

Town of Walkill, New York

Financial Statements And
Supplementary Information

Year Ended December 31, 2017

Town of Walkill, New York

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Independent Auditors' Report

**The Honorable Supervisor and the Town Board
of the Town of Wallkill, New York**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Wallkill Industrial Development Agency (a component unit) for the year ended December 31, 2017, which represents 15.3%, 15.1% and 99.4% respectively of the assets, net position and revenues of the component units. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such component unit, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General, Highway and Special Districts funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the schedules included under Required Supplementary Information in the accompanying table of contents 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.

Supplementary and Other Information

Our audit for the year ended December 31, 2017 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* for the year ended December 31, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2017 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2017.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town as of and for the year ended December 31, 2016 (not presented herein), and have issued our report thereon dated September 13, 2017, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information. The combining and individual fund financial statements and schedules for the year ended December 31, 2016 are presented for purposes of additional analysis and are not a

required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 2016 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those 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 basic financial statements as a whole for the year ended December 31, 2016.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

December 6, 2018

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Town of Wallkill, New York
Management's Discussion and Analysis (MD&A)
December 31, 2017

Introduction

The management of the Town of Wallkill, New York ("Town") presents this discussion and analysis to provide an overview of the Town's financial activities for the fiscal year ended December 31, 2017. This information focuses on current activities and resulting changes, and should be read in conjunction with the basic financial statements that immediately follow this section to enhance understanding of the Town's financial performance.

Financial Highlights for Fiscal Year 2017

- Through sound financial practices, the Town has continued to maintain Standard and Poor's AA bond rating in 2017. This is a reflection of the town's healthy fund balance, stable employment base, growth of assessed valuations and a strong projection for future years.
- The Town of Wallkill continues to report information required by GASB Statement No. 77, "Tax Abatement Disclosures". A tax abatement is an agreement for a specified period of time between the taxing entity and a property owner agreeing to reduce taxes if certain conditions are met, such as providing housing in a certain area, relocating a business to a certain area, requiring a business to provide a certain number of jobs, etc. The purpose is to stimulate the economy, and generally, over time the amount paid will be increased until it reaches the full taxable amount for the property. This new statement provides financial statement users with essential information regarding the type and amount of reductions in tax revenues through abatement agreements, allowing the user to assess the effects of these reductions on the overall financial position of the entity. The detailed information regarding the Town of Wallkill tax abatements can be found in Note 5 of the Notes to the Financial Statements.

Government-Wide Financial Statements:

- The Town's Governmental Activities assets and deferred outflows of resources exceeded the liabilities and deferred inflows by \$20.6 million (net position).
- Governmental activities reflected an increase of approximately \$2.1 million from the previous year. There was a net increase in capital assets of \$4 million, there were fewer new capital project expenses added to Construction in Progress, while \$4.3 million in capital projects was completed and capitalized. This increase in assets was offset by a decrease of \$1.9 million in long-term liabilities, primarily due to payments of principal and the fact that no new long term debt was issued.

The completion of projects also increased the Investment in Net Assets with a corresponding decrease in the Unrestricted Cash.

- Business-type activities, the Town of Wallkill Golf Course, showed a decrease in net position of \$146,919, for a total net deficit of \$622,633. This variance is mostly reflected in a decrease in cash. It is important to note that, since 2015, the golf course has been managed by an outside entity, with a contracted annual payment to the Town.

Fund Financial Statements:

- The Town’s governmental funds ended 2017 with a total fund balance of \$23.5 million, exclusive of the Capital Projects Fund. Of this amount, \$1.9 million was restricted, assigned fund balance was \$14.0 million (primarily because of the Special Revenue funds, these include the Sewer and Water Funds), and \$6.5 million was the unassigned fund balance in the General Fund. The \$1,050,000 committed by the Town Board in 2016 was for the General and Highway Funds for health, retirement and tax certiorari excesses was not utilized in 2017.
- The Town’s total outstanding debt at year end was approximately \$23.3 million, \$18.4 million in bonds, \$2.3 million in loans payable and \$2.6 in bond anticipation notes (“BAN”) as of December 31, 2017. The most significant change here is the issuance of \$2.6 million in new bond anticipation notes. These notes were for costs of the Braeside Water Project (\$1.6 million), Lorelei Water District and the purchase of highway equipment and town vehicles.

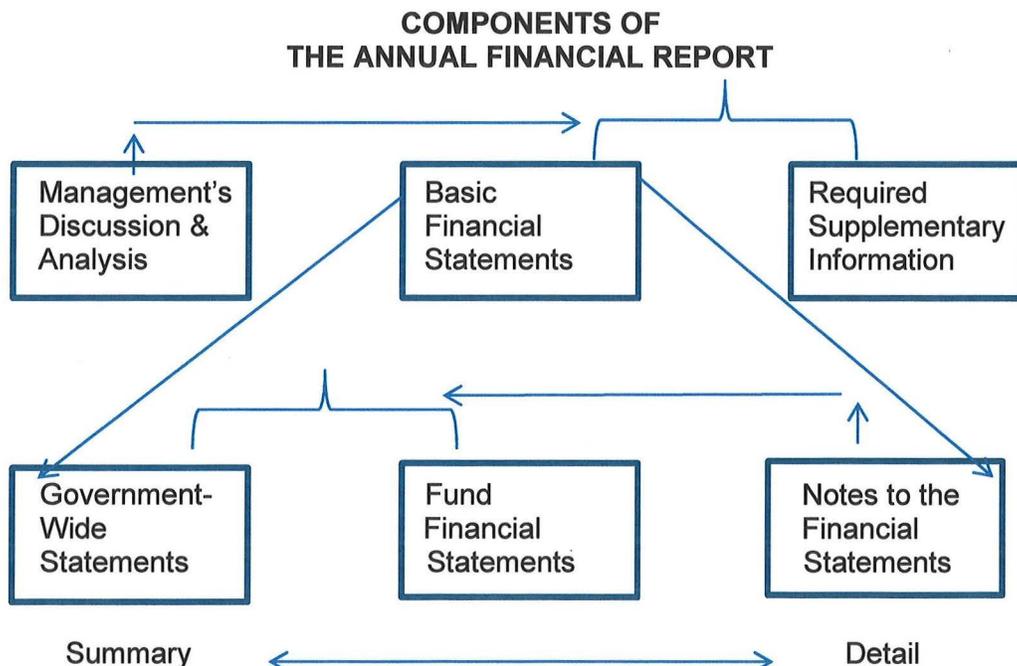
Using This Annual Report

This annual report consists of a series of financial statements that are shown in detail in the section that follows this MD&A.

The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole, and over time, information for a longer-term view of the Town’s finances. These statements show how governmental activities were financed in the short term, as well as what remains for future spending.

Fund financial statements are presented with more detail regarding the major operating funds of the Town. Fiduciary funds also are shown; these are the Agency Funds.

The notes provide additional information that is essential to a full understanding of the data provided in government-wide and fund financial statements. Additional statements and schedules can be found immediately following the notes to the financial statements. These include: Required Supplementary Information regarding OPEB and pensions, comparative balance sheets, budget to actual comparisons and statements for the non-major governmental funds.



Reporting on the Town as a Whole

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with an overview of the Town's finances, in a manner similar to a private-sector business, including assets not included in fund financial statements, such as infrastructure.

The *Statement of Net Position and the Statement of Activities* best summarize the Town's finances as a whole. They include all assets and liabilities using the accrual basis of accounting. All of the Town's current year revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. Increases or decreases in net position indicate whether the financial position of the Town is improving or deteriorating. In both statements, the activities of the Town are divided into three types:

- ❖ **Governmental activities** - Most of the Town's basic services are shown here including police, highway, water, sewer, parks, land use, and support agencies. Property taxes, non-property tax items, state aid and charges for services are the primary sources of revenue for these activities.
- ❖ **Business-type activities** - The Town's golf course is intended to be completely self-sufficient and does not receive taxes. As it is now management by an outside entity, the revenue source is the contracted annual payment to the town from the management company.
- ❖ **Component units** - The Town of Walkkill Housing Authority and Town of Walkkill IDA are separate legal entities from the Town, but the Town ultimately is financially accountable for them.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The Town, like other state and local governments, uses fund accounting in order to comply with established financial and legal requirements. Maintaining separate funds allows for control over resources that are segregated for a specific purpose. The Town's three types of funds- governmental, proprietary and fiduciary – are maintained in accordance with Generally Accepted Accounting Principles.

Governmental funds - Most of the basic services provided by the Town are financed and accounted for through governmental funds. Financial statements of a governmental fund focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily 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 is useful in determining the Town's financial requirements for subsequent fiscal periods.

Proprietary funds - These funds are used to show activities that operate similar to private business enterprises. Because these funds charge fees for services provided, they are known as proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's Enterprise Fund (a component of proprietary funds) is reported the same way as the business-type activities we report in the government-wide statements but provide more detail here.

Fiduciary funds - This fund category is used to account for funds held by the Town on behalf of others, including those related to payroll withholdings.

The Town as Trustee

Reporting the Town's Fiduciary Responsibilities

The Town is the trustee over assets that can only be used for the purposes specified in the trust agreement. All of the Town's fiduciary activities are reported in a separate Statement of Assets and Liabilities - Fiduciary Fund. These activities are excluded from the Town's other financial statements because these funds are not available to support the Town's operations. The Town is responsible for ensuring that the assets reported in the funds are used for their intended purposes.

Government-Wide Financial Analysis

As mentioned earlier, changes in net position over time may be used to determine the Town's outlook and financial position. At the end of 2017, the net position was \$20 million, an increase of \$2 million. Of this amount, \$20.6 million was the net position of governmental activities and a negative \$622,633 was the net position of business-type activities - the Town of Walkill Golf Course.

Total assets of the Primary Government, Governmental and Business Activities were \$73.6 million at the end of 2017, with capital assets, net of depreciation, accounting for \$46.1 million of this amount. Capital assets included infrastructure of \$9.8 million. An additional \$3.6 million was land, which is not depreciated. The overall total of capital assets increased by approximately \$4 million. The notable variance in depreciated capital assets is the increase in Improvements, due to completion of capital projects.

The values of capital assets are based on historical costs. The Town uses these capital assets to provide services to residents, and these assets are not liquid, and therefore available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt.

Current assets of Governmental Activities totaled \$27.4 million and consisted primarily of \$22.2 million in cash and equivalents and \$5.2 million in receivables. Assets have increased by approximately \$4.7 million, primarily in the depreciated capital assets category. The completed capital projects include a Sewer Bar Screen Improvement, Bridge Repairs, Woodland Acres Water Improvements, and Consolidated District Water Improvements. The receivables also increased by about \$500,000, primarily in State and Federal aid, and water/sewer rents. The town receivables include a Park & Ride Aid, Federal Dial-A-Bus Aid, sales tax and NY Rising Aid for Drainage and Solar Traffic Light projects.

Total liabilities are \$54.2 million with bonds outstanding of \$18.4 million, bond anticipation notes of \$2.6 million and capital leases payable of \$95,339. The decrease in capital leases is due to the pay-down of principal and the fact that the town purchased several vehicles using cash instead of financing.

The slight increase in liabilities of approximately \$453,000 resulted from the pay-down of bond principal, offset by increases in accounts payable and accrued liabilities, related to payroll.

Other long-term liabilities of the Town include compensated absences of \$783,000 and other post-employment benefit obligations of \$22.3 million. As of the date of this report, GASB does not require that the OPEB liability of a government to be funded. In fact, NYS GML, Section 6-p does not permit a municipality to set aside funds for the OPEB liability. However, GASB Statement No. 75 does require that the Town report the full amount of its net pension liability.

**Net Position
December 31, 2017**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current Assets	\$ 27,480,333	\$ 26,704,044	\$ 74,827	\$ 263,759	\$ 27,555,160	\$ 26,967,803
Capital Assets, Net	44,550,868	40,604,108	1,570,878	1,599,341	46,121,746	42,203,449
Total Assets	\$ 72,031,201	\$ 67,308,152	\$ 1,645,705	\$ 1,863,100	\$ 73,676,906	\$ 69,171,252
Deferred Outflows of Resources	\$ 3,837,433	\$ 6,876,959	\$ -	\$ -	\$ 3,837,433	\$ 6,876,959
Current Liabilities	6,541,053	5,123,478	224,882	270,773	6,765,935	5,394,251
Long Term Liabilities	47,649,012	49,519,762	2,043,456	2,068,041	49,692,468	51,587,803
Total Liabilities	\$ 54,190,065	\$ 54,643,240	\$ 2,268,338	\$ 2,338,814	\$ 56,458,403	\$ 56,982,054
Deferred Inflows of Resources	\$ 1,051,414	\$ 1,092,447	\$ -	\$ -	\$ 1,051,414	\$ 1,092,447
Net Position						
Net investment in						
Capital Assets	21,586,684	18,930,534	1,535,638	1,530,413	23,122,322	20,460,947
Restricted	1,930,876	11,469,453	-	-	1,930,876	11,469,453
Unrestricted	(2,890,405)	(11,950,563)	(2,158,271)	(2,006,127)	(5,048,676)	(13,956,690)
Total Net Position	\$ 20,627,155	\$ 18,449,424	\$ (622,633)	\$ (475,714)	\$ 20,004,522	\$ 17,973,710

When subtracting liabilities from assets, and taking into account the deferred outflows/inflows of resources related to pension funds, the resulting net position of Governmental and Business Type Activities is \$20 million. This consists of \$23.1 million net investment in capital assets, \$1.9 million in restricted assets, and (\$5.0) million in unrestricted funds. The latter includes capital projects for which long term debt has not been issued as well as the cumulative deficits of the Town's golf course. The restricted assets include \$10.22 million for special revenue funds, \$1.38 million for future capital projects and \$321,171 for parklands.

Statement of Activities

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes are reported as soon as the change occurs, regardless of the timing of the related cash flows. The Town's activities are all shown on an accrual basis rather than the modified approach that is traditional in governmental fund financial statements.

