

TOWN OF NEW HARTFORD, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of New Hartford, New York (the “Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (the “GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town’s accounting policies are described below.

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e. statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges to external customers for support. The Town reports no business-type activities. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Town reports one component unit, the New Hartford Public Library.

Reporting Entity

The Town is governed by the general laws of the State of New York and various local laws and ordinances. The Town Board is the legislative body responsible for the overall operations of the Town. The Supervisor serves as the Chief Executive Officer and as Chief Fiscal Officer of the Town.

Discretely Presented Component Unit—The component unit column in the basic financial statements includes the financial data of the Town’s discretely presented component unit. This unit is reported in a separate column to emphasis that it is legally separate from the Town.

- **New Hartford Public Library**—The New Hartford Public Library (the “Library”) was established in 1977 by the Town and granted a charter by the State Board of Regents as provided in Article 5 of the Education Law. The Town appoints all trustees, raises taxes for the library purposes, and as needed, issues all library indebtedness which is supported by the full faith and credit of the Town. The Library has title to its capital assets. The Library is a discretely presented component unit of the Town. The financial statements can be obtained by writing to the Library at 2 Library Lane, New Hartford, New York 13413.

Basis of Presentation—Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide statements.

As discussed earlier, the Town has one discretely presented component unit shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Town's funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the Town and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is real property taxes.
- *Police Fund*—This fund accounts for the revenues and expenditures related to Police services. Real property taxes are raised for police services from the whole Town excluding the Village of New York Mills.
- *Highway Part-Town Fund*—The Highway Part-Town Fund is used to record all revenues and expenditures related to road maintenance and construction outside Village boundaries. The major source of revenue for this fund is non-property taxes.
- *Sewer Fund*—The Sewer Fund is used to account for and report the proceeds of specific revenue sources that are legally restricted to expenditures for the purpose of the Sewer Fund. The major source of revenue for this fund is real property taxes.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of capital facilities.

Additionally, the Towns reports the following fund type:

Fiduciary Funds—These funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Agency Fund*. The Agency Fund is custodial in nature and does not involve measurement of results of operations. The Agency Fund accounts, such as payroll withholdings, are reported as liabilities.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental

activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences, pensions and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, non-property taxes, franchise taxes, licenses, interest and state and federal aid associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and the amount is received during the period of availability. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Agency Fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents and Investments—The Town's cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. The Town had no investments at December 31, 2017; however, when the Town does have investments it is the Town's policy to record them at fair value based on quoted market value.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent amounts to support fund balance restrictions and unspent proceeds of debt.

Receivables—Receivables are shown net of an allowance for uncollectible accounts, when applicable. No allowance or uncollectible account has been provided since it is believed that such an allowance would not be material.

Inventories—Year-end inventory of office supplies on hand is shown as an asset of the Town. Inventories of materials and supplies are recorded at cost on a first-in, first-out basis or market value, whichever is lower. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

Prepaid Items—Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than purchased.

Capital Assets—Capital assets, which include buildings and improvements, machinery and equipment and infrastructure are reported in the government-wide financial statements. Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value at the date of their donation. Additions, improvements, and other capital outlays that significantly extend the life of an asset are capitalized. Other costs incurred for repairs and maintenance and expensed as incurred. Infrastructure assets are capitalized on a prospective basis. Land and construction in progress are not depreciated. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as shown below:

Assets	Years
Buildings and improvements	40
Machinery and equipment	3-15
Infrastructure	40

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new highway vehicle included as part of *expenditures—transportation*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2017, the Town has one item that qualifies for reporting in this category. This item represents the effect of the net change in the Town’s proportion of the collective net pension liability, the difference during the measurement period between the Town’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At December 31, 2017, the Town has one item that qualifies for reporting in this category. This item represents the effect of the net change in the Town's proportion of the collective net pension liability and the difference during the measurement periods between the Town's contributions and its proportionate share of the total contributions to the pension systems not included in pension expense and is reported on the government-wide statements.

Net Position Flow Assumption—Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted–net position and unrestricted–net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions—Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Town Board is the highest level of decision-making authority for the Town that can, by Town Board resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes, but do not meet the criteria to be classified as committed. The Town Board has by resolution authorized the Supervisor to assign fund balance. The Town Board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/expenditures

Program Revenues—The amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—Taxes are collected by the receiver of taxes during the period January 1st to January 31st without penalty. Taxes are due by January 31st. If received during February, there is a 1% penalty. If payment is received in March, there is a 1.5% penalty. After May 31st, any unpaid amount is turned over to Oneida County. The County is responsible for collecting all taxes after April 1st. The County pays the Town for the delinquent taxes and assumes enforcement responsibility for all taxes levied in the Town.

Compensated Absences—Town employees are granted vacation and sick leave in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave at various rates subject to certain maximum limits.

Pensions—The Town is mandated by New York State law to participate in the New York State Local Employees' Retirement System ("ERS") and the New York State Police and Fire Retirement System ("PFRS"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

Length of Service Awards Program ("LOSAP")—The Town has adopted a LOSAP for firefighters that serve on a volunteer basis. This program is administered by an outside agency with the Town as trustee. More information is included in Note 7.

Other Post-employment Benefits—In addition to providing pension benefits, the Town provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 8.

Other

Estimates—The preparation of the financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2017, the Town implemented GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues; an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state

and local governmental OPEB plans for making decisions and assessing accountability. GASB statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. GASB statement No. 81 improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statement Nos. 74, 80, 81, and 82 did not have a material impact on the Town's financial position or results from operations.

During the year ended December 31, 2017, the Town did not implement GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The Town's actuarial valuation related to their Length of Service Award Program ("LOSAP") during the year ended December 31, 2017 did not report on the estimated pension liability related to LOSAP and the related outflows and inflows of resources in accordance with GASB.

Future Impacts of Accounting Pronouncements—The Town has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*, effective for the year ending December 31, 2018, and No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* effective for the year ending December 31, 2019, and No. 87, *Leases*, effective for the year ending December 31, 2020. The Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 75, 83, 84, 85, 86, 87, and 88 will have on its financial position and results of operations.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets—The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- No later than October 5th, the Town Supervisor submits a tentative budget to the Town Clerk for the fiscal year commencing the following January 1st. The tentative budget includes proposed expenditures and the proposed means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- The budget is legally enacted through passage of legislative resolution no later than Thursday after election date. Certified copies are filed no later than November 20th with the tax roll coordinator of Oneida County for the purpose of preparing the tax levy.
- The Town Supervisor is authorized to transfer certain budgeted amounts within departments and/or individual funds.

Deficit Fund Balances—At December 31, 2017, the Town's Capital Projects Fund reported a fund deficit of \$817,681. The deficit is caused by the Town's issued bond anticipation notes ("BANs"), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances). When the cash from the BANs is spent,

expenditures are reported and fund balance is reduced. Because the BANs are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs.

The Town’s Highway Whole Town fund reported a fund deficit of \$23,895 at December 31, 2017. It is expected that this deficit will be remedied through future increases in revenues.

The Town’s Special Grant Fund reported a fund deficit of \$6,000 at December 31, 2017. It is expected that this deficit will be remedied through the future receipt of grant revenue.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Town’s investment policies are governed by State statutes. In addition, the Town has its own written investment policy. Town monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Supervisor is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Town has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash and cash equivalents at December 31, 2017 are as follows:

	Governmental Funds	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 375	\$ -	\$ 375
Deposits	5,213,383	816,992	6,030,375
Total	<u>\$ 5,213,758</u>	<u>\$ 816,992</u>	<u>\$ 6,030,750</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2017 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 750,000	\$ 750,000
Uninsured:		
Collateral held by pledging bank's agent in the Town's name	<u>5,436,528</u>	<u>5,280,375</u>
Total	<u>\$ 6,186,528</u>	<u>\$ 6,030,375</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. As noted above, by State Statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2017, the Town’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the Town’s name.

