

TOWN OF NORTH SALEM, NEW YORK

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

To The Supervisor and Board Members of the
Town of North Salem
North Salem, New York

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of North Salem, New York, as of and for the year ended December 31, 2017, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of North Salem, New York, as of December 31, 2017, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, on pages 4 through 9 and 45 through 49, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Salem, New York's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The prior year summarized comparative information has been derived from the Town's December 31, 2016 financial statements and, in our report dated March 17, 2017, we expressed an unmodified opinion on those financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2018 on our consideration of the Town of North Salem, New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of North Salem, New York's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Cooper Arias" followed by a stylized mark that could be initials or a flourish.

Mongaup Valley, New York
April 23, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Town of North Salem

Year Ended December 31, 2017

Town of North Salem

The following is a discussion and analysis of the Town's financial performance for the fiscal year ended December 31, 2017. This section is a summary of the Town's financial activity based on currently known facts, decisions or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Town's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for 2017 are as follows:

Town – Wide Statements

The Town's main revenue sources were as follows:

| | <u>Amount</u> | <u>%</u> | <u>Prior Year %</u> |
|-----------------------|---------------|----------|---------------------|
| Property Tax Revenues | \$ 6,488,555 | 63% | 67% |
| Sales Tax Revenues | 778,744 | 8% | 8% |
| State and Federal Aid | 903,774 | 9% | 5% |

The Town's main expenditures were as follows:

| | <u>Amount</u> | <u>%</u> | <u>Prior Year %</u> |
|-----------------------------|---------------|----------|---------------------|
| Transportation | \$ 2,955,119 | 30% | 32% |
| General Government Support | 1,993,200 | 20% | 20% |
| Culture and Recreation | 1,167,682 | 12% | 10% |
| Public Safety | 1,097,715 | 11% | 11% |
| Home and Community Services | 1,799,916 | 18% | 18% |

Total Net Position was \$17,423,158 at December 31, 2017, up \$464,777 from the prior year.

Fund Financial Statements

The highlights of the activities in the General Fund are as follows:

| | <u>Amount</u> | <u>%</u> | <u>Prior Year %</u> |
|-----------------------------|---------------|----------|---------------------|
| Property Tax Revenues | \$ 3,513,561 | 59% | 59% |
| Sales Tax Revenues | 778,744 | 13% | 12% |
| Departmental Income | 618,074 | 10% | 8% |
| General Government Support | 1,326,394 | 23% | 24% |
| Culture and Recreation | 897,639 | 15% | 14% |
| Home and Community Services | 797,114 | 14% | 14% |
| Public Safety | 715,535 | 12% | 12% |
| Employee Benefits | 963,034 | 16% | 16% |

- The General Fund's fund balance increased from \$1,974,216 at December 31, 2016 to \$2,069,958 at December 31, 2017. The Town had \$29,578 in non-spendable form, leaving \$1,868,380 unassigned as of December 31, 2017.
- The Highway Fund had property tax revenues of \$2,309,249, which accounted for 88% of its total revenues of \$2,615,527.
- The Capital Project expenditures were related to various projects and are detailed on pages 65 - 68 of this report.

Using this Comprehensive Annual Report

This comprehensive annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so that the reader can understand the Town as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

Reporting the Town as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the Town's finances is "Is the Town better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when the cash is received or paid.

These two statements report the Town's net position and changes in them. The change in net position provides the reader a tool to assist in determining whether the Town's financial health is improving or deteriorating.

The reader will need to consider other non-financial factors such as property tax base, current property tax laws and facility conditions in arriving at their conclusion regarding the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, the Town is divided into two distinct kinds of activities:

Governmental Activities:

This section represents programs and services that are funded fully or in part by general town revenues such as property taxes, state aid, etc.

Business Type Activities:

This section presents areas where services or goods are provided and charges are made for such goods and services to recover all expenses.

The Town has no activities that are classified as business type.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State statute, while many other funds are established by the Town to help manage money for particular purposes and compliance with various grant provisions. The Town's two types of funds, governmental and fiduciary, use different accounting approaches.

Governmental Funds

Most of the Town's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the Town's programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

The Town is the trustee or fiduciary for assets that belong to others such as payroll withholdings. It is the Town's responsibility to ensure that assets reported in these funds are being used for their intended purposes. The Town's fiduciary activities are reported in a separate "Statement of Fiduciary Net Position and Changes in Fiduciary Net Position" schedule, as the Town may not use these assets to finance its operations.

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|
| NET POSITION | | |
| Current Assets | \$ 16,982,713 | \$ 16,597,439 |
| Capital Assets | 35,314,970 | 34,022,241 |
| Less: Accumulated Depreciation | <u>(6,053,279)</u> | <u>(5,455,132)</u> |
| Total Assets | <u>46,244,404</u> | <u>45,164,548</u> |
| Deferred Outflows of Resources | | |
| Pensions | <u>952,937</u> | <u>1,426,992</u> |
| Current Liabilities | 14,701,273 | 14,441,303 |
| Long-Term Liabilities | <u>14,961,882</u> | <u>15,115,950</u> |
| Total Liabilities | <u>29,663,155</u> | <u>29,557,253</u> |
| Net Investment in Capital Assets | 20,397,136 | 20,467,842 |
| Unrestricted | <u>(2,973,978)</u> | <u>(3,559,415)</u> |
| Total Net Position | <u>\$ 17,423,158</u> | <u>\$ 16,908,427</u> |
| REVENUES | | |
| Real Property Taxes | \$ 6,488,555 | \$ 6,437,664 |
| Other Tax Items | 74,861 | 122,654 |
| Non-Property Tax | 902,687 | 884,363 |
| Charges For Services | 1,410,687 | 1,283,029 |
| Operating Grants And Contributions | 316,479 | 414,791 |
| Capital Grants And Contributions | 813,790 | 185,000 |
| Investment Earnings | 17,839 | 13,864 |
| Sale Of Property And Compensation For Loss | 44,585 | 32,368 |
| Miscellaneous Local Sources | 2,228 | 19,344 |
| State Aid | <u>277,945</u> | <u>183,390</u> |
| Total Revenues | <u>10,349,656</u> | <u>9,576,467</u> |
| EXPENDITURES | | |
| General Government Support | 1,993,200 | 2,000,114 |
| Public Safety | 1,097,715 | 1,073,365 |
| Health | 350,924 | 306,022 |
| Transportation | 2,955,119 | 3,158,110 |
| Economic Assistance And Opportunity | 45,410 | 43,475 |
| Culture And Recreation | 1,167,682 | 1,020,849 |
| Home And Community Service | 1,799,916 | 1,808,248 |
| Debt Service | <u>474,913</u> | <u>456,407</u> |
| Total Expenditures | <u>9,884,879</u> | <u>9,866,590</u> |
| CHANGE IN NET POSITION | <u>\$ 464,777</u> | <u>\$ (290,123)</u> |

Governmental Activities

The Town's Funds

Information about the Town's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. Governmental funds had total revenues of \$10,505,633 and expenditures of \$10,529,859, exclusive of interfund transfers of \$462,757, which resulted in a decrease in fund balance of \$24,226.

| | 2017 Fund Balance | 2016 Fund Balance | Increase/(Decrease) |
|---------------------------|------------------------------|------------------------------|----------------------------|
| General Fund | \$ 2,069,958 | \$ 1,974,216 | \$ 95,742 |
| Highway Fund | 627,403 | 858,450 | (231,047) |
| Capital Projects Fund | (2,172,663) | (2,100,739) | (71,924) |
| Non-Major Funds | <u>1,170,618</u> | <u>987,615</u> | <u>183,003</u> |
| Total Governmental | <u>\$ 1,695,316</u> | <u>\$ 1,719,542</u> | <u>\$ (24,226)</u> |

BUDGET INFORMATION

The Town's budget is prepared in accordance with New York State law and is based on the modified accrual basis of accounting, utilizing cash receipts, disbursements and encumbrances. Budget to actual statements for all major governmental funds are required under Governmental Accounting Standards Board Statement No. 34 and are presented in the financial statements as "Required Supplementary Information" beginning on page 45. Budget to actual statements for non-major governmental funds are *not* required under Governmental Accounting Standards Board Statement No. 34 but have been presented for analytical purposes in the "Supplemental Schedules" beginning on page 50 of the financial statements.

Capital Assets

The Town had \$29,261,691 invested in capital assets, net of \$6,053,279 in accumulated depreciation, as of December 31, 2017. Depreciation for the year ended December 31, 2017 was \$753,729.

Debt

As of December 31, 2017, the Town had \$8,570,000 in outstanding bonds, \$2,996,386 in outstanding bond anticipation notes and \$27,565 in outstanding installment purchase debt. The Town paid \$474,914 in interest throughout the year.

Contacting the Town's Financial Management

It is the intent of this report to provide the Town's citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the funds it receives. If you have any questions about this report or need additional information, contact the Supervisor's Office at Town of North Salem, 266 Titicus Road, North Salem, New York 10560.

TOWN OF NORTH SALEM
STATEMENT OF NET POSITION
DECEMBER 31,

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|--------------------|--------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 9,211,985 | \$ 7,941,449 |
| Property Taxes Receivable | 6,202,289 | 8,013,351 |
| Water Rents Receivable | 66 | 883 |
| Accounts Receivable | 181,129 | 179,787 |
| State and Federal Aid Receivable | 51,697 | 118,349 |
| Due From Other Governments | 1,293,636 | 293,209 |
| Due From Fiduciary Funds | 41,911 | 41,911 |
| Prepaid Expenditures | <u>-</u> | <u>8,500</u> |
| Total Current Assets | <u>16,982,713</u> | <u>16,597,439</u> |
| Non-Current Assets | | |
| Capital Assets | 35,314,970 | 34,022,241 |
| Less: Accumulated Depreciation | <u>(6,053,279)</u> | <u>(5,455,132)</u> |
| Total Non-Current Assets | <u>29,261,691</u> | <u>28,567,109</u> |
| TOTAL ASSETS | <u>46,244,404</u> | <u>45,164,548</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pensions | <u>952,937</u> | <u>1,426,992</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>952,937</u> | <u>1,426,992</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM
STATEMENT OF NET POSITION
DECEMBER 31,

| | <u>2017</u> | <u>2016</u> |
|-------------------------------------|----------------------|----------------------|
| LIABILITIES | | |
| Accounts Payable | \$ 414,983 | \$ 362,986 |
| Accrued Liabilities | 61,430 | 57,343 |
| BAN's Payable | 2,996,386 | 2,720,436 |
| Due To Other Governments | 10,849,120 | 10,914,057 |
| Due To ERS | 271,627 | 275,539 |
| Funds In Escrow | 107,727 | 110,942 |
| Non-Current Liabilities | | |
| Due Within One Year: | | |
| Serial Bonds | 390,000 | 380,000 |
| Installment Purchase Debt | 18,134 | 17,138 |
| Net OPEB Obligation | 270,000 | 260,000 |
| Due Beyond One Year: | | |
| Serial Bonds | 8,180,000 | 8,570,000 |
| Installment Purchase Debt | 9,431 | 9,236 |
| Net OPEB Obligation | 5,227,683 | 4,696,774 |
| Compensated Absences | 150,471 | 141,848 |
| Net Pension Liability | <u>716,163</u> | <u>1,040,954</u> |
| TOTAL LIABILITIES | <u>29,663,155</u> | <u>29,557,253</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pensions | <u>111,028</u> | <u>125,860</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>111,028</u> | <u>125,860</u> |
| NET POSITION | | |
| Net Investment In Capital Assets | 20,397,136 | 20,467,842 |
| Unrestricted | <u>(2,973,978)</u> | <u>(3,559,415)</u> |
| TOTAL NET POSITION | <u>\$ 17,423,158</u> | <u>\$ 16,908,427</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

