

TOWN OF EAST GREENBUSH, NEW YORK

FINANCIAL STATEMENTS
OF THE
GENERAL FUND, SPECIAL REVENUE FUNDS, AND
CAPITAL PROJECTS FUND

Year ended December 31, 2018

TOWN OF EAST GREENBUSH, NEW YORK

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE GENERAL FUND, SPECIAL REVENUE FUNDS, AND CAPITAL PROJECTS FUND

To the Supervisor and Members of the Town Board
Town of East Greenbush, New York

Report on Financial Statements of the General Fund, Special Revenue Funds, and Capital Projects Fund

We have audited the accompanying financial statements of the general fund, special revenue funds, and capital projects fund of the Town of East Greenbush, New York (the Town), as of and for the year ended December 31, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund, special revenue funds, and capital projects fund of the Town of East Greenbush, New York, as of December 31, 2018, and the changes in financial position and the budgetary comparison for the general fund, and each major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Basis of Reporting

As discussed in Note 1, the financial statements present only the general fund, special revenue funds, and capital projects fund and do not purport to, and do not, present fairly the government-wide financial position of the Town of East Greenbush, New York, as of December 31, 2018, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2019, on our consideration of the Town of East Greenbush's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of East Greenbush, New York's internal control over financial reporting and compliance.



Albany, New York
July 9, 2019

TOWN OF EAST GREENBUSH, NEW YORK
BALANCE SHEET – ALL GOVERNMENTAL FUND TYPES
December 31, 2018

| | Governmental Fund Types | | | | | | |
|---|-------------------------|------------|--------------|--------------|------------|--------------|------------------|
| | Special Revenue Funds | | | | | | |
| | General | Highway | Sewer | Water | Others | Subtotal | Capital Projects |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 8,010,861 | \$ 192,599 | \$ 3,594,099 | \$ 2,332,171 | \$ 241,647 | \$ 6,360,516 | \$ 653,268 |
| Cash reserved for special purposes | 110,336 | 5,005 | - | - | - | 5,005 | - |
| Cash with Fiscal Agent | - | - | - | - | - | - | 829,157 |
| Other receivables | 3,086,097 | 8,352 | 103,200 | 127,650 | 21,137 | 260,339 | 23,775 |
| Due from other funds | 51,673 | - | - | - | - | - | - |
| Prepaid expenses | 240,400 | - | - | - | - | - | - |
| Total assets | 11,499,367 | 205,956 | 3,697,299 | 2,459,821 | 262,784 | 6,625,860 | 1,506,200 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | | | | |
| Total assets plus deferred outflows of resources | \$ 11,499,367 | \$ 205,956 | \$ 3,697,299 | \$ 2,459,821 | \$ 262,784 | \$ 6,625,860 | \$ 1,506,200 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | |
| LIABILITIES: | | | | | | | |
| Accounts payable and accrued liabilities | \$ 318,484 | \$ 55,966 | \$ 80,125 | \$ 301,706 | \$ 28,761 | \$ 466,558 | \$ 21,322 |
| Due to other funds | - | - | - | - | - | - | 23,775 |
| Bond anticipation notes payable | - | - | - | - | - | - | 51,555 |
| Total liabilities | 318,484 | 55,966 | 80,125 | 301,706 | 28,761 | 466,558 | 96,652 |
| DEFERRED INFLOWS OF RESOURCES: | | | | | | | |
| | - | - | - | - | - | - | - |
| FUND BALANCES: | | | | | | | |
| Nonspendable | 240,400 | - | - | - | - | - | - |
| Restricted | 110,336 | 5,005 | - | - | - | 5,005 | - |
| Assigned | 2,524,544 | 144,985 | 3,617,174 | 2,158,115 | 234,023 | 6,154,297 | 1,409,548 |
| Unassigned | 8,305,603 | - | - | - | - | - | - |
| Total fund balances | 11,180,883 | 149,990 | 3,617,174 | 2,158,115 | 234,023 | 6,159,302 | 1,409,548 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 11,499,367 | \$ 205,956 | \$ 3,697,299 | \$ 2,459,821 | \$ 262,784 | \$ 6,625,860 | \$ 1,506,200 |

See notes to financial statements.