Investments—The Town had no investments at December 31, 2017.

Interest Rate Risk—In accordance with its investment policy, the Town manages exposures by limiting investments to low risk type investments governed by New York State statute.

Restricted cash and cash equivalents—The Town reports amounts to support restricted fund balance and unspent proceeds of debt as restricted cash and cash equivalents. At December 31, 2017, the Town reported \$1,172,325 of restricted cash and cash equivalents within its governmental activities.

New Hartford Public Library—The Library’s cash and cash equivalents, including restricted cash of \$328,404, totaled \$597,901 and were fully collateralized or insured at December 31, 2017.

3. RECEIVABLES

Major revenues accrued by the Town at December 31, 2017 consisted of the following:

Receivables—Represents amounts due from various sources. Receivables at December 31, 2017 are:

General Fund:			
Cable TV Franchise fees	\$	90,813	
Justice Court fees		25,251	
Recreation Center fees		14,052	
Other		<u>3,648</u>	\$ 133,764
Police Fund:			
Town Patrols		13,642	
Other		<u>1,252</u>	14,894
Highway Part-Town Fund:			
Fuel		21,863	
Ice control		5,690	
Other		<u>4,484</u>	32,037
Capital Projects Fund:			
Miscellaneous			2,992
Nonmajor Funds:			
General Part-Town Fund—fees			<u>12,730</u>
Total governmental funds			<u>\$ 196,417</u>

Intergovernmental receivables—Represents amounts due from other units of government, such as Federal, New York State, County of Oneida or other local governments. Intergovernmental receivables at December 31, 2017 are:

General Fund:			
Mortgage tax	\$	172,029	
PILOT revenue		306,850	
Sales tax		<u>167,921</u>	\$ 646,800
Police Fund:			
Sales tax		222,682	
School Safety Officer		66,095	
School Resource Program		18,750	
Oneida County Drug Task Force		<u>4,541</u>	312,068
Highway Part-Town Fund:			
Sales tax		964,993	
Oneida County Storm Reimbursement		334,781	
Oneida County Plowing		40,380	
Oneida County Roadside Ditching		4,125	
FEMA Storm Reimbursement		<u>37,195</u>	1,381,474
Capital Projects Fund:			
Miscellaneous			2,000
Nonmajor Funds:			
Highway Whole-Town Fund—miscellaneous		13,155	
General Part-Town Fund—sales tax		<u>42,563</u>	<u>55,718</u>
Total governmental funds			<u>\$ 2,398,060</u>

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year-ended December 31, 2017 was as follows:

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
Capital assets, not being depreciated:				
Land	\$ 611,634	\$ -	\$ -	\$ 611,634
Construction in progress	10,680	829,783	-	840,463
Total capital assets, not being depreciated	<u>622,314</u>	<u>829,783</u>	<u>-</u>	<u>1,452,097</u>
Capital assets, being depreciated:				
Buildings and improvements	5,228,360	-	-	5,228,360
Machinery and equipment	8,534,906	467,543	(290,768)	8,711,681
Infrastructure	20,119,541	-	-	20,119,541
Total capital assets, being depreciated	<u>33,882,807</u>	<u>467,543</u>	<u>(290,768)</u>	<u>34,059,582</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,843,646)	(130,709)	-	(3,974,355)
Machinery and equipment	(7,645,979)	(667,764)	290,768	(8,022,975)
Infrastructure	(10,087,180)	(514,262)	-	(10,601,442)
Total accumulated depreciation	<u>(21,576,805)</u>	<u>(1,312,735)</u>	<u>290,768</u>	<u>(22,598,772)</u>
Total capital assets, being depreciated, net	<u>12,306,002</u>	<u>(845,192)</u>	<u>-</u>	<u>11,460,810</u>
Total capital assets, net	<u>\$ 12,928,316</u>	<u>\$ (15,409)</u>	<u>\$ -</u>	<u>\$ 12,912,907</u>

Depreciation expense was charged to the functions of the governmental activities for the year ended December 31, 2017 as follows:

General government support	\$ 219,357
Public safety	528,133
Transportation	361,022
Culture and recreation	81,781
Home and community services	122,442
Total	<u>\$ 1,312,735</u>

New Hartford Public Library— Capital asset activity for the Library for the year-ended December 31, 2017 was as follows:

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
Capital assets, not being depreciated:				
Land	\$ 96,460	\$ -	\$ -	\$ 96,460
Total capital assets, not being depreciated	<u>96,460</u>	<u>-</u>	<u>-</u>	<u>96,460</u>
Capital assets, being depreciated:				
Land improvements	135,423	15,239	-	150,662
Buildings and improvements	2,952,971	-	-	2,952,971
Machinery and equipment	323,574	-	-	323,574
Total capital assets, being depreciated	<u>3,411,968</u>	<u>15,239</u>	<u>-</u>	<u>3,427,207</u>
Less accumulated depreciation for:				
Land improvements	(91,572)	(9,606)	-	(101,178)
Buildings and improvements	(943,730)	(81,171)	-	(1,024,901)
Machinery and equipment	(310,339)	(7,799)	-	(318,138)
Total accumulated depreciation	<u>(1,345,641)</u>	<u>(98,576)</u>	<u>-</u>	<u>(1,444,217)</u>
Total capital assets, being depreciated, net	<u>2,066,327</u>	<u>(83,337)</u>	<u>-</u>	<u>1,982,990</u>
Total capital assets, net	<u>\$ 2,162,787</u>	<u>\$ (83,337)</u>	<u>\$ -</u>	<u>\$ 2,079,450</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2017 were as follows:

	General Fund	Police Fund	Highway Part-Town Fund	Sewer Fund	Total Nonmajor Funds	Total Governmental Funds
Salary and employee benefits	\$ 20,382	\$ 37,438	\$ 26,722	\$ 2,574	\$ 3,548	\$ 90,664
Other	1,704	3,028	10,241	672	1,251	16,896
Total accrued liabilities	<u>\$ 22,086</u>	<u>\$ 40,466</u>	<u>\$ 36,963</u>	<u>\$ 3,246</u>	<u>\$ 4,799</u>	<u>\$ 107,560</u>

6. PENSION OBLIGATIONS

Police and Fire Retirement System (“PFRS”) and Employees’ Retirement System (“ERS”)—The Town participates in the PFRS and ERS (the “Systems”). The Systems provides retirement benefits as well as death and disability benefits. The net position of the Systems are held in the New York State Common Retirement Fund (the “Fund”), which was established to hold all assets and record changes in fiduciary net position allocated to the Systems. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the Systems. System benefits are established under the provisions of the New York State Retirement and Social Security Law (“NYSRSSL”). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Town also participates in the Public Employees’ Group Life Insurance Plan (“GLIP”), which provides death benefits in the form of life insurance. The Systems are included in the State’s financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2017, the Town reported the following liabilities for its proportionate share of the net pension liability for each of the Systems. The net pension liabilities were measured as of March 31, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2016, with update procedures used to roll forward the total net pension liabilities to the measurement date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the Systems in reports provided to the Town.

	PFRS	ERS
Measurement date	March 31, 2017	March 31, 2017
Net pension liability	\$ 1,177,066	\$ 855,636
Town's portion of the Plan's total net pension liability	0.0567903%	0.0097288%

For the year ended December 31, 2017, the Town recognized pension expenses of \$662,131 and \$487,402, respectively, for PFRS and ERS. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PFRS	ERS	PFRS	ERS
Differences between expected and actual experiences	\$ 154,411	\$ 21,442	\$ 203,371	\$ 129,933
Changes of assumptions	579,891	292,317	-	-
Net difference between projected and actual earnings on pension plan investments	175,793	170,905	-	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	252	60,553	124,138	56,285
Town contributions subsequent to the measurement date	321,710	287,365	-	-
Total	<u>\$ 1,232,057</u>	<u>\$ 832,582</u>	<u>\$ 327,509</u>	<u>\$ 186,218</u>

Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown on the following page.