PROGRAM REVENUES

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

| | GENERAL | HIGHWAY | CAPITAL PROJECTS | NON-MAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS | 2016 TOTAL |
|---|----------------------|-------------------|---------------------|------------------------------------|--------------------------------|----------------------|
| ASSETS | | | | | | |
| Cash | \$ 6,940,475 | \$ 698,805 | \$ 577,703 | \$ 995,002 | \$ 9,211,985 | \$ 7,941,449 |
| Property Tax Receivable | 6,202,289 | - | - | - | 6,202,289 | 8,013,351 |
| Water Rents Receivable | - | - | - | 66 | 66 | 883 |
| Accounts Receivable | 180,844 | - | - | 285 | 181,129 | 179,787 |
| Due From Other Funds | 406,633 | 9,162 | - | 6,834 | 422,629 | 777,693 |
| State And Federal Aid Receivable | - | 51,697 | - | - | 51,697 | 118,349 |
| Due From Other Governments | 247,249 | 17,097 | 813,790 | 215,500 | 1,293,636 | 293,209 |
| Prepaid Expenditures | - | - | - | - | - | 8,500 |
| TOTAL ASSETS | \$ 13,977,490 | \$ 776,761 | \$ 1,391,493 | \$ 1,217,687 | \$ 17,363,431 | \$ 17,333,221 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ 115,487 | \$ 65,375 | \$ 207,823 | \$ 26,298 | \$ 414,983 | \$ 362,986 |
| Accrued Liabilities | - | 6,420 | - | - | 6,420 | 6,420 |
| BAN's Payable | - | - | 2,996,386 | - | 2,996,386 | 2,720,436 |
| Due To Other Governments | 10,849,120 | - | - | - | 10,849,120 | 10,914,057 |
| Due to ERS | 194,064 | 77,563 | - | - | 271,627 | 275,539 |
| Due To Other Funds | - | - | 359,947 | 20,771 | 380,718 | 735,782 |
| Funds In Escrow | 107,727 | - | - | - | 107,727 | 110,942 |
| TOTAL LIABILITIES | 11,266,398 | 149,358 | 3,564,156 | 47,069 | 15,026,981 | 15,126,162 |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

| | GENERAL | HIGHWAY | CAPITAL PROJECTS | NON-MAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS | 2016 TOTAL |
|---|---------------|------------|---------------------|------------------------------------|--------------------------------|---------------|
| | | | | | | |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred Tax Revenues | \$ 641,134 | \$ - | \$ - | \$ - | \$ 641,134 | \$ 537,471 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 641,134 | - | - | - | 641,134 | 537,471 |
| FUND BALANCES | | | | | | |
| Non-Spendable: | | | | | | 8,500 |
| Prepaid Items | 201,578 | - | - | - | 201,578 | - |
| Non-Current Receivables | - | - | - | - | - | - |
| Assigned: | | | | | | |
| Appropriated | - | 100,604 | - | 3,000 | 103,604 | 4,064 |
| Unappropriated | - | 526,799 | 136,517 | 1,181,992 | 1,845,308 | 2,080,750 |
| Unassigned | 1,868,380 | - | (2,309,180) | (14,374) | (455,174) | (423,726) |
| TOTAL FUND BALANCES | 2,069,958 | 627,403 | (2,172,663) | 1,170,618 | 1,695,316 | 1,669,588 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 13,977,490 | \$ 776,761 | \$ 1,391,493 | \$ 1,217,687 | \$ 17,363,431 | \$ 17,333,221 |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET WITH THE STATEMENT OF NET POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|
| Total Fund Balance – Governmental Funds | \$ 1,695,316 | \$ 1,669,588 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| In the governmental funds, property taxes receivable are recognized as revenues to the extent they are deemed “available”. Any portion not deemed “available” to meet current obligations are reported as deferred revenues. In the statement of net position all receivables are recognized regardless of when they will be received. | | |
| | 641,134 | 537,471 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets and accumulated depreciation at December 31, 2017 are \$35,314,970 and \$6,053,279, respectively. | | |
| | 29,261,691 | 28,567,109 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | |
| Serial Bonds | (8,570,000) | |
| Installment Purchase Debt | (27,565) | |
| Compensated Absences | (150,471) | |
| Net OPEB Obligation | <u>(5,497,683)</u> | (14,074,996) |
| Proportionate share of long-term asset and liability associated with participation in State Retirement Systems are not current financial resources or obligations and are not reported in the governmental funds. | | |
| Deferred Outflows of Resources | 952,937 | |
| Deferred Inflows Of Resources | (111,028) | |
| Net Pension Liability | <u>(716,163)</u> | 125,746 |
| Accrued interest on debt is reported in the statement of net position, regardless of when due. In the governmental funds, interest is not reported until it is due. | | |
| | <u>(55,010)</u> | <u>(50,923)</u> |
| Net Position of Governmental Activities | <u>\$ 17,423,158</u> | <u>\$ 16,908,427</u> |

SEE ACCOMPANYING NOTES AND AUDITORS’ OPINION

TOWN OF NORTH SALEM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

| | <u>GENERAL</u> | <u>HIGHWAY</u> | <u>CAPITAL PROJECTS</u> | <u>NON- MAJOR FUNDS</u> | <u>TOTAL</u> | <u>2016 TOTAL</u> |
|---|---------------------|-------------------|-----------------------------|---------------------------------|---------------------|-----------------------|
| REVENUES | | | | | | |
| Real Property Taxes | \$ 3,513,561 | \$ 2,309,249 | \$ - | \$ 562,082 | \$ 6,384,892 | \$ 6,528,720 |
| Other Tax Items | 74,861 | - | - | - | 74,861 | 122,654 |
| Non-Property Taxes | 902,687 | - | - | - | 902,687 | 884,363 |
| Departmental Income | 618,074 | - | - | 195,003 | 813,077 | 543,326 |
| Intergovernmental Charges | - | 114,334 | - | - | 114,334 | 91,738 |
| Use Of Money And Property | 14,348 | 2,539 | 578 | 374 | 17,839 | 13,864 |
| License And Permits | 249,102 | - | - | - | 249,102 | 415,784 |
| Fines And Forfeitures | 234,174 | - | - | - | 234,174 | 232,181 |
| Sale Of Property And Compensation For Loss | 2,870 | 48,978 | - | - | 51,848 | 32,368 |
| Miscellaneous Local Sources | 5,649 | 1,879 | 363,790 | 135,350 | 506,668 | 324,731 |
| State Aid | 297,448 | 138,548 | 450,000 | - | 885,996 | 477,794 |
| Federal Aid | <u>17,778</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>17,778</u> | <u>-</u> |
| TOTAL REVENUES | 5,930,552 | 2,615,527 | 814,368 | 892,809 | 10,253,256 | 9,667,523 |
| OTHER FINANCING SOURCES | | | | | | |
| Operating Transfers In | 15,000 | - | 443,757 | 4,000 | 462,757 | 351,839 |
| Proceeds of Long Term Debt | - | - | 28,327 | - | 28,327 | 27,744 |
| BAN's Redeemed From Appropriations | <u>-</u> | <u>-</u> | <u>224,050</u> | <u>-</u> | <u>224,050</u> | <u>108,167</u> |
| TOTAL REVENUES AND OTHER FINANCING SOURCES | <u>5,945,552</u> | <u>2,615,527</u> | <u>1,510,502</u> | <u>896,809</u> | <u>10,968,390</u> | <u>10,155,273</u> |
| EXPENDITURES | | | | | | |
| General Government Support | 1,326,394 | 2,507 | - | - | 1,328,901 | 1,383,061 |
| Public Safety | 715,535 | - | - | - | 715,535 | 698,977 |
| Health | 350,924 | - | - | - | 350,924 | 306,022 |
| Transportation | 300,787 | 1,746,041 | - | 15,269 | 2,062,097 | 2,047,969 |
| Economic Assistance And Opportunity | 39,374 | - | - | - | 39,374 | 37,951 |
| Culture And Recreation | 897,639 | - | - | 6,240 | 903,879 | 808,385 |
| Home And Community Services | 797,114 | - | - | 360,446 | 1,157,560 | 1,175,134 |
| Employees Benefits | 963,034 | 522,388 | - | - | 1,485,422 | 1,440,817 |
| Debt Service: | | | | | | |
| Principal | 245,216 | 202,360 | - | 183,609 | 631,185 | 479,892 |
| Interest | 91,161 | 58,153 | - | 123,242 | 272,556 | 305,036 |
| Capital Outlay | <u>-</u> | <u>-</u> | <u>1,582,426</u> | <u>-</u> | <u>1,582,426</u> | <u>975,446</u> |
| TOTAL EXPENDITURES | 5,727,178 | 2,531,449 | 1,582,426 | 688,806 | 10,529,859 | 9,658,690 |
| OTHER FINANCING USES | | | | | | |
| Operating Transfers Out | <u>122,632</u> | <u>315,125</u> | <u>-</u> | <u>25,000</u> | <u>462,757</u> | <u>351,839</u> |
| TOTAL EXPENDITURES AND OTHER FINANCING USES | <u>5,849,810</u> | <u>2,846,574</u> | <u>1,582,426</u> | <u>713,806</u> | <u>10,992,616</u> | <u>10,010,529</u> |
| NET CHANGE IN FUND BALANCE | 95,742 | (231,047) | (71,924) | 183,003 | (24,226) | 144,744 |
| FUND BALANCES – Beginning Of Year (Restated) | <u>1,974,216</u> | <u>858,450</u> | <u>(2,100,739)</u> | <u>987,615</u> | <u>1,719,542</u> | <u>1,524,844</u> |
| FUND BALANCES – End Of Year | <u>\$ 2,069,958</u> | <u>\$ 627,403</u> | <u>\$ (2,172,663)</u> | <u>\$ 1,170,618</u> | <u>\$ 1,695,316</u> | <u>\$ 1,669,588</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

| | | |
|--|-------------|-------------|
| | <u>2017</u> | <u>2016</u> |
| Total Net Change in Fund Balances – Governmental Funds | \$ (24,226) | \$ 144,744 |

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.

| | | | |
|-----------------------|------------------|---------|-----------|
| Depreciation Expenses | (753,729) | | |
| Capital Outlay | <u>1,455,574</u> | 701,845 | (175,173) |

Repayments of principal on long term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

| | | | |
|---------------------------|---------------|---------|---------|
| Serial Bonds | 380,000 | | |
| Installment Purchase Debt | <u>27,136</u> | 407,136 | 371,725 |

In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when paid amount exceeds the earned amount, the difference is an addition to the reconciliation.

| | | | |
|----------------------|------------------|-----------|-----------|
| Compensated Absences | (8,623) | | |
| Net OPEB Obligation | <u>(540,909)</u> | (549,532) | (485,365) |

In the governmental funds, property taxes are reported as revenues to the extent that they are deemed available. In the statement of activities, property taxes are accrued regardless of when they are to be received.

| | | |
|--|---------|----------|
| | 103,663 | (91,056) |
|--|---------|----------|

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

Continued

| | | <u>2017</u> | <u>2016</u> |
|--|------------------|-------------------|---------------------|
| In the governmental funds, proceeds of long term debt are reported as revenues. In the statement of activities, the proceeds simply increase the liability. | | | |
| Installment Purchase Debt | | \$ (28,327) | \$ (27,744) |
| Proceeds from the sale of capital assets are reported as revenues in the governmental funds. In the statement of activities, the revenues are reduced by the net book value of the disposed assets. | | (7,263) | - |
| (Increases) decreases in proportionate share of net pension asset/liability reported in the statement of activities do not provide for, or require the use of, current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds. | | | |
| Police and Fire Retirement System | (2,341) | | |
| Employees' Retirement System | <u>(132,091)</u> | (134,432) | (53,363) |
| In the statement of activities, interest on debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. | | | |
| Current Year Accrued Interest | (55,010) | | |
| Prior Year Accrued Interest | <u>50,923</u> | <u>(4,087)</u> | <u>26,109</u> |
| Change in Net Position of Governmental Actives | | <u>\$ 464,777</u> | <u>\$ (290,123)</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31,

| | AGENCY FUND | |
|---------------------------|-------------------|-------------------|
| | <u>2017</u> | <u>2016</u> |
| ASSETS | | |
| Cash And Cash Equivalents | \$ <u>223,489</u> | \$ <u>235,449</u> |
| TOTAL ASSETS | \$ <u>223,489</u> | \$ <u>235,449</u> |
| LIABILITIES | | |
| Due To Governmental Funds | \$ 41,911 | \$ 41,911 |
| Agency Liabilities | <u>181,578</u> | <u>193,538</u> |
| TOTAL LIABILITIES | \$ <u>223,489</u> | \$ <u>235,449</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of North Salem have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (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.

