expenditures, while total fund balance represents approximately 57.3 percent of that same amount. The total fund balance of the Town’s General Fund increased by \$172,497 during the current fiscal year, primarily as a result of less than anticipated contractual general government support expenditures.

The Town’s Police Fund ending fund balance was \$724,803. Of this amount, \$680,604 is assigned to specific Police Fund use. During the year ended December 31, 2017, the Police Fund’s fund balance increased \$11,723 as a result of the operations of the fund.

The Town’s Highway Part-Town Fund ending fund balance was \$284,046. Of this amount, \$276,487 is assigned to specific Highway Part-Town Fund use. During the year ended December 31, 2017, the Highway Part-Town Fund’s fund balance decreased \$308,788 as a result of an increase in expenses related to flooding during the year.

The Town’s Sewer Fund ending fund balance was \$1,984,398, all of which is assigned to specific Sewer Fund use. During the year ended December 31, 2017, the Sewer Fund’s fund balance increased \$133,765, primarily as a result of less than anticipated contractual expenditures and employee benefit costs.

The Town’s Capital Projects Fund’s fund balance decreased \$654,461 during the year ended December 31, 2017, as a result of ongoing projects exceeding revenues. The ending fund deficit in the Capital Projects Fund was \$817,681, which is anticipated to be remedied primarily through proceeds from future debt issuances and the conversion of current bond anticipation notes to long-term financing.

General Fund Budgetary Highlights

The Town’s General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for additional current year appropriations supported by an increase in budgeted revenues or appropriation of fund balance. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget.

A summary of the General Fund results of operations for the year ended December 31, 2017 is presented in Table 5 below:

Table 5—General Fund Budget

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues	\$ 4,050,900	\$ 4,062,549	\$ 4,000,094	\$ (62,455)
Expenditures	4,050,900	4,062,549	3,827,597	234,952
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ 172,497	\$ 172,497

Original budget compared to final budget—During the fiscal year, overall budgeted appropriations and revenues increased by \$11,649 for the acceptance of additional state aid and departmental income.

Final budget compared to actual results—A review of actual expenditures compared to estimated appropriations in the final budget yields several favorable variances, most notably related to lower than anticipated general government support and employee benefits. These were partially offset by actual revenues related to departmental income and state aid coming in under the anticipated final budget.

Capital Assets and Debt Administration

Capital assets—The Town’s investment in capital assets for its governmental activities as of December 31, 2017, amounted to \$12,912,907 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment and infrastructure.

Capital assets net of depreciation for the governmental activities at the years ended December 31, 2017 and 2016 are presented below.

Table 6—Summary of Capital Assets (Net of Depreciation)

	Governmental Activities	
	December 31,	
	2017	2016
Land	\$ 611,634	\$ 611,634
Construction in progress	840,463	10,680
Buildings and improvements	1,254,005	1,384,714
Machinery and equipment	688,706	888,927
Infrastructure	<u>9,518,099</u>	<u>10,032,361</u>
Total	<u>\$ 12,912,907</u>	<u>\$ 12,928,316</u>

Additional information on the Town’s capital assets can be found in Note 4 to the financial statements.

Long-term debt—At December 31, 2017, the Town had net bonded debt outstanding of \$8,113,291 as compared to \$8,896,279 at December 31, 2016. During the year, the Town made scheduled principal payments of \$782,988.

The Town’s governmental activities also have recorded debt for capital leases, compensated absences, a net pension liability and net other postemployment benefits (“OPEB”) obligation.

A summary of the Town’s long-term liabilities at December 31, 2017 and December 31, 2016 is presented in Table 7 on the following page.

Table 7—Summary of Long-Term Liabilities

	<u>Governmental Activities</u>	
	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Serial bonds	\$ 8,113,291	\$ 8,896,279
Capital lease	473,140	352,073
Compensated absences	932,426	926,306
Net pension liability	2,032,702	3,302,199
Net OPEB obligation	<u>10,443,748</u>	<u>9,151,672</u>
Total	<u>\$ 21,995,307</u>	<u>\$ 22,628,529</u>

Additional information on the Town’s long-term liabilities can be found in Note 12 to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

The Town of New Hartford continues to be a leader in the County of Oneida, with expanded growth in retail commerce and in housing. More than a dozen retail stores and two major hotels have opened in the Town. Plans for two new large housing projects have already been submitted to the Town and are expected to begin construction in 2018 and 2019.