Year Ending December 31,	PFRS	ERS
2017	\$ 203,171	\$ 159,229
2018	203,171	159,229
2019	190,050	155,008
2020	(31,080)	(114,467)
2021	17,526	-

Actuarial Assumptions—The total pension liabilities as of the measurement date were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement date. The actuarial valuations used the actuarial assumptions:

	PFRS	ERS
Measurement date	March 31, 2017	March 31, 2017
Actuarial valuation date	April 1, 2016	April 1, 2016
Interest rate	7.00%	7.00%
Salary scale	4.50%	3.80%
Decrement tables	April 1, 2010- March 31, 2015	April 1, 2010- March 31, 2015
Inflation rate	2.5%	2.5%
Cost-of-living adjustments	1.3%	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2014. The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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 are summarized on the following page.

Measurement date	PFRS and ERS	
	Target Allocation	Long-Term Expected
		Real Rate of Return
	March 31, 2017	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.8
Real estate	10.0	5.8
Absolute return strategies	2.0	4.0
Opportunistic portfolio	3.0	5.9
Real assets	3.0	5.5
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.5
Total	<u>100.0 %</u>	

Discount Rate—The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems’ 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.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the Town’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the Town’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)—PFRS	\$ 3,336,914	\$ 1,177,066	\$ (634,518)
Employer's proportionate share of the net pension liability/(asset)—ERS	2,732,732	855,636	(731,445)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liabilities of the employers as of the respective valuation dates, were as follows:

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2016	April 1, 2016	
Employers' total pension liability	\$ 31,670,483	\$ 177,400,586	\$ 209,071,069
Plan fiduciary net position	29,597,830	168,004,363	197,602,193
Employers' net pension liability	<u>\$ 2,072,653</u>	<u>\$ 9,396,223</u>	<u>\$ 11,468,876</u>
System fiduciary net position as a percentage of total pension liability	93.5%	94.7%	94.5%

The New Hartford Public Library—The Library also participates in the ERS system.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At December 31, 2017, the Library reported a liability of \$58,505 for its proportionate share of the net pension liability. At the March 31, 2017 measurement date, the Library's proportion was 0.0006226%.

For the year ending December 31, 2017, the Library recognized pension expense of \$33,327. At December 31, 2017, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	ERS	
Differences between expected and actual experiences	\$ 1,466	\$ 8,884
Changes of assumptions	19,987	
Net difference between projected and actual earnings on pension plan investments	11,686	-
Changes in proportion and differences between the Library's contributions and proportionate share of contributions	4,140	3,849
Library contributions subsequent to the measurement date	<u>19,649</u>	<u>-</u>
Total	<u>\$ 56,928</u>	<u>\$ 12,733</u>

The Town’s contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending December 31, 2018. Other amounts reported as net deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>ERS</u>
2018	\$ 10,887
2019	10,887
2020	10,599
2021	(7,827)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The following chart presents the Library’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the Library’s proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

<u>ERS</u>	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Employer's proportionate share of the net pension liability/(asset)	\$ 186,853	\$ 58,505	\$ (50,013)

7. PENSION OBLIGATIONS—LOSAP

Plan Description—The Town established a defined benefit Length of Service Award Program (“LOSAP”) for the active volunteer firefighters of the Willowvale Fire Co., Inc. the Willowvale Fire Co., Inc. Service Award Program took effect in January 1, 2008. The program was established pursuant to Article 11-A of General Municipal Law. The program provides municipally-funded, pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Town is the sponsor of the program.

The Town’s financial statements are for the year ended December 31, 2017. However, the actuarially calculated obligations of the plan contained in this note are based on the information for the LOSAP for the plan year ended on January 1, 2017, which is the most recent plan year for which complete information is available.

Participation, Vesting and Service Credit—Active volunteer firefighters who have reached the age of 18 and who are current active members for one year on the Emergency Service organization’s membership roster are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program’s entitlement age. The program’s entitlement age is 65. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates points in accordance with the method used by the sponsor to determine active status. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on a basis of a statutory list of activities and point values. A participant may also receive credit for five years of firefighting service rendered prior to the establishment of the program.

Benefits—A participant’s benefit under the program is paid as a life annuity guaranteed for ten years. Equal to \$15 multiplied by the firefighter’s total number of years of firefighting service. The number of years of firefighters service use to compute the benefit cannot exceed 40 years, except in the case of death or disability, in which benefits are payable when the participant reached the entitlement age. The maximum benefit is \$600. The program provides statutorily mandated death and disability benefits.

Fiduciary Investment and Control—Service credit is determined by the governing Board of the sponsor, based on information certified to the governing Board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board.

The governing Board of the Sponsor has retained and designated Firefighters Benefit and Insurance Services (“FBIS”) to assist in the administration of the program. The designated program administrator’s functions include those services listed in the service fee agreement. Disbursements of program assets for the payment of benefits or administrative expenses must be approved. The following is an explanation of the process for approving disbursements for benefits:

1. Entitlement Benefits—FBIS prepared and submits to the Plan Administrator (Sponsor) a Verification of Benefits statement and an Annuity Enrollment form for participants active at entitlement age and for vested participants upon terminations from the plan. Following review for accuracy, the Plan Administrator signs and returns the paperwork to FBIS to disburse entitlement benefits.
2. Death Benefits—Upon notification from the Plan Administrator (Sponsor) of a participant’s death, FBIS prepares a Verification of Benefits statement and a lump-sum death benefit form. Following review for accuracy, the Plan Administrator signs and returns the paperwork accompanied by a death certificate to FBIS authorizing FBIS to disburse a death benefit.
3. Disability Benefits—Upon notification from the Plan Administrator (Sponsor) of a participant’s total and permanent disability, FBIS prepares a Verification of Benefits statement, a physician statement form, and lump-sum disability benefit form. Following review for accuracy, the Plan Administrator signs and returns the paperwork authorizing FBIS to disburse a disability benefit.

Payment of Administrative Expenses—Per the executed service fee agreement, the Plan Administrator agrees to payment as contracted.

Program assets are required to be held in trust by the LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. Program assets are held in compliance with GML 11-A217(j).

Authority to invest program assets is vested in the Hartford Life Insurance Company. Subject to restrictions in the program document, program assets are invested in accordance with a statutory “prudent person” rule.

Program Financial Condition—The Sponsor is required to retain an actuary to determine the amount of Sponsor’s contributions to the plan. The actuary retained by the Sponsor for this purpose is FBIS. Portions of the following information are derived from a report prepared by the actuary with a valuation date of January 1, 2017 for the plan year ending December 31, 2017.

Prior service costs have been amortized and paid. The program assets are less than the actuarial present value of accrued benefits.