A. Financial Reporting Entity

The Town of North Salem, New York, is governed by the Town Law and other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations, the Supervisor serves as the chief executive officer and the chief fiscal officer.

The Town provides the following basic services: general government support, public safety, health, transportation (street and highway maintenance), economic assistance and opportunity, culture and recreation, and home and community services. The Town also provides lighting and water services to separate areas of the Town through special districts. These services are provided for in two lighting districts and three water districts.

All governmental activities and functions performed by the Town of North Salem, New York, are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity, except for two fire districts that furnish fire protection to certain areas of the Town.

The furnishing of such protection is the responsibility of Fire Commissioners who constitute the governing board of each district. Fire Commissioners are elected by the qualified voters living within each district. Fire District operations, including the financing thereof through real property taxation, are carried out at the direction of the Fire Commissioners, and the Town has no managerial oversight or fiscal responsibility.

Certain collection activities of the Town Clerk and Town Justice Officers are not included in the Town's reporting entity as prescribed by the Office of the State Comptroller. These collection activities include fees, fines and bail moneys which are not recorded by the Town until remitted by the respective elected officials.

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

1. Town-wide statements:

The Statement of Net Position and the Statement of Activities present financial information about the Town as a whole. These statements include the financial activities of the overall Town, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund financial statements:

The fund statements provide information about the Town's funds, including fiduciary 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.

The Town reports the following major Governmental Funds:

- a. *General Fund* - The General Fund is the principal operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.
- b. *Special Revenue Fund* - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes. Special revenue funds include the following funds:

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Highway Fund – used to account for revenues and expenditures for highway purposes in accordance with Highway Law.
- c. *Capital Projects Fund* - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Town reports the following non-major Governmental Funds:

- a. *Special Districts Funds* – The Special Districts Funds are used to account for taxes or other revenues which are raised or received to provide special services to areas that encompass less than the whole town.
 1. Water Districts
 2. Lighting Districts
 3. Park District
 4. Sewer District
- b. *Special Revenue Fund*
 1. Miscellaneous Special Revenues

Additionally, the Town reports the following fund type:

- a. *Fiduciary Fund* - This fund is used to account for fiduciary activities. Fiduciary activities are those in which the Town acts as trustee or agent for resources that belong to others. These activities are not included in the Town-wide financial statements, because their resources do not belong to the Town, and are not available to be used.

C. **Basis of Accounting/Measurement Focus**

The Town-wide and Fiduciary Fund 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 at the time liabilities are incurred, regardless of when the related cash transaction takes place.

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Property Taxes

Real property taxes are levied annually no later than December 31st, and become a lien on January 1st. The Town collects county, town and special District taxes which are due April 1st and payable without penalty to April 30th. School Taxes are due on September 1st, with the first half payable without penalty until September 30th and the second half due the following January 1st and payable without penalty until January 31st. The Town guarantees the full payment of the county and school District warrants and assumes the responsibility for uncollected taxes.

E. Budgetary Procedures And Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a. No later than October 30th, the budget officer 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 for all funds and is presented to the Town Board no later than November 10th.

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- b. After public hearings are conducted to obtain taxpayer comments, no later than December 20th, the governing board adopts the budget.
- c. All modifications of the budget must be approved by the governing board. However, the Supervisor is authorized to transfer certain budgeted amounts within departments.
- d. Budgetary controls are established for the capital project funds through resolutions authorizing individual projects which remain in effect for the life of the project.
- e. Budget amounts included in the report for General and Special Revenue Funds have been amended and approved by the Town Board.

2. Encumbrances

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year. Encumbrances are reported as assigned fund balance in the General Fund.

3. Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

F. Cash and Cash Equivalents

For financial statement purposes, the Town considers all highly liquid investments as cash equivalents.

G. Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would be immaterial.

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. **Capital Assets**

The Town has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their acquisition value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The capitalization threshold used by the Town is \$5,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

| <u>ASSET CLASS</u> | <u>ESTIMATED USEFUL LIVES</u> |
|-----------------------|-----------------------------------|
| Buildings | 50 |
| Site Improvements | 20 |
| Furniture & Equipment | 5-20 |
| Vehicles | 8 |

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the governmental fund financial statements.

I. **Unearned Revenue**

Unearned revenues arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when sources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the Town has legal claim to the resources, the liability for unearned revenues is removed and revenues are recognized.

J. **Vested Employee Benefits**

The 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 limitations.

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the Town-wide Statements, the current portion is the amount estimated to be used in the following year, in accordance with GAAP. For the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and Town-wide presentations.

In addition to providing pension benefits, the Town provides health insurance coverage for retired employees. Substantially all of the Town's employees may become eligible for these benefits if they reach normal retirement age while working for the Town. Health care benefits and survivor benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid.

K. **Interfund Activity**

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these Notes.

L. **Insurance**

The Town assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

M. **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

N. **Equity Classifications**

In the Town-wide statements there are three classes of net position:

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted – reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – reports all other net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the Town.

Order of Use of Net Position:

When an expense is incurred for which both restricted and unrestricted resources are available, the Board will assess the current financial condition of the Town and determine which classification of net position will be charged.

In the fund basis statements there are five classifications of fund balance:

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The Town has \$201,578 in non-spendable fund balances in the General Fund as of December 31, 2017.

Restricted – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The Town has no restricted fund balances as of December 31, 2017.

Committed – includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority before the end of the fiscal year, and requires the same level of formal action to remove the constraint. The Town Board is the decision making authority that can, by resolution prior to the end of the fiscal year, commit fund balance. The Town has no committed fund balances as of December 31, 2017.

Assigned – includes amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision making authority, or by their designated official. 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. Assigned fund balance generally includes encumbrances and appropriated fund balance. The Town Board is the decision making authority that can, by resolution, assign fund balance.

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned – represents the residual classification for the General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

Order of Use of Fund Balance:

When resources are available from multiple fund balance classifications, the Board will assess the current financial condition of the Town and then determine the order of application of expenditures to which fund balance classification will be charged.

O. **New Accounting Standards**

The Town has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2017, the Town implemented the following new standards:

GASB 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB 67 and GASB 68.

GASB 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pensions.

GASB 80 – Blending Requirements for Certain Component Units – an Amendment of GASB 14.

GASB 81 – Irrevocable Split-Interest Agreements.

GASB 82 – Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

P. **Future Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following standards that will become effective in future fiscal years:

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB 75 – *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*, effective for the year ending December 31, 2018.

GASB 83 – *Certain Asset Retirement Obligations*, effective for the year ending December 31, 2019.

GASB 84 – *Fiduciary Activities*, effective for the year ending December 31, 2019

GASB 85 – *Omnibus 2017*, effective for the year ending December 31, 2018

GASB 86 – *Certain Debt Extinguishment Issues*, effective for the year ending December 31, 2018.

GASB 87 – *Leases*, effective for the year ending December 31, 2020

The Town will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category.

The first item is related to pensions reported in the government-wide statement of net position. This represents the effect of the net change in the Town's proportion of the collective net pension asset or liability and difference during the measurement period between the Town's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the Town contributions to the pension systems subsequent to the measurement date. The Town recognized \$952,937 in deferred outflows of resources related to pensions as of December 31, 2017.

In addition to liabilities, the statement of net 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualify for reporting in this category.

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The first arises only under a modified accrual basis of accounting and is reported as unavailable revenues. The Town recognized \$641,134 in deferred inflows of resources in the governmental fund financial statements for deferred tax revenues in the General Fund as of December 31, 2017. The second item is related to pensions reported in the government-wide statement of net position. This represents the effect of the net change in the Town's proportion of the collective net pension liability and difference during the measurement periods between the Town's contributions and its proportion share of total contributions to the pension system not included in pension expense. The Town recognized \$111,028 in deferred inflows of resources related to pensions as of December 31, 2017.

The reporting of deferred outflows of resources and deferred inflows of resources related to pensions resulted in a net increase of \$125,746 to unrestricted net position as of December 31, 2017.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Fund Balance

The Capital Projects Fund had a deficit unassigned fund balance of \$2,309,180 at December 31, 2017. The deficits were caused by a combination of capital outlay expenditures in excess of available funding and the accounting treatment of bond anticipation notes. The deficits will be eliminated as the required principal payments are made, the notes are converted to permanent financing or funding is received from the respective funds.

The Candlewood Park District had a deficit fund balance of \$13,279 at December 31, 2017. The deficit was caused by expenditures in excess of budgeted amounts and was financed with a loan from the General Fund. The deficit will be eliminated in the future through budgetary means.

B. Overdrawn Appropriations

Expenditures for the year ended December 31, 2017 materially exceeded appropriations in the funds and/or functions identified below:

| <u>FUND/FUNCTION</u> | <u>APPROPRIATIONS AS MODIFIED</u> | <u>EXPENDITURES AND ENCUMBRANCES</u> | <u>UNFAVORABLE VARIANCE</u> |
|----------------------------------|---------------------------------------|--|---------------------------------|
| General/Culture and Recreation | \$ 771,808 | \$ 897,639 | \$ (12,583) |
| General/Debt Service - Principal | 183,775 | 245,216 | (61,441) |

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

The variance in the Culture and Recreation function was caused by Summer Program expenditures in excess of budgeted amounts and was funded with Summer Program revenues in excess of budgeted amounts.

The variance in the Debt Service function was caused by the early payoff of a bond anticipation note and was funded with available fund balance.

NOTE 3 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND TOWN-WIDE STATEMENT

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the Town-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A. Total fund balances of governmental funds vs. net position of governmental activities

Total fund balances of the Town's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position.

The difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund balance sheet.

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories:

1. Long-term revenue differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL
FUND STATEMENTS AND TOWN-WIDE STATEMENT (Continued)

2. Capital related differences:

Capital related differences include the differences between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording on expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

NOTE 4 – CASH AND INVESTMENTS

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

Collateral is required for time deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and school districts.

The Town's aggregate cash balances include balances not covered by depository insurance at year end, collateralized as follows:

Collateralized with securities held by the
pledging financial institution, or its trust
department, but not in the Town's name.

\$ 8,717,908

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5 – CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2017 were as follows:

| | <u>BEGINNING BALANCE</u> | <u>ADDITIONS</u> | <u>RETIREMENTS/ RECLASSIFICATIONS</u> | <u>ENDING BALANCE</u> |
|---|------------------------------|-------------------|---|---------------------------|
| Governmental Activities: | | | | |
| Capital assets that are not depreciated: | | | | |
| Land | \$ 2,954,720 | \$ - | \$ - | \$ 2,954,720 |
| Construction In Progress | <u>15,693</u> | <u>434,103</u> | <u>156,759</u> | <u>293,037</u> |
| Total non-depreciable historical cost | <u>2,970,413</u> | <u>434,103</u> | <u>156,759</u> | <u>3,247,757</u> |
| Capital assets that are depreciated: | | | | |
| Building and Improvements | 28,069,349 | 825,180 | - | 28,894,529 |
| Machinery and Equipment | <u>2,982,479</u> | <u>353,050</u> | <u>162,845</u> | <u>3,172,684</u> |
| Total depreciable historical cost | <u>31,051,828</u> | <u>1,178,230</u> | <u>162,845</u> | <u>32,067,213</u> |
| Less accumulated depreciation: | | | | |
| Building and Improvements | 3,514,967 | 581,541 | - | 4,096,508 |
| Machinery and Equipment | <u>1,940,165</u> | <u>172,188</u> | <u>155,582</u> | <u>1,956,771</u> |
| Total Accumulated Depreciation | <u>5,455,132</u> | <u>753,729</u> | <u>155,582</u> | <u>6,053,279</u> |
| Total historical cost, net | <u>\$ 28,567,109</u> | <u>\$ 858,604</u> | <u>\$ 164,022</u> | <u>\$ 29,261,691</u> |
| Depreciation expense was charged to Governmental functions as follows: | | | | |
| General Support | | \$ 40,709 | | |
| Public Safety | | 37,366 | | |
| Transportation | | 137,719 | | |
| Culture & Recreation | | 36,304 | | |
| Home & Community Service | | <u>501,631</u> | | |
| | | <u>\$ 753,729</u> | | |

NOTE 6 – INTERFUND TRANSACTIONS

Interfund balances at December 31, 2017 are as follows:

| | <u>INTERFUND RECEIVABLE</u> | <u>INTERFUND PAYABLE</u> | <u>INTERFUND EXPENSE</u> | <u>INTERFUND REVENUE</u> |
|-------------------------------|---------------------------------|------------------------------|------------------------------|------------------------------|
| General Fund | \$ 406,633 | \$ - | \$ 122,632 | \$ 15,000 |
| Highway Fund | 9,162 | - | 315,125 | - |
| Capital Fund | - | 359,947 | - | 443,757 |
| Water Districts | 5,334 | - | 10,000 | - |
| Park District | - | 14,131 | - | - |
| Light Districts | - | 6,640 | - | - |
| Miscellaneous Special Revenue | <u>1,500</u> | <u>-</u> | <u>15,000</u> | <u>4,000</u> |
| Total Governmental Activities | <u>422,629</u> | <u>380,718</u> | <u>462,757</u> | <u>462,757</u> |
| Agency Fund | <u>-</u> | <u>41,911</u> | <u>-</u> | <u>-</u> |
| Total Fiduciary Funds | <u>-</u> | <u>41,911</u> | <u>-</u> | <u>-</u> |
| TOTALS | <u>\$ 422,629</u> | <u>\$ 422,629</u> | <u>\$ 462,757</u> | <u>\$ 462,757</u> |

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 – INTERFUND TRANSACTIONS (Continued)

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

The Town typically loans resources between funds for the purpose of relieving cash flow issues.