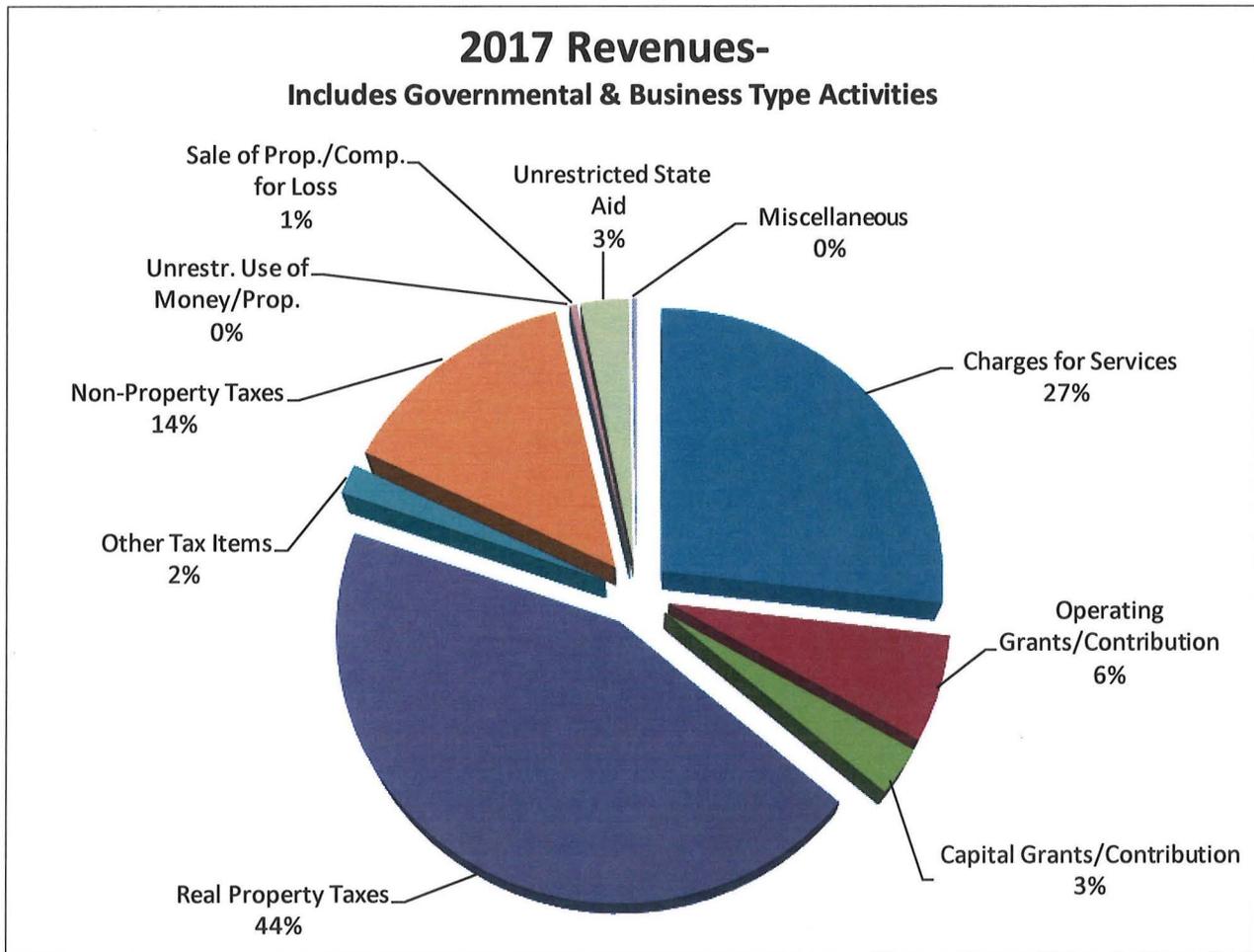
	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for Services	\$ 8,125,154	\$ 8,277,826	\$ 227,212	\$ 422,617	\$ 8,352,366	\$ 8,700,443
Operating Grants and Contributions	1,968,385	1,657,096	12,766	39,376	1,981,151	1,696,472
Capital Grants and Contributions	919,634	932,468	-	-	919,634	932,468
State Aid						
General Revenues						
Real Property Taxes	13,706,023	12,508,856	-	-	13,706,023	12,508,856
Other Tax Items	554,031	1,429,084	-	-	554,031	1,429,084
Non-Property Taxes	4,447,036	4,229,874	-	-	4,447,036	4,229,874
Unrestricted Use of Money and Property	11,956	11,177	75	-	12,031	11,177
Sale of Property and Compensation for Loss	130,681	140,758	-	-	130,681	140,758
Unrestricted State Aid	890,507	808,378	-	-	890,507	808,378
Miscellaneous	86,267	90,448	-	-	86,267	90,448
Total Revenues	30,839,674	30,085,965	240,053	461,993	31,079,727	30,547,958
Program Expenses						
General Government Support	4,254,179	3,146,082	-	-	4,254,179	3,146,082
Public Safety	8,050,371	9,137,084	-	-	8,050,371	9,137,084
Health	1,204	2,239	-	-	1,204	2,239
Transportation	7,772,488	7,591,193	-	-	7,772,488	7,591,193
Economic Opportunity and Development	7,900	9,333	-	-	7,900	9,333
Culture and Recreation	2,004,075	1,518,589	-	-	2,004,075	1,518,589
Home and Community Services	7,471,676	6,587,387	-	-	7,471,676	6,587,387
Interest	750,057	505,687	-	-	750,057	505,687
Golf Course	-	-	386,972	516,681	386,972	516,681
Total Expenses	30,311,950	28,497,594	386,972	516,681	30,698,922	29,014,275
Change in Net Position	527,724	1,588,371	(146,919)	(54,688)	380,805	1,533,683
NET POSITION						
Beginning (as reported)	18,449,424	16,861,053	(475,714)	(421,026)	17,973,710	16,440,027
Prior period adjustment	1,650,007	-	-	-	1,650,007	-
Beginning (as restated)	20,099,431	16,861,053	(475,714)	(421,026)	19,623,717	16,440,027
Ending	\$ 20,627,155	\$ 18,449,424	\$ (622,633)	\$ (475,714)	\$ 20,004,522	\$ 17,973,710

REVENUES

The Town's revenues increased slightly, by 1.7%, to a total of \$31 million. Real property taxes made up \$13.7 million of this amount or 44%. Charges for services were \$8.35 million or 27%, made up of building, recreation and water/sewer charges. Non-property tax items (sales tax) were \$4.4 million, or 14%. Operating grants and contributions were \$1.98 million, or 6%.

The \$531,769 increase in revenue is reflected in the increased amount of real property tax and sales tax collected in the period.

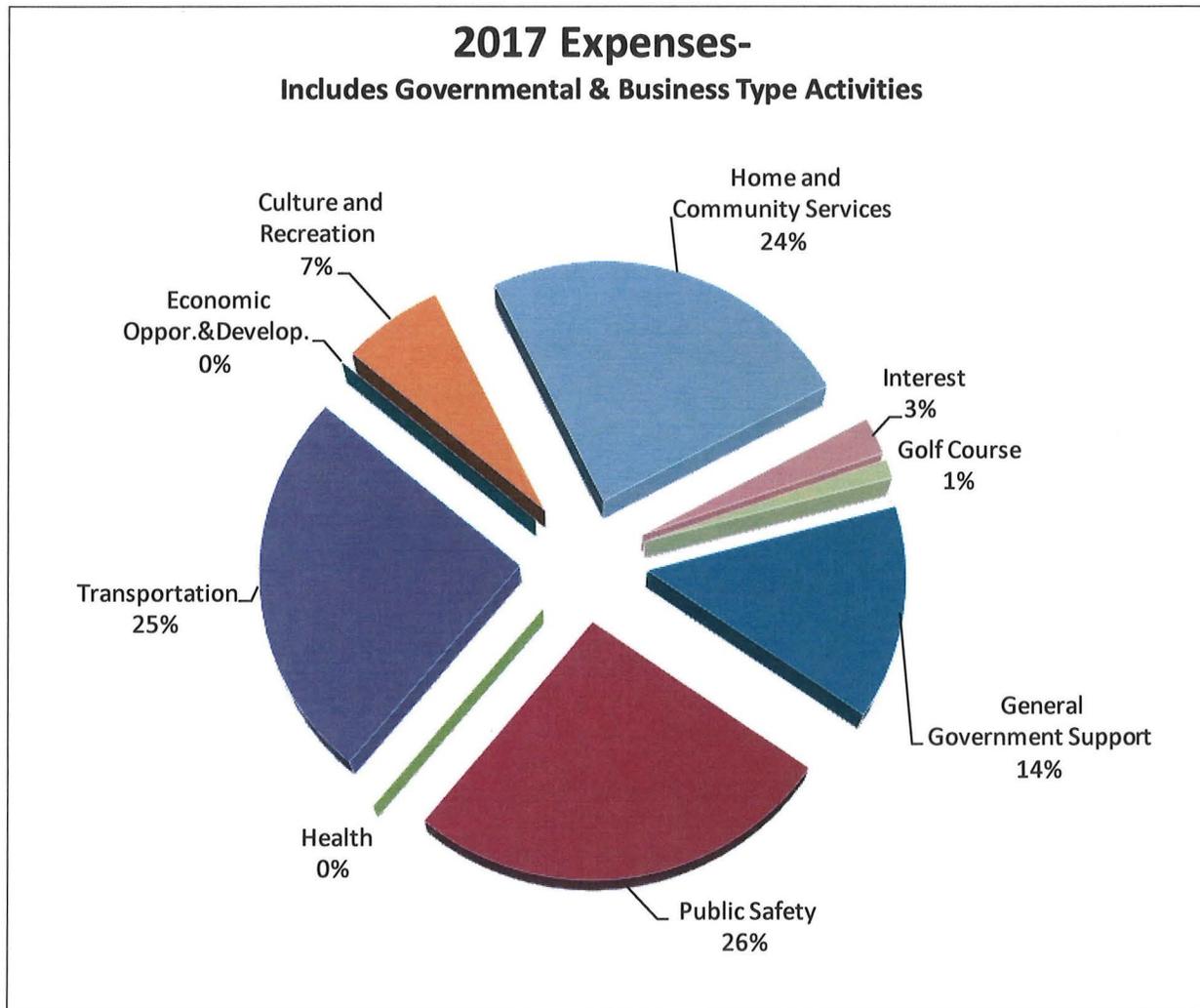
The graph below reflects the breakdown of town revenues by type, real property taxes being the largest component, followed by charges for services, non-property taxes (sales tax), and the remaining smaller items.



EXPENSES

Program expenses totaled \$30.7 million, with public safety accounting for the largest portion of that at \$8 million, or 26%. Transportation expenses, consisting of the Highway Department and Dial-A-Bus services, were the next largest at \$7.7 million, or 25%. Home and community services were \$7.5 million or 24%. Water and sewer service costs account for the majority of the latter amount.

The resulting change in total net position in 2017 was a \$2.1million increase, reflected in the Governmental Activities. This was offset by a slight decrease in Business Type Activities of \$147,000, due to the Golf Course. There was a reduction in the revenues received for services.



Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund Balance Reporting

GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", in February 2009. The requirements of GASB Statement No. 54 became effective for financial statements for the Town's fiscal period ending December 31, 2011. GASB Statement 54 abandoned the reserved and unreserved classifications of fund balance and replaced them with five new classifications: non-spendable, restricted, committed, assigned and unassigned. An explanation of these classifications follows below.

Non-spendable - consists of assets that are inherently non-spendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted - consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed - consists of amounts that are subject to purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint.

Assigned - consists of 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 body or 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.

Unassigned - represents the residual classification for the government's 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 balance resulting from overspending for specific purposes for which amounts had been restricted had been restricted, committed, or assigned.

These changes were made to reflect spending constraints on resources, rather than the availability for appropriations and to bring greater clarity and consistency to fund balance reporting. This pronouncement should result in an improvement in the usefulness of fund balance information.

Governmental Fund Highlights

The New York State Comptroller's Office requires the local governments use fund accounting, which is consistent with Governmental Accounting Standards Board, and that only the minimum number of funds required by law and operating requirements should be maintained.

The major operating funds of the Town of Wallkill are the General Fund, Highway Fund and the Special Districts Fund. The Special Districts Fund includes the major funds of the: Consolidated Sewer Fund, the Consolidated Water Fund and the Lorelei Water Fund. It also includes Drainage Funds, Lighting Funds and a Road Improvement Fund, more minor funds for the Town.

The table below shows the Town of Walkkill's selected governmental operating funds including revenues, expenditures and changes in fund balances for the year ending December 31, 2017.

Total revenue for governmental funds was \$28.5 million. Expenditures were \$26.6 million. These both increased from the prior year and reflect an excess of \$1.96 million of revenue over expense. Expenses increased by approximately \$1 million, major variances showing in the health insurance, solar farm, and recreation administration. These variances were offset by revenues in excess of the budgeted amounts for sales tax, mortgage tax, building permits, inspection fees and rental of property to result in the year end increase in fund balance.

Of the total \$22.1 million fund balance for the governmental funds excluding the Capital Projects Fund, \$1.4 million is restricted. The assigned and unassigned portions of fund balance are \$13.1 million and \$6.7 million, respectively. The committed funds for health, retirement and/or tax certioraris total \$1,050,000.