TOWN OF EAST GREENBUSH, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
Year Ended December 31, 2018

| | Governmental Fund Types | | | | | | |
|--|-------------------------|--------------|--------------|--------------|------------|--------------|------------------|
| | Special Revenue Funds | | | | | | Capital Projects |
| | General | Highway | Sewer | Water | Others | Subtotal | |
| REVENUES | | | | | | | |
| Real property taxes | \$ 5,022,990 | \$ 2,345,706 | \$ 1,134,266 | \$ 490,820 | \$ 753,383 | \$ 4,724,175 | \$ - |
| Sales tax | 2,535,023 | - | - | - | - | - | - |
| Departmental income | 3,710,643 | - | 1,627,127 | 2,544,645 | 508,471 | 4,680,243 | - |
| Intergovernmental charges | 2,022,781 | - | - | - | - | - | 6,681,250 |
| Use of money and property | 190,924 | 7,290 | 63,785 | 32,804 | - | 103,879 | - |
| License and permits | 11,625 | - | 2,250 | 8,200 | - | 10,450 | - |
| Fines and forfeitures | 264,885 | - | - | - | - | - | - |
| Sale of property and compensation for loss | 76,068 | 7,601 | - | - | - | 7,601 | - |
| Miscellaneous local sources | 365,729 | 63,873 | 369,470 | 5,127 | - | 438,470 | - |
| Interfund revenues | - | 62,108 | - | - | - | 62,108 | - |
| State aid | 502,127 | 196,398 | - | - | - | 196,398 | - |
| Federal aid | - | - | - | - | - | - | 143,243 |
| Total revenues | 14,702,795 | 2,682,976 | 3,196,898 | 3,081,596 | 1,261,854 | 10,223,324 | 6,824,493 |
| EXPENDITURES | | | | | | | |
| General governmental support | 1,622,363 | - | 1,132 | - | - | 1,132 | - |
| Public safety | 3,126,620 | - | - | - | 113,220 | 113,220 | - |
| Health | 6,905 | - | - | - | 1,112,596 | 1,112,596 | - |
| Transportation | 185,927 | 2,184,144 | - | - | - | 2,184,144 | 436,347 |
| Economic assistance and opportunities | 4,936 | - | - | - | - | - | - |
| Culture and recreation | 1,032,288 | - | - | - | - | - | - |
| Home and community services | 452,181 | - | 1,959,697 | 2,167,552 | - | 4,127,249 | 6,119,776 |
| Employee benefits | 2,554,814 | 677,305 | 308,106 | 247,667 | 17,901 | 1,250,979 | - |
| Debt service: | | | | | | | |
| Principal | 286,538 | 112,654 | 740,348 | 146,677 | - | 999,679 | - |
| Interest | 35,691 | 10,406 | 253,733 | 88,660 | - | 352,799 | - |
| Total expenditures | 9,308,263 | 2,984,509 | 3,263,016 | 2,650,556 | 1,243,717 | 10,141,798 | 6,556,123 |
| Excess (deficiency) of revenues over expenditures | 5,394,532 | (301,533) | (66,118) | 431,040 | 18,137 | 81,526 | 268,370 |
| Other financing sources (uses) | | | | | | | |
| Operating transfers in (out), net | (353,530) | - | - | - | - | - | 353,530 |
| Excess of revenues and other financing sources (deficiency) over expenditures and other uses | 5,041,002 | (301,533) | (66,118) | 431,040 | 18,137 | 81,526 | 621,900 |
| FUND BALANCES | | | | | | | |
| Fund balances, beginning of year | 6,139,881 | 451,523 | 3,683,292 | 1,727,075 | 215,886 | 6,077,776 | 787,648 |
| Fund balances, end of year | \$ 11,180,883 | \$ 149,990 | \$ 3,617,174 | \$ 2,158,115 | \$ 234,023 | \$ 6,159,302 | \$ 1,409,548 |

See notes to financial statements.

TOWN OF EAST GREENBUSH, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL AND SPECIAL REVENUE FUND TYPES
Year Ended December 31, 2018