NOTE 7 – PROPERTY TAXES

At December 31, 2017, property taxes receivable of \$6,202,289 were offset by a deferred tax revenue of \$641,134. The deferred tax revenue consists of Town taxes of \$458,180, which is an estimate of the amount that will not be collected within the first sixty days of the subsequent year, and school taxes of \$182,954 which is an estimate of the amount that will not be collected as of June 30th of the subsequent year.

NOTE 8 - LIABILITIES

A. Pension Plans and Post-Employment Benefits

1. Plan Description

The Town of North Salem, New York participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). These are cost-sharing multiple-employer retirement systems. The systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds.

The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

2. Funding Policy

Plan members who joined the Systems before July 27, 1976 are not required to make contributions. For those joining after July 27, 1976 and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute.

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8 – LIABILITIES (Continued)

Employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS), contribute 3% of their salary throughout their active membership. Employees who joined the Systems on or after April 1, 2012 contribute 3% of their salary through March 31, 2013, and beginning April 1, 2013, contribute at rates ranging from 3% to 6%, based on the employees' gross salary. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

| | <u>ERS</u> | <u>PFRS</u> |
|------|------------|-------------|
| 2017 | \$ 335,596 | \$ 27,878 |
| 2016 | 360,475 | 27,174 |
| 2015 | 428,684 | 29,866 |

B. Indebtedness

1. Long-Term Debt

a. Long-Term Debt Interest

Interest Expense on long-term debt consisted of the following:

| | |
|--|-------------------|
| Interest Paid | \$ 240,581 |
| Less: Interest Accrued in the Prior Year | (41,850) |
| Plus: Interest Accrued in the Current Year | 40,498 |
| Interest on OPEB Obligation | <u>198,271</u> |
| Total Expense | <u>\$ 437,500</u> |

b. Changes

The changes in the Town's indebtedness during the year ended December 31, 2017 are summarized as follows:

| | <u>BALANCE</u> <u>01/01/17</u> | <u>ADDITIONS</u> | <u>DELETIONS</u> | <u>BALANCE</u> <u>12/31/17</u> | <u>AMOUNTS</u> <u>DUE WITHIN</u> <u>ONE YEAR</u> |
|---------------------------|-----------------------------------|-------------------|-------------------|-----------------------------------|--|
| Serial Bonds | \$ 8,950,000 | \$ - | \$ 380,000 | \$ 8,570,000 | \$ 390,000 |
| Installment Purchase Debt | 26,374 | 28,327 | 27,136 | 27,565 | 18,134 |
| Compensated Absences | 141,848 | 8,623 | - | 150,471 | - |
| Net OPEB Obligation | <u>4,956,774</u> | <u>802,341</u> | <u>261,432</u> | <u>5,497,683</u> | <u>270,000</u> |
| TOTAL | \$ 14,074,996 | \$ 839,291 | \$ 668,568 | \$ 14,245,719 | \$ 678,134 |

Additions and deletions to compensated absences are shown net since it is impractical to determine those amounts separately.

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8 – LIABILITIES (Continued)

c. Maturity

The following is a summary of maturity of indebtedness:

| <u>PURPOSE</u> | <u>FINAL MATURITY</u> | <u>RATE</u> | <u>OUTSTANDING</u> |
|------------------------|---------------------------|---------------|---------------------|
| Public Improvements | 2026 | 3.625% | \$ 1,880,000 |
| Peach Lake Sewer | 2042 | 0.263%-4.756% | 4,745,000 |
| Public Improvements | 2039 | 3.25%-3.50% | <u>1,945,000</u> |
| Total Bonds | | | <u>8,570,000</u> |
| Police Vehicle | 2019 | 6.00% | 18,329 |
| Police Vehicle | 2018 | 6.50% | <u>9,236</u> |
| Total Installment Debt | | | <u>27,565</u> |
| TOTAL | | | <u>\$ 8,597,565</u> |

The following is a summary of maturing debt service requirements.

| <u>YEAR</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> |
|-------------|---------------------|---------------------|
| 2018 | \$ 408,134 | \$ 325,541 |
| 2019 | 409,431 | 312,414 |
| 2020 | 415,000 | 298,950 |
| 2021 | 425,000 | 285,238 |
| 2022 | 435,000 | 270,777 |
| 2023-2027 | 2,145,000 | 1,111,568 |
| 2028-2032 | 1,390,000 | 802,121 |
| 2033-2037 | 1,575,000 | 507,458 |
| 2038-2042 | <u>1,395,000</u> | <u>174,800</u> |
| TOTAL | <u>\$ 8,597,565</u> | <u>\$ 4,088,867</u> |

2. Short Term Debt

Liabilities for bond anticipation notes (BAN's) are generally accounted for in the Capital Projects Fund. Principal Payments on BAN's must be made annually.

State law requires that BAN's issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, providing that stipulated annual reductions of principal are made. The Town has the following BAN's outstanding as of December 31, 2017.

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8 – LIABILITIES (Continued)

| <u>Purpose</u> | <u>Rate</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|-----------------------|-------------|------------------------------|-------------------|-------------------|---------------------------|
| Peach Lake Drainage | 1.67% | \$ 800,000 | \$ - | \$ - | \$ 800,000 |
| Highway Roads | 1.67% | 350,000 | - | 29,167 | 320,833 |
| Highway Vehicle | 1.67% | 208,603 | - | 17,384 | 191,219 |
| Bridge Reconstruction | 1.67% | 169,333 | - | 10,000 | 159,333 |
| Revaluation | 1.67% | 80,000 | - | 80,000 | - |
| Highway Roads | 1.67% | 870,833 | - | 79,166 | 791,667 |
| Highway Garage | 1.67% | 241,667 | - | 8,333 | 233,334 |
| Sunset Ridge Water | 1.67% | - | 500,000 | - | 500,000 |
| | | <u>\$ 2,720,436</u> | <u>\$ 500,000</u> | <u>\$ 224,050</u> | <u>\$ 2,996,386</u> |

Tax anticipation notes (TAN's) are issued in anticipation of specific tax revenue receipts and are repaid as the revenue is received. The issuance of TAN's results from government's need to pay general expenditures before receiving tax revenues later in the fiscal year. The Town had following TAN activity for the year ended December 31, 2017:

| <u>Rate</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|-------------|------------------------------|---------------------|---------------------|---------------------------|
| 1.48% | <u>\$ -</u> | <u>\$ 1,400,000</u> | <u>\$ 1,400,000</u> | <u>\$ -</u> |

Short – Term Debt Interest

Interest expense on short-term debt consisted of the following:

| | |
|--|------------------|
| Interest Paid | \$ 31,975 |
| Less: Interest Accrued In Prior Year | (9,073) |
| Plus: Interest Accrued In Current Year | <u>14,512</u> |
| Total Expense | <u>\$ 37,414</u> |

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. Federal And New York State Grants

The Town has received grants over the past several years, which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds to the federal and state governments. Based on past audits, the local government administration believes disallowances, if any, will be immaterial.

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

B. Litigation

The Town, in common with other municipalities, receives numerous notices of tort claims for money damages. Of the claims currently pending, none are expected to have a material effect on the financial position of the Town if adversely settled.

Litigation has been brought against the Town by property owners who are seeking a review of real property tax assessments. The Town intends to vigorously contest each case and the outcome cannot be reasonably estimated at this time.

NOTE 10 – NET INVESTMENT IN CAPITAL ASSETS

| | |
|----------------------------------|----------------------|
| Net Capital Assets | \$ 29,261,691 |
| Less: Bonds Payable | (7,319,400) |
| BAN's Payable | (1,724,553) |
| Installment Debt Payable | (27,565) |
| Plus: Unspent Debt Proceeds | <u>206,963</u> |
| Net Investment in Capital Assets | <u>\$ 20,397,136</u> |

NOTE 11 – POST EMPLOYMENT HEALTH INSURANCE BENEFITS

The Town provides post employment coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the Town's contractual agreements.

GASB Statement #45, Accounting and Financial Reporting by employers for Postemployment Benefits Other than Pensions requires the Town to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The Town recognizes the cost of providing health insurance annually as expenditures in the governmental funds as payments are made. For the year ended December 31, 2017 the Town recognized \$261,432 for its share of insurance premiums for currently enrolled retirees.

The Town has obtained an actuarial valuation report as of January 1, 2015, which indicates that the total liability for other post employment benefits is \$9,535,448.

Plan Description: The healthcare plan is a defined benefit healthcare plan administered by the Town. The Plan provides medical insurance benefits to eligible retirees and their spouses. The Town Board has the authority to establish and amend benefit provisions.

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 11 – POST EMPLOYMENT HEALTH INSURANCE BENEFITS (Continued)

Funding Policy: The contribution requirements of Plan members and the Town are established by the Town Board. The required contribution is based on projected pay-as-you-go financing requirements. For calendar year 2017, the Town contributed \$261,432 to the plan for current premiums and \$0 to prefund benefits. Plan members receiving benefits contributed approximately \$66,000, or 20% of the total premiums, through their required contribution.

Annual OPEB Cost and Net OPEB Obligation: The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

| | |
|--|---------------------|
| Annual required contribution | \$ 890,721 |
| Interest on net OPEB obligation | 198,271 |
| Adjustment to annual required contribution | <u>(286,651)</u> |
| Annual OPEB cost (expense) | 802,341 |
| Contributions made | <u>(261,432)</u> |
| Increase in net OPEB obligation | 540,909 |
| Net OPEB obligation—beginning of year | <u>4,956,774</u> |
| Net OPEB obligation—end of year | <u>\$ 5,497,683</u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the preceding years were as follows:

| Fiscal Year Ended | Beginning net OPEB obligation (a) | Annual OPEB Cost (b) | Contributions (c) | Percentage of Annual OPEB Cost Contributed (c/b) | Ending Net OPEB Obligation (a+b-c) |
|----------------------|--------------------------------------|-------------------------|-------------------|---|---|
| 12/31/17 | \$ 4,956,774 | \$ 802,341 | \$ 261,432 | 32.58% | \$ 5,497,683 |
| 12/31/16 | 4,437,004 | 772,091 | 252,321 | 32.68% | 4,956,774 |
| 12/31/15 | 3,905,581 | 741,951 | 210,528 | 28.37% | 4,437,004 |
| 12/31/14 | 3,438,437 | 678,752 | 211,608 | 31.18% | 3,905,581 |
| 12/31/13 | 2,978,689 | 651,292 | 191,544 | 29.41% | 3,438,437 |
| 12/31/12 | 2,521,311 | 624,468 | 167,090 | 26.76% | 2,978,689 |
| 12/31/11 | 1,900,457 | 768,834 | 147,980 | 19.25% | 2,521,311 |

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 11 – POST EMPLOYMENT HEALTH INSURANCE BENEFITS (Continued)

Funded Status and Funding Progress: As of January 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$9,535,448, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,535,448.