**Selected Governmental Operating Funds in 2017
Revenues, Expenditures and Changes in Fund Balance**

	2017					Total	2016 Total
	General	Highway	Consolidated Sewer	Consolidated Water	Lorelei Water		
Revenues							
Property Taxes, Other Tax Items and Departmental Income	\$ 11,843,547	\$ 4,726,121	\$ 3,606,139	\$ 3,276,585	\$ 36,357	\$ 23,488,749	\$ 22,851,463
Other Revenues	3,944,827	1,020,260	29,571	29,694	5,063	5,029,415	5,067,119
Total Revenues	15,788,374	5,746,381	3,635,710	3,306,279	41,420	28,518,164	27,918,582
Expenditures	14,809,571	5,816,864	2,965,020	2,955,864	11,926	26,559,245	25,604,349
Revenues Net of Expenditures	978,803	(70,483)	670,690	350,415	29,494	1,958,919	2,314,233
Other Financing Sources							
Sale of Real Property	23,740	-	-	-	-	23,740	24,979
Insurance Recoveries	100,775	-	-	-	-	100,775	101,749
Transfers In	115,000	139,753	-	-	-	254,753	62,189
Transfers Out	(132,429)	(119,793)	(25,000)	-	(25,000)	(302,222)	(4,462,314)
Total Other Financing Sources (Uses)	107,086	19,960	(25,000)	-	(25,000)	77,046	(4,273,397)
Net Changes in Fund Balances	1,085,889	(50,523)	645,690	350,415	4,494	2,035,965	(1,959,164)
Beginning Fund Balances	6,873,402	2,954,070	5,374,021	4,788,699	44,693	20,034,885	21,994,049
Ending Fund Balances	\$ 7,959,291	\$ 2,903,547	\$ 6,019,711	\$ 5,139,114	\$ 49,187	\$ 22,070,850	\$ 20,034,885
Fund Balance By Type							
Restricted	587,950	278,732	288,705	239,883	-	1,395,270	1,127,473
Committed	750,000	300,000	-	-	-	1,050,000	1,050,000
Assigned	92,486	2,324,815	5,731,006	4,899,231	49,187	13,096,725	12,334,404
Unassigned	6,528,855	-	-	-	-	6,528,855	5,523,008
Total Fund Balance	\$ 7,959,291	\$ 2,903,547	\$ 6,019,711	\$ 5,139,114	\$ 49,187	\$ 22,070,850	\$ 20,034,885

General Fund

The Town of Walkill's General Fund consists of revenues and expenditures for town-wide services including general government support, public safety and parks and recreation. Revenues consist of property taxes, mortgage tax revenue (classified as State aid), fees from building inspector and park activities, fines and interfund revenues for other fund's share of general government support, and other departmental income.

Total General Fund revenues were \$15.8 million in 2017 and expenditures totaled \$14.8 million.

The Town's General Fund ended 2017 with a fund balance of approximately \$8.0 million. This is an increase of \$1.1 million. Revenues were higher than in 2016, at \$15.8. This was a result of increases in sales tax, mortgage tax, building permit and inspection fees, and fees for rental of property collected. It is also due to the fact that the Town budgets conservatively, even regarding sales tax and mortgage tax.

The expenditures were \$14.8 million, slightly under the final budget and decreased slightly from the prior year. While general government support and public safety decreased due to fewer expenses in attorneys and police expenses, there were counteracted by increases in the culture, recreation, home/community and employee benefits expenses in 2017. The major factors in these increases are higher recreation administration costs, solar farm expenses and employee benefits.

Fund balance increased from a beginning level of \$6.873 million to an ending level of \$7.959 million. This amount is comprised of \$750,000 in committed funds, \$587,950 in restricted funds, \$92,486 in assigned funds and an unassigned fund balance is \$6.5 million.

Highway Fund

The Highway Fund provides Town-wide and Part-town Highway services as set by New York State Highway law. Town-wide services consist of snow removal, brush and weed control, highway equipment and machinery costs. Part-town services include road maintenance with road re-surfacing as a major component.

Property taxes and payments in lieu of tax accounted for 84% of Highway Fund revenues in 2017. Other revenues are mainly intergovernmental charges for sale of fuel and state/federal aid.

On the State aid level, the town received \$497,426 for the Consolidated Highway Aid Program, an increase over 2016. This is due to additional Pave NY funds allocated to the Town, and additional funding received for Extreme Winter Recovery.

The Highway budget reflects a \$50,000 decrease in fund balance, for a total of \$2.903 million as of December 31, 2017. Revenues came in over the budgeted amount, due to intergovernmental charges for fuel and State aid for highway. Although expenses came in under the final budget amount, they were in excess of revenues. The additional expenses relate primarily to employee benefits and payments on new debt issued in 2016 for highway equipment and bridge projects.

Enterprise Fund

As part of the 2015 adopted budget, the Supervisor and the Town Board agreed to privatize the golf course management. The Walkill Golf and Hospitality group has been managing the Golf Course since April of 2015. They pay a contractual fee to the Town each year, which was \$90,405 for 2017. The management company is also responsible for the full employment cost of the town employee at the course and reimburses that to the town on a quarterly basis, along with reimbursement for any other expenses paid by the town on their behalf.

Enterprise Fund (cont'd)

The fund reflects a decrease of approximately \$147,000 in net position as of December 31, 2017. This is caused by the decrease in cash of approximately \$126,000 (due to lower fees received for services) and a \$62,000 decrease in receivables, both offset slightly by liabilities of amounts due to other funds.

Consolidated Sewer Fund

The Town's sewer system is composed of seventy miles of sewer pipe, thirteen pumping stations, and a treatment plant that has a capacity of 4 million gallons of sewage per day.

Usage charges and Special Assessment billing account for 99.2% of revenue. The usage rate for 2017 was at \$2.90/thousand gallons. This rate has not been increased for several years.

Fund balance increased from a beginning level of \$5.37 million to an ending level of \$6.02 million. There was approximately \$646,000 returned to fund balance in 2017, as opposed to the \$595,000 decrease in fund balance shown in 2016. There was less of an excess of revenue over expense in 2017, \$670,000, not \$1,170,000, but there was an insignificant amount of transfers out in 2017, allowing the fund balance to increase this year. Revenues were slightly down and expenses were up about \$450,000. This increase is partially due to a cash purchase of a large sewer jet machine.

This fund balance is primarily comprised of assigned funds. The restricted amount increased to \$288,705 due to budgeting for a sewer cash reserve for capital projects, which in the past was used to pay for the Sewer Bar Screen project without creating new debt.

Consolidated Water Fund

The Town's water system is composed of eighty miles of pipe and ten water pumping stations.

Usage charges and special assessment billing account for 99.1% of revenue. The usage rate for 2017 was at \$2.50/thousand gallons water used. The water rate per gallon increased 4% since 2016.

Fund balance increased from a beginning level of \$4.8 million to an ending level of \$5.1 million. This balance includes a small restricted amount of \$239,000 and the remainder is assigned. The excess of revenue over expense of \$350,415 is similar to 2016's excess, but there are no transfers out that ultimately reduced the 2016 fund balance. The 2016 transfer out was a pay-down of approximately half of a BAN, to reduce the amount financed long term.

Lorelei Water Fund

In 2014, the Town Board established a new district with water services only. The district is comprised of approximately 42 residences and the rates are the same as established for the Consolidated Water Fund in 2016, at \$2.50/thousand gallons used. This rate per gallon increased 4% from the 2016 rate. The district experienced an increase in fund balance in 2017.

Arfman Tract Water & Arfman Tract Sewer Funds

This fund includes certain properties that are in the Town of Walkill, but receive water and sewer services from the City of Middletown. Services are billed by the Town of Walkill based on readings provided by the City of Middletown, and the revenues are paid in full to the city at the time of billing.

Component Units

The Town of Walkkill includes the Town of Walkkill Industrial Development Agency and the Town of Walkkill Housing Authority as component units.

Industrial Development Agency:

The net position of the Agency increased to \$133,258 as of December 31, 2017, up by \$71,760 from 2016. This increase is reflective of the Agency's "income" for 2017. The increase in revenue is less than the previous year, due to reclassification of a PILOT to Town of Walkkill, not the Town of Walkkill IDA. Expenses also decreased; there were fewer administrative fees in 2017.

Housing Authority:

The net position of the Housing Authority as of December 31, 2017 is \$747,482. This is a very slight increase over the net position at year-end in 2016. The increase is interest on bank deposits. At this point, there is no activity taking place in this Housing Authority.

Capital Assets and Debt Administration

The Town of Walkkill's capital assets had values, net of accumulated depreciation, of \$46.1 million at the end of 2017.

The following table shows the components of the capital assets for governmental and business-type activities.

Capital Assets December 31, 2016 (Net of accumulated depreciation)

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,807,606	\$ 2,747,606	\$ 794,134	\$ 794,134	\$ 3,601,740	\$ 3,541,740
Improvements	8,616,139	1,810,667	-	-	8,616,139	1,810,667
Buildings & Improvements	14,138,809	14,898,139	726,667	759,000	14,865,476	15,657,139
Machinery & Equipment	2,731,310	3,097,309	50,077	46,207	2,781,387	3,143,516
Infrastructure	9,768,619	10,340,327	-	-	9,768,619	10,340,327
Construction-In-Progress	6,488,385	7,710,060	-	-	6,488,385	7,710,060
Total Capital Assets	\$ 44,550,868	\$ 40,604,108	\$ 1,570,878	\$ 1,599,341	\$ 46,121,746	\$ 42,203,449

The overall asset total increase by \$3.9 million in 2017. While everything but Land decreased due to depreciation (land is not depreciable), the Improvements category increased due to final additions of prior year and current year completed capital projects. These completed projects are the cause of the increase in Capital Assets.

Additional information on the Town's capital assets can be found in the Notes to the Financial Statements, Note 3, Detailed Notes on All Funds, section B.

Long Term and Short Term Debt

The Town of Walkkill's long term debt (general obligation bonds) at the end of 2017 was \$18.4 million, of which all was for governmental activities. The Town has bond anticipation notes (BANs) outstanding of

\$2.6 million as of the end of 2017. During 2017, the Town issued short-term debt for Consolidated Water District-Braeside Project, town vehicles, highway equipment and Lorelei Water District.

**Outstanding Debt
General Obligations Bonds and Bond Anticipation Notes**

	Governmental Activities	
	2017	2016
General Obligation Bonds	\$ 18,410,000	\$ 19,448,000
Bond Anticipation Notes	2,652,000	2,537,000
Total Outstanding Debt	\$ 21,062,000	\$ 21,985,000

Total outstanding debt decreased from \$21.8 million in 2016 to approximately \$20.7 million in 2017. These totals include bonds payable, installment purchase debt and loans payable (details are found in Notes to Financial Statements, Note 3, Section E-Long Term Indebtedness).

There are currently 7 outstanding bonds issues; one for water improvements, one for sewer reconstruction and five (three issued in 2016) for public improvement, general purpose. General purpose bonds are issued for many projects including, but not limited to, the construction of the new Town Hall (2010), Circleville Park Buildings and the Salt Barn, Bridge projects, Water Tank Rehab and Sewer projects. The Water and Sewer bonds are issued through the Environmental Facilities Corporation.

The Town’s underlying credit rating by Standard & Poor’s Financial Services LLC is remains at “AA”.

General Information

The Town of Wallkill, classified as a First Class Town, encompasses an area of 64 square miles within the western part of the County of Orange, New York. The population was 27,246 per the 2010 census.

There are no incorporated villages within the Town; however, the Town includes the unincorporated communities of Circleville, Howells, Washington Heights and Scotchtown. In addition, the Town completely encircles the City of Middletown. Wallkill is a suburban community and primarily residential in nature. The Town also enjoys substantial retail and commercial activity and some industry. Residents of the Town are employed throughout the area, which has retail and service oriented economy. The Town is presently experiencing a lot of commercial growth, i.e. new hotels, housing communities, solar projects and new businesses. This growth is reflected in the increase in assessed values over the past few years, which in turn have kept the tax rate lower for our residents.

Next Year’s Budgets and Tax Rate

The 2017 budget was the sixth year in which the Town needed to comply with the property tax cap that was approved by the New York State Legislature in 2011. The Town has to stay below or right at the cap by undertaking tight budget controls that keep expenses down and properly record revenues.

For 2018, the Town Board has indicated that it did again stay within the tax cap.

Contacting the Town's Financial Management

This report is intended to provide a broad overview of the Town of Walkill's finances to its citizens and other stakeholders. If you desire additional information or have suggestions for improving this report, please contact:

Supervisor's Office
Town of Walkill
99 Tower Dr. Building A
Middletown, NY 10941

Town of Wallkill, New York

Statement of Net Position
December 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 22,196,526	\$ 39,716	\$ 22,236,242
Restricted cash	66,039	-	66,039
Accounts receivable, net	299,235	35,111	334,346
State and Federal aid receivable	1,687,050	-	1,687,050
Due from other governments	1,352,241	-	1,352,241
Water and sewer rents receivable	1,879,242	-	1,879,242
Loan receivable, net	-	-	-
Capital assets			
Not being depreciated	9,295,991	794,134	10,090,125
Being depreciated, net	35,254,877	776,744	36,031,621
Total Assets	<u>72,031,201</u>	<u>1,645,705</u>	<u>73,676,906</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>3,837,433</u>	<u>-</u>	<u>3,837,433</u>
LIABILITIES			
Accounts payable	1,887,146	18,584	1,905,730
Accrued liabilities	758,427	-	758,427
Due to retirement systems	1,157,233	6,298	1,163,531
Bond anticipation notes payable	2,652,000	-	2,652,000
Internal balances	(200,000)	200,000	-
Accrued interest payable	286,247	-	286,247
Non-current liabilities			
Due within one year	1,258,880	36,790	1,295,670
Due in more than one year	46,390,132	2,006,666	48,396,798
Total Liabilities	<u>54,190,065</u>	<u>2,268,338</u>	<u>56,458,403</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,051,414</u>	<u>-</u>	<u>1,051,414</u>
NET POSITION			
Net investment in capital assets	21,586,684	1,535,638	23,122,322
Restricted for			
Future capital projects	1,384,620	-	1,384,620
Liability and casualty loss	10,650	-	10,650
Trusts	214,435	-	214,435
Parklands	321,171	-	321,171
Unrestricted	<u>(2,890,405)</u>	<u>(2,158,271)</u>	<u>(5,048,676)</u>
Total Net Position	<u>\$ 20,627,155</u>	<u>\$ (622,633)</u>	<u>\$ 20,004,522</u>