Program Financial Condition

Asset and Liabilities:

Actuarial Present Value of Benefits at December 31, 2017:		\$ 459,140
Less: Assets available for benefits	<u>% of total</u>	
Cash	1.87%	\$ 8,522
Life Insurance - Specialty	7.41%	33,771
International Stock	13.17%	60,047
Small-Cap Stock	3.78%	17,233
Large-Cap Stock	22.69%	103,481
Bonds	51.09%	<u>232,963</u>
Total net assets available for benefits	100.00%	<u>456,017</u>
Total unfunded benefits		<u>\$ 3,123</u>

Receipts and Disbursements:

Plan net assets, January 1, 2017		\$ 391,906
Changes during the year:		
Add: Plan contribution	42,406	
Earnings from investment	4,230	
Market gain	40,175	
Less: Payments to retirees	(13,545)	
Insurance premium	(9,155)	
Net change		<u>64,111</u>
Plan net assets, December 31, 2017		<u>\$ 456,017</u>

Contributions

Amount of sponsor's contributions recommended by actuary	\$ 37,912
Amount of sponsor's actual contributions	\$ 43,906

Administrative Fees

Fees paid to actuary	\$ 2,813
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8. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—The Town administers the Medical Plan (the “Plan”) as a single-employer defined benefit OPEB plan. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the Town subject to applicable collective bargaining and employment agreements. Generally, the employees may retire with benefits when they reach the minimum age of 55 and have 20 years of service with the Town. The Plan does not issue standalone publicly available financial reports since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy—The obligations of the Plan members, employers, and other entities are established by action of the Town pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. For the year ended December 31, 2017, the Town’s contributions to the Plan ranged from 85% to 100% of the required annual premiums. The retirees currently contribute enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

The Town’s annual OPEB cost is calculated based on the annual required contributions (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed five years. The table presented below shows the components of the Town’s annual OPEB cost for the past three years, the amount actually contributed to the plan, and the changes in the Town’s net OPEB obligation.

	Year Ended December 31,		
	2017	2016	2015
Annual required contribution ("ARC")	\$ 1,964,119	\$ 1,787,537	\$ 1,669,884
Interest on net OPEB obligation	320,309	317,545	271,329
Adjustment to ARC	<u>(601,593)</u>	<u>(528,215)</u>	<u>(439,011)</u>
Annual OPEB cost (expense)	1,682,835	1,576,867	1,502,202
Contributions made	<u>(390,759)</u>	<u>(363,826)</u>	<u>(346,786)</u>
Increase in net OPEB obligation	1,292,076	1,213,041	1,155,416
Net OPEB obligation—beginning	9,151,672	7,938,631	6,783,215
Net OPEB obligation—ending	<u>\$ 10,443,748</u>	<u>\$ 9,151,672</u>	<u>\$ 7,938,631</u>
Percentage of ARC contributed	19.9%	20.4%	20.8%

Funding Status and Funding Progress—As of January 1, 2017, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$17,751,735.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Town’s schedule of contributions for the most recent three years is shown below:

Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage Contributed
2017	\$ 1,682,835	\$ 390,759	23.2%
2016	1,576,867	363,826	23.1%
2015	1,502,202	346,786	23.1%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members, at the time of the valuation and on the pattern of cost sharing between the employer and plan members. The projection of benefits does not incorporate the potential effect of a change in the pattern of cost sharing between the employer and plan members in the future. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the January 1, 2017 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date of January 1, 2016 and measurement date of December 31, 2016. The expected investment rate of return on employer’s assets is 3.5%. The expected inflation rate is 2.2%. The RPH-2014 Mortality Table for employees and the RPH-2014 Mortality Table for Health Annuitants, sex distinct, with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2017 were used for mortality rates. The rates of decrement due to turnover and the rates of decrement due to retirement, both based on the experience under the New York State Local Retirement System as prepared by the Department of Civil Service’s actuarial consultant are in the report titled “Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation”. The initial period used to determine amortization costs for the initial UAAL for the implementation of GASB 45 was thirty years. At December 31, 2017, the remaining amortization period was 21 years.

9. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance for: property coverage, inland marine coverage, general liability coverage, crime coverage, automobile coverage, umbrella coverage, accidental death and dismemberment coverage and cyber coverage. There have been no significant reduction in the levels of this commercial insurance from the prior year, nor have there been any settlements which exceeded insurance coverage for each of the past three fiscal years.

Property insurance is limited based on scheduled locations. Inland marine coverage has various limits for each individually scheduled property and equipment. The general liability insurance is limited to \$1 million per occurrence, with a \$3 million annual aggregate limit. Various crime coverage is limited to \$1 million per each wrongful act, with a \$2 million aggregate limit. Automobile insurance is limited to \$1 million per accident. Umbrella coverage is limited to \$4 million per occurrence with a \$4 million annual aggregate limit. Accidental death and dismemberment varies. Cyber coverage limits range from \$500,000 to \$1,000,000 for each first party insured event.

10. LEASE OBLIGATIONS

Capital Leases—The Town has two outstanding capital leases for certain equipment. During the year ended December 31, 2015, the Town entered into a lease agreement for a truck at an interest rate of 2.327%. Payments on the lease began in the year ending December 31, 2016 with the final payment to be made in year ending December 31, 2020. During the year ending December 31, 2017, the Town entered into a lease agreement for a sewer truck at an interest rate of 2.88%. Payments on the lease are scheduled to begin during the year ending December 31, 2018 with the final payment to be made during the year ending December 31, 2022. A long-term liability for the leases of \$473,140 has been recorded within the Town’s governmental activities. The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Assets:	
Machinery and equipment	\$ 960,550
Less: Accumulated depreciation	<u>(271,844)</u>
Total	<u>\$ 688,706</u>

The obligations under the leases can be summarized as follows:

<u>Year ending December 31,</u>	<u>Governmental Activities</u>
2018	\$ 134,243
2019	134,242
2020	134,243
2021	49,033
2022	<u>49,032</u>
Total minimum lease payments	<u>\$ 500,793</u>
Less: Amount representing interest costs	<u>(27,653)</u>
Present value of minimum lease payments	<u>\$ 473,140</u>

11. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvements projects may be renewed for periods equivalent to the life of the permanent financing, provided that annual reductions of principal are made. The following is a summary of the Town’s changes in short-term debt for the year ended December 31, 2017:

Description	Interest Rate	Maturity Date	Balance 1/1/2017	Issues	Redemptions	Balance 12/31/2017
General Fund:						
Tax certiorari	2.50%	3/7/2018	\$ -	\$ 83,200	\$ -	\$ 83,200
Police Fund:						
Tax certiorari	2.50%	3/7/2018	-	147,875	-	147,875
Sewer Fund:						
Tax certiorari	2.50%	3/7/2018	-	32,500	-	32,500
Capital Projects Fund:						
Tilden Avenue	1.43%	7/11/2018	-	350,000	-	350,000
Grange Hill	2.25%	7/11/2018	-	900,000	-	900,000
Nonmajor Funds:						
Tax certiorari	2.50%	3/7/2018	-	61,425	-	61,425
Total			<u>\$ -</u>	<u>\$ 1,575,000</u>	<u>\$ -</u>	<u>\$ 1,575,000</u>

12. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts 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, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The Town’s outstanding long-term liabilities include serial bonds, capital leases, compensated absences, net pension liability and other postemployment benefits (“OPEB”) obligations. The serial bonds of the Town are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the Town's long-term debt at December 31, 2017 follows:

	Balance 1/1/2017	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Serial bonds	\$ 8,896,279	\$ -	\$ 782,988	\$ 8,113,291	\$ 799,909
Capital lease	352,073	228,960	107,893	473,140	125,794
Compensated absences	926,306	6,120	-	932,426	46,621
Net pension liability*	3,302,199	-	1,269,497	2,032,702	-
Net OPEB obligation	9,151,672	1,682,835	390,759	10,443,748	-
Total	<u>\$ 22,628,529</u>	<u>\$ 1,917,915</u>	<u>\$ 2,551,137</u>	<u>\$ 21,995,307</u>	<u>\$ 972,324</u>

*Reductions to the net pension liability are shown net of additions.

Serial Bonds—The Town issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town.