The Town of New Hartford is the dominant retail area in the County, generating over 60 percent of the sales tax collected. The concentration of retail establishments in the Town has created a desire for stores to locate here. As the premier retail area, the Town has perpetuated future growth unlike any other in the County and upstate New York.

As the Town’s retail sector continues to grow, so too does it residential housing. Plans for multiple residential projects have already been submitted to the Town for 2018. The Town will acquire the former Gander Mountain building for its future home in 2018, this will consolidate all Town offices. It will be the largest acquisition the Town has ever made. In 2018 the Town will also be investing in its parks system and applying for grants like the Climate Smart Communities program. A contributing factor in the Town’s residential growth is the quality of its schools. In fact, the New Hartford Central School District was once again ranked in the top 100 schools in the country. This recognition draws many new families to the Town.

Along with the items discussed above, the Town has maintained a solid financial foundation, which has grown stronger each year. Under the current management, the Town has reduced expenditures, increased services to its residents, and increased its General Fund fund balance. This suggests a bright and solid future for the Town.

Requests for Information

This financial report is designed to provide a general overview of the Town’s finances for all those with interest in the Town’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Supervisor of the Town of New Hartford, 48 Genesee Street, New Hartford, New York 13413.

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BASIC FINANCIAL STATEMENTS

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TOWN OF NEW HARTFORD, NEW YORK
Statement of Net Position
December 31, 2017

	Primary Government	Component Unit
	Governmental Activities	New Hartford Public Library
ASSETS		
Cash and cash equivalents	\$ 4,096,433	\$ 269,497
Restricted cash and cash equivalents	1,117,325	328,404
Receivables	196,417	3,415
Intergovernmental receivables	2,398,060	-
Due from Agency Fund	1,407	-
Inventories	5,163	-
Prepaid items	184,039	3,423
Capital assets not being depreciated	1,452,097	-
Capital assets, net of accumulated depreciation	11,460,810	2,079,450
Total assets	20,911,751	2,684,189
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows—relating to pensions	2,064,639	56,928
Total deferred outflows of resources	2,064,639	56,928
LIABILITIES		
Accounts payable	572,523	5,489
Accrued liabilities	185,887	5,853
Intergovernmental payables	628,724	-
Bond anticipation notes payable	1,575,000	-
Noncurrent liabilities:		
Due within one year	972,324	3,827
Due within more than one year	21,022,983	58,505
Total liabilities	24,957,441	73,674
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows—relating to pensions	513,727	12,733
Total deferred inflows of resources	513,727	12,733
NET POSITION		
Net investment in capital assets	3,217,545	2,079,450
Restricted for:		
Capital	160,016	328,404
Unrestricted	(5,872,339)	246,856
Total net position	\$ (2,494,778)	\$ 2,654,710

The notes to the financial statements are an integral part of this statement.

TOWN OF NEW HARTFORD, NEW YORK
Statement of Activities
Year Ended December 31, 2017

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental Activities	Unit New Hartford Public Library
Primary government:						
Governmental activities:						
General government support	\$ 3,380,158	\$ 163,291	\$ -	\$ -	\$ (3,216,867)	\$ -
Public safety	6,089,107	338,035	212,285	-	(5,538,787)	-
Health	62,702	-	-	-	(62,702)	-
Transportation	4,514,369	282,683	607,754	100,000	(3,523,932)	-
Economic assistance and opportunity	179,085	-	-	-	(179,085)	-
Culture and recreation	1,201,699	276,203	4,727	-	(920,769)	-
Home and community services	1,051,622	40,198	-	-	(1,011,424)	-
Interest and other fiscal charges	245,405	-	-	-	(245,405)	-
Total primary government	<u>\$ 16,724,147</u>	<u>\$ 1,100,410</u>	<u>\$ 824,766</u>	<u>\$ 100,000</u>	<u>\$ (14,698,971)</u>	<u>\$ -</u>
Component unit:						
New Hartford Public Library	\$ 527,369	\$ 16,407	\$ 312,647	\$ -		(198,315)
Total component unit	<u>\$ 527,369</u>	<u>\$ 16,407</u>	<u>\$ 312,647</u>	<u>\$ -</u>		<u>(198,315)</u>
General revenues:						
Real property taxes and tax items					6,051,647	-
Nonproperty tax items					6,124,231	-
Use of money and property					4,147	72
Sale of property and compensation for loss					64,186	647
Miscellaneous					148,843	26,516
Unrestricted state aid					475,083	-
Total general revenues					<u>12,868,137</u>	<u>(171,080)</u>
Change in net position					(1,830,834)	(171,080)
Net position—beginning					(663,944)	2,825,790
Net position—ending					<u>\$ (2,494,778)</u>	<u>\$ 2,654,710</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NEW HARTFORD, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2017