The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.4 million, and the ratio of the UAAL to the covered payroll was approximately 397%. 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 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 plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included an annual healthcare cost trend rate of 8.50% initially, reduced by decrements to an ultimate rate of 3.886%, and a discount rate of 4.00%. The UAAL is being amortized using the Level Dollar Method on an open basis over 30 years.

NOTE 12 – PENSION REPORTING FOR ASSETS/LIABILITIES AND DEFERRED
OUTFLOWS/INFLOWS OF RESOURCES

Pension Plan Descriptions and Benefits Provided

Detailed descriptions of the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) are included in Note 8-A to the financial statements.

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 12 – PENSION REPORTING FOR ASSETS/LIABILITIES AND DEFERRED
OUTFLOWS/INFLOWS OF RESOURCES (Continued)

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 asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2017 for ERS and PFRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The Town's proportion of the net pension asset/(liability) was 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 ERS and PFRS Systems in reports provided to the Town.

| | <u>ERS</u> | <u>PFRS</u> |
|---|---------------|---------------|
| Actuarial valuation date | April 1, 2016 | April 1, 2016 |
| Net pension asset/(liability) | \$ (670,535) | \$ (45,628) |
| Town's portion of the Plan's total net pension asset/(liability) | 0.0071362% | 0.0022014% |

For the year ended December 31, 2017, the Town recognized pension expense of \$471,807 for ERS and \$30,219 for PFRS. At December 31, 2017, the Town reported deferred outflows/inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|-----------------------------------|------------------|----------------------------------|-----------------|
| | <u>ERS</u> | <u>PFRS</u> | <u>ERS</u> | <u>PFRS</u> |
| Differences between expected and actual experience | \$ 16,803 | \$ 5,986 | \$ 101,825 | \$ 7,883 |
| Changes of assumptions | 229,079 | 22,479 | - | - |
| Net difference between projected and actual earnings on pension plan investments | 133,933 | 6,814 | - | - |
| Changes in proportion and differences between the Town's contributions and proportionate share of contributions | 250,967 | 15,249 | - | 1,320 |
| Town's contributions subsequent to the measurement date | <u>250,205</u> | <u>21,422</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 880,987</u> | <u>\$ 71,950</u> | <u>\$ 101,825</u> | <u>\$ 9,203</u> |

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 12 – PENSION REPORTING FOR ASSETS/LIABILITIES AND DEFERRED
OUTFLOWS/INFLOWS OF RESOURCES (Continued)

Town contributions subsequent to the measurement date of \$250,205 for ERS and \$21,422 for PFRS 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 follows:

| | <u>ERS</u> | <u>PFRS</u> |
|------------|-----------------------|----------------------|
| 2018 | \$ 214,628 | \$ 12,428 |
| 2019 | 214,628 | 12,428 |
| 2020 | 167,837 | 11,920 |
| 2021 | (68,136) | 2,470 |
| 2022 | - | 2,079 |
| Thereafter | - | - |
| TOTAL | <u>\$ 528,957</u> | <u>\$ 41,325</u> |

Actuarial Assumptions

The total pension liability as of the measurement date was measured by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The valuations used the following significant actuarial assumptions:

| | <u>ERS/PFRS</u> |
|--------------------------|------------------------------|
| Measurement date | March 31, 2017 |
| Actuarial valuation date | April 1, 2016 |
| Interest rate | 7.0% |
| Salary scale | 3.8% |
| Decrement tables | April 1, 2010-March 31, 2015 |
| | System's Experience |
| Inflation rate | 2.5% |

For ERS and PFRS, annuitant mortality rates are based on April 1, 2010-March 31, 2015 Systems' experience with adjustments for mortality improvements based on 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 below:

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 12 – PENSION REPORTING FOR ASSETS/LIABILITIES AND DEFERRED
OUTFLOWS/INFLOWS OF RESOURCES (Continued)

| | <u>ERS/PFRS</u> |
|-------------------------|-----------------|
| Measurement date | March 31, 2017 |
| Asset Type: | |
| Domestic Equity | 4.55% |
| International Equity | 6.35 |
| Real Estate | 5.80 |
| Alternative Investments | 4.00 – 7.75 |
| Mortgages | 1.31 |
| Short-term | 1.50 |

Discount Rate

The discount rate used to calculate the total pension liability was 7.00% for ERS and PFRS. 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 employees 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 for the Net Pension Liability to the Discount Rate Assumption

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00% for ERS and PFRS, as well as what the Town's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00% for ERS) than the current rate:

| <u>ERS</u> | 1% Decrease <u>(6.0%)</u> | Current Assumption <u>(7.0%)</u> | 1% Increase <u>(8.0%)</u> |
|---|------------------------------|-------------------------------------|------------------------------|
| Employer's proportionate share of the net pension asset (liability) | \$ (2,141,556) | \$ (670,535) | \$ 573,211 |
| <u>PFRS</u> | 1% Decrease <u>(6.0%)</u> | Current Assumption <u>(7.0%)</u> | 1% Increase <u>(8.0%)</u> |
| Employer's proportionate share of the net pension asset (liability) | \$ (129,352) | \$ (45,628) | \$ 24,596 |

TOWN OF NORTH SALEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 12 – PENSION REPORTING FOR ASSETS/LIABILITIES AND DEFERRED
OUTFLOWS/INFLOWS OF RESOURCES (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

| | <u>ERS (in thousands)</u> | <u>PFRS (in thousands)</u> |
|---|---------------------------|----------------------------|
| Valuation date | April 1, 2016 | April 1, 2016 |
| Employers' total pension (liability) | \$ (177,400,586) | \$ (31,670,483) |
| Plan Net Position | <u>168,004,363</u> | <u>29,597,830</u> |
| Employer's net pension asset/(liability) | <u>\$ (9,396,223)</u> | <u>\$ (2,072,653)</u> |
| Ration of plan net position to the Employer's total pension asset/(liability) | 94.7% | 93.5% |

Payables to the Pension Plan

For ERS and PFRS, employer contributions are paid annually based on the Systems' fiscal year which ends on March 31st. Accrued retirement contributions as of December 31, 2017 represent the projected employer contribution for the period of April 1, through December 31, based on paid ERS and PFRS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of December 31, 2017 amounted to \$250,205 for ERS and \$21,422 for PFRS.

NOTE 13 – EVENTS OCCURRING AFTER REPORTING DATE

The Town has evaluated events and transactions that occurred between December 31, 2017 and April 23, 2018, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 14 – RESTATED BALANCES

The beginning fund balance in the Peach Lake Sewer District has been increased by \$49,954 to account for understated receivables as of December 31, 2016.

TOWN OF NORTH SALEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUALS FOR DECEMBER 31, 2016)

| | ORIGINAL BUDGET | REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | 2016 ACTUALS |
|--|--------------------|-------------------|--------------|--|-----------------|
| REVENUES | | | | | |
| Real Property Taxes | \$ 3,617,224 | \$ 3,617,224 | \$ 3,513,561 | \$ (103,663) | \$ 3,759,431 |
| Other Tax Items | 91,000 | 91,000 | 74,861 | (16,139) | 122,654 |
| Non-Property Tax Items | 854,245 | 854,245 | 902,687 | 48,442 | 884,363 |
| Departmental Income | 451,800 | 451,800 | 618,074 | 166,274 | 475,965 |
| Use Of Money And Property | 10,500 | 10,500 | 14,348 | 3,848 | 10,275 |
| Licenses And Permits | 304,100 | 304,100 | 249,102 | (54,998) | 415,784 |
| Fines And Forfeitures | 210,000 | 210,000 | 234,174 | 24,174 | 232,181 |
| Sale Of Property And Compensation For Loss | 4,000 | 4,000 | 2,870 | (1,130) | 836 |
| Miscellaneous Local Sources | 3,100 | 3,100 | 5,649 | 2,549 | 26,138 |
| State Aid | 216,315 | 225,529 | 297,448 | 71,919 | 357,976 |
| Federal Aid | - | - | 17,778 | 17,778 | - |
| TOTAL REVENUES | 5,762,284 | 5,771,498 | 5,930,552 | 159,054 | 6,285,603 |
| OTHER FINANCING SOURCES | | | | | |
| Interfund Transfers | 15,000 | 15,000 | 15,000 | - | 66,718 |
| TOTAL REVENUES AND OTHER SOURCES | 5,777,284 | 5,786,498 | 5,945,552 | 159,054 | 6,352,321 |
| EXPENDITURES | | | | | |
| General Government Support | 1,489,394 | 1,498,416 | 1,326,394 | 172,022 | 1,380,412 |
| Public Safety | 703,883 | 717,829 | 715,535 | 2,294 | 698,977 |
| Health | 346,500 | 346,500 | 350,924 | (4,424) | 306,022 |
| Transportation | 318,030 | 318,030 | 300,787 | 17,243 | 296,400 |
| Economic Assistance And Opportunity | 42,462 | 42,462 | 39,374 | 3,088 | 37,951 |
| Culture And Recreation | 773,808 | 771,808 | 897,639 | (125,831) | 800,144 |
| Home And Community Services | 801,720 | 801,720 | 797,114 | 4,606 | 791,062 |
| Employee Benefits | 1,025,122 | 1,010,868 | 963,034 | 47,834 | 932,255 |
| Debt Service: | | | | | |
| Principal | 183,775 | 183,775 | 245,216 | (61,441) | 169,717 |
| Interest | 92,590 | 92,590 | 91,161 | 1,429 | 104,071 |
| TOTAL EXPENDITURES | 5,777,284 | 5,783,998 | 5,727,178 | 56,820 | 5,517,011 |
| OTHER FINANCING USES | | | | | |
| Interfund Transfers | - | 124,632 | 122,632 | 2,000 | 275,121 |
| TOTAL EXPENDITURES AND OTHER USES | 5,777,284 | 5,908,630 | 5,849,810 | 58,820 | 5,792,132 |
| NET CHANGE IN FUND BALANCE | - | (122,132) | 95,742 | 217,874 | 560,189 |
| FUND BALANCE – Beginning Of Year | - | 122,132 | 1,974,216 | 1,852,084 | 1,414,027 |
| FUND BALANCE – End Of Year | \$ - | \$ - | \$ 2,069,958 | \$ 2,069,958 | \$ 1,974,216 |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
HIGHWAY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUALS FOR DECEMBER 31, 2016)

| | ORIGINAL BUDGET | REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | 2016 ACTUALS |
|---|--------------------|-------------------|-------------------|--|-------------------|
| REVENUES | | | | | |
| Real Property Taxes | \$ 2,309,249 | \$ 2,309,249 | \$ 2,309,249 | \$ - | \$ 2,192,303 |
| Intergovernmental Charges | 80,000 | 80,000 | 114,334 | 34,334 | 91,738 |
| Use Of Money And Property | 1,900 | 1,900 | 2,539 | 639 | 2,333 |
| Sale Of Property And Compensation For Loss | 11,000 | 11,000 | 48,978 | 37,978 | 1,032 |
| Miscellaneous Local Sources | 3,000 | 3,000 | 1,879 | (1,121) | 177,556 |
| State Aid | <u>97,001</u> | <u>197,001</u> | <u>138,548</u> | <u>(58,453)</u> | <u>119,818</u> |
| TOTAL REVENUES | 2,502,150 | 2,602,150 | 2,615,527 | 13,377 | 2,584,780 |
| OTHER FINANCING SOURCES | | | | | |
| Interfund Transfers | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,035</u> |
| TOTAL REVENUE AND OTHER SOURCES | <u>2,502,150</u> | <u>2,602,150</u> | <u>2,615,527</u> | <u>13,377</u> | <u>2,587,815</u> |
| EXPENDITURES | | | | | |
| General Government Support | 3,500 | 3,500 | 2,507 | 993 | 2,649 |
| Transportation | 1,651,314 | 1,968,080 | 1,746,041 | 222,039 | 1,736,750 |
| Employee Benefits | 580,217 | 580,217 | 522,388 | 57,829 | 508,562 |
| Debt Service: | | | | | |
| Principal | 196,664 | 196,664 | 202,360 | (5,696) | 137,238 |
| Interest | <u>70,455</u> | <u>70,455</u> | <u>58,153</u> | <u>12,302</u> | <u>65,786</u> |
| TOTAL EXPENDITURES | 2,502,150 | 2,818,916 | 2,531,449 | 287,467 | 2,450,985 |
| OTHER FINANCING USES | | | | | |
| Interfund Transfers | <u>-</u> | <u>315,125</u> | <u>315,125</u> | <u>-</u> | <u>-</u> |
| TOTAL EXPENDITURES AND OTHER USES | <u>2,502,150</u> | <u>3,134,041</u> | <u>2,846,574</u> | <u>287,467</u> | <u>2,450,985</u> |
| NET CHANGE IN FUND BALANCE | - | (531,891) | (231,047) | 300,844 | 136,830 |
| FUND BALANCE – Beginning Of Year | <u>-</u> | <u>531,891</u> | <u>858,450</u> | <u>326,559</u> | <u>721,620</u> |
| FUND BALANCE – End Of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 627,403</u> | <u>\$ 627,403</u> | <u>\$ 858,450</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
DECEMBER 31, 2017