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

Component Units	
Town of Walkkill Housing Authority	Town of Walkkill Industrial Development Agency
\$ 714,682	\$ 134,685
-	-
-	-
-	-
-	-
-	-
32,800	-
-	-
<u>747,482</u>	<u>134,685</u>
-	-
-	1,427
-	-
-	-
-	-
-	-
-	-
-	1,427
-	-
32,800	-
-	-
-	-
-	-
714,682	133,258
<u>\$ 747,482</u>	<u>\$ 133,258</u>

Town of Walkill, New York

Statement of Activities
Year Ended December 31, 2017

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government support	\$ 4,254,179	\$ 258,444	\$ -	\$ -
Public safety	8,050,371	1,860,321	6,855	-
Health	1,204	50,721	-	-
Transportation	7,772,488	24,751	1,593,465	919,634
Economic opportunity and development	7,900	-	-	-
Culture and recreation	2,004,075	259,158	19,669	-
Home and community services	7,471,676	5,671,759	348,396	-
Interest	750,057	-	-	-
Total Governmental Activities	30,311,950	8,125,154	1,968,385	919,634
Business-type activities				
Golf Course	386,972	227,212	12,766	-
Total	<u>\$ 30,698,922</u>	<u>\$ 8,352,366</u>	<u>\$ 1,981,151</u>	<u>\$ 919,634</u>
Component units				
Town of Walkill Housing Authority	\$ -	\$ -	\$ -	\$ -
Town of Walkill Industrial Development Agency	12,250	-	83,882	-
Total Component Units	<u>\$ 12,250</u>	<u>\$ -</u>	<u>\$ 83,882</u>	<u>\$ -</u>
General revenues				
Real property taxes				
Other tax items				
Payments in lieu of taxes				
Interest and penalties on real property taxes				
Franchise fees				
Non-property taxes				
Non-property tax distribution from County				
Unrestricted use of money and property				
Sale of property and compensation for loss				
Unrestricted State aid				
Miscellaneous				
Sale of real property				
Total General Revenues				
Change in Net Position				
NET POSITION				
Beginning, as reported				
Prior Period Adjustment				
Beginning, as restated				
Net Position - End of Year				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Town of Walkkill Housing Authority	Town of Walkkill Industrial Development Authority
\$ (3,995,735)	\$ -	\$ (3,995,735)	\$ -	\$ -
(6,183,195)	-	(6,183,195)	-	-
49,517	-	49,517	-	-
(5,234,638)	-	(5,234,638)	-	-
(7,900)	-	(7,900)	-	-
(1,725,248)	-	(1,725,248)	-	-
(1,451,521)	-	(1,451,521)	-	-
(750,057)	-	(750,057)	-	-
(19,298,777)	-	(19,298,777)	-	-
-	(146,994)	(146,994)	-	-
(19,298,777)	(146,994)	(19,445,771)	-	-
-	-	-	-	-
-	-	-	-	71,632
-	-	-	-	71,632
13,706,023	-	13,706,023	-	-
219,778	-	219,778	-	-
40,113	-	40,113	-	-
294,140	-	294,140	-	-
4,447,036	-	4,447,036	-	-
11,956	75	12,031	429	128
106,941	-	106,941	-	-
890,507	-	890,507	-	-
86,267	-	86,267	-	-
23,740	-	23,740	-	-
19,826,501	75	19,826,576	429	128
527,724	(146,919)	380,805	429	71,760
18,449,424	(475,714)	17,973,710	747,053	61,498
1,650,007	-	1,650,007	-	-
20,099,431	(475,714)	19,623,717	747,053	61,498
\$ 20,627,155	\$ (622,633)	\$ 20,004,522	\$ 747,482	\$ 133,258

Town of Wallkill, New York

Balance Sheet
 Governmental Funds
 December 31, 2017

	General	Highway	Special Districts
ASSETS			
Cash and equivalents	\$ 7,531,673	\$ 3,117,789	\$ 8,946,815
Restricted cash	-	-	-
Receivables			
Accounts	247,490	17,070	17,491
State and Federal aid	1,391,459	-	-
Due from other governments	1,306,351	45,890	-
Water and sewer rents	-	-	1,879,242
Due from other funds	551,263	232,357	1,875,621
Loan receivable, net of allowance of \$1,803,064	-	-	-
	<u>3,496,563</u>	<u>295,317</u>	<u>3,772,354</u>
Total Assets	<u>\$ 11,028,236</u>	<u>\$ 3,413,106</u>	<u>\$ 12,719,169</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts payable	\$ 991,726	\$ 202,528	\$ 291,383
Accrued liabilities	635,909	85,491	37,027
Due to retirement systems	861,237	170,040	125,956
Due to other funds	580,073	51,500	181,819
Bond anticipation notes payable	-	-	-
Total Liabilities	<u>3,068,945</u>	<u>509,559</u>	<u>636,185</u>
Fund balances (deficits)			
Restricted	587,950	278,732	528,588
Committed	750,000	300,000	-
Assigned	92,486	2,324,815	11,554,396
Unassigned	6,528,855	-	-
Total Fund Balances (Deficits)	<u>7,959,291</u>	<u>2,903,547</u>	<u>12,082,984</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 11,028,236</u>	<u>\$ 3,413,106</u>	<u>\$ 12,719,169</u>

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

Capital Projects	Non-Major Governmental	Total Governmental Funds
\$ 2,067,836	\$ 532,413	\$ 22,196,526
66,039	-	66,039
316	16,868	299,235
-	295,591	1,687,050
-	-	1,352,241
-	-	1,879,242
359,249	-	3,018,490
-	-	-
359,565	312,459	8,236,258
<u>\$ 2,493,440</u>	<u>\$ 844,872</u>	<u>\$ 30,498,823</u>
\$ 351,989	\$ 49,520	\$ 1,887,146
-	-	758,427
-	-	1,157,233
1,771,448	233,650	2,818,490
2,652,000	-	2,652,000
4,775,437	283,170	9,273,296
-	535,606	1,930,876
-	-	1,050,000
-	26,096	13,997,793
(2,281,997)	-	4,246,858
(2,281,997)	561,702	21,225,527
<u>\$ 2,493,440</u>	<u>\$ 844,872</u>	<u>\$ 30,498,823</u>

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Town of Walkkill, New York

Reconciliation of Governmental Funds

Balance Sheet to the Government-Wide Statement of Net Position

December 31, 2017

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because

Fund Balances - Total Governmental Funds	<u>\$ 21,225,527</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>44,550,868</u>
Governmental funds report the effects of assets or liabilities related to net pension assets (liabilities), whereas these amounts are deferred and amortized in the statement of activities.	
Deferred amounts on pension assets (liabilities)	<u>2,786,019</u>
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	
Accrued interest payable	(286,247)
Bonds payable	(18,410,000)
Installment purchase debt	(95,339)
Loans payable	(2,176,848)
Compensated absences	(782,848)
Net pension liability	(3,952,323)
Landfill closure costs	(127,303)
Other post employment benefit obligations payable	<u>(22,104,351)</u>
	<u>(47,935,259)</u>
Net Position of Governmental Activities	<u><u>\$ 20,627,155</u></u>

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

Town of Wallkill, New York

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2017

	General	Highway	Special Districts
REVENUES			
Real property taxes	\$ 6,112,853	\$ 4,643,886	\$ 2,949,284
Other tax items	471,796	82,235	-
Non-property taxes	4,447,036	-	-
Departmental income	811,862	-	4,622,736
Intergovernmental charges	-	245,776	-
Use of money and property	246,619	4,813	11,388
Sale of property and compensation for loss	6,166	64,615	14,604
Interfund revenues	-	121,474	-
Licenses and permits	693,407	-	-
Fines and forfeitures	1,552,308	-	-
State aid	1,107,293	497,426	-
Federal aid	252,767	-	-
Miscellaneous	86,267	86,156	39,490
Total Revenues	15,788,374	5,746,381	7,637,502
EXPENDITURES			
Current			
General government support	2,557,944	3,239	-
Public safety	5,008,567	-	-
Health	1,204	-	-
Transportation	642,426	4,010,736	298,977
Economic opportunity and development	7,900	-	-
Culture and recreation	1,011,516	-	-
Home and community services	581,292	-	4,864,573
Employee benefits	4,343,732	1,434,142	757,629
Debt service			
Principal	365,569	245,790	537,956
Interest	289,421	122,957	309,322
Capital outlay	-	-	-
Total Expenditures	14,809,571	5,816,864	6,768,457
Excess (Deficiency) of Revenues Over Expenditures	978,803	(70,483)	869,045
OTHER FINANCING SOURCES (USES)			
Sale of real property	23,740	-	-
Insurance recoveries	100,775	-	-
Transfers in	115,000	139,753	-
Transfers out	(132,429)	(119,793)	(189,753)
Total Other Financing Sources (Uses)	107,086	19,960	(189,753)
Net Change in Fund Balances	1,085,889	(50,523)	679,292
FUND BALANCES (DEFICITS)			
Beginning of Year	6,873,402	2,954,070	11,403,692
End of Year	<u>\$ 7,959,291</u>	<u>\$ 2,903,547</u>	<u>\$ 12,082,984</u>

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

Capital Projects	Non-Major Governmental	Total Governmental Funds
\$ -	\$ -	\$ 13,706,023
-	-	554,031
-	-	4,447,036
-	210,178	5,644,776
-	-	245,776
5,346	601	268,767
-	-	85,385
-	-	121,474
-	-	693,407
-	-	1,552,308
(83,247)	-	1,521,472
997,535	533,963	1,784,265
-	-	211,913
<u>919,634</u>	<u>744,742</u>	<u>30,836,633</u>
-	-	2,561,183
-	26,099	5,034,666
-	-	1,204
-	382,428	5,334,567
-	-	7,900
-	39,636	1,051,152
-	271,463	5,717,328
-	-	6,535,503
-	-	1,149,315
-	-	721,700
3,459,559	-	3,459,559
<u>3,459,559</u>	<u>719,626</u>	<u>31,574,077</u>
<u>(2,539,925)</u>	<u>25,116</u>	<u>(737,444)</u>
-	-	23,740
-	-	100,775
100,000	202,222	556,975
-	(115,000)	(556,975)
<u>100,000</u>	<u>87,222</u>	<u>124,515</u>
(2,439,925)	112,338	(612,929)
<u>157,928</u>	<u>449,364</u>	<u>21,838,456</u>
<u>\$ (2,281,997)</u>	<u>\$ 561,702</u>	<u>\$ 21,225,527</u>

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Town of Walkkill, New York

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

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds \$ (612,929)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount may be less than total capital outlay since capital outlay includes amounts that are under the capitalization threshold.

Capital outlay expenditures	4,237,458
Depreciation expense	<u>(1,940,705)</u>
	<u>2,296,753</u>

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal paid on loan	44,500
Principal paid on bonds	1,038,000
Principal paid on installment purchase debt	<u>66,815</u>
	<u>1,149,315</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest	(28,357)
Compensated absences	90,141
Pension obligations	(679,161)
Landfill closure costs	5,695
Other post employment benefit obligations	<u>(1,693,733)</u>
	<u>(2,305,415)</u>

Change in Net Position of Governmental Activities \$ 527,724

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

Town of Wallkill, New York

Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
General, Highway and Special Districts Funds
Year Ended December 31, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real property taxes	\$ 6,112,853	\$ 6,112,853	\$ 6,112,853	\$ -
Other tax items	448,290	448,290	471,796	23,506
Non-property taxes	4,050,000	4,050,000	4,447,036	397,036
Departmental income	478,194	660,544	811,862	151,318
Intergovernmental charges	20,000	20,000	-	(20,000)
Use of money and property	160,500	160,500	246,619	86,119
Sale of property and compensation for loss	3,570	3,570	6,166	2,596
Interfund revenues	-	-	-	-
Licenses and permits	497,200	497,900	693,407	195,507
Fines and forfeitures	1,640,000	1,640,000	1,552,308	(87,692)
State aid	844,881	855,872	1,107,293	251,421
Federal aid	280,000	280,000	252,767	(27,233)
Miscellaneous	83,000	89,822	86,267	(3,555)
Total Revenues	14,618,488	14,819,351	15,788,374	969,023
EXPENDITURES				
Current				
General government support	2,737,852	2,622,102	2,557,944	64,158
Public safety	5,144,856	5,302,004	5,008,567	293,437
Health	4,750	4,750	1,204	3,546
Transportation	832,086	691,236	642,426	48,810
Economic opportunity and development	12,000	12,000	7,900	4,100
Culture and recreation	764,720	1,062,569	1,011,516	51,053
Home and community services	219,835	588,308	581,292	7,016
Employee benefits	4,391,500	4,348,126	4,343,732	4,394
Debt service				
Principal	347,700	347,700	365,569	(17,869)
Interest	287,786	287,786	289,421	(1,635)
Total Expenditures	14,743,085	15,266,581	14,809,571	457,010
Excess (Deficiency) of Revenues Over Expenditures	(124,597)	(447,230)	978,803	1,426,033
OTHER FINANCING SOURCES (USES)				
Sale of real property	23,000	23,000	23,740	740
Insurance recoveries	24,000	29,167	100,775	71,608
Transfers in	65,000	180,000	115,000	(65,000)
Transfers out	-	(132,429)	(132,429)	-
Total Other Financing Sources (Uses)	112,000	99,738	107,086	7,348
Net Change in Fund Balances	(12,597)	(347,492)	1,085,889	1,433,381
FUND BALANCES				
Beginning of Year	12,597	347,492	6,873,402	6,525,910
End of Year	\$ -	\$ -	\$ 7,959,291	\$ 7,959,291