| | General Fund | | | Special Revenue Funds - Highway | | |
|---|---------------------|----------------------|--|---------------------------------|-------------------|--|
| | Modified Budget | Actual | Variance Favorable (Unfavorable) | Modified Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | | | |
| Real property taxes | \$ 4,949,923 | \$ 5,022,990 | \$ 73,067 | \$ 2,345,706 | \$ 2,345,706 | \$ - |
| Sales tax | 2,100,000 | 2,535,023 | 435,023 | - | - | - |
| Departmental income | 790,973 | 3,710,643 | 2,919,670 | - | - | - |
| Intergovernmental charges | 283,500 | 2,022,781 | 1,739,281 | - | - | - |
| Use of money and property | 35,000 | 190,924 | 155,924 | 20,000 | 7,290 | (12,710) |
| Licenses and permits | 14,200 | 11,625 | (2,575) | - | - | - |
| Fines and forfeitures | 260,000 | 264,885 | 4,885 | - | - | - |
| Sale of property and compensation for loss | 33,000 | 76,068 | 43,068 | - | 7,601 | 7,601 |
| Miscellaneous local sources | 93,500 | 365,729 | 272,229 | 38,725 | 63,873 | 25,148 |
| Interfund revenues | - | - | - | 95,000 | 62,108 | (32,892) |
| State aid | 410,383 | 502,127 | 91,744 | 186,000 | 196,398 | 10,398 |
| Total revenues | <u>8,970,479</u> | <u>14,702,795</u> | <u>5,732,316</u> | <u>2,685,431</u> | <u>2,682,976</u> | <u>(2,455)</u> |
| EXPENDITURES | | | | | | |
| General government support | 1,947,500 | 1,622,363 | 325,137 | - | - | - |
| Public safety | 3,065,963 | 3,126,620 | (60,657) | - | - | - |
| Health | 7,004 | 6,905 | 99 | - | - | - |
| Transportation | 200,000 | 185,927 | 14,073 | 1,854,663 | 2,184,144 | (329,481) |
| Economic assistance and opportunity | 7,000 | 4,936 | 2,064 | - | - | - |
| Culture and recreation | 416,226 | 1,032,288 | (616,062) | - | - | - |
| Home and community services | 447,419 | 452,181 | (4,762) | - | - | - |
| Employee benefits | 2,637,136 | 2,554,814 | 82,322 | 707,682 | 677,305 | 30,377 |
| Debt service: | | | | | | |
| Principal | 286,538 | 286,538 | - | 112,654 | 112,654 | - |
| Interest | 35,693 | 35,691 | 2 | 10,432 | 10,406 | 26 |
| Total expenditures | <u>9,050,479</u> | <u>9,308,263</u> | <u>(257,784)</u> | <u>2,685,431</u> | <u>2,984,509</u> | <u>(299,078)</u> |
| Excess (deficiency) of revenues over expenditures | <u>(80,000)</u> | <u>5,394,532</u> | <u>5,474,532</u> | <u>-</u> | <u>(301,533)</u> | <u>(301,533)</u> |
| Other financing uses | | | | | | |
| Operating transfers out, net | - | (353,530) | (353,530) | - | - | - |
| Total other financing uses | <u>-</u> | <u>(353,530)</u> | <u>(353,530)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, beginning of year | <u>6,139,881</u> | <u>6,139,881</u> | <u>-</u> | <u>451,523</u> | <u>451,523</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 6,059,881</u> | <u>\$ 11,180,883</u> | <u>\$ 5,121,002</u> | <u>\$ 451,523</u> | <u>\$ 149,990</u> | <u>\$ (301,533)</u> |

See notes to financial statements.

TOWN OF EAST GREENBUSH, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL AND SPECIAL REVENUE FUND TYPES (CONTINUED)
Year Ended December 31, 2018

| | Special Revenue Funds - Sewer | | | Special Revenue Funds - Water | | |
|---|-------------------------------|---------------------|--|-------------------------------|---------------------|--|
| | Modified Budget | Actual | Variance Favorable (Unfavorable) | Modified Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | | | |
| Real property taxes | \$ 1,134,266 | \$ 1,134,266 | \$ - | \$ 490,820 | \$ 490,820 | \$ - |
| Departmental income | 1,863,245 | 1,627,127 | (236,118) | 2,235,980 | 2,544,645 | 308,665 |
| Use of money and property | - | 63,785 | 63,785 | 6,500 | 32,804 | 26,304 |
| Licenses and permits | - | 2,250 | 2,250 | - | 8,200 | 8,200 |
| Miscellaneous local sources | - | 369,470 | 369,470 | - | 5,127 | 5,127 |
| Interfund revenues | - | - | - | 30,314 | - | (30,314) |
| Total revenues | <u>2,997,511</u> | <u>3,196,898</u> | <u>199,387</u> | <u>2,763,614</u> | <u>3,081,596</u> | <u>317,982</u> |
| EXPENDITURES | | | | | | |
| General government support | - | 1,132 | (1,132) | - | - | - |
| Home and community services | 1,920,902 | 1,959,697 | (38,795) | 2,445,896 | 2,167,552 | 278,344 |
| Employee benefits | 305,873 | 308,106 | (2,233) | 276,079 | 247,667 | 28,412 |
| Debt service: | | | | | | |
| Principal | 740,348 | 740,348 | - | 36,677 | 146,677 | (110,000) |
| Interest | 218,601 | 253,733 | (35,132) | 4,962 | 88,660 | (83,698) |
| Total expenditures | <u>3,185,724</u> | <u>3,263,016</u> | <u>(77,292)</u> | <u>2,763,614</u> | <u>2,650,556</u> | <u>113,058</u> |
| Excess (deficiency) of revenues over expenditures | <u>(188,213)</u> | <u>(66,118)</u> | <u>122,095</u> | <u>-</u> | <u>431,040</u> | <u>431,040</u> |
| Fund balance, beginning of year | <u>3,683,292</u> | <u>3,683,292</u> | <u>-</u> | <u>1,727,075</u> | <u>1,727,075</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 3,495,079</u> | <u>\$ 3,617,174</u> | <u>\$ 122,095</u> | <u>\$ 1,727,075</u> | <u>\$ 2,158,115</u> | <u>\$ 431,040</u> |

See notes to financial statements.