A summary of additions and payments for the year ended December 31, 2017 is presented below:

Description	Year of Issue/ Maturity	Interest Rate (%)	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017	Due Within One Year
General Fund Whole Town							
Public improvements	2002/2022	3.9-4.75%	\$ 427,000	\$ -	\$ 92,000	\$ 335,000	\$ 92,000
Public improvements	2009/2032	3.5-5.00%	2,550,000	-	260,000	2,290,000	270,000
Public improvements	2013/2027	2.5-3.25%	602,700	-	88,200	514,500	89,000
Parks and recreation improvements	2016/2024	.85-2.30%	384,700	-	44,390	340,310	44,510
Total General Fund Whole Town			<u>3,964,400</u>	<u>-</u>	<u>484,590</u>	<u>3,479,810</u>	<u>495,510</u>
Police Fund:							
Public improvements	2013/2027	2.5-3.25%	40,100	-	3,200	36,900	3,300
Parks and recreation improvements	2016/2024	.85-2.30%	33,250	-	3,800	29,450	3,850
Total Police Fund			<u>73,350</u>	<u>-</u>	<u>7,000</u>	<u>66,350</u>	<u>7,150</u>
Highway Whole Town Fund:							
Public improvements	2013/2027	2.5-3.25%	671,700	-	52,900	618,800	55,000
Total Highway Whole Town Fund			<u>671,700</u>	<u>-</u>	<u>52,900</u>	<u>618,800</u>	<u>55,000</u>
Highway Part-Town Fund:							
Public improvements	2013/2027	2.5-3.25%	705,500	-	55,700	649,800	57,700
Parks and recreation improvements	2016/2024	.85-2.30%	399,170	-	46,319	352,851	46,111
Total Highway Part-Town Fund			<u>1,104,670</u>	<u>-</u>	<u>102,019</u>	<u>1,002,651</u>	<u>103,811</u>
Water Fund:							
Water improvements	2006/2036	0.00%	2,986,279	-	122,988	2,863,291	124,909
Total Water Fund			<u>2,986,279</u>	<u>-</u>	<u>122,988</u>	<u>2,863,291</u>	<u>124,909</u>
Sewer Fund:							
Public improvements	2002/2022	3.9-4.75%	48,000	-	8,000	40,000	8,000
Parks and recreation improvements	2016/2024	.85-2.30%	47,880	-	5,491	42,389	5,529
Total Sewer Fund			<u>95,880</u>	<u>-</u>	<u>13,491</u>	<u>82,389</u>	<u>13,529</u>
Total			<u>\$ 8,896,279</u>	<u>\$ -</u>	<u>\$ 782,988</u>	<u>\$ 8,113,291</u>	<u>\$ 799,909</u>

Capital Lease—As discussed in Note 10, the Town leases certain property and equipment. During the year the Town entered into a capital lease totaling \$228,960. The lease was issued at an interest rate of 2.88% with scheduled payments through December 31, 2022.

Compensated Absences—As described in Note 1, the Town records the value of compensated absences. The annual budgets of the respective funds of which the employees’ payroll is recorded provide funding for these benefits as they become payable. The value recorded at December 31, 2017, for governmental activities is \$932,426. While the payments of compensated absences are dependent upon many factors, the Town has estimated that \$46,621 will become due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

Net Pension Liability—The Town reports a liability for its proportionate share of the net pension liability for the Employees’ Retirement System and Police and Fire Retirement System. The net pension liability is estimated to be \$2,032,702. Refer to Note 6 for additional information related to the Town’s net pension liability.

Net OPEB Obligation—As discussed in Note 8, the Town’s net OPEB obligation at December 31, 2017 is \$10,443,748.

The following is a maturity schedule of the Town’s indebtedness.

Year ending December 31,	Serial Bonds	Capital Lease	Compensated Absences	Net Pension Liability	Net OPEB Obligation	Total
2018	\$ 799,909	\$ 125,794	\$ 46,621	\$ -	\$ -	\$ 972,324
2019	796,831	125,113	-	-	-	921,944
2020	818,753	128,275	-	-	-	947,028
2021	835,674	46,308	-	-	-	881,982
2022	752,596	47,650	-	-	-	800,246
2023-2027	2,206,802	-	-	-	-	2,206,802
2028-2032	1,114,842	-	-	-	-	1,114,842
2033-2037	787,884	-	-	-	-	787,884
Thereafter	-	-	885,805	2,032,702	10,443,748	13,362,255
Total	<u>\$ 8,113,291</u>	<u>\$ 473,140</u>	<u>\$ 932,426</u>	<u>\$ 2,032,702</u>	<u>\$ 10,443,748</u>	<u>\$ 21,995,307</u>

Interest requirements on serial bonds payable are as follows:

Year ending December 31,	Interest
2018	\$ 162,359
2019	141,323
2020	120,193
2021	98,355
2022	77,309
2023-2027	205,220
2028-2032	46,500
Total	<u>\$ 851,259</u>

The New Hartford Public Library

The Library’s outstanding long-term liabilities include compensated absences and net pension liability. A summary of changes in the Library’s long-term debt at December 31, 2017 follows:

	Balance 1/1/2017	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Compensated absences	\$ 3,153	\$ 3,827	\$ 3,153	\$ 3,827	\$ 3,827
Net pension liability*	107,166	-	48,661	58,505	-
Total	<u>\$ 110,319</u>	<u>\$ 3,827</u>	<u>\$ 51,814</u>	<u>\$ 62,332</u>	<u>\$ 3,827</u>

*Reductions to the net pension liability are shown net of additions.

Compensated Absences—As described in Note 1, the Library records the value of compensated absences. The value recorded at December 31, 2017 for the Library is \$3,827, all of which is considered to be due within one year.

Net Pension Liability—The Library reports a liability for its proportionate share of the net pension liability for the Employees’ Retirement System The Library’s net pension liability is estimated to be \$58,505. Refer to Note 6 for additional information related to the Library’s net pension liability.

13. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. A reconciliation of the Town’s governmental activities net investment in capital assets is shown below:

Capital assets, net of accumulated depreciation	\$ 12,912,907
Related debt:	
Serial bonds	(8,113,291)
Capital leases	(473,140)
Bond anticipation notes	(1,250,000)
Unspent debt proceeds	<u>141,069</u>
Net investment in capital assets	<u>\$ 3,217,545</u>

- **Restricted Net Position**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions and enabling legislation.
- **Unrestricted Net Position**—This category represents the net position of the Town not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the Town at December 31, 2017 includes:

- **Prepaid Items**—Represents amounts prepaid for various insurance policies. The General Fund, Police Fund, Highway Part-Town Fund and Nonmajor Funds reported \$126,271, \$44,199, \$7,559 and \$6,010, respectively, at December 31, 2017.
- **Inventories**—Represents the portion of fund balance, \$5,163, composed of inventory and is nonspendable because inventory is not an available spendable resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or by enabling legislation. Restricted fund balances of the Town at December 31, 2017 include:

- **Restricted for Mitigation**—Represents funds, \$160,016, held from the collection of mitigation fees that can only be spent on specific public improvements.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Town’s highest level of decision-making authority. At December 31, 2017, the Town reported no committed fund balance.

In the fund financial statements, assignments are not legally required segregations, but are subject to a purpose constraint that represents an intended use established by the Town Board. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. At December 31, 2017, the following fund balances were considered to be assigned:

	General Fund	Police Fund	Highway Part-Town Fund	Sewer Fund	Nonmajor Funds	Total
Subsequent year's appropriations	\$ 10,870	\$ -	\$ -	\$ -	\$ 30,839	\$ 41,709
Specific use	-	680,604	276,487	1,984,398	577,445	3,518,934
Total assigned fund balance	<u>\$ 10,870</u>	<u>\$ 680,604</u>	<u>\$ 276,487</u>	<u>\$ 1,984,398</u>	<u>\$ 608,284</u>	<u>\$ 3,560,643</u>

- **Assigned to Subsequent Year’s Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2018 fiscal year.
- **Assigned to Specific Use**—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment’s purpose relates to each fund’s operations and represents amounts within funds that are not restricted or committed.

If the Town must use funds for emergency expenditures, the Board shall authorize the Supervisor to expend funds first from funds classified under GASB as nonspendable (if the funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other funds are available, the Town will use unassigned fund balance.

14. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short term in nature and exist because of temporary advances or payments made on behalf of other funds. All interfund balances are expected to be collected/paid within the ensuing year. Interfund transfers are routine annual events for both the budget and accounting process and are necessary to present funds in their proper fund classification.

Interfund receivables, payables, and transfers of the Town as of, and for the year ended December 31, 2017 are presented below:

Fund	Interfund		Transfers in	Transfers out
	Receivables	Payables		
Governmental funds:				
General Fund	\$ 898,162	\$ 182,502	\$ -	\$ -
Police Fund	55,009	58,477	55,000	-
Highway Part-Town Fund	-	933,704	-	-
Sewer Fund	689,530	6,610	-	-
Capital Projects Fund	-	341,863	68,908	-
Nonmajor funds	19,204	137,342	-	123,908
Fiduciary funds:				
Agency Fund	-	1,407	-	-
Total	<u>\$ 1,661,905</u>	<u>\$ 1,661,905</u>	<u>\$ 123,908</u>	<u>\$ 123,908</u>

15. AGENCY FUND

An agency fund exists for employee withholding and temporary deposit funds. A summary of changes in the assets and liabilities for the year ended December 31, 2017 is presented below:

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
ASSETS				
Cash	\$ 577,370	\$ 2,783,039	\$ (2,543,417)	\$ 816,992
Other assets	4,279	2,010,591	(2,003,204)	11,666
Service Award Program Assets	391,906	86,811	(22,700)	456,017
Total assets	<u>\$ 973,555</u>	<u>\$ 4,880,441</u>	<u>\$ (4,569,321)</u>	<u>\$ 1,284,675</u>
LIABILITIES				
Agency liabilities	\$ 580,288	\$ 4,793,584	\$ (4,546,621)	\$ 827,251
Due from other funds	1,361	46	-	1,407
Service Awards	391,906	86,811	(22,700)	456,017
Total liabilities	<u>\$ 973,555</u>	<u>\$ 4,880,441</u>	<u>\$ (4,569,321)</u>	<u>\$ 1,284,675</u>

16. LABOR RELATIONS

Town employees are represented by four bargaining units with the balance governed by Town Board rules and regulations. The Dispatcher Benevolent Association and the Parks and Recreation Teamsters Local No. 182 have contracts through December 31, 2019, and the Joseph Corr Police Benevolent Association and Highway Teamsters Local No. 182 have contracts through December 31, 2020.

17. CONTINGENCIES

Grants—In the normal course of operations, the Town receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of any expenditures which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Litigation—The Town is involved in litigation in the ordinary course of its operations. The Town believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the Town's financial condition or results of operations.

Assessments—The Town is a defendant in various litigation under Article 7 of the Real Property Tax Law of the State of New York to review tax assessments. While the Town vigorously defends assessments, the likelihood of success is on a case by case basis, and is dependent upon various factors including market values and appraised amounts. Management believes that the level of potential losses on these cases, if any, would be immaterial and no provisions have been made within the financial statements.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 13, 2018, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF NEW HARTFORD, NEW YORK
Schedule of Funding Progress—Other Postemployment Benefits Plan
Year Ended December 31, 2017

As of	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2017	\$ -	\$ 17,751,735	\$ 17,751,735	0%	\$ 3,728,918	476%
January 1, 2014	-	14,275,400	14,275,400	0%	4,747,901	301%
January 1, 2011	-	12,794,015	12,794,015	0%	4,196,556	305%

TOWN OF NEW HARTFORD, NEW YORK
Schedule of the Town's Proportionate Share of the
Net Pension Liability—Police and Fire Retirement System
Last Four Fiscal Years*

	Year Ended December 31,			
	2017	2016	2015	2014
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability (asset)	0.0567903%	0.058437%	0.058184%	0.058184%
Town's proportionate share of the net pension liability (asset)	<u>\$ 1,177,066</u>	<u>\$ 1,730,184</u>	<u>\$ 160,158</u>	<u>\$ 242,227</u>
Town's covered-employee payroll	\$ 1,857,505	\$ 1,788,100	\$ 1,731,783	\$ 1,709,519
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	63.4%	96.8%	9.2%	14.2%
Plan fiduciary net position as a percentage of the total pension liability	93.5%	90.2%	99.0%	98.5%

*Information prior to December 31, 2014 is not available.

TOWN OF NEW HARTFORD, NEW YORK
Schedule of the Town's Contributions—
Police and Fire Retirement System
Last Four Fiscal Years*

	Year Ended December 31,			
	2017	2016	2015	2014
Contractually required contribution	\$ 533,012	\$ 397,862	\$ 476,267	\$ 428,212
Contributions in relation to the contractually required contribution	<u>(533,012)</u>	<u>(397,862)</u>	<u>(476,267)</u>	<u>(428,212)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,867,125	\$ 1,851,484	\$ 1,840,060	\$ 1,731,108
Contributions as a percentage of covered-employee payroll	28.5%	21.5%	25.9%	24.7%

*Information prior to December 31, 2014 is not available.

TOWN OF NEW HARTFORD, NEW YORK
Schedule of the Town's Proportionate Share of the
Net Pension Liability—Employees' Retirement System
Last Four Fiscal Years*

	Year Ended December 31,			
	2017	2016	2015	2014
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%	97.2%
Town of New Hartford ("Town"):				
Town's proportion of the net pension liability	0.0091062%	0.0097943%	0.0105183%	0.0105045%
Town's proportionate share of the net pension liability	<u>\$ 855,636</u>	<u>\$ 1,572,015</u>	<u>\$ 355,333</u>	<u>\$ 474,681</u>
Town's covered-employee payroll	\$ 2,573,075	\$ 2,558,750	\$ 2,569,190	\$ 2,473,210
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.25%	61.44%	13.83%	19.19%
Town of New Hartford Public Library ("Library"):				
Library's proportion of the net pension liability	0.0006226%	0.0006677%	0.0006567%	0.0006705%
Library's proportionate share of the net pension liability	<u>\$ 58,505</u>	<u>\$ 107,166</u>	<u>\$ 22,184</u>	<u>\$ 30,299</u>
Library's covered-employee payroll	\$ 94,650	\$ 160,611	\$ 197,461	\$ 161,164
Library's proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.81%	66.72%	11.23%	18.80%

*Information prior to December 31, 2014 is not available.

TOWN OF NEW HARTFORD, NEW YORK
Schedule of the Town's Contributions—
Employees' Retirement System
Last Four Fiscal Years*

	Year Ended March 31,			
	2017	2016	2015	2014
Town of New Hartford ("Town"):				
Contractually required contribution	\$ 384,788	\$ 489,332	\$ 456,306	\$ 521,918
Contributions in relation to the contractually required contribution	<u>(384,788)</u>	<u>(489,332)</u>	<u>(456,306)</u>	<u>(521,918)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 2,597,911	\$ 2,524,980	\$ 2,694,546	\$ 2,608,107
Contributions as a percentage of covered-employee payroll	14.8%	19.4%	16.9%	20.0%
Town of New Hartford Public Library ("Library")				
Contractually required contribution	\$ 26,310	\$ 30,570	\$ 28,507	\$ 32,606
Contributions in relation to the contractually required contribution	<u>(26,310)</u>	<u>(30,570)</u>	<u>(28,507)</u>	<u>(32,606)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Library's covered-employee payroll	\$ 108,990	\$ 95,586	\$ 189,115	\$ 194,453
Contributions as a percentage of covered-employee payroll	24.1%	32.0%	15.1%	16.8%

*Information prior to December 31, 2014 is not available.