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

Highway Fund				Special Districts Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 4,643,886	\$ 4,643,886	\$ 4,643,886	\$ -	\$ 2,949,284	\$ 2,949,284	\$ 2,949,284	\$ -
87,319	87,319	82,235	(5,084)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	4,583,356	4,583,356	4,622,736	39,380
192,000	192,000	245,776	53,776	-	-	-	-
-	-	4,813	4,813	11,000	11,000	11,388	388
-	-	64,615	64,615	-	-	14,604	14,604
189,000	189,000	121,474	(67,526)	-	-	-	-
28,500	28,500	-	(28,500)	-	-	-	-
-	-	-	-	-	-	-	-
423,000	423,000	497,426	74,426	-	-	-	-
-	-	-	-	-	-	-	-
34,000	34,000	86,156	52,156	12,000	12,000	39,490	27,490
5,597,705	5,597,705	5,746,381	148,676	7,555,640	7,555,640	7,637,502	81,862
61,150	4,000	3,239	761	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,789,588	4,155,171	4,010,736	144,435	122,610	302,610	298,977	3,633
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	5,414,527	5,433,244	4,864,573	568,671
1,457,426	1,435,596	1,434,142	1,454	946,420	959,832	757,629	202,203
202,500	200,500	245,790	(45,290)	472,800	472,800	537,956	(65,156)
101,317	120,564	122,957	(2,393)	324,786	353,126	309,322	43,804
5,611,981	5,915,831	5,816,864	98,967	7,281,143	7,521,612	6,768,457	753,155
(14,276)	(318,126)	(70,483)	247,643	274,497	34,028	869,045	835,017
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
12,000	115,273	139,753	24,480	-	-	-	-
-	(69,793)	(119,793)	(50,000)	(325,416)	(350,524)	(189,753)	160,771
12,000	45,480	19,960	(25,520)	(325,416)	(350,524)	(189,753)	160,771
(2,276)	(272,646)	(50,523)	222,123	(50,919)	(316,496)	679,292	995,788
2,276	272,646	2,954,070	2,681,424	50,919	316,496	11,403,692	11,087,196
\$ -	\$ -	\$ 2,903,547	\$ 2,903,547	\$ -	\$ -	\$ 12,082,984	\$ 12,082,984

Town of Walkkill, New York

Statement of Net Position

Proprietary Fund

December 31, 2017

	<u>Golf Fund</u>
ASSETS	
Current assets	
Cash and equivalents	\$ 39,716
Accounts receivable, net of an allowance of \$218,313	<u>35,111</u>
Total Current Assets	<u>74,827</u>
Capital assets	
Not being depreciated	794,134
Being depreciated, net	<u>776,744</u>
Total Capital Assets	<u>1,570,878</u>
Total Assets	<u>1,645,705</u>
LIABILITIES	
Current liabilities	
Accounts payable	18,584
Due to retirement systems	6,298
Due to other funds	<u>200,000</u>
Total Current Liabilities	<u>224,882</u>
Noncurrent liabilities	
Due within one year	36,790
Due in more than one year	<u>2,006,666</u>
Total Noncurrent Liabilities	<u>2,043,456</u>
Total Liabilities	<u>2,268,338</u>
NET POSITION	
Net investment in capital assets	1,535,638
Unrestricted	<u>(2,158,271)</u>
Total Net Position	<u>\$ (622,633)</u>

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

Town of Wallkill, New York

Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Fund
Year Ended December 31, 2017

	<u>Golf Fund</u>
OPERATING REVENUES	
Charges for services	\$ 227,212
Insurance recoveries	<u>12,766</u>
Total Operating Revenues	<u>239,978</u>
OPERATING EXPENSES	
Personal services	74,000
Contractual and other	163,944
Employee benefits	93,454
Depreciation	<u>52,395</u>
Total Operating Expenses	<u>383,793</u>
Loss from Operations	<u>(143,815)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	75
Interest expense	<u>(3,179)</u>
Total Non-Operating Expenses	<u>(3,104)</u>
Change in Net Position	(146,919)
NET POSITION	
Beginning	<u>(475,714)</u>
Ending	<u><u>\$ (622,633)</u></u>

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

Town of Walkkill, New York

Statement of Cash Flows

Proprietary Fund

Year Ended December 31, 2017

	<u>Golf Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 289,831
Insurance recoveries	12,766
Cash payments for goods and services	(210,377)
Cash payments to employees	(86,687)
Cash payments for employee benefits	(71,122)
	<u>(65,589)</u>
Net Cash from Operating Activities	<u>(65,589)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(23,932)
Principal paid on installment purchase debt	(33,688)
Interest paid on indebtedness	(3,179)
	<u>(60,799)</u>
Net Cash from Capital and Related Financing Activities	<u>(60,799)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	75
	<u>75</u>
Net Change in Cash and Equivalents	(126,313)
CASH AND EQUIVALENTS	
Beginning of Year	<u>166,029</u>
End of Year	<u>\$ 39,716</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES	
Loss from operations	\$ (143,815)
Adjustments to reconcile loss from operations to net cash from operating activities	
Depreciation	52,395
Changes in assets and liabilities	
Accounts receivable	62,619
Accounts payable	1,922
Due to retirement systems	542
Due to other funds	(48,355)
Compensated absences	(12,687)
Other post employment benefit obligations payable	21,790
	<u>21,790</u>
Net Cash from Operating Activities	<u>\$ (65,589)</u>

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

Town of Wallkill, New York

Statement of Assets and Liabilities
Fiduciary Fund
December 31, 2017

	<u>Agency</u>
ASSETS	
Cash and equivalents	<u>\$ 2,481,568</u>
LIABILITIES	
Employee payroll deductions	\$ 85,052
Deposits	<u>2,396,516</u>
Total Liabilities	<u>\$ 2,481,568</u>

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

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Note 1 - Summary of Significant Accounting Policies

The Town of Wallkill, New York ("Town") was established in 1772 and operates in accordance with Town Law and the various other applicable laws of the State of New York. The Town Board is the legislative body responsible for overall operation. The Town Supervisor serves as both the chief executive and chief financial officer. The Town provides the following services to its residents: public safety, health, transportation, economic opportunity and development, culture and recreation, home and community services and general and administrative support.

The accounting policies of the Town conform to generally accepted accounting principles as applicable to governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Town's more significant accounting policies:

A. Financial Reporting Entity

The financial reporting entity consists of a) the primary government, which is the Town, b) organizations for which the Town is financially accountable and c) other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the Town's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, the following component units are included in the Town's reporting entity because of their operational or financial relationship with the Town.

The Wallkill Housing Authority ("Housing Authority") was organized in 1966 as a municipal housing authority created and established for the Town under the Public Housing Law of the State of New York for the purpose of providing decent, safe and sanitary housing for persons of low income and other related purposes. Since the Housing Authority does not provide services entirely or almost entirely to the Town, the financial statements of the Housing Authority have been reflected as a discretely presented component unit. Complete financial statements of the component unit can be obtained from the Wallkill Housing Authority, 99 Tower Drive, Middletown, New York 10941.

The Wallkill Industrial Development Agency ("Agency") is a public benefit corporation created by State legislation to promote the economic welfare, recreation opportunities and prosperity of the Town's inhabitants. Members of the Agency are appointed by the Town Board. Agency members have complete responsibility for management of the Agency and accountability for fiscal matters. The Town is not liable for Agency bonds or notes. The governing board of the Agency serves at the pleasure of the Town Board and, therefore, the primary government is considered to be able to impose its will on the Agency. Since the Agency does not provide services entirely or almost entirely to the Town, the financial statements of the Agency have been reflected as a discretely presented component unit. Complete financial statements may be obtained from the Wallkill Industrial Development Agency, 99 Tower Drive, Middletown, NY 10941.

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole and its component units. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the financial position of the Town and its component units at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Enterprise Fund is charges to customers for services. Operating expenses for the Enterprise Fund include the cost of services, administrative expenses, depreciation costs and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

C. Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances/net position, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explain the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Town's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds.

General Fund - The General Fund constitutes the primary operating fund of the Town and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. The major special revenue funds of the Town are as follows:

Highway Fund - The Highway Fund is used to account for road and bridge maintenance and improvements as defined in the Highway Law of the State of New York. The major revenue of this fund is real property taxes.

Special Districts Fund - The Special Districts Fund is provided to account for the operation and maintenance of the Town's water, sewer, lighting, road improvement and drainage districts. The major revenues of this fund are real property taxes and departmental income.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned for capital outlay, including the acquisition or construction of major capital facilities and other capital assets, other than those financed by proprietary funds.

The Town also reports the following non-major governmental funds:

Special Revenue Funds:

Community Development Fund - The Community Development Fund is used to account for projects and subsidies financed by entitlements from the U.S. Department of Housing and Urban Development.

Special Purpose Fund - The Special Purpose Fund is used to account for assets held by the Town in accordance with the terms of a trust agreement.

- b. Proprietary Funds - Proprietary funds include enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide services to the public. The operations of the Golf Course are recorded as a major enterprise fund.

Note 1 - Summary of Significant Accounting Policies (Continued)

- c. Fiduciary Funds (Not Included in Government-Wide Financial Statements) - The Fiduciary Funds are used to account for assets held by the Town in an agency capacity on behalf of others. The Agency Fund is also used to account for employee payroll tax withholdings or deposits that are payable to other jurisdictions or individuals.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

The government-wide financial statements and the proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are recognized as revenue when the expenditure is made. A ninety day availability period is generally used for revenue recognition for most other governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, net pension liability, landfill closure costs and other post employment benefit obligations payable are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Component Units

Component units are presented on the basis of accounting that most accurately reflects their activities. The Housing Authority and Agency are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred.

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

Deposits and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and short-term investments with original maturities of less than three months from the date of acquisition.

The Town's deposit and investment policies are governed by State statutes. The Town has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The Town is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Town has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Investments - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

The Town follows the provisions of GASB Statement No. 72, "*Fair Value Measurements and Application*", which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Restricted Cash - Restricted cash in the Capital Projects Fund consists of \$66,039 of loan proceeds held by a State agency to be used for the Town's Capital Projects Fund storm mitigation project.

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Town does not invest in any long-term investment obligations.

Note 1 - Summary of Significant Accounting Policies (Continued)

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Town's name. The Town's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2017.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Town's investment policy limits the amount on deposit at each of its banking institutions.

Taxes Receivable - Real property taxes attach as an enforceable lien on real property and are levied on January 1st. The Town collects county, town, highway and special district taxes which are due January 1st and payable without penalty until January 31st. The Town retains the total amount of town, highway and special districts and taxes from the total collection and returns the balance plus the uncollected items to the County, which assumes collection responsibility.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

Due From/To Other Funds - During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of December 31, 2017, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as internal balances.

Loan Receivable/Payable - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are categorized as loans receivable/payable. The loan receivable of \$1,803,064 is fully allowed for and represents advances to the Golf Fund which are unable to be repaid from current operations.

Inventories - There are no inventory values presented in the balance sheets of the respective funds of the Town. Purchases of inventoriable items at various locations are recorded as expenditures at the time of purchase and year-end balances at these locations are not material.

Town of Walkill, New York

Notes to Financial Statements (Continued)
December 31, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the Town chose to include all such items regardless of their acquisition date or amount. The Town was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized by using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not depreciated. Property, plant and equipment of the primary government, as well as the component unit, are depreciated using the straight line method over the following estimated useful lives.

<u>Class</u>	<u>Life in Years</u>
Buildings and improvements	40
Improvements other than buildings	20
Infrastructure	15-50
Machinery and equipment	5

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheet.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Town reports deferred outflows/inflows of resources in relation to its pension obligations. These amounts are detailed in the discussion of the Town's pension plans in Note 3E.

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-Term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term liabilities are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expended as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Capital Projects Fund expenditures.

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation and sick leave upon separation from service. The liability for such accumulated leave is reflected in the government-wide and proprietary fund financial statements as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

Net Pension Liability (Asset) - The net pension liability (asset) represents the Town's proportionate share of the net pension liability (asset) of the New York State and Local Employees' Retirement System and the New York State Local Police and Fire Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*".

Net Position - Net position represent the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets, restricted for future capital projects, liability and casualty loss, trusts and parklands. The balance is classified as unrestricted.

Fund Balances - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard the fund balance classifications are as follows

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables, advances) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification is used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law of the State of New York.

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. The Town Board is the highest level of decision making authority for the Town that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the Town Board removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Town Board.

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Town Board for amounts assigned for balancing the subsequent year's budget or the Town Supervisor for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: committed, assigned, and unassigned.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General, Highway and Special Districts funds. Encumbrances outstanding at year-end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

Note 1 - Summary of Significant Accounting Policies (Continued)

G. Use of Estimates

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

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 6, 2018.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

The Town generally follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- a) The Town Supervisor shall prepare a tentative budget in September and submit it to the Town Clerk by September 30th. The tentative budget includes the estimated revenues and expenditures for the ensuing fiscal year.
- b) The Town Clerk must present the tentative budget to the Town Board by October 5th. Between October 5th and October 10th, the Town Board shall prepare a preliminary budget. Immediately after the preliminary budget has been approved, the Town Board shall file the original copy with the Town Clerk where it shall be available for inspection by the public. In addition, the Town Board shall adopt a resolution specifying the time and place of a public hearing, which shall be held on or before election day during an election year and by November 10th in a non-election year.
- c) At the public hearing, taxpayers may comment on the preliminary budget.
- d) Within five days after the hearing, the Town Board shall adopt the preliminary budget as originally compiled or it may, by a majority vote, diminish or reject certain items contained therein as prescribed by law.
- e) The Town Board must submit an adopted budget to the County by November 20th.
- f) Formal budgetary integration is employed during the year as a management control device for General, Highway and Special Districts funds.
- g) Budgets for General, Highway and Special Districts funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. Annual budgets are not adopted for the Community Development, Special Purpose or Proprietary funds.

Town of Walkill, New York

Notes to Financial Statements (Continued)
December 31, 2017

Note 2 - Stewardship, Compliance and Accountability (Continued)

- h) The Town Board has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Town Board. Any modification to appropriations resulting from an increase in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- i) Appropriations in the General, Highway and Special Districts funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted or as amended by the Town Board.