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of East Greenbush, Rensselaer County, New York (the “Town”) was founded in 1855. The Town is governed by County Law, other general laws of the State of New York, and various local laws and ordinances. The Town Board is the legislative body responsible for overall operations. The Town Supervisor serves as chief executive officer and chief fiscal officer.

The Town provides the following basic services: police and law enforcement, fire protection, water and sewer, trash collection, recreation, street maintenance and snow removal, and general administrative services.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standard Board (GASB) as they relate to fund accounting for fiscal accountability. Fiscal accountability is one of the primary objectives of financial reporting and is designed to demonstrate that the actions of the government during the current period have complied with public decisions concerning the raising and spending of public monies during the reporting cycle.

In June 1999, the GASB approved Statement 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments which became effective for the Town for the period ended December 31, 2004. This statement requires the financial statements to include government-wide financial statements on a full accrual basis, in addition to the fund financial information presented by the Town of East Greenbush in these financial statements. It further requires information relating to fixed assets, including infrastructure and depreciation, component units and reconciliation between government-wide and fund statements, as well as management discussion and analysis.

The Town has elected not to implement GASB 34 due to the costs associated with the development and maintenance of the information required to present government-wide financial statements. The accompanying financial statements present the financial position of the general fund, special revenue funds and capital projects fund of the Town of East Greenbush, New York as of December 31, 2018, and the changes in financial position thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended.

(a) Financial Reporting Entity

The financial reporting entity consists of the general fund, the special revenue funds and the capital projects fund of the Town of East Greenbush and does not include any other funds, account groups or component units of the Town.

(b) Basis of Presentation – Fund Accounting

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances (net assets), revenues, and expenditures (expenses). The following fund types are used by the Town:

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Presentation – Fund Accounting (Continued)

GOVERNMENTAL FUND TYPES

Governmental funds are those in which most governmental functions of the Town are reported. The acquisition, use and balances of the Town's expendable financial resources and the related liabilities are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon determination of net income. The following are the Town's governmental fund types:

General Fund – The general fund is the principal operating fund of the Town and accounts for the general tax revenue, miscellaneous receipts not allocated by law or contractual agreement to another fund, risk retention operations, and general operating expenditures. This fund operates within the financial limits of an annual budget adopted by the Town Board.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted for specified purposes. The Town maintains the following special revenue funds:

- Highway Fund - used to account for the operations of the Town's highway and maintenance program.
- Fire Protection Fund - used to fund volunteer fire district operations within the Town.
- Ambulance Fund - used to account for ambulance and emergency medical operations.
- Water Fund - used to report operations of the Town's water treatment and supply facilities that provide drinking water to all Town residents, as well as to certain other local communities outside the Town's boundaries.
- Sewer Fund - used to report operations of the Town's wastewater treatment facilities and sanitary sewer system that is provided to all Town residents.

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 assets for governmental activities. Financing is generally provided from proceeds of bonds, notes, Federal and State grants, and transfers from other governmental funds.

(c) Basis of Accounting

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when they are susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt and compensated absences, are recorded when the liability is incurred, if measurable.

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of Accounting (Continued)

In applying the susceptible-to-accrual concept to State and Federal Aid, the legal and contractual requirements of the individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are generally reflected as revenues at the time of receipt.

The primary non-property tax item is sales tax which is recorded as revenue when it is susceptible to accrual. Fines, permits and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Inter-governmental revenues and interest income are accrued when their receipt occurs within sixty days of the end of the accounting period and such amounts relate to the current period.

(d) Fund Balance Classification

Fund balances are classified as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Board. The Town did not have any committed resources as of December 31, 2018.

Assigned - This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Board or through the Town Board delegating this responsibility to the Town Supervisor through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned - This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property Taxes

Real property taxes are levied annually on January 1. Taxes are collected during the period January 1 to March 31. Taxes for county purposes are levied together with taxes for town and special district purposes as a single bill. The town and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. Unpaid town taxes are turned over to the county for enforcement.