TOWN OF NEW HARTFORD, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 1,353,165	\$ 1,353,165	\$ 1,353,165	\$ -
Real property tax items	359,480	359,480	364,608	5,128
Nonproperty tax items	1,238,212	1,238,212	1,276,640	38,428
Departmental income	391,165	392,244	312,227	(80,017)
Use of money and property	2,700	2,700	3,766	1,066
Licenses and permits	30,702	30,702	29,906	(796)
Fines and forfeitures	155,000	155,000	141,301	(13,699)
Miscellaneous	20,976	20,976	28,101	7,125
State aid	499,500	510,070	490,380	(19,690)
Total revenues	<u>4,050,900</u>	<u>4,062,549</u>	<u>4,000,094</u>	<u>(62,455)</u>
EXPENDITURES				
Current:				
General government support	1,398,946	1,447,043	1,318,633	128,410
Public safety	117,524	113,678	108,128	5,550
Transportation	129,857	133,623	132,394	1,229
Economic assistance and opportunity	139,981	139,981	127,465	12,516
Culture and recreation	853,133	854,212	819,002	35,210
Home and community services	30,500	30,580	30,612	(32)
Employee benefits	753,007	715,480	661,707	53,773
Debt service:				
Principal	484,590	484,590	484,590	-
Interest and fiscal charges	143,362	143,362	145,066	(1,704)
Total expenditures	<u>4,050,900</u>	<u>4,062,549</u>	<u>3,827,597</u>	<u>234,952</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>172,497</u>	<u>172,497</u>
Fund balances—beginning	<u>2,022,559</u>	<u>2,022,559</u>	<u>2,022,559</u>	<u>-</u>
Fund balances—ending	<u>\$ 2,022,559</u>	<u>\$ 2,022,559</u>	<u>\$ 2,195,056</u>	<u>\$ 172,497</u>

The note to the required supplementary information is an integral part of this schedule.

TOWN OF NEW HARTFORD, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Police Fund
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 2,282,637	\$ 2,282,637	\$ 2,282,637	\$ -
Nonproperty tax items	1,217,651	1,217,651	1,217,651	-
Departmental income	21,700	21,700	19,409	2,291
Sale of property and compensation for loss	7,500	17,173	27,132	(9,959)
Miscellaneous	78,400	79,127	74,918	4,209
State aid	<u>232,604</u>	<u>232,604</u>	<u>209,494</u>	<u>23,110</u>
Total revenues	<u>3,840,492</u>	<u>3,850,892</u>	<u>3,831,241</u>	<u>19,651</u>
EXPENDITURES				
Current:				
General government support	-	-	65,048	(65,048)
Public safety	2,497,653	2,513,053	2,504,245	8,808
Employee benefits	1,433,972	1,428,972	1,293,331	135,641
Debt service:				
Principal	7,000	7,000	7,000	-
Interest and fiscal charges	<u>1,867</u>	<u>1,867</u>	<u>4,894</u>	<u>(3,027)</u>
Total expenditures	<u>3,940,492</u>	<u>3,950,892</u>	<u>3,874,518</u>	<u>(56,240)</u>
Excess (deficiency) of revenues over expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>(43,277)</u>	<u>(36,589)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>55,000</u>	<u>45,000</u>
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>55,000</u>	<u>45,000</u>
Net change in fund balances	-	-	11,723	8,411
Fund balances—beginning	<u>713,080</u>	<u>713,080</u>	<u>713,080</u>	<u>-</u>
Fund balances—ending	<u>\$ 713,080</u>	<u>\$ 713,080</u>	<u>\$ 724,803</u>	<u>\$ 8,411</u>

The note to the required supplementary information is an integral part of this schedule.

TOWN OF NEW HARTFORD, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Highway Part-Town Fund
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Nonproperty tax items	\$ 2,888,557	\$ 2,888,557	\$ 3,325,266	\$ 436,709
Departmental income	3,000	3,000	1,463	(1,537)
Intergovernmental charges	250,800	250,800	281,220	30,420
Sale of property and compensation for loss	55,000	55,000	37,054	(17,946)
State aid	261,084	657,981	562,780	(95,201)
Federal aid	-	-	37,195	37,195
Total revenues	<u>3,458,441</u>	<u>3,855,338</u>	<u>4,244,978</u>	<u>389,640</u>
EXPENDITURES				
Current:				
General government support	-	835,000	834,259	741
Transportation	2,336,644	2,418,621	2,694,486	(275,865)
Employee benefits	991,355	736,248	769,312	(33,064)
Debt service:				
Principal	102,019	209,912	209,912	-
Interest and fiscal charges	28,423	35,557	45,797	(10,240)
Total expenditures	<u>3,458,441</u>	<u>4,235,338</u>	<u>4,553,766</u>	<u>(318,428)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(380,000)</u>	<u>(308,788)</u>	<u>71,212</u>
Fund balances—beginning	<u>592,834</u>	<u>592,834</u>	<u>592,834</u>	<u>-</u>
Fund balances—ending	<u>\$ 592,834</u>	<u>\$ 212,834</u>	<u>\$ 284,046</u>	<u>\$ 71,212</u>

The note to the required supplementary information is an integral part of this schedule.

TOWN OF NEW HARTFORD, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Sewer Fund
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 583,122	\$ 583,122	\$ 583,122	\$ -
Departmental income	9,729	9,729	38,798	29,069
Total revenues	<u>592,851</u>	<u>592,851</u>	<u>621,920</u>	<u>29,069</u>
EXPENDITURES				
Current:				
General government support	-	8,498	8,498	-
Transportation	-	228,960	228,960	-
Home and community services	507,033	498,535	413,258	85,277
Employee benefits	69,592	69,592	49,502	20,090
Debt service:				
Principal	13,491	13,491	13,491	-
Interest and fiscal charges	<u>2,735</u>	<u>2,735</u>	<u>3,406</u>	<u>(671)</u>
Total expenditures	<u>592,851</u>	<u>821,811</u>	<u>717,115</u>	<u>104,696</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(228,960)</u>	<u>(95,195)</u>	<u>133,765</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance capital lease	<u>-</u>	<u>228,960</u>	<u>228,960</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>228,960</u>	<u>228,960</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>133,765</u>	<u>133,765</u>
Fund balances—beginning	<u>1,850,633</u>	<u>1,850,633</u>	<u>1,850,633</u>	<u>1,850,633</u>
Fund balances—ending	<u>\$ 1,850,633</u>	<u>\$ 1,850,633</u>	<u>\$ 1,984,398</u>	<u>\$ 1,984,398</u>

The note to the required supplementary information is an integral part of this schedule.

TOWN OF NEW HARTFORD, NEW YORK
Note to the Required Supplementary Information
Year Ended December 31, 2017

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for all governmental funds, with the exception of the Capital Projects Fund. The Capital Projects Fund does not have appropriated budgets since there are other means to control the use of these resources (e.g., grant awards) and sometimes span a period of more than one year.

The appropriated budget is prepared by fund, function and department. The Town's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is as the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

Actual results of operations presented in accordance with GAAP and the Town's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements.

Excess of Expenditures over Appropriations—For the year ended December 31, 2017, the Town's General Fund had expenditures in excess of the final budgeted amount with home and community services and debt service interest and fiscal charges of \$32 and \$1,704, respectively. These resulted from higher than anticipated contractual costs, as well as accrued bond anticipation note interest. The Town's Police Fund had expenditures in excess of the final budgeted amount within general government support and debt service interest and fiscal charges of \$65,048 and \$3,027, respectively. These resulted from unanticipated judgments and claims costs, as well as accrued bond anticipation note interest. The Town's Highway Part-Town Fund had expenditures in excess of the final budgeted amounts within transportation, employee benefits, and debt service interest and fiscal charges of \$275,865, \$33,064, and \$10,240, respectively. These resulted from higher than anticipated paving costs and related salaries and materials, employee benefits, as well as accrued bond anticipation note interest. The Town's Sewer Fund had expenditures in excess of the final budgeted amounts in interest and fiscal charges of \$671 as a result of accrued bond anticipation note interest.