B. Property Tax Limitation

The Town is not limited as to the maximum amount of real property taxes which may be raised. However, on June 24, 2011, the Governor signed Chapter 97 of the Laws of 2011 ("Tax Levy Limitation Law"). This applies to all local governments.

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a Town in a particular year. The original legislation that established the Tax levy Limitation Law was set to expire on June 16, 2016. Chapter 20 of the Laws of 2015 extends the Tax Levy Limitation Law through June 2020.

The following is a brief summary of certain relevant provisions of the Tax Levy Limitation Law. The summary is not complete and the full text of the Tax Levy Limitation Law should be read in order to understand the details and implementations thereof.

The Tax Levy Limitation Law imposes a limitation on increases in the real property tax levy, subject to certain exceptions. The Tax Levy Limitation Law permits the Town to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor," which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by (ii) the average of the National Consumer Price Indexes determined by the United States with the result expressed as a decimal to four places. The Town is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limitation Law sets forth certain exclusions to the real property tax levy limitation of the Town, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Town. The Town Board may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the Town Board first enacts, by a vote of at least sixty percent of the total voting power of the Town Board, a local law to override such limit for such coming fiscal year.

Town of Walkill, New York

Notes to Financial Statements (Continued)
December 31, 2017

Note 2 - Stewardship, Compliance and Accountability (Continued)

C. Expenditures in Excess of Budget

The following functional expenditure categories exceeded their budgetary authorization by the amounts indicated:

General Fund		
Debt Service		
Principal – Installment purchase debt	\$	17,869
Interest – installment purchase debt		1,636
Highway Fund		
Debt Service		
Principal		45,290
Interest		2,393
Transfers out		50,000
Special Districts Fund		
Debt Service		
Principal		65,156

D. Capital Projects Fund Deficits

The unassigned deficit in the Capital Projects Fund of \$2,281,997 arises because of the application of generally accepted accounting principles to the financial reporting of such funds. The proceeds of bond anticipation notes issued to finance construction of capital projects are not recognized as an “other financing source”. Liabilities for bond anticipation notes are accounted for in the Capital Projects Fund. Bond anticipation notes are recognized as revenue only to the extent that they are redeemed.

E. Fund Deficits

The following funds have unassigned/unrestricted deficits at December 31, 2017:

Enterprise Fund	
Golf Fund	\$2,158,271

Additionally, the District No. 9 Drainage District included in the Special Districts Fund, has an unassigned deficit of \$740.

These deficits will be addressed in the ensuing years.

F. Prior Period Adjustment

The Town during the current fiscal year, conducted an extensive analysis of capital assets for impairment, existence and classification. Accordingly, certain capital assets needed to be reflected as deletions or reclassifications. As a result of these adjustments, an increase to the net position as of January 1, 2017 of \$1,650,007 was required on the government-wide financial statements for governmental activities.

Town of Walkill, New York

Notes to Financial Statements (Continued)
December 31, 2017

Note 3 - Detailed Notes on All Funds

A. Due From/To Other Funds

The balances reflected as due from/to other funds at December 31, 2017 were as follows:

Fund	Due From	Due To
General	\$ 551,263	\$ 580,073
Highway	232,357	51,500
Special Districts	1,875,621	181,819
Capital Projects	359,249	1,771,448
Non-Major Governmental	-	233,650
Golf Course	-	200,000
	<u>\$ 3,018,490</u>	<u>\$ 3,018,490</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

B. Capital Assets

Changes in the Town's capital assets are as follows:

	Balance January 1, 2017, as Reported	Reclassifications and Prior Period Adjustment	Balance January 1, 2017, as Restated	Additions	Deletions	Balance December 31, 2017
Governmental Activities						
Capital Assets, not being depreciated:						
Land	\$ 2,747,606	\$ -	\$ 2,747,606	\$ 60,000	\$ -	\$ 2,807,606
Construction-in-progress	7,710,060	-	7,710,060	3,141,543	4,363,218	6,488,385
Total Capital Assets, not being depreciated	<u>\$ 10,457,666</u>	<u>\$ -</u>	<u>\$ 10,457,666</u>	<u>\$ 3,201,543</u>	<u>\$ 4,363,218</u>	<u>\$ 9,295,991</u>
Capital Assets, being depreciated:						
Buildings and improvements	\$ 35,069,886	\$ -	\$ 35,069,886	\$ -	\$ -	\$ 35,069,886
Improvements other than buildings	15,323,883	2,481,419	17,805,302	4,382,272	-	22,187,574
Infrastructure	65,704,867	-	65,704,867	-	-	65,704,867
Machinery and equipment	8,899,809	(464,168)	8,435,641	1,016,861	200,384	9,252,118
Total Capital Assets, being depreciated	<u>124,998,445</u>	<u>2,017,251</u>	<u>127,015,696</u>	<u>5,399,133</u>	<u>200,384</u>	<u>132,214,445</u>
Less Accumulated Depreciation for:						
Buildings and improvements	20,171,747	-	20,171,747	759,330	-	20,931,077
Improvements other than buildings	13,513,216	-	13,513,216	58,219	-	13,571,435
Infrastructure	55,364,540	-	55,364,540	571,708	-	55,936,248
Machinery and equipment	5,802,500	367,244	6,169,744	551,448	200,384	6,520,808
Total Accumulated Depreciation	<u>94,852,003</u>	<u>367,244</u>	<u>95,219,247</u>	<u>1,940,705</u>	<u>200,384</u>	<u>96,959,568</u>
Total Capital Assets, being depreciated, net	<u>\$ 30,146,442</u>	<u>\$ 1,650,007</u>	<u>\$ 31,796,449</u>	<u>\$ 3,458,428</u>	<u>\$ -</u>	<u>\$ 35,254,877</u>
Governmental Activities Capital Assets, net	<u>\$ 40,604,108</u>	<u>\$ 1,650,007</u>	<u>\$ 42,254,115</u>	<u>\$ 6,659,971</u>	<u>\$ 4,363,218</u>	<u>\$ 44,550,868</u>

Town of Walkill, New York

Notes to Financial Statements (Continued)
December 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Business-type Activities				
Capital Assets, not being depreciated:				
Land	\$ 794,134	\$ -	\$ -	\$ 794,134
Capital Assets, being depreciated:				
Buildings and improvements	\$ 1,455,000	\$ -	\$ -	\$ 1,455,000
Improvements other than buildings	6,458,750	-	-	6,458,750
Machinery and equipment	802,918	23,932	27,095	799,755
Total Capital Assets, being depreciated	8,716,668	23,932	27,095	8,713,505
Less Accumulated Depreciation for:				
Buildings and improvements	696,000	32,333	-	728,333
Improvements other than buildings	6,458,750	-	-	6,458,750
Machinery and equipment	756,711	20,062	27,095	749,678
Total Accumulated Depreciation	7,911,461	52,395	27,095	7,936,761
Total Capital Assets, being depreciated, net	\$ 805,207	\$ (28,463)	\$ -	\$ 776,744
Business-type Activities Capital Assets, net	\$ 1,599,341	\$ (28,463)	\$ -	\$ 1,570,878

Depreciation expense was charged to the Town's functions and programs as follows:

Governmental Activities:	
General Government Support	\$ 38,814
Public Safety	58,221
Transportation	970,353
Culture and Recreation	19,407
Home and Community Services	<u>853,910</u>
Total Depreciation Expense - Governmental Activities	\$ 1,940,705
Business-type Activities - Golf Fund	\$ 52,395

Town of Walkill, New York

Notes to Financial Statements (Continued)
December 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

C. Accrued Liabilities

Accrued liabilities at December 31, 2017 were as follows:

	Fund			Total
	General	Highway	Special Districts	
Payroll and Employee Benefits	<u>\$ 635,909</u>	<u>\$ 85,491</u>	<u>\$ 37,027</u>	<u>\$ 758,427</u>

D. Short-Term Capital Borrowings

Purpose	Original Issue Date	Maturity Date	Interest Rate	Balance January 1, 2017	New Issues	Redemptions	Balance December 31, 2017
Governmental Type Activities							
Capital Construction:							
Lorelei Water District	01/15/2015	01/12/2018	2.00 %	\$ 697,000	\$ -	\$ 25,000	\$ 672,000
Consolidated Sewer District	01/15/2015	-	-	640,000	-	640,000	-
Bridge Work	01/14/2016	-	-	1,200,000	-	1,200,000	-
Consolidate Water District	02/09/2017	01/12/2018	2.00	-	1,650,000	-	1,650,000
Vehicles	02/09/2017	01/12/2018	2.00	-	105,000	-	105,000
Equipment	02/09/2017	01/12/2018	2.00	-	225,000	-	225,000
Lorelei Water District	01/13/2017	02/10/2017	-	-	672,000	672,000	-
				<u>\$ 2,537,000</u>	<u>\$ 2,652,000</u>	<u>\$ 2,537,000</u>	<u>\$ 2,652,000</u>

Liabilities for bond anticipation notes are generally accounted for in the Capital Projects Fund. Bond anticipation notes issued for judgments or settled claims are recorded in the fund paying the claim. Principal payments on bond anticipation notes must be made annually. State law requires that bond anticipation notes issued for capital purposes or judgments be converted to long-term obligations generally within five years after the original issue date. However, bond anticipation notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

Interest expenditures of \$23,778 were recorded in the fund financial statements as follows:

Fund	Amount
Highway	\$ 10,929
Special Districts	<u>12,849</u>
	<u>\$ 23,778</u>

Interest expense of \$49,021 was recorded in the government-wide financial statements for governmental activities.

Town of Walkill, New York

Notes to Financial Statements (Continued)
December 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

E. Long-Term Indebtedness

The following table summarizes changes in the Town's long-term indebtedness for the year ended December 31, 2017:

	Balance January 1, 2017	New Issues/ Additions	Maturities and/or Payments	Balance December 31, 2017	Due Within One Year
Governmental Activities					
Bonds Payable					
Capital Construction	\$ 19,448,000	\$ -	\$ 1,038,000	\$ 18,410,000	\$ 1,115,000
Installment Purchase Debt	162,154	-	66,815	95,339	52,880
Loans Payable	2,221,348	-	44,500	2,176,848	-
	<u>21,831,502</u>	<u>-</u>	<u>1,149,315</u>	<u>20,682,187</u>	<u>1,167,880</u>
Other Noncurrent Liabilities					
Compensated Absences	872,989	-	90,141	782,848	78,000
Net Pension Liability	6,271,655	-	2,319,332	3,952,323	-
Landfill Closure Costs	132,998	-	5,695	127,303	13,000
Other Post Employment Benefit Obligations Payable	20,410,618	2,560,002	866,269	22,104,351	-
Total Other Noncurrent Liabilities	<u>27,688,260</u>	<u>2,560,002</u>	<u>3,281,437</u>	<u>26,966,825</u>	<u>91,000</u>
Governmental Activities Long-Term Liabilities	<u>\$ 49,519,762</u>	<u>\$ 2,560,002</u>	<u>\$ 4,430,752</u>	<u>\$ 47,649,012</u>	<u>\$ 1,258,880</u>
Business-Type Activities					
Installment purchase debt	\$ 68,928	\$ -	\$ 33,688	\$ 35,240	\$ 35,240
Other Noncurrent Liabilities					
Compensated Absences	28,175	-	12,687	15,488	1,550
Loan payable	1,803,064	-	-	1,803,064	-
Other Post Employment Benefit Obligations Payable	167,874	21,790	-	189,664	-
Total Other Noncurrent Liabilities	<u>1,999,113</u>	<u>21,790</u>	<u>12,687</u>	<u>2,008,216</u>	<u>1,550</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 2,068,041</u>	<u>\$ 21,790</u>	<u>\$ 46,375</u>	<u>\$ 2,043,456</u>	<u>\$ 36,790</u>

Each governmental fund's liability for bonds, installment purchase debt, loans, compensated absences, net pension liability and other post employment benefit obligations payable is liquidated by the General, Highway and Special Districts funds. The Town's indebtedness for landfill closure costs is satisfied by the General Fund.

Town of Walkill, New York

Notes to Financial Statements (Continued)
December 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

Bonds Payable

Bonds payable at December 31, 2017 are comprised of the following individual issues:

<u>Purpose</u>	<u>Year of Issue</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount Outstanding at December 31, 2017</u>
Water Improvements	2000	\$ 3,512,925	January, 2020	1.801 - 3.815 %	\$ 615,000
Sewer Reconstruction	2001	1,857,000	November, 2021	1.388 - 3.420	455,000
Public Improvements	2010	7,665,000	January, 2031	3.50-4.250	5,865,000
Public Improvements	2015	4,905,000	August, 2041	3.00-3.750	4,650,000
Public Improvements Series A	2016	2,490,000	January, 2041	2.00-3.250	2,450,000
Public Improvements Series B	2016	868,000	January, 2021	3.00-5.00	720,000
Public Improvements Series C	2016	3,765,000	December, 2041	3.00-4.00	3,655,000
					<u>\$ 18,410,000</u>

Interest expenditures of \$287,785, \$109,631 and \$296,283 were recorded in the fund financial statements in the General Fund, Highway Fund and Special Districts funds, respectively. Interest expense of \$696,813 was recorded in the government-wide financial statements for governmental activities.

Installment Purchase Debt

The Town in prior years entered into capital leases for various highway vehicles and golf equipment. The annual payments include interest at various amounts and mature at various times, ranging from February 2017 through March 2019. The balance due at December 31, 2017 is \$130,579.

Interest expenditures/expense of \$1,636, \$2,397, and \$190 was recorded in the fund financial statements in the General, Highway and Special District funds respectively, and in the government-wide financial statements for governmental activities. Interest expense of \$3,179 was recorded in the fund financial statements in the Enterprise Fund - Golf Course and the government-wide financial statements for business-type activities.