(f) Budgets

The Town's procedures for establishing the budgetary data reflected in the accompanying financial statements are as follows:

- Not later than September 30, the Town Supervisor submits to the Town Clerk a proposed operating budget for the fiscal year commencing the following January 1.
- The Town Clerk submits the proposed budget to the Town Board on or before October 5.
- Public hearings are conducted to obtain taxpayer comments after revisions are made by the Town Board.
- Not later than November 20, the budget is legally enacted through the passage of a legislative resolution.
- Total expenditures for each object may not legally exceed the total appropriations for that object.

The Town Supervisor is authorized to approve all budget transfer requests not exceeding \$500 between the major fund codes within individual departments. Additionally, the Town Supervisor may authorize all budget transfers within major fund codes within individual departments. All other modifications to the budget must be approved by the Town Board.

The budget is developed on the basis generally consistent with the statutory basis required by the New York State Office of the State Comptroller.

(g) Account Groups

Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. An account group is not a "fund." It is concerned only with the measurement of financial position and is not involved with measurement of results of operations and is not included in the financial statements.

General Long-term Debt Account Group - This account group is used to record all long-term debt of the Town, such as compensated absences, installment purchases, and bonds. Information about general long-term debt is discussed in Note 5.

Fixed Asset Account Group - The Town does not maintain information related to cost of fixed assets and the amounts that should be recorded in this account group have not been determined.

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Compensated Absences

The Town employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

Estimated vacation and sick leave and compensatory absences accumulated by governmental fund type employees have been recorded in the general long-term debt account group and are not reflected in these financial statements.

Payment of vacation and sick leave recorded in the general long-term debt account group is dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation and sick leave and compensatory absences when such payment becomes due.

(i) Tax Abatements

The Town follows GASB Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatements agreements to disclose certain information about the agreements. The Town is subject to tax abatements granted by the Rensselaer County Industrial Development Agency (RCIDA). The agreements generally provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT). The Town's revenue under these PILOT agreements was approximately \$551,000 for the year ended December 31, 2018. Property tax revenue for these properties would have been approximately \$922,000 if the properties were taxed at 100% assessed value with the Town recognizing a reduction of approximately \$371,000 in revenue. No additional commitments were made by the Town, other than to abate taxes, as part of these agreements.

(j) Post-Retirement Health Insurance Benefits

In addition to providing pension benefits, the Town provides certain health care benefits for retired employees, their spouses, and certain survivors. All of the Town's employees may become eligible for these benefits if they reach normal retirement age while working for the Town. The Town recognizes the cost of providing healthcare benefits by expensing the annual insurance costs, which were approximately \$1,761,600 for 2018 for both retired and active employees.

(k) Change in Accounting Principle

Effective January 1, 2018, the Town adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement also requires various note disclosures.

Effective January 1, 2018, the Town also adopted GASB Statement No. 85, Omnibus 2017, which amends certain requirements of GASB 75.

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Cash and Cash Equivalents

The Town's investment policies are governed by State statutes. In addition, the Town has its own written investment policy. Town monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The Town Supervisor is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and United States agencies, repurchase agreements, and obligations of New York State or its localities.

All deposits shall be fully secured by insurance of the FDIC or by obligations of New York State, obligations of federal agencies, the principal and interest of which is guaranteed by the United States, or obligations of New York State local governments.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal government. Underlying securities shall be valued to market at periodic intervals by the Town Comptroller or designee.

Cash and equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town.

(m) Interfund Transactions

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

NOTE 2 — CASH AND CASH EQUIVALENTS

Cash and cash equivalents at year-end were entirely covered by federal depository insurance or by collateral held by a third party. The carrying amount of the Town's deposits with financial institutions was \$17,157,196 (including \$1,188,053 held in Trust and Agency funds) and the collected bank balance was \$18,315,304.

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

NOTE 3 — INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of interfund receivables and payables at December 31, 2018:

| <u>Fund</u> | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|------------------|---------------------------------|-------------------------------|
| General | \$ 51,673 | \$ - |
| Capital projects | <u>-</u> | <u>23,775</u> |
| Total | <u>\$ 51,673</u> | <u>\$ 23,775</u> |

The interfund payable balance includes approximately \$27,900 from the Trust and Agency fund.