SUPPLEMENTARY INFORMATION

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

	Fire	General Part-Town	Mitigation	Highway Whole- Town	Special Grant	Water	Lighting Districts	Total Nonmajor Governmental
ASSETS								
Cash and cash equivalents	\$ 86,634	\$ 405,415	\$ 59,115	\$ 8,698	\$ 10	\$ 103,684	\$ 65,344	\$ 728,900
Restricted cash and cash equivalents	-	-	160,016	-	-	-	-	160,016
Receivables	-	12,730	-	-	-	-	-	12,730
Intergovernmental receivable	-	42,563	-	13,155	-	-	-	55,718
Due from other funds	-	4,246	14,958	-	-	-	-	19,204
Prepaid items	-	6,010	-	-	-	-	-	6,010
Total assets	<u>\$ 86,634</u>	<u>\$ 470,964</u>	<u>\$ 234,089</u>	<u>\$ 21,853</u>	<u>\$ 10</u>	<u>\$ 103,684</u>	<u>\$ 65,344</u>	<u>\$ 982,578</u>
LIABILITIES								
Accounts payable	\$ 453	\$ 3,443	\$ -	\$ -	\$ -	\$ -	\$ 9,472	\$ 13,368
Accrued liabilities	1,308	2,456	-	-	-	1,035	-	4,799
Intergovernmental payable	-	21,229	-	-	-	-	-	21,229
Due to other funds	9,924	-	74,073	45,748	6,010	-	1,587	137,342
Bond anticipation notes payable	61,425	-	-	-	-	-	-	61,425
Total liabilities	<u>\$ 73,110</u>	<u>\$ 27,128</u>	<u>\$ 74,073</u>	<u>\$ 45,748</u>	<u>\$ 6,010</u>	<u>\$ 1,035</u>	<u>\$ 11,059</u>	<u>\$ 238,163</u>
FUND BALANCES								
Nonspendable	-	6,010	-	-	-	-	-	6,010
Restricted	-	-	160,016	-	-	-	-	160,016
Assigned	13,524	437,826	-	-	-	102,649	54,285	608,284
Unassigned	-	-	-	(23,895)	(6,000)	-	-	(29,895)
Total fund balances	<u>13,524</u>	<u>443,836</u>	<u>160,016</u>	<u>(23,895)</u>	<u>(6,000)</u>	<u>102,649</u>	<u>54,285</u>	<u>744,415</u>
Total liabilities and fund balances	<u>\$ 86,634</u>	<u>\$ 470,964</u>	<u>\$ 234,089</u>	<u>\$ 21,853</u>	<u>\$ 10</u>	<u>\$ 103,684</u>	<u>\$ 65,344</u>	<u>\$ 982,578</u>

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

	Fire	General Part-Town	Mitigation	Highway Whole Town	Special Grant	Water	Lighting Districts	Total Nonmajor Governmental
REVENUES								
Real property taxes	\$ 1,229,265	\$ -	\$ -	\$ -	\$ -	\$ 122,988	\$ 115,862	\$ 1,468,115
Nonproperty tax items	-	232,740	-	71,934	-	-	-	304,674
Departmental income	-	160,190	-	-	-	-	-	160,190
Use of money and property	-	-	277	-	-	-	-	277
Licenses and permits	-	115,896	-	-	-	-	-	115,896
Miscellaneous	-	-	39,514	-	-	-	-	39,514
Total revenues	<u>1,229,265</u>	<u>508,826</u>	<u>39,791</u>	<u>71,934</u>	<u>-</u>	<u>122,988</u>	<u>115,862</u>	<u>2,088,666</u>
EXPENDITURES								
Current:								
General government support	16,407	6,883	-	-	-	-	-	23,290
Public safety	1,205,453	-	-	-	-	-	-	1,205,453
Health	-	44,629	-	-	-	-	-	44,629
Transportation	-	-	-	200	-	-	105,714	105,914
Home and community services	-	217,240	-	-	6,000	-	-	223,240
Employee benefits	-	141,029	-	-	-	-	-	141,029
Debt service:								
Principal	-	-	-	52,900	-	122,988	-	175,888
Interest	1,251	-	-	18,034	-	-	-	19,285
Total expenditures	<u>1,223,111</u>	<u>409,781</u>	<u>-</u>	<u>71,134</u>	<u>6,000</u>	<u>122,988</u>	<u>105,714</u>	<u>1,938,728</u>
Excess (deficiency) of revenues over expenditures	6,154	99,045	39,791	800	(6,000)	-	10,148	149,938
OTHER FINANCING SOURCES (USES)								
Transfers out	-	-	(123,908)	-	-	-	-	(123,908)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(123,908)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(123,908)</u>
Net change in fund balances	6,154	99,045	(84,117)	800	(6,000)	-	10,148	26,030
Fund balances (deficit)—beginning	<u>7,370</u>	<u>344,791</u>	<u>244,133</u>	<u>(24,695)</u>	<u>-</u>	<u>102,649</u>	<u>44,137</u>	<u>718,385</u>
Fund balances (deficit)—ending	<u>\$ 13,524</u>	<u>\$ 443,836</u>	<u>\$ 160,016</u>	<u>\$ (23,895)</u>	<u>\$ (6,000)</u>	<u>\$ 102,649</u>	<u>\$ 54,285</u>	<u>\$ 744,415</u>

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Certified Public Accountants

**INDEPENDENT AUDITORS' 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**

Honorable Town Board
Town of New Hartford, 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 governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of 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, and have issued our report thereon dated July 13, 2018.

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 correct 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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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 Response to Findings

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

Purpose of this Report

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

Drescher & Malecki LLP

July 13, 2018

TOWN OF NEW HARTFORD, NEW YORK
Schedule of Findings
Year Ended December 31, 2017

We consider the deficiencies presented below to be material weaknesses in internal control.

Finding 2017-001—Governmental Accounting Standards and Principles

Criteria: Internal controls over financial reporting should be designed by management to prevent or detect and correct misstatements and to fully comply with Governmental Accounting Standards Board (“GASB”) requirements.

Condition and Context: GASB statements require that the Town appropriately account for their capital assets and the related depreciation on those assets. While conducting our audit we found that the Town does not maintain a complete inventory of capital assets, and does not track capital asset deletions or depreciation. The Town has not performed, and has not had performed, an inventory of capital assets that meets the recognition criteria under GASB standards.

In addition, in accordance with GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, the Town is responsible to determine its net pension liability related to its length of service awards programs (“LOSA P”).

Cause: The lack of complete capital asset records and failure to consider the effects of the GASB Statement No. 73.

Effect or Potential Effect: The financial statement balances of the Town’s capital assets and the Town’s LOSA P pension liability and related deferred inflows of resources and deferred outflows of resources could have a material impact on the Town’s governmental activities net position.

Recommendation: We recommend that the Town perform an inventory of capital assets that meet the GASB recognition criteria, and records the appropriate infrastructure and depreciation for those and all other depreciable assets.

We also recommend that the Town reach out to their LOSA P actuary and establish a timeline to obtain actuarial information for the year ended December 31, 2018 which addresses the provisions of GASB Statement No. 73.

View of Responsible Officials and Planned Corrective Actions: Currently the finance office is tracking all assets acquired by and disposed of by the Town. However, we do understand that it is necessary to have all assets posted which would include those purchased and acquired in past years, and still in use today. This historical documentation would necessitate an extremely large number of man hours to accumulate and at present the Town does not have the staffing to accomplish this in an efficient and effective manner. However, this is a project which we are now reviewing and would hope to have started in the very near future. The Town will also reach out to the LOSA P actuary to ensure that the valuation for the year ended December 31, 2018 addresses and includes the provisions of GASB Statement No. 73.

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