Town of Walkill, New York

Notes to Financial Statements (Continued)
December 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

Payments to Maturity

The annual requirements to amortize all bonded and Installment Purchase Debt outstanding as of December 31, 2017, including interest payments of \$6,945,753 are as follows:

Year Ended December 31,	Bonds		Installment Purchase Debt				Totals	
	Governmental Activities		Governmental Activities		Business-type Activities		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2018	\$ 1,115,000	\$ 631,180	\$ 52,880	\$ 2,064	\$ 35,240	\$ 1,627	\$ 1,203,120	\$ 634,871
2019	1,150,000	593,464	42,459	1,110	-	-	1,192,459	594,574
2020	1,190,000	552,729	-	-	-	-	1,190,000	552,729
2021	1,010,000	513,235	-	-	-	-	1,010,000	513,235
2022	725,000	480,231	-	-	-	-	725,000	480,231
2023-2027	3,985,000	2,008,448	-	-	-	-	3,985,000	2,008,448
2028-2032	4,230,000	1,244,971	-	-	-	-	4,230,000	1,244,971
2033-2037	2,600,000	700,754	-	-	-	-	2,600,000	700,754
2038-2041	2,405,000	215,940	-	-	-	-	2,405,000	215,940
	<u>\$ 18,410,000</u>	<u>\$ 6,940,952</u>	<u>\$ 95,339</u>	<u>\$ 3,174</u>	<u>\$ 35,240</u>	<u>\$ 1,627</u>	<u>\$ 18,540,579</u>	<u>\$ 6,945,753</u>

The above general obligation bonds and capital lease are direct obligations of the Town for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the Town.

Loans Payable - Governmental Activities

The Town received a loan from the New York State Environmental Facilities Corporation, in the amount of \$2,221,348, to finance improvements to its sewer infrastructure and infiltration systems. The interest free loan has a scheduled maturity of September 10, 2020. The amount of the Town's principal payments will be calculated by the EFC Corporation using a factor of 2.00% multiplied by the amount drawn on the notes through the period ending one year prior to the date the principal payment is due. The balance due at December 31, 2017 was \$2,176,848.

Loan Payable – Business-Type Activities

The Golf Fund has incurred deficits over the years. These deficits have been funded by cash advances from the General Fund. Since repayment is not expected to be made from operating funds, the amounts have been reclassified as a loan receivable in the General Fund and offset with an allowance for uncollectable interfund loans. The corresponding loan payable reflected in the Enterprise Fund – Golf Fund of \$1,803,064 is interest free.

Compensated Absences

Under the terms of existing collective bargaining agreements, employees are entitled to accumulate sick and vacation leave based upon the terms of their respective collective bargaining agreements. Payment upon separation of service varies with each agreement. The value of all compensated absences has been reflected in the government-wide financial statements.

Note 3 - Detailed Notes on All Funds (Continued)

Pension Plans

New York State and Local Retirement System

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") which are collectively referred to as the New York State and Local Retirement System ("System"). These are cost-sharing, multiple-employer defined benefit pension plans. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all net assets and record changes in plan net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Town also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. The employer contribution rates for the plan's year ending in 2017 are as follows:

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	3 A14	16.0 %
	4 A15	16.0
	5 A15	13.1
	6 A15	9.3
PFRS	2 375C	15.7 %
	2 384D	24.6
	3 384D	24.3
	5 384D	19.9
	6 384C	7.3
	6 384D	14.8

At December 31, 2017, the Town reported a liability of \$1,897,867 for its proportionate share of the net pension liability of ERS and a liability of \$2,054,456 for its proportionate share of the net pension liability of PFRS. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial

Town of Walkill, New York

Notes to Financial Statements (Continued)
December 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

valuation as of that date. The Town's proportion of the net pension liability was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members. At March 31, 2017, the Town's proportion was .0201982% for ERS and .0991221% for PFRS which was a decrease of .0009758% for ERS and an increase of .0020816% for PFRS, from its proportion measured as of March 31, 2016.

For the year ended December 31, 2017, the Town recognized pension expense in the government-wide financial statements of \$1,067,920 for ERS and \$1,127,799 for PFRS. Pension expenditures of \$813,411 for ERS and \$694,900 for PFRS were recorded in the fund financial statements and were charged to the following funds:

<u>Fund</u>	<u>ERS</u>	<u>PFRS</u>
General	\$ 427,262	\$ 694,900
Highway	221,847	-
Water	82,166	-
Sewer	82,166	-
Total	\$ 813,411	\$ 694,900

At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>ERS</u>		<u>PFRS</u>		<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 47,559	\$ 288,202	\$ 269,509	\$ 354,964	\$ 317,068	\$ 643,166
Changes of assumptions	648,381	-	1,012,144	-	1,660,525	-
Net difference between projected and actual earnings on pension plan investments	379,081	-	306,830	-	685,911	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,659	73,848	7,740	334,400	10,399	408,248
Town contributions subsequent to the measurement date	629,777	-	533,753	-	1,163,530	-
	<u>\$ 1,707,457</u>	<u>\$ 362,050</u>	<u>\$ 2,129,976</u>	<u>\$ 689,364</u>	<u>\$ 3,837,433</u>	<u>\$ 1,051,414</u>

\$629,777 and \$533,753 reported as deferred outflows of resources related to ERS and PFRS, respectively, resulting from the Town's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the plan's year ended March 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS and PFRS will be recognized in pension expense as follows:

<u>Year Ended March 31,</u>	<u>ERS</u>	<u>PFRS</u>
2018	\$ 340,003	\$ 326,728
2019	340,003	326,728
2020	304,447	303,827
2021	(268,823)	(71,040)
2022	-	20,616

Town of Walkill, New York

Notes to Financial Statements (Continued)
December 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

The total pension liability for the March 31, 2017 measurement date was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liabilities to March 31, 2017. Significant actuarial assumptions used in the April 1, 2016 valuation were as follows:

Inflation	2.5%
Salary scale	3.8% in ERS, 4.5% in PFRS indexed by service
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation
Cost of living adjustments	1.3% annually

Annuitant mortality rates are based on the April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long-term expected 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 return, net of investment expenses 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 the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below.

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	36 %	4.55 %
International Equity	14	6.35
Private Equity	10	7.75
Real Estate	10	5.80
Absolute Return Strategies	2	4.00
Opportunistic Portfolio	3	5.89
Real Assets	3	5.54
Bonds and Mortgages	17	1.31
Cash	1	(0.25)
Inflation Indexed Bonds	4	1.50
	<u>100 %</u>	

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, the System's

Town of Walkill, New York

Notes to Financial Statements (Continued)
December 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

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.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Town's proportionate share of the ERS net pension liability (asset)	<u>\$ 6,061,412</u>	<u>\$ 1,897,867</u>	<u>\$ (1,622,402)</u>
Town's proportionate share of the PFRS net pension liability (asset)	<u>\$ 5,824,262</u>	<u>\$ 2,054,456</u>	<u>\$ (1,107,489)</u>

The components of the collective net pension liability as of the March 31, 2017 measurement date were as follows:

	ERS	PFRS	Total
Total pension liability	\$ 177,400,586,000	\$ 31,670,483,000	\$ 209,071,069,000
Fiduciary net position	<u>168,004,363,000</u>	<u>29,597,831,000</u>	<u>197,602,194,000</u>
Employers' net pension liability	<u>\$ 9,396,223,000</u>	<u>\$ 2,072,652,000</u>	<u>\$ 11,468,875,000</u>
Fiduciary net position as a percentage of total pension liability	<u>94.7%</u>	<u>93.5%</u>	<u>94.5%</u>

Employer contributions to ERS and PFRS are paid annually and cover the period through the end of the System's fiscal year, which is March 31st. Retirement contributions as of December 31, 2017 represent the employer contribution for the period of April 1, 2017 through December 31, 2017 based on prior year ERS and PFRS wages multiplied by the employers' contribution rate, by tier. Retirement contributions to ERS and PFRS for the nine months ended December 31, 2017 were \$629,777 and \$533,753, respectively.

Voluntary Defined Contribution Plan

The Town can offer a defined contribution plan to all non-union employees hired on or after July 1, 2013 and earning at the annual full-time salary rate of \$75,000 or more. The employee contribution is between 3% and 6% depending on salary and the Town will contribute 8%. Employer contributions vest after 366 days of service. No current employees participated in this program.

Note 3 - Detailed Notes on All Funds (Continued)

Landfill Closure Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill site was capped in 1997 and subsequently has been subject to monitoring in accordance with New York State regulations. The amount of \$127,303 reported as a landfill closure cost liability in the government-wide financial statements for governmental activities, at December 31, 2017, represents the estimated total future post-closure costs. Actual costs may be higher due to inflation, changes in technology or changes in regulation.

Other Post Employment Benefit Obligations

In addition to providing pension benefits, the Town provides certain health care benefits for retired employees through a single employer defined benefit plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the Town may vary according to length of service. Substantially all of the Town's employees may become eligible for those benefits if they reach normal retirement age while working for the Town. The cost of retiree health care benefits is recognized as an expenditure/expense as claims are paid within the governmental funds.

The Town's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution, ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Town is required to accrue on the government-wide and proprietary fund financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the expected rate of return on the Town's general assets. Funding for the Plan has been established on a pay-as-you-go basis. The assumed rates of increase in post retirement benefits are as follows:

Town of Walkill, New York

Notes to Financial Statements (Continued)
December 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

Year Ended December 31,	Pre-65 Medical	Post-65 Medical
2018	8.50 %	8.50 %
2019	8.00	8.00
2020	7.50	7.50
2021	7.00	7.00
2022	6.50	6.50
2023	6.00	6.00

The amortization basis is the level dollar method with an open amortization approach with 21 years remaining in the amortization period. The actuarial assumptions included in 4.0% investment rate of return. The Town currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the projected unit credit method. A separate postemployment benefit plan report is not available.

The number of participants as of December 31, 2017 was as follows:

	Governmental Funds	Enterprise Funds	Total
Active Employees	125	1	126
Retired Employees	64	-	64
	<u>189</u>	<u>1</u>	<u>190</u>

	Governmental Funds	Enterprise Fund	Total
Amortization Component:			
Actuarial Accrued Liability as of January 1, 2017	\$ 33,532,060	\$ 265,014	\$ 33,797,074
Assets at Market Value	-	-	-
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 33,532,060</u>	<u>\$ 265,014</u>	<u>\$ 33,797,074</u>
Funded Ratio	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered Payroll (Active plan members)	<u>\$ 6,899,290</u>	<u>\$ 82,187</u>	<u>\$ 6,981,477</u>
UAAL as a Percentage of Covered Payroll	<u>486.02%</u>	<u>322.45%</u>	<u>484.10%</u>
Annual Required Contribution	\$ 2,380,091	\$ 19,788	\$ 2,399,879
Interest on Net OPEB Obligation	816,424	6,715	823,139
Adjustments to Annual Required Contribution	<u>(636,513)</u>	<u>(4,713)</u>	<u>(641,226)</u>
Annual OPEB Cost	2,560,002	21,790	2,581,792
Contributions Made	<u>(866,269)</u>	-	<u>(866,269)</u>
Increase in Net OPEB Obligation	1,693,733	21,790	1,715,523
Net OPEB Obligation - Beginning of Year	<u>20,410,618</u>	<u>167,874</u>	<u>20,578,492</u>
Net OPEB Obligation - End of Year	<u>\$ 22,104,351</u>	<u>\$ 189,664</u>	<u>\$ 22,294,015</u>

Town of Walkill, New York

Notes to Financial Statements (Continued)
December 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

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

Fiscal Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 2,581,792	33.55 %	\$ 22,294,015
2016	2,419,116	36.73	20,578,492
2015	2,267,867	39.16	19,048,007

The schedule of funding progress for the OPEB plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for the benefits over time.

F. Significant Commitments - Encumbrances

As discussed in Note 2A, Budgetary Data, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At December 31, 2017, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$ 92,486
Highway Fund	2,669
Special Districts Fund	<u>9,690</u>
Total	<u>\$ 104,845</u>

G. Revenues and Expenditures

Interfund Transfers

Interfund transfers are defined as the flow of assets such as cash or goods and services, without the equivalent flow of assets in return. The interfund transfers below have been reflected as transfers.

Transfers Out	Transfers In				Total
	General Fund	Highway Fund	Capital Projects Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ -	\$ 132,429	\$ 132,429
Highway Fund	-	-	50,000	69,793	119,793
Special Districts Fund	-	139,753	50,000	-	189,753
Non-Major Governmental Funds	<u>115,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,000</u>
	<u>\$ 115,000</u>	<u>\$ 139,753</u>	<u>\$ 100,000</u>	<u>\$ 202,222</u>	<u>\$ 556,975</u>

Note 3 - Detailed Notes on All Funds (Continued)

Transfers are used to move amounts earmarked in the operating funds to 1) fulfill obligations of the Capital Projects Fund and 2) move amount earmarked in the operating funds to fulfill commitments for General, Highway and Non-Major Governmental funds.

H. Net Position

The components of net position are detailed below:

Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Future Capital Projects - the component of net position that has been established to set aside funds to be used to finance all or part of the construction or acquisition of a specific type of improvement in accordance with Section 6c of General Municipal Law.

Restricted for Liability and Casualty Loss - the component of net position that has been established to set aside funds to be used for a specific purpose in accordance with Section 6n of General Municipal Law.

Restricted for Trusts - the component of net position that has been established to set aside funds in accordance with the terms of the grants.

Restricted for Parklands - the component of net position that has been established pursuant to Section 277 of Town Law. This amount represents funds received by the Town in lieu of parklands as a condition precedent to the approval of a parcel by the Planning Board. These funds may only be used for recreation purposes.