NOTE 4 — BOND ANTICIPATION NOTES PAYABLE

Bond anticipation notes (BANs) payable are accounted for in the capital projects fund. Debt service expenditures are recorded in the fund that benefited from the capital project financed by the note, e.g. the General Fund and Special Revenue Funds. State law requires that BANs for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, providing that stipulated annual reductions of principal are made. BANs outstanding are comprised of the following at December 31, 2018:

| <u>Project</u> | <u>Original Date Issued</u> | <u>Balance January 1, 2018</u> | <u>Borrowings</u> | <u>Reductions</u> | <u>Balance December 31, 2018</u> |
|------------------------|-------------------------------------|--|-------------------|-------------------|--|
| Sewer | 12/1/1991 | \$ 46,805 | \$ - | \$ 25,250 | \$ 21,555 |
| Park lands | 12/29/2003 | <u>50,000</u> | <u>-</u> | <u>20,000</u> | <u>30,000</u> |
| Total BANs outstanding | | <u>\$ 96,805</u> | <u>\$ -</u> | <u>\$ 45,250</u> | <u>\$ 51,555</u> |

NOTE 5 — LONG-TERM DEBT

As discussed in Note 1, long-term debt of the Town is recorded in the long-term debt account group and is not included in the financial statements. The following describes long-term debt of the Town:

(a) Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2018:

| | <u>Bonds</u> | <u>Capital Leases Payable</u> | <u>Compensated Absences</u> |
|------------------------------|----------------------|---------------------------------------|---------------------------------|
| Payable at January 1, 2018 | \$ 20,800,028 | \$ 63,524 | \$ 1,482,501 |
| Additions | 6,636,000 | - | 96,252 |
| Reductions | <u>(1,203,204)</u> | <u>(37,763)</u> | <u>-</u> |
| Payable at December 31, 2018 | <u>\$ 26,232,824</u> | <u>\$ 25,761</u> | <u>\$ 1,578,753</u> |

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

NOTE 5 — LONG-TERM DEBT (Continued)

(b) Bonds Payable

A summary of the Town's bonds payable at December 31, 2018 is as follows:

| <u>Fund</u> | <u>Purpose</u> | <u>Original Date Issued</u> | <u>Original Amount</u> | <u>Interest Rate (%)</u> | <u>Date Final Maturity</u> | <u>Outstanding</u> |
|-------------|---------------------|-------------------------------------|----------------------------|------------------------------|------------------------------------|----------------------|
| General | Library Const. | 04/11/02 | \$ 3,511,114 | 4.50% | 04/01/20 | \$ 535,000 |
| Water | Improvements | 08/11/06 | 207,300 | 4.75% | 08/10/21 | 41,460 |
| Sewer | EFC Sewer | 06/21/12 | 3,878,000 | 4.98% | 03/16/20 | 609,000 |
| Sewer | EFC Sewer | 09/22/16 | 15,053,098 | 2.98% | 08/01/46 | 14,170,000 |
| General | Equipment | 04/28/17 | 800,000 | 1.46% | 04/27/24 | 685,714 |
| Water | EFC Water | 10/25/17 | 3,665,650 | 3.47% | 02/01/47 | 3,555,650 |
| Water | Water Consolidation | 03/30/18 | 1,316,000 | 3.46% | 03/30/28 | 1,316,000 |
| Sewer | Acquisition RCWSA | 08/08/18 | 5,320,000 | 3.50% | 08/01/46 | 5,320,000 |
| | | | <u>\$ 33,751,162</u> | | | <u>\$ 26,232,824</u> |

(c) Capital Leases Payable

A summary of the Town's capital leases payable at December 31, 2018 is as follows:

| <u>Fund</u> | <u>Purpose</u> | <u>Original Date Issued</u> | <u>Original Amount</u> | <u>Interest Rate (%)</u> | <u>Date Final Maturity</u> | <u>Outstanding</u> |
|-------------|----------------|-------------------------------------|----------------------------|------------------------------|------------------------------------|--------------------|
| General | Police Equip | 03/31/15 | \$ 7,667 | 8.96% | 03/31/19 | \$ 3,999 |
| General | Plow Truck | 10/13/15 | 42,988 | 2.53% | 10/13/19 | 21,762 |
| | | | <u>\$ 50,655</u> | | | <u>\$ 25,761</u> |

(d) Maturities Information

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

| <u>Year Ending Date</u> | <u>Bonds Payable</u> | <u>Capital Leases Payable</u> |
|-------------------------|--------------------------|---------------------------------------|
| 2019 | \$ 1,394,504 | \$ 25,761 |
| 2020 | 1,414,356 | - |
| 2021 | 838,106 | - |
| 2022 | 835,036 | - |
| 2023 | 845,536 | - |
| 2024-2028 | 3,916,536 | - |
| 2029-2033 | 4,154,250 | - |
| 2034-2038 | 4,649,500 | - |
| 2039-2043 | 4,800,000 | - |
| 2044-2047 | 3,385,000 | - |
| Total | <u>\$ 26,232,824</u> | <u>\$ 25,761</u> |

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

NOTE 5 — LONG-TERM DEBT (Continued)

(e) Other Long-term Debt

In addition to the above long-term debt, the Town has long-term debt related to deferred inflows of resources and net pension liability for the pension plans and liability for other postemployment benefits (Note 6 and 7).