| <u>Fiscal Year Beginning</u> | <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) (b)</u> | <u>Unfunded AAL (UAAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Estimated Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u> |
|------------------------------|-------------------------------------|--|--|---------------------------------------|-------------------------------|--|--|
| 1/1/2010 | 1/1/2009 | \$ - | \$ 7,649,332 | \$ 7,649,332 | - | \$ 2,800,000 | 273% |
| 1/1/2011 | 1/1/2009 | - | 7,649,332 | 7,649,332 | - | 2,800,000 | 273% |
| 1/1/2012 | 1/1/2012 | - | 6,565,028 | 6,565,028 | - | 2,600,000 | 253% |
| 1/1/2013 | 1/1/2012 | - | 6,565,028 | 6,565,028 | - | 2,600,000 | 253% |
| 1/1/2014 | 1/1/2012 | - | 6,565,028 | 6,565,028 | - | 2,600,000 | 253% |
| 1/1/2015 | 1/1/2015 | - | 8,633,259 | 8,633,259 | - | 2,400,000 | 360% |
| 1/1/2016 | 1/1/2015 | - | 9,073,163 | 9,073,163 | - | 2,400,000 | 378% |
| 1/1/2017 | 1/1/2015 | - | 9,535,448 | 9,535,448 | - | 2,400,000 | 397% |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
YEAR ENDED DECEMBER 31, 2017

ERS System – Liability

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|
| The Town's proportion of the net pension liability | 0.0071362% | 0.0060140% | 0.0059438% |
| The Town's proportionate share of the net pension liability | \$ 670,535 | \$ 965,262 | \$ 200,795 |
| The Town's covered employee payroll | 2,210,042 | 2,257,814 | 2,270,730 |
| The Town's proportionate share of the net pension liability as a percentage of covered employee payroll | 30.34% | 42.75% | 8.84% |
| Plan Fiduciary net position as a percentage of the total pension liability | 94.7% | 90.7% | 97.9% |

PFRS System – Liability

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|
| The Town's proportion of the net pension liability | 0.0022014% | 0.0025565% | 0.0024314% |
| The Town's proportionate share of the net pension liability | \$ 45,628 | \$ 75,692 | \$ 6,693 |
| The Town's covered employee payroll | 167,708 | 177,024 | 165,538 |
| The Town's proportionate share of the net pension liability as a percentage of covered employee payroll | 27.21% | 42.76% | 4.04% |
| Plan Fiduciary net position as a percentage of the total pension liability | 93.5% | 90.2% | 99.0% |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2017

ERS System

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 335,596 | \$ 360,475 | \$ 428,684 | \$ 457,644 | \$ 424,581 | \$ 362,499 | \$ 313,303 | \$ 226,203 | \$ 164,470 | \$ 197,333 |
| Contribution in relation to the | | | | | | | | | | |
| contractually required contribution | 335,596 | 360,475 | 428,684 | 457,644 | 424,581 | 362,499 | 313,303 | 226,203 | 164,470 | 197,333 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contribution as a percentage of | | | | | | | | | | |
| covered employee payroll | 14.47% | 16.31% | 18.99% | 20.20% | N/A | N/A | N/A | N/A | N/A | N/A |

PPRS System

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 27,878 | \$ 27,174 | \$ 29,866 | \$ 25,216 | \$ 26,858 | \$ 31,250 | \$ 29,508 | \$ 30,728 | \$ 21,604 | \$ 20,269 |
| Contribution in relation to the | | | | | | | | | | |
| contractually required contribution | 27,878 | 27,174 | 29,866 | 25,216 | 26,858 | 31,250 | 29,508 | 30,728 | 21,604 | 20,269 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contribution as a percentage of | | | | | | | | | | |
| covered employee payroll | 15.32% | 16.20% | 16.87% | 15.49% | N/A | N/A | N/A | N/A | N/A | N/A |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

| | SEWER | LIGHTING | WATER | PARK | MISC. SPECIAL REVENUE | TOTAL NON-MAJOR GOVERNMENTAL FUNDS |
|---|-------------------|------------------|-------------------|-----------------|-----------------------------|---|
| ASSETS | | | | | | |
| Cash | \$ 636,979 | \$ 11,164 | \$ 106,437 | \$ 852 | \$ 239,570 | \$ 995,002 |
| Water Rents Receivable | - | - | 66 | - | - | 66 |
| Accounts Receivable | 285 | - | - | - | - | 285 |
| Due From Other Funds | - | - | 5,334 | - | 1,500 | 6,834 |
| Due From Other Governments | 215,500 | - | - | - | - | 215,500 |
| TOTAL ASSETS | \$ 852,764 | \$ 11,164 | \$ 111,837 | \$ 852 | \$ 241,070 | \$ 1,217,687 |
| LIABILITIES AND FUND BALANCE | | | | | | |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ 10,131 | \$ 1,494 | \$ 14,673 | \$ - | \$ - | \$ 26,298 |
| Due To Other Funds | - | 6,640 | - | 14,131 | - | 20,771 |
| TOTAL LIABILITIES | 10,131 | 8,134 | 14,673 | 14,131 | - | 47,069 |
| FUND BALANCES | | | | | | |
| Assigned: | | | | | | |
| Appropriated | - | - | 3,000 | - | - | 3,000 |
| Unappropriated | 842,633 | 4,125 | 94,164 | - | 241,070 | 1,181,992 |
| Unassigned | - | (1,095) | - | (13,279) | - | (14,374) |
| TOTAL FUND BALANCES | 842,633 | 3,030 | 97,164 | (13,279) | 241,070 | 1,170,618 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 852,764 | \$ 11,164 | \$ 111,837 | \$ 852 | \$ 241,070 | \$ 1,217,687 |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR-ENDED DECEMBER 31, 2017

| | SEWER | LIGHTING | WATER | PARK | MISC. SPECIAL REVENUE | TOTAL NON-MAJOR GOVERNMENTAL FUNDS |
|--------------------------------------|------------|-----------|------------|-------------|-----------------------------|--|
| REVENUES | | | | | | |
| Real Property Taxes | \$ 400,377 | \$ 15,100 | \$ 140,465 | \$ 6,140 | \$ - | \$ 562,082 |
| Departmental Income | 148,000 | - | 40,403 | - | 6,600 | 195,003 |
| Use Of Money And Property | - | 4 | 42 | 10 | 318 | 374 |
| Miscellaneous Local Sources | 135,000 | - | - | - | 350 | 135,350 |
| TOTAL REVENUES | 683,377 | 15,104 | 180,910 | 6,150 | 7,268 | 892,809 |
| OTHER SOURCES | | | | | | |
| Interfund Transfers | - | - | - | - | 4,000 | 4,000 |
| TOTAL REVENUES AND OTHER SOURCES | 683,377 | 15,104 | 180,910 | 6,150 | 11,268 | 896,809 |
| EXPENDITURES | | | | | | |
| Transportation | - | 15,269 | - | - | - | 15,269 |
| Culture And Recreation | - | - | - | 6,240 | - | 6,240 |
| Home And Community Service | 238,372 | - | 121,224 | - | 850 | 360,446 |
| Debt Service: | | | | | | |
| Principal | 155,000 | - | 28,279 | 330 | - | 183,609 |
| Interest | 96,074 | - | 26,766 | 402 | - | 123,242 |
| TOTAL EXPENDITURES | 489,446 | 15,269 | 176,269 | 6,972 | 850 | 688,806 |
| OTHER USES | | | | | | |
| Interfund Transfers | - | - | 10,000 | - | 15,000 | 25,000 |
| TOTAL EXPENDITURES AND OTHER USES | 489,446 | 15,269 | 186,269 | 6,972 | 15,850 | 713,806 |
| NET CHANGE IN FUND BALANCE | 193,931 | (165) | (5,359) | (822) | (4,582) | 183,003 |
| FUND BALANCE - Beginning Of Year | 648,702 | 3,195 | 102,523 | (12,457) | 245,652 | 987,615 |
| FUND BALANCE - End Of Year | \$ 842,633 | \$ 3,030 | \$ 97,164 | \$ (13,279) | \$ 241,070 | \$ 1,170,618 |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
GENERAL FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31,

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash | \$ 6,940,475 | \$ 4,608,966 |
| Property Tax Receivable | 6,202,289 | 8,013,351 |
| Accounts Receivable | 180,844 | 179,502 |
| Due From Other Funds | 406,633 | 756,697 |
| Due From Other Governments | 247,249 | 258,764 |
| Prepaid Expenditures | <u>-</u> | <u>8,500</u> |
| TOTAL ASSETS | <u>\$ 13,977,490</u> | <u>\$ 13,825,780</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts Payable | \$ 115,487 | \$ 92,967 |
| Due To Other Governments | 10,849,120 | 10,914,057 |
| Due to ERS | 194,064 | 196,127 |
| Funds In Escrow | <u>107,727</u> | <u>110,942</u> |
| TOTAL LIABILITIES | <u>11,266,398</u> | <u>11,314,093</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Tax Revenues | <u>641,134</u> | <u>537,471</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>641,134</u> | <u>537,471</u> |
| FUND BALANCE | | |
| Non-Spendable: | | |
| Prepaid Items | - | 8,500 |
| Non-Current Receivables | 201,578 | - |
| Assigned: | | |
| Appropriated | - | - |
| Unassigned | <u>1,868,380</u> | <u>1,965,716</u> |
| TOTAL FUND BALANCE | <u>2,069,958</u> | <u>1,974,216</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u>\$ 13,977,490</u> | <u>\$ 13,825,780</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
HIGHWAY FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31,

| | <u>2017</u> | <u>2016</u> |
|------------------------------------|-------------------|---------------------|
| ASSETS | | |
| Cash | \$ 698,805 | \$ 909,813 |
| Due From Other Funds | 9,162 | 9,162 |
| Due From State And Federal | 51,697 | 118,349 |
| Due From Other Governments | <u>17,097</u> | <u>16,900</u> |
| TOTAL ASSETS | <u>\$ 776,761</u> | <u>\$ 1,054,224</u> |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts Payable | \$ 65,375 | \$ 109,942 |
| Accrued Liabilities | 6,420 | 6,420 |
| Due To ERS | <u>77,563</u> | <u>79,412</u> |
| TOTAL LIABILITIES | <u>149,358</u> | <u>195,774</u> |
| FUND BALANCE | | |
| Assigned: | | |
| Appropriated | 100,604 | - |
| Unappropriated | <u>526,799</u> | <u>858,450</u> |
| TOTAL FUND BALANCE | <u>627,403</u> | <u>858,450</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 776,761</u> | <u>\$ 1,054,224</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
SPECIAL DISTRICTS - LIGHTING DISTRICTS
COMBINING BALANCE SHEET
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| | | | <u>TOTALS</u> | |
|------------------------------------|-----------------|-------------------------|------------------|------------------|
| | <u>PURDY'S</u> | <u>CROTON FALLS</u> | <u>2017</u> | <u>2016</u> |
| ASSETS | | | | |
| Cash | \$ 4,691 | \$ 6,473 | \$ 11,164 | \$ 11,330 |
| TOTAL ASSETS | <u>\$ 4,691</u> | <u>\$ 6,473</u> | <u>\$ 11,164</u> | <u>\$ 11,330</u> |
| LIABILITIES AND FUND BALANCE | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 566 | \$ 928 | \$ 1,494 | \$ 1,495 |
| Due To Other Funds | <u>-</u> | <u>6,640</u> | <u>6,640</u> | <u>6,640</u> |
| TOTAL LIABILITIES | <u>566</u> | <u>7,568</u> | <u>8,134</u> | <u>8,135</u> |
| FUND BALANCE | | | | |
| Assigned: | | | | |
| Unappropriated | 4,125 | - | 4,125 | 4,248 |
| Unassigned | <u>-</u> | <u>(1,095)</u> | <u>(1,095)</u> | <u>(1,053)</u> |
| TOTAL FUND BALANCE | <u>4,125</u> | <u>(1,095)</u> | <u>3,030</u> | <u>3,195</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 4,691</u> | <u>\$ 6,473</u> | <u>\$ 11,164</u> | <u>\$ 11,330</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
SPECIAL DISTRICTS-PURDY'S LIGHTING
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUALS FOR 2016)

| | REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | 2016 ACTUALS |
|--|-------------------|-----------------|--|-----------------|
| REVENUES | | | | |
| Real Property Taxes | \$ 5,500 | \$ 5,500 | \$ - | \$ 6,000 |
| Use Of Money And Property | <u>-</u> | <u>2</u> | <u>2</u> | <u>2</u> |
| TOTAL REVENUES | <u>5,500</u> | <u>5,502</u> | <u>2</u> | <u>6,002</u> |
| EXPENDITURES | | | | |
| Transportation | <u>5,500</u> | <u>5,625</u> | <u>(125)</u> | <u>5,329</u> |
| TOTAL EXPENDITURES | <u>5,500</u> | <u>5,625</u> | <u>(125)</u> | <u>5,329</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | - | (123) | (123) | 673 |
| FUND BALANCE – Beginning Of Year | <u>-</u> | <u>4,248</u> | <u>4,248</u> | <u>3,575</u> |
| FUND BALANCE – End Of Year | <u>\$ -</u> | <u>\$ 4,125</u> | <u>\$ 4,125</u> | <u>\$ 4,248</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
SPECIAL DISTRICTS-CROTON FALLS LIGHTING
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUALS FOR 2016)

| | REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | 2016 ACTUALS |
|--|-------------------|-------------------|--|-------------------|
| REVENUES | | | | |
| Real Property Taxes | \$ 12,000 | \$ 9,600 | \$ (2,400) | \$ 12,000 |
| Use Of Money And Property | <u>-</u> | <u>2</u> | <u>2</u> | <u>2</u> |
| TOTAL REVENUES | <u>12,000</u> | <u>9,602</u> | <u>(2,398)</u> | <u>12,002</u> |
| EXPENDITURES | | | | |
| Transportation | <u>10,000</u> | <u>9,644</u> | <u>356</u> | <u>9,490</u> |
| TOTAL EXPENDITURES | <u>10,000</u> | <u>9,644</u> | <u>356</u> | <u>9,490</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 2,000 | (42) | (2,042) | 2,512 |
| OTHER FINANCING USES | | | | |
| Other Budgetary Purposes | <u>(2,000)</u> | <u>-</u> | <u>2,000</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | - | (42) | (42) | 2,512 |
| FUND BALANCE – Beginning Of Year | <u>-</u> | <u>(1,053)</u> | <u>(1,053)</u> | <u>(3,565)</u> |
| FUND BALANCE – End Of Year | <u>\$ -</u> | <u>\$ (1,095)</u> | <u>\$ (1,095)</u> | <u>\$ (1,053)</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
SPECIAL DISTRICTS-PEACH LAKE SEWER DISTRICT
COMPARATIVE BALANCE SHEET
DECEMBER 31,

| | <u>2017</u> | <u>2016</u> |
|------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Cash | \$ 636,979 | \$ 596,139 |
| Accounts Receivable | 285 | 285 |
| Due From Other Governments | <u>215,500</u> | <u>17,545</u> |
| TOTAL ASSETS | <u>\$ 852,764</u> | <u>\$ 613,969</u> |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts Payable | <u>\$ 10,131</u> | <u>\$ 15,221</u> |
| TOTAL LIABILITIES | <u>10,131</u> | <u>15,221</u> |
| FUND BALANCE | | |
| Assigned: | | |
| Unappropriated | <u>842,633</u> | <u>598,748</u> |
| TOTAL FUND BALANCE | <u>842,633</u> | <u>598,748</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 852,764</u> | <u>\$ 613,969</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM
SPECIAL DISTRICTS- PEACH LAKE SEWER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUALS FOR DECEMBER 31, 2016)

| | REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | 2016 |
|--|-------------------|-------------------|--|-------------------|
| REVENUES | | | | |
| Real Property Taxes | \$ 400,377 | \$ 400,377 | \$ - | \$ 414,216 |
| Departmental Income | - | 148,000 | 148,000 | - |
| Miscellaneous Local Sources | <u>157,520</u> | <u>135,000</u> | <u>(22,520)</u> | <u>97,912</u> |
| TOTAL REVENUES | <u>557,897</u> | <u>683,377</u> | <u>125,480</u> | <u>512,128</u> |
| EXPENDITURES | | | | |
| General Government Support | 1,650 | - | 1,650 | - |
| Home and Community Services | 292,923 | 238,372 | 54,551 | 212,464 |
| Debt Service: | | | | |
| Principal | 155,000 | 155,000 | - | 155,000 |
| Interest | <u>108,324</u> | <u>96,074</u> | <u>12,250</u> | <u>96,959</u> |
| TOTAL EXPENDITURES | <u>557,897</u> | <u>489,446</u> | <u>68,451</u> | <u>464,423</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | - | 193,931 | 193,931 | 47,705 |
| FUND BALANCE – Beginning Of Year (Restated) | <u>-</u> | <u>648,702</u> | <u>648,702</u> | <u>551,043</u> |
| FUND BALANCE – End Of Year | <u>\$ -</u> | <u>\$ 842,633</u> | <u>\$ 842,633</u> | <u>\$ 598,748</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
SPECIAL DISTRICTS-WATER DISTRICTS
COMBINING BALANCE SHEET
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| | | | | <u>TOTALS</u> | |
|---------------------------------------|--------------------|------------------|------------------|-------------------|-------------------|
| | CANDLEWOOD PARK | CROTON FALLS | SUNSET RIDGE | 2017 | 2016 |
| ASSETS | | | | | |
| Cash | \$ 59,910 | \$ 28,674 | \$ 17,853 | \$ 106,437 | \$ 98,504 |
| Water Rents Receivable | 48 | - | 18 | 66 | 883 |
| Due From Other Funds | <u>498</u> | <u>-</u> | <u>4,836</u> | <u>5,334</u> | <u>10,334</u> |
| TOTAL ASSETS | <u>\$ 60,456</u> | <u>\$ 28,674</u> | <u>\$ 22,707</u> | <u>\$ 111,837</u> | <u>\$ 109,721</u> |
| LIABILITIES AND FUND BALANCE | | | | | |
| LIABILITIES | | | | | |
| Accounts Payable | <u>\$ 3,273</u> | <u>\$ 5,712</u> | <u>\$ 5,688</u> | <u>\$ 14,673</u> | <u>\$ 7,198</u> |
| TOTAL LIABILITIES | <u>3,273</u> | <u>5,712</u> | <u>5,688</u> | <u>14,673</u> | <u>7,198</u> |
| FUND BALANCE | | | | | |
| Assigned: | | | | | |
| Appropriated | 3,000 | - | - | 3,000 | 4,064 |
| Unappropriated | <u>54,183</u> | <u>22,962</u> | <u>17,019</u> | <u>94,164</u> | <u>98,459</u> |
| TOTAL FUND BALANCE | <u>57,183</u> | <u>22,962</u> | <u>17,019</u> | <u>97,164</u> | <u>102,523</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 60,456</u> | <u>\$ 28,674</u> | <u>\$ 22,707</u> | <u>\$ 111,837</u> | <u>\$ 109,721</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
SPECIAL DISTRICTS-CANDLEWOOD PARK WATER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUALS FOR 2016)

| | REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | 2016 ACTUALS |
|--|-------------------|------------------|--|------------------|
| REVENUES | | | | |
| Real Property Taxes | \$ 34,546 | \$ 34,572 | \$ 26 | \$ 32,736 |
| Departmental Income | 6,920 | 6,084 | (836) | 7,209 |
| Use Of Money And Property | <u>14</u> | <u>18</u> | <u>4</u> | <u>17</u> |
| TOTAL REVENUES | <u>41,480</u> | <u>40,674</u> | <u>(806)</u> | <u>39,962</u> |
| EXPENDITURES | | | | |
| Home And Community Services | 31,306 | 24,792 | 6,514 | 29,668 |
| Debt Service: | | | | |
| Principal | 9,191 | 9,439 | (248) | 9,161 |
| Interest | <u>5,047</u> | <u>4,285</u> | <u>762</u> | <u>4,849</u> |
| TOTAL EXPENDITURES | <u>45,544</u> | <u>38,516</u> | <u>7,028</u> | <u>43,678</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (4,064) | 2,158 | 6,222 | (3,716) |
| FUND BALANCE – Beginning Of Year | <u>4,064</u> | <u>55,025</u> | <u>50,961</u> | <u>58,741</u> |
| FUND BALANCE – End Of Year | <u>\$ -</u> | <u>\$ 57,183</u> | <u>\$ 57,183</u> | <u>\$ 55,025</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
SPECIAL DISTRICTS-CROTON FALLS WATER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUALS FOR 2016)

| | REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | 2016 ACTUALS |
|--|-------------------|------------------|--|------------------|
| REVENUES | | | | |
| Real Property Taxes | \$ 56,061 | \$ 56,061 | \$ - | \$ 56,061 |
| Departmental Income | 21,232 | 18,152 | (3,080) | 23,033 |
| Use Of Money And Property | <u>10</u> | <u>16</u> | <u>6</u> | <u>15</u> |
| TOTAL REVENUES | <u>77,303</u> | <u>74,229</u> | <u>(3,074)</u> | <u>79,109</u> |
| EXPENDITURES | | | | |
| Home And Community Services | 37,651 | 45,624 | (7,973) | 43,686 |
| Debt Service: | | | | |
| Principal | 13,520 | 13,520 | - | 6,232 |
| Interest | <u>16,132</u> | <u>16,132</u> | <u>-</u> | <u>23,672</u> |
| TOTAL EXPENDITURES | <u>67,303</u> | <u>75,276</u> | <u>(7,973)</u> | <u>73,590</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 10,000 | (1,047) | (11,047) | 5,519 |
| OTHER FINANCING USES | | | | |
| Operating Tranfers Out | <u>(10,000)</u> | <u>(10,000)</u> | <u>-</u> | <u>(10,000)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES | - | (11,047) | (11,047) | (4,481) |
| FUND BALANCE – Beginning Of Year | <u>-</u> | <u>34,009</u> | <u>34,009</u> | <u>38,490</u> |
| FUND BALANCE – End Of Year | <u>\$ -</u> | <u>\$ 22,962</u> | <u>\$ 22,962</u> | <u>\$ 34,009</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
SPECIAL DISTRICTS-SUNSET RIDGE WATER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUALS FOR 2016)

| | REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | 2016 ACTUALS |
|--|-------------------|------------------|--|------------------|
| REVENUES | | | | |
| Real Property Taxes | \$ 49,832 | \$ 49,832 | \$ - | \$ 49,832 |
| Departmental Income | 20,816 | 16,167 | (4,649) | 20,709 |
| Use Of Money And Property | <u>5</u> | <u>8</u> | <u>3</u> | <u>8</u> |
| TOTAL REVENUES | <u>70,653</u> | <u>66,007</u> | <u>(4,646)</u> | <u>70,549</u> |
| EXPENDITURES | | | | |
| Home And Community Services | 50,951 | 50,808 | 143 | 80,743 |
| Debt Service: | | | | |
| Principal | 5,320 | 5,320 | - | 2,430 |
| Interest | <u>6,349</u> | <u>6,349</u> | <u>-</u> | <u>9,315</u> |
| TOTAL EXPENDITURES | <u>62,620</u> | <u>62,477</u> | <u>143</u> | <u>92,488</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 8,033 | 3,530 | (4,503) | (21,939) |
| OTHER FINANCING USES | | | | |
| Other Budgetary Purposes | <u>(8,033)</u> | <u>-</u> | <u>8,033</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES | - | 3,530 | 3,530 | (21,939) |
| FUND BALANCE – Beginning Of Year | <u>-</u> | <u>13,489</u> | <u>13,489</u> | <u>35,428</u> |
| FUND BALANCE – End Of Year | <u>\$ -</u> | <u>\$ 17,019</u> | <u>\$ 17,019</u> | <u>\$ 13,489</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
SPECIAL DISTRICTS-CANDLEWOOD PARK DISTRICT
COMPARATIVE BALANCE SHEET
DECEMBER 31,