	<u>Special Revenue</u>				<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Police</u>	<u>Highway Part-Town</u>	<u>Sewer</u>			
ASSETS							
Cash and cash equivalents	\$ 919,525	\$ 915,571	\$ 90,165	\$ 1,442,272	\$ -	\$ 728,900	\$ 4,096,433
Restricted cash and cash equivalents	-	-	-	-	957,309	160,016	1,117,325
Receivables	133,764	14,894	32,037	-	2,992	12,730	196,417
Intergovernmental receivables	646,800	312,068	1,381,474	-	2,000	55,718	2,398,060
Due from other funds	898,162	55,009	-	689,530	-	19,204	1,661,905
Inventories	5,163	-	-	-	-	-	5,163
Prepaid items	126,271	44,199	7,559	-	-	6,010	184,039
Total assets	<u>\$ 2,729,685</u>	<u>\$ 1,341,741</u>	<u>\$ 1,511,235</u>	<u>\$ 2,131,802</u>	<u>\$ 962,301</u>	<u>\$ 982,578</u>	<u>\$ 9,659,342</u>
LIABILITIES							
Accounts payable	\$ 111,489	\$ 35,131	\$ 131,105	\$ 93,311	\$ 188,119	\$ 13,368	\$ 572,523
Accrued liabilities	22,086	40,466	36,963	3,246	-	4,799	107,560
Intergovernmental payables	135,352	334,989	125,417	11,737	-	21,229	628,724
Due to other funds	182,502	58,477	933,704	6,610	341,863	137,342	1,660,498
Bond anticipation notes payable	83,200	147,875	-	32,500	1,250,000	61,425	1,575,000
Total liabilities	<u>534,629</u>	<u>616,938</u>	<u>1,227,189</u>	<u>147,404</u>	<u>1,779,982</u>	<u>238,163</u>	<u>4,544,305</u>
FUND BALANCES (DEFICIT)							
Nonspendable	131,434	44,199	7,559	-	-	6,010	189,202
Restricted	-	-	-	-	-	160,016	160,016
Assigned	10,870	680,604	276,487	1,984,398	-	608,284	3,560,643
Unassigned	2,052,752	-	-	-	(817,681)	(29,895)	1,205,176
Total fund balances (deficit)	<u>2,195,056</u>	<u>724,803</u>	<u>284,046</u>	<u>1,984,398</u>	<u>(817,681)</u>	<u>744,415</u>	<u>5,115,037</u>
Total liabilities and fund balances (deficit)	<u>\$ 2,729,685</u>	<u>\$ 1,341,741</u>	<u>\$ 1,511,235</u>	<u>\$ 2,131,802</u>	<u>\$ 962,301</u>	<u>\$ 982,578</u>	<u>\$ 9,659,342</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NEW HARTFORD, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
December 31, 2017

Amounts reported for governmental activities in the statement of net position (page 13) are different because:

Total fund balances (deficit)—governmental funds (page 15)		\$ 5,115,037
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$35,511,679 and the accumulated depreciation is \$22,598,772.		12,912,907
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows related to employer contributions	\$ 609,075	
Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion	1,455,564	
Deferred inflows related to pension plans	<u>(513,727)</u>	1,550,912
Net accrued interest expense for serial bonds and bond anticipation notes is not reported in the funds.		(78,327)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized within the government-wide statements. The effects of these items are:		
Serial bonds	\$ (8,113,291)	
Capital lease	(473,140)	
Compensated absences	(932,426)	
Net pension liability	(2,032,702)	
OPEB liability	<u>(10,443,748)</u>	<u>(21,995,307)</u>
Net position of governmental activities		<u>\$ (2,494,778)</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NEW HARTFORD, NEW YORK
Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit)—Governmental Funds
Year Ended December 31, 2017