NOTE 6 — PENSION PLANS

(a) Plan Description

The Town participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). These are cost-sharing multiple-employer retirement systems. Plan benefits, including retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries are provided under the provisions of the New York State Retirement and Social Security Law and are guaranteed under the State Constitution. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors. Obligations of employers and employees to contribute and benefits provided to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

(b) Funding Policy

No employee contribution is required for those hired prior to July 1976. The System requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined the System from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of compensation throughout their active membership in the System. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Town to the pension accumulation fund. For 2018, the rate was 9.3% - 24.0% for the Town's active employees. Employee contributions are deducted from their salaries and remitted on a current basis to the System.

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

NOTE 6 — PENSION PLANS (Continued)

(b) Funding Policy (Continued)

The Town is required to contribute at an actuarially determined rate. The required contributions for the Systems' fiscal years ending March 31 were:

| | <u>ERS</u> | <u>PFRS</u> |
|------|------------|-------------|
| 2019 | \$ 527,101 | \$ 439,500 |
| 2020 | 518,104 | 439,977 |
| 2021 | 544,262 | 417,338 |

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

(c) Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Pension Liability

At December 31, 2018, the Town's proportionate share of the deferred outflows of resources was approximately \$2,037,000, and its proportionate share of the deferred inflows of resources and net pension liability was approximately \$2,303,000 and \$891,000, respectively. The net pension liability was measured as of March 31, 2018, and the total pension liability was determined by an actuarial valuation as of April 1, 2017, with updated procedures used to roll forward the total pension liability to March 31, 2018. The Town's proportion was based on the ratio of its actuarially determined employer contribution to ERS's and PFRS's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2018 measurement date, the Town's proportions were 0.0121841% and 0.0492234% for ERS and PFRS, respectively.

The Town has an additional deferred outflow of resource of approximately \$962,000 as of December 31, 2018 for employer contributions made subsequent to the measurement date of March 31, 2018.

Deferred outflows of resources is reported in the Long-term Asset Account. Deferred inflows of resources and net pension liability are reported in the General Long-term Debt Account Group.

NOTE 7 — OTHER POSTEMPLOYMENT BENEFITS

The Town follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the recognition, measurement and presentation of retiree health insurance expenses.

(a) Plan Description

The Town provides health insurance coverage and survivors' benefits for retired employees and their survivors. 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 survivors' benefits are provided through a self-insurance program or insurance company contracts with premiums based on the benefits paid during the year. The Town also reimburses retirees for their Medicare Part B premiums. The Town recognizes the cost of providing benefits by recording total costs as expenditures in the General Fund during the year, which are net with the retirees' premium contributions.

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

NOTE 7 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

(b) Funding Policy

The Town contributes sufficient amounts to the plan to satisfy current obligations on a pay-as-you-go basis. Contributions for current premiums for 2018 were approximately \$650,700.

(c) Employees Covered by Benefit Terms

At January 1, 2018, the actuarial valuation date, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 48 |
| Active employees | <u>105</u> |
| | <u>153</u> |

(d) Total OPEB Liability

The Town's total OPEB liability of \$29,465,008 was measured as of December 31, 2018 and determined by actuarial valuation as of January 1, 2018.

(e) Actuarial Assumptions and Other Inputs

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. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs (if any) 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.

The Town's total OPEB liability, as of December 31, 2018, was measured as of December 31, 2018, and was determined by an actuarial valuation as of January 1, 2018, with update procedures used to roll forward the liability to December 31, 2018. The following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Discount rate as of January 1, 2018 – 3.44%

Discount rate as of December 31, 2018 – 4.10%

Healthcare cost trend rates – 5.27% for 2018 and 9.50% for 2019 (decreasing to an ultimate rate of 5.00% by 2028)

The discount rate was based on the Bond Buyer General Obligation 20-year municipal bond index.

Mortality rates were based on the Society of Actuaries' RP-2014 Total Dataset Mortality with Scale MP-2017 (Base Year 2006) mortality tables.