| | <u>2017</u> | <u>2016</u> |
|------------------------------------|------------------|------------------|
| ASSETS | | |
| Cash | \$ <u>852</u> | \$ <u>1,674</u> |
| TOTAL ASSETS | <u>\$ 852</u> | <u>\$ 1,674</u> |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | | |
| Due To Other Funds | \$ <u>14,131</u> | \$ <u>14,131</u> |
| TOTAL LIABILITIES | <u>14,131</u> | <u>14,131</u> |
| FUND BALANCE | | |
| Unassigned | <u>(13,279)</u> | <u>(12,457)</u> |
| TOTAL FUND BALANCE | <u>(13,279)</u> | <u>(12,457)</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 852</u> | <u>\$ 1,674</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM
SPECIAL DISTRICTS- CANDLEWOOD PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUALS FOR DECEMBER 31, 2016)

| | REVISED BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | 2016 |
|--|-------------------|--------------------|--|--------------------|
| REVENUES | | | | |
| Real Property Taxes | \$ 6,140 | \$ 6,140 | \$ - | \$ 6,141 |
| Use Of Money And Property | <u>13</u> | <u>10</u> | <u>(3)</u> | <u>15</u> |
| TOTAL REVENUES | <u>6,153</u> | <u>6,150</u> | <u>(3)</u> | <u>6,156</u> |
| EXPENDITURES | | | | |
| Culture And Recreation | 3,302 | 6,240 | (2,938) | 8,241 |
| Debt Service: | | | | |
| Principal | 330 | 330 | - | 114 |
| Interest | <u>401</u> | <u>402</u> | <u>(1)</u> | <u>384</u> |
| TOTAL EXPENDITURES | <u>4,033</u> | <u>6,972</u> | <u>(2,939)</u> | <u>8,739</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 2,120 | (822) | (2,942) | (2,583) |
| OTHER FINANCING USES | | | | |
| Other Budgetary Purposes | <u>(2,120)</u> | <u>-</u> | <u>2,120</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES | - | (822) | (822) | (2,583) |
| FUND BALANCE – Beginning Of Year | <u>-</u> | <u>(12,457)</u> | <u>(12,457)</u> | <u>(9,874)</u> |
| FUND BALANCE – End Of Year | <u>\$ -</u> | <u>\$ (13,279)</u> | <u>\$ (13,279)</u> | <u>\$ (12,457)</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
CAPITAL PROJECTS FUND
COMBINING BALANCE SHEET
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| | HIGHWAY REPAIRS | HIGHWAY EQUIPMENT | CROTON FALLS PIPELINE | PEACH LAKE SEWER | POLICE VEHICLE | BUILDING DEPARTMENT ANNEX | COURT BUILDING JUNE ROAD |
|---------------------------------------|--------------------|----------------------|-----------------------------|------------------------|-------------------|---------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash | \$ 160,264 | \$ 14,847 | \$ - | \$ 127,318 | \$ - | \$ - | \$ 26,635 |
| Due From Other Funds | - | - | - | - | - | - | - |
| Due From Other Governments | - | - | - | - | - | - | - |
| TOTAL ASSETS | <u>\$ 160,264</u> | <u>\$ 14,847</u> | <u>\$ -</u> | <u>\$ 127,318</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 26,635</u> |
| LIABILITIES AND FUND BALANCE | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due To Other Funds | 162,002 | - | 186,137 | - | - | 50,319 | - |
| BAN's Payable | <u>1,112,500</u> | <u>191,219</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>233,334</u> |
| TOTAL LIABILITIES | <u>1,274,502</u> | <u>191,219</u> | <u>186,137</u> | <u>-</u> | <u>-</u> | <u>50,319</u> | <u>233,334</u> |
| FUND BALANCE | | | | | | | |
| Assigned | - | - | - | 127,318 | - | - | - |
| Unassigned | <u>(1,114,238)</u> | <u>(176,372)</u> | <u>(186,137)</u> | <u>-</u> | <u>-</u> | <u>(50,319)</u> | <u>(206,699)</u> |
| TOTAL FUND BALANCE | <u>(1,114,238)</u> | <u>(176,372)</u> | <u>(186,137)</u> | <u>127,318</u> | <u>-</u> | <u>(50,319)</u> | <u>(206,699)</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 160,264</u> | <u>\$ 14,847</u> | <u>\$ -</u> | <u>\$ 127,318</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 26,635</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
CAPITAL PROJECTS FUND
COMBINING BALANCE SHEET
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

(Continued)

| | PEACH LAKE DRAINAGE | SUNSET RIDGE WATER RADIOLOGICAL | VALERIA CIRCLE BRIDGE | TOWNWIDE REVAL | PURDY'S TRAIN STATION | 2017 | 2016 |
|---------------------------------------|---------------------------|---------------------------------------|-----------------------------|-------------------|-----------------------------|---------------------|---------------------|
| ASSETS | | | | | | | |
| Cash | \$ - | \$ 242,750 | \$ 5,889 | \$ - | \$ - | \$ 557,703 | \$ 1,470,871 |
| Due From Other Funds | - | 172,036 | - | - | - | 172,036 | - |
| Due From Other Governments | 813,790 | - | - | - | - | 813,790 | - |
| TOTAL ASSETS | <u>\$ 813,790</u> | <u>\$ 414,786</u> | <u>\$ 5,889</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,563,529</u> | <u>\$ 1,470,871</u> |
| LIABILITIES AND FUND BALANCE | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts Payable | \$ - | \$ 207,823 | \$ - | \$ - | \$ - | \$ 207,823 | \$ 136,163 |
| Due To Other Funds | 4,591 | - | - | 128,244 | 690 | 531,983 | 715,011 |
| BAN's Payable | 800,000 | 500,000 | 159,333 | - | - | 2,996,386 | 2,720,436 |
| TOTAL LIABILITIES | <u>804,591</u> | <u>707,823</u> | <u>159,333</u> | <u>128,244</u> | <u>690</u> | <u>3,736,192</u> | <u>3,571,610</u> |
| FUND BALANCE | | | | | | | |
| Assigned | 9,199 | - | - | - | - | 136,517 | 220,481 |
| Unassigned | - | (293,037) | (153,444) | (128,244) | (690) | (2,309,180) | (2,321,220) |
| TOTAL FUND BALANCE | <u>9,199</u> | <u>(293,037)</u> | <u>(153,444)</u> | <u>(128,244)</u> | <u>(690)</u> | <u>(2,172,663)</u> | <u>(2,100,739)</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 813,790</u> | <u>\$ 414,786</u> | <u>\$ 5,889</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,563,529</u> | <u>\$ 1,470,871</u> |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
CAPITAL PROJECTS FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| | HIGHWAY REPAIRS | HIGHWAY EQUIPMENT | CROTON FALLS PIPELINE | PEACH LAKE SEWER | POLICE VEHICLE | BUILDING DEPARTMENT ANNEX | COURT BUILDING JUNE ROAD |
|--|--------------------|----------------------|-----------------------------|---------------------|-------------------|---------------------------------|--------------------------------|
| REVENUES | | | | | | | |
| Use Of Money And Property | \$ 257 | \$ - | \$ - | \$ 321 | \$ - | \$ - | \$ - |
| Miscellaneous Local Sources | - | - | - | - | - | - | - |
| Sale Of Property And Compensation | - | - | - | - | - | - | - |
| For Loss | - | - | - | - | - | - | - |
| State Aid | - | - | - | - | - | - | - |
| TOTAL REVENUES | 257 | - | - | 321 | - | - | - |
| EXPENDITURES | | | | | | | |
| Capital Outlay | 1,995 | 235,030 | - | 2,532 | 28,327 | 225,271 | 7,997 |
| TOTAL EXPENDITURES | 1,995 | 235,030 | - | 2,532 | 28,327 | 225,271 | 7,997 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (1,738) | (235,030) | - | (2,211) | (28,327) | (225,271) | (7,997) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Proceeds of Long Term Debt | - | - | - | - | 28,327 | - | - |
| BAN's Redeemed From Appropriations | 108,333 | 17,384 | - | - | - | - | 8,333 |
| Operating Transfers In | 82,125 | 233,000 | 10,000 | - | - | 84,000 | 34,632 |
| TOTAL OTHER FINANCING SOURCES (USES) | 190,458 | 250,384 | 10,000 | - | 28,327 | 84,000 | 42,965 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES) | 188,720 | 15,354 | 10,000 | (2,211) | - | (141,271) | 34,968 |
| FUND BALANCE - Beginning Of Year | (1,302,958) | (191,726) | (196,137) | 129,529 | - | 90,952 | (241,667) |
| FUND BALANCE - End Of Year | \$ (1,114,238) | \$ (176,372) | \$ (186,137) | \$ 127,318 | \$ - | \$ (50,319) | \$ (206,699) |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF NORTH SALEM, NEW YORK
CAPITAL PROJECTS FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| (Continued) | PEACH LAKE DRAINAGE | SUNSET RIDGE WATER RADIOLOGICAL | VALERIA CIRCLE BRIDGE | TOWNWIDE REVAL | PURDY'S TRAIN STATION | 2017 | 2016 |
|--|---------------------------|---------------------------------------|-----------------------------|-------------------|-----------------------------|----------------|----------------|
| REVENUES | | | | | | | |
| Use Of Money And Property | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 578 | \$ 825 |
| Miscellaneous Local Sources | 363,790 | - | - | - | - | 363,790 | 10,000 |
| Sale Of Property And Compensation For Loss | - | - | - | - | - | - | 30,500 |
| State Aid | 450,000 | - | - | - | - | 450,000 | - |
| TOTAL REVENUES | 813,790 | - | - | - | - | 814,368 | 41,325 |
| EXPENDITURES | | | | | | | |
| Capital Outlay | 668,421 | 293,037 | 285 | 118,841 | 690 | 1,582,426 | 975,446 |
| TOTAL EXPENDITURES | 668,421 | 293,037 | 285 | 118,841 | 690 | 1,582,426 | 975,446 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 145,369 | (293,037) | (285) | (118,841) | (690) | (768,058) | (934,121) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Proceeds of Long Term Debt | - | - | - | - | - | 28,327 | 27,744 |
| BAN's Redeemed From Appropriations | - | - | 10,000 | 80,000 | - | 224,050 | 108,167 |
| Operating Transfers In | - | - | - | - | - | 443,757 | 277,700 |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | 10,000 | 80,000 | - | 696,134 | 413,611 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES) | 145,369 | (293,037) | 9,715 | (38,841) | (690) | (71,924) | (520,510) |
| FUND BALANCE - Beginning Of Year | (136,170) | - | (163,159) | (89,403) | - | (2,100,739) | (1,580,229) |
| FUND BALANCE - End Of Year | \$ 9,199 | \$ (293,037) | \$ (153,444) | \$ (128,244) | \$ (690) | \$ (2,172,663) | \$ (2,100,739) |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

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*

Independent Auditor's Report

To The Supervisor and Town Board
Of The Town of North Salem, New York
North Salem, 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, each major fund and the aggregate remaining fund information of the Town of North Salem, New York as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town of North Salem, New York's basic financial statements and have issued our report thereon dated April 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of North Salem, New York's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of North Salem, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of North Salem, New York'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control that we consider to be a significant deficiency. We consider the deficiency described below to be a significant deficiency in internal control:

Management does not possess the necessary training required to prepare the Town's financial statements in accordance with accounting principles generally accepted in the United States of America.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of North Salem, New York's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



Mongaup Valley, New York
April 23, 2018