	<u>Special Revenue</u>				<u>Capital Projects</u>	<u>Total</u>	<u>Total</u>
	<u>General</u>	<u>Police</u>	<u>Highway Part Town</u>	<u>Sewer</u>		<u>Nonmajor Funds</u>	<u>Governmental Funds</u>
REVENUES							
Real property taxes	\$ 1,353,165	\$ 2,282,637	\$ -	\$ 583,122	\$ -	\$ 1,468,115	\$ 5,687,039
Real property tax items	364,608	-	-	-	-	-	364,608
Nonproperty tax items	1,276,640	1,217,651	3,325,266	-	-	304,674	6,124,231
Departmental income	312,227	19,409	1,463	38,798	-	160,190	532,087
Intergovernmental charges	-	-	281,220	-	-	-	281,220
Use of money and property	3,766	-	-	-	104	277	4,147
Sale of property and compensation for loss	-	27,132	37,054	-	-	-	64,186
Licenses and permits	29,906	-	-	-	-	115,896	145,802
Fines and forfeitures	141,301	-	-	-	-	-	141,301
Miscellaneous	28,101	74,918	-	-	6,310	39,514	148,843
State aid	490,380	209,494	562,780	-	100,000	-	1,362,654
Federal aid	-	-	37,195	-	-	-	37,195
Total revenues	<u>4,000,094</u>	<u>3,831,241</u>	<u>4,244,978</u>	<u>621,920</u>	<u>106,414</u>	<u>2,088,666</u>	<u>14,893,313</u>
EXPENDITURES							
Current:							
General government support	1,318,633	65,048	834,259	8,498	-	23,290	2,249,728
Public safety	108,128	2,504,245	-	-	-	1,205,453	3,817,826
Health	-	-	-	-	-	44,629	44,629
Transportation	132,394	-	2,694,486	228,960	-	105,914	3,161,754
Economic assistance and opportunity	127,465	-	-	-	-	-	127,465
Culture and recreation	819,002	-	-	-	-	-	819,002
Home and community services	30,612	-	-	413,258	-	223,240	667,110
Employee benefits	661,707	1,293,331	769,312	49,502	-	141,029	2,914,881
Debt service:							
Principal	484,590	7,000	209,912	13,491	-	175,888	890,881
Interest and fiscal charges	145,066	4,894	45,797	3,406	-	19,285	218,448
Capital outlay	-	-	-	-	829,783	-	829,783
Total expenditures	<u>3,827,597</u>	<u>3,874,518</u>	<u>4,553,766</u>	<u>717,115</u>	<u>829,783</u>	<u>1,938,728</u>	<u>15,741,507</u>
Excess (deficiency) of revenues over expenditures	<u>172,497</u>	<u>(43,277)</u>	<u>(308,788)</u>	<u>(95,195)</u>	<u>(723,369)</u>	<u>149,938</u>	<u>(848,194)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	55,000	-	-	68,908	-	123,908
Transfers out	-	-	-	-	-	(123,908)	(123,908)
Proceeds from issuance capital lease	-	-	-	228,960	-	-	228,960
Total other financing sources (uses)	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>228,960</u>	<u>68,908</u>	<u>(123,908)</u>	<u>228,960</u>
Net change in fund balances (deficit)	172,497	11,723	(308,788)	133,765	(654,461)	26,030	(619,234)
Fund balances (deficit)—beginning	<u>2,022,559</u>	<u>713,080</u>	<u>592,834</u>	<u>1,850,633</u>	<u>(163,220)</u>	<u>718,385</u>	<u>5,734,271</u>
Fund balances (deficit)—ending	<u>\$ 2,195,056</u>	<u>\$ 724,803</u>	<u>\$ 284,046</u>	<u>\$ 1,984,398</u>	<u>\$ (817,681)</u>	<u>\$ 744,415</u>	<u>\$ 5,115,037</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NEW HARTFORD, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended December 31, 2017

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances (deficit)—total governmental funds (page 17) \$ (619,234)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital asset additions	\$ 1,297,326	
Depreciation expense	<u>(1,312,735)</u>	(15,409)

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

Town pension contributions	\$ 189,455	
Cost of benefits earned net of employee contributions	<u>(722,414)</u>	(532,959)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (26,957)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized within the government-wide statements. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Principal payments on serial bonds	\$ 782,988	
Proceeds from issuance of capital lease	(228,960)	
Principal payments on capital lease	107,893	
Change in compensated absences	(6,120)	
Change in OPEB liability	<u>(1,292,076)</u>	<u>(636,275)</u>

Change in net position of governmental activities \$ (1,830,834)

The notes to the financial statements are an integral part of this statement.

TOWN OF NEW HARTFORD, NEW YORK
Statement of Net Position—Agency Fund
December 31, 2017

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 816,992
Other assets	11,666
Service Award Program Assets	<u>456,017</u>
Total assets	<u>\$ 1,284,675</u>
LIABILITIES	
Agency liabilities	\$ 827,251
Due to other funds	1,407
Service Award Program	<u>456,017</u>
Total liabilities	<u>\$ 1,284,675</u>

The notes to the financial statements are an integral part of this statement.