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

NOTE 7 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

(f) Changes in the Total OPEB Liability

Changes in the total OPEB liability were as follows:

| | Total OPEB Liability |
|--|---------------------------------|
| Balance at January 1, 2018 | \$ 31,321,671 |
| Changes for the year: | |
| Service cost | 1,351,057 |
| Interest | 1,066,275 |
| Changes of assumptions or other inputs | (3,623,375) |
| Benefit payments | (650,620) |
| Net changes | <u>(1,856,663)</u> |
| Balance at December 31, 2018 | <u>\$ 29,465,008</u> |

(g) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

| | 1.0% Decrease (3.10%) | Discount Rate (4.10%) | 1.0% Increase (5.10%) |
|----------------------|----------------------------------|----------------------------------|----------------------------------|
| Total OPEB Liability | <u>\$ 34,094,000</u> | <u>\$ 29,465,008</u> | <u>\$ 25,966,306</u> |

(h) Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

| | 1.0% Decrease (4.27% decreasing to 4%) | Discount Rate (5.27% decreasing to 5%) | 1.0% Increase (6.27% decreasing to 6%) |
|----------------------|---|---|---|
| Total OPEB Liability | <u>\$ 24,409,278</u> | <u>\$ 29,465,008</u> | <u>\$ 36,113,529</u> |

(i) OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Town recognized OPEB expense of \$3,160,135. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

NOTE 7 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

(i) OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB (Continued)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 4,829,188 |
| Changes of assumptions or other inputs | - | 28,747 |
| Total | <u>\$ -</u> | <u>\$ 4,857,935</u> |

Amount reported as deferred inflows of resources will be recognized in OPEB expense as follows:

| Year Ended December 31, | Deferred Inflows of Resources |
|--|--|
| 2019 | \$ 742,803 |
| 2020 | 742,803 |
| 2021 | 742,803 |
| 2022 | 742,803 |
| 2023 | 742,803 |
| Thereafter | 1,143,920 |
| | <u>\$ 4,857,935</u> |

NOTE 8 — COMMITMENTS AND CONTINGENCIES

(a) Lawsuits

The Town is subject to various lawsuits arising in the ordinary course of the Town's operations. The Town believes, however, that such lawsuits, individually or in the aggregate, are unlikely to have a material adverse effect on the financial condition of the Town, and that the Town's general liability insurance would cover any potential loss after deductible.

(b) Tax Certiorari Litigation

The Town is a party to various tax assessment challenges which are being vigorously defended by the Town. In the event that any refund of property taxes is awarded, the portions assigned to the Town would be paid by the County and would subsequently be charged against the Town's property tax share from the County in the following fiscal year. Management believes that any tax assessment challenges would have no material impact on the Town's financial statements for the year ended December 31, 2018.

(c) Grant Programs

The Town participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The Town believes, based upon its review of current activity and prior experience, that the amount of disallowances resulting from these audits, if any, will not be significant to the Town's financial position or results of operations.

ADDITIONAL REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Supervisor and Members of the Town Board
Town of East Greenbush, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the general fund, special revenue funds, and capital projects fund of the Town of East Greenbush, New York, as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated July 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of East Greenbush'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of East Greenbush's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of East Greenbush's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described as follows, that we consider to be significant deficiencies.

- (1) The Town Clerk's trust and agency cash accounts were not reconciled and reported on a timely basis. The Town Comptroller was unable to determine if the Town Clerk was receiving, reporting, depositing, disbursing and reporting all money owed to the Town. As a result, misstatements may occur and not be prevented or detected and corrected on a timely basis. We recommend the Town Clerk reconcile bank accounts to the accounting records on a monthly basis, and reconcile the amounts collected with what is owed to various parties on a monthly basis. Additionally, we recommend the Town Clerk remit all collected fees to the Town and other appropriate parties in a timely manner.

Management's response: While the Town Comptroller has assisted the Town Clerk to improve reporting, completeness and timeliness are still a work in progress. All months of 2018 have been reported for cash to the Town by the Town Clerk. However continued reconciliation of excess funds required an additional makeup payment for 2018. Also it was discovered that payments to NYS had not been made for current and prior years and those payments are now being processed. These processes will be completed by July 2019.

- (2) Certain balance sheet accounts reconciliation were not performed in a timely manner. The Town should adopt a policy requiring monthly reconciliation of all balance sheet accounts to their detailed supporting schedules in order to ensure the accuracy of the accounting records in a timely manner. If reconciliations are performed infrequently, errors and adjustments can occur, resulting in the need for significant corrections when the reconciliations are performed. Additionally, we recommend that any reconciling differences be corrected before the books are closed for the month end.

Management's response: The Town's Comptroller is adopting a monthly close process requiring reconciliation of all balance sheet accounts to their detailed reporting schedules in order to ensure the accuracy of the accounting records in a timely manner. Recording entries will be posted before month end closing. This process will be in place by August 2019.

Compliance and Other Matters

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

Town of East Greenbush, New York's Response to Findings

Town of East Greenbush, New York's response to the findings identified in our audit is described previously. Town of East Greenbush, New York's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Albany, New York
July 9, 2019