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

Town of Walkill, New York

Notes to Financial Statements (Continued)
December 31, 2017

Note 3 - Detailed Notes on All Funds (Continued)

I. Fund Balances

	2017					2016						
	General Fund	Highway Fund	Special Districts Fund	Capital Projects Fund	Non-Major Governmental Funds	Total	General Fund	Highway Fund	Special Districts Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Restricted:												
Future capital projects	\$ 577,300	\$ 278,732	\$ 528,588	\$ -	\$ -	\$ 1,384,620	\$ 577,162	\$ 300,000	\$ 239,676	\$ -	\$ -	\$ 1,116,838
Capital projects	-	-	-	-	-	-	-	-	-	157,928	-	157,928
Liability and casualty loss	10,650	-	-	-	-	10,650	10,635	-	-	-	-	10,635
Trusts	-	-	-	-	214,435	214,435	-	-	-	-	200,040	200,040
Parklands	-	-	-	-	321,171	321,171	-	-	-	-	279,446	279,446
Total Restricted	587,950	278,732	528,588	-	535,606	1,930,876	587,797	300,000	239,676	157,928	479,486	1,764,887
Committed -												
Healthcare and pension costs	750,000	300,000	-	-	-	1,050,000	750,000	300,000	-	-	-	1,050,000
Assigned:												
Purchases on order												
General government support	735	-	-	-	-	735	11,675	-	-	-	-	11,675
Public safety	89,189	-	-	-	-	89,189	922	-	-	-	-	922
Transportation	2,562	2,669	-	-	-	5,231	-	2,276	-	-	-	2,276
Home and community services	-	-	9,690	-	-	9,690	-	-	13,519	-	-	13,519
	92,486	2,669	9,690	-	-	104,845	12,597	2,276	13,519	-	-	28,392
Subsequent year's expenditures												
Major Funds	-	2,322,146	42,000	-	-	2,322,146	-	2,351,794	37,400	-	-	2,351,794
Special Districts	-	-	11,502,706	-	-	11,502,706	-	-	11,113,097	-	-	11,113,097
Community Development	-	-	-	-	26,096	26,096	-	-	-	-	-	-
Total Assigned	92,486	2,324,815	11,554,396	-	26,096	13,997,793	12,597	2,354,070	11,164,016	-	-	13,530,683
Unassigned	6,528,855	-	-	(2,281,997)	-	4,246,858	5,523,008	-	-	-	(30,122)	5,492,886
Total Fund Balances	\$ 7,959,291	\$ 2,903,547	\$ 12,082,984	\$ (2,281,997)	\$ 561,702	\$ 21,225,527	\$ 6,873,402	\$ 2,954,070	\$ 11,403,692	\$ 157,928	\$ 449,364	\$ 21,838,456

Note 3 - Detailed Notes on All Funds (Continued)

Certain elements of fund balance are described above. Those additional elements, which are not reflected in the Statement of Net Position but are reported in the governmental funds balance sheet are described below.

The committed for healthcare and pension costs - represents an amount set aside by the Board for large increases in future healthcare and pension costs.

Purchases on order are assigned and represent the Town's intention to honor the contracts in process at year-end. The subsequent year's appropriations will be amended to provide authority to complete the transactions.

Subsequent year's expenditures are amounts that at December 31, 2017, the Town Board has assigned to be appropriated to the ensuing year's budget.

Assigned for Highway and Special Districts funds represent the component of fund balance that represents the difference between assets and liabilities of the Highway and Special District Fund.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted, committed or assigned. Unassigned fund balance in the Capital Projects Fund represents the deficit balances in various capital projects.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

The Town, in common with other municipalities, receives numerous notices of claims for money damages arising from false arrest, property damage or personal injury. There are several tort claims pending against the Town. However, it is anticipated that insurance coverage will be sufficient to satisfy any resolution of the tort claims pending against the Town.

There are currently pending certiorari proceedings, the results of which could require the payment of future tax refunds by the Town, if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of the possible refunds cannot be determined at the present time. Any payments resulting from adverse decision will be funded in the year payment is made.

B. Risk Management

The Town purchases various conventional insurance to reduce its exposure to loss. The public officials and general liability policies provide coverage of up to \$1.0 million. In addition, the Town maintains an umbrella policy with a limit of \$4.0 million. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Town also purchases conventional medical and workers' compensation coverage.

C. Contingencies

The Town participates in various Federal grant programs. These programs are subject to program compliance audits pursuant to the Single Audit Act. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town anticipates such amounts, if any, to be immaterial.

Town of Walkill, New York

Notes to Financial Statements (Continued)
December 31, 2017

Note 5 - Tax Abatements

The Town has real property tax abatement agreements with housing development and redevelopment companies organized pursuant to Article V or Article 18-A of the General Municipal Law (“GML”).

Generally, these agreements provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT), with the exception of special district property taxes.

Copies of the agreements may be obtained from Toni Tracy, Comptroller, 99 Tower Drive, Building B Middletown, NY 10941, ttracy@townofwalkill.com. Information relevant to disclosure of these agreements for the fiscal year ended December 31, 2017 is as follows:

<u>Start Date</u>	<u>Agreement</u>	<u>Taxable Assessed Value</u>	<u>Tax Rate</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Taxes Abated</u>
2013	Fairbanks Manufacturing	\$ 169,700	\$ 18.1647	\$ 3,083	\$ 617	\$ 2,466
2008	GA HC REIT II-95 Crys Run	3,252,400	18.1647	59,079	41,982	17,097
2012	Oak Ridge Apartments	1,286,200	18.1647	15,600	15,600	-
2016	Retford-Piller	538,900	18.1647	9,789	5,521	4,268
1999	Senior Horizons	70,500	18.1647	1,281	1,281	-
2011	Sunrise Gardens	1,272,300	18.1647	15,600	15,600	-
2010	Tetz Concrete	189,800	18.1647	3,448	2,569	879
2002	Walkill Living	1,920,000	18.1647	115,853	115,853	-
2013	Walkill Realty Partners	5,430,200	18.1647	98,638	20,755	77,883
		<u>\$ 14,130,000</u>		<u>\$ 322,371</u>	<u>\$ 219,778</u>	<u>\$ 102,593</u>

Note 6 - Subsequent Event

The Town, in January 2018, issued bond anticipation notes in the amount of \$3,492,200. The notes are due January 2019, with interest at 2.50%. The proceeds of the notes and \$154,800 of cash on hand, will be used to redeem \$2,652,000 bond anticipation notes, 2017 Series A maturing January 2018 and provide \$995,000 of new money.

The Town, in January 2018, issued public improvement serial bonds in the amount of \$5,000,000. The bonds mature January 2038, with interest at 3.00%. The proceeds of the bonds will be used to finance \$5,000,000 for improvements for the consolidated sewer district including sludge dewatering and pumps rehabilitation.

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Town of Walkill, New York

Required Supplementary Information - Schedule of Funding Progress
 Other Post Employment Benefits
 Last Three Fiscal Years

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
January 1, 2017	\$ -	\$ 33,797,074	\$ 33,797,074	- %	\$ 6,981,477	484.10 %
January 1, 2016	-	32,233,145	32,233,145	-	8,350,880	385.99
January 1, 2015	-	30,772,517	30,772,517	-	8,350,880	368.49

See independent auditors report.

Town of Walkill, New York

Required Supplementary Information - Schedule of the
Town's Proportionate Share of the Net Pension Liability
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)

	<u>2017</u>	<u>2016 (2)</u>	<u>2015</u>
Town's proportion of the net pension liability	<u>0.0201982%</u>	<u>0.0211740%</u>	<u>0.0210668%</u>
Town's proportionate share of the net pension liability	<u>\$ 1,897,867</u>	<u>\$ 3,398,493</u>	<u>\$ 711,690</u>
Town's covered payroll	<u>\$ 5,527,953</u>	<u>\$ 4,996,627</u>	<u>\$ 4,855,890</u>
Town's proportionate share of the net pension liability as a percentage of its covered payroll	<u>34.33%</u>	<u>68.02%</u>	<u>14.66%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>94.70%</u>	<u>90.70%</u>	<u>97.90%</u>

Note - The amounts presented for each fiscal year were determined as of the March 31 measurement date within the current fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

(2) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

See independent auditors report.

Town of Walkill, New York

Required Supplementary Information - Schedule of Contributions
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 839,703	\$ 890,775	\$ 1,033,105
Contributions in relation to the contractually required contribution	<u>(839,703)</u>	<u>(890,775)</u>	<u>(1,033,105)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	<u>\$ 5,606,436</u>	<u>\$ 5,311,430</u>	<u>\$ 5,160,660</u>
Contributions as a percentage of covered payroll	<u>14.98%</u>	<u>16.77%</u>	<u>20.02%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

See independent auditors report.

Town of Wallkill, New York

Required Supplementary Information - Schedule of the
 Town's Proportionate Share of the Net Pension Liability
 New York State and Local Police and Fire Retirement System
 Last Ten Fiscal Years (1)

	<u>2017</u>	<u>2016 (2)</u>	<u>2015</u>
Town's proportion of the net pension liability	<u>0.0991221%</u>	<u>0.0970405%</u>	<u>0.0989627%</u>
Town's proportionate share of the net pension liability	<u>\$ 2,054,456</u>	<u>\$ 2,873,162</u>	<u>\$ 272,404</u>
Town's covered payroll	<u>\$ 3,502,286</u>	<u>\$ 3,036,844</u>	<u>\$ 2,879,570</u>
Town's proportionate share of the net pension liability as a percentage of its covered payroll	<u>58.66%</u>	<u>94.61%</u>	<u>9.46%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>93.50%</u>	<u>90.20%</u>	<u>99.00%</u>

Note - The amounts presented for each fiscal year were determined as of the March 31 measurement date within the current fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

(2) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

See independent auditors report.

Town of Walkkill, New York

Required Supplementary Information - Schedule of Contributions
New York State and Local Police and Fire Retirement System
Last Ten Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 711,671	\$ 617,775	\$ 741,257
Contributions in relation to the contractually required contribution	<u>(711,671)</u>	<u>(617,775)</u>	<u>(741,257)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	<u>\$ 3,319,831</u>	<u>\$ 3,340,546</u>	<u>\$ 3,183,331</u>
Contributions as a percentage of covered payroll	<u>21.44%</u>	<u>18.49%</u>	<u>23.29%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

See independent auditors report.

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Town of Walkill, New York

General Fund
Comparative Balance Sheet
December 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 7,531,673	\$ 5,396,320
Receivables		
Accounts	247,490	241,849
State and Federal aid	1,391,459	751,761
Due from other governments	1,306,351	1,739,177
Due from other funds	551,263	314,199
Loan receivable, net of allowance of \$1,803,064	-	-
	<u>3,496,563</u>	<u>3,046,986</u>
Total Assets	<u>\$ 11,028,236</u>	<u>\$ 8,443,306</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 991,726	\$ 529,091
Accrued liabilities	635,909	258,041
Due to retirement systems	861,237	782,772
Due to other funds	580,073	-
Total Liabilities	<u>3,068,945</u>	<u>1,569,904</u>
Fund balance		
Restricted	587,950	587,797
Committed	750,000	750,000
Assigned	92,486	12,597
Unassigned	<u>6,528,855</u>	<u>5,523,008</u>
Total Fund Balance	<u>7,959,291</u>	<u>6,873,402</u>
Total Liabilities and Fund Balance	<u>\$ 11,028,236</u>	<u>\$ 8,443,306</u>

See independent auditors' report.

Town of Walkill, New York

General Fund
Comparative Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Years Ended December 31,

	2017			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 6,112,853	\$ 6,112,853	\$ 6,112,853	\$ -
Other tax items	448,290	448,290	471,796	23,506
Non-property taxes	4,050,000	4,050,000	4,447,036	397,036
Departmental income	478,194	660,544	811,862	151,318
Intergovernmental charges	20,000	20,000	-	(20,000)
Use of money and property	160,500	160,500	246,619	86,119
Sale of property and compensation for loss	3,570	3,570	6,166	2,596
Licenses and permits	497,200	497,900	693,407	195,507
Fines and forfeitures	1,640,000	1,640,000	1,552,308	(87,692)
State aid	844,881	855,872	1,107,293	251,421
Federal aid	280,000	280,000	252,767	(27,233)
Miscellaneous	83,000	89,822	86,267	(3,555)
Total Revenues	14,618,488	14,819,351	15,788,374	969,023
EXPENDITURES				
Current				
General government support	2,737,852	2,622,102	2,557,944	64,158
Public safety	5,144,856	5,302,004	5,008,567	293,437
Health	4,750	4,750	1,204	3,546
Transportation	832,086	691,236	642,426	48,810
Economic opportunity and development	12,000	12,000	7,900	4,100
Culture and recreation	764,720	1,062,569	1,011,516	51,053
Home and community services	219,835	588,308	581,292	7,016
Employee benefits	4,391,500	4,348,126	4,343,732	4,394
Debt service				
Principal	347,700	347,700	365,569	(17,869)
Interest	287,786	287,786	289,421	(1,635)
Total Expenditures	14,743,085	15,266,581	14,809,571	457,010
Excess (Deficiency) of Revenues Over Expenditures	(124,597)	(447,230)	978,803	1,426,033
OTHER FINANCING SOURCES (USES)				
Sale of real property	23,000	23,000	23,740	740
Insurance recoveries	24,000	29,167	100,775	71,608
Transfers in	65,000	180,000	115,000	(65,000)
Transfers out	-	(132,429)	(132,429)	-
Total Other Financing Sources	112,000	99,738	107,086	7,348
Net Change in Fund Balance	(12,597)	(347,492)	1,085,889	1,433,381
FUND BALANCE				
Beginning of Year	12,597	347,492	6,873,402	6,525,910
End of Year	\$ -	\$ -	\$ 7,959,291	\$ 7,959,291

See independent auditors' report.

2016

Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 5,359,083	\$ 5,359,083	\$ 5,359,083	\$ -
933,000	933,000	926,069	(6,931)
3,950,000	4,029,694	4,229,874	200,180
590,826	608,826	674,577	65,751
12,000	12,000	-	(12,000)
64,600	64,600	79,407	14,807
4,650	4,650	14,030	9,380
490,200	491,750	650,375	158,625
1,575,500	1,575,500	1,698,593	123,093
800,070	900,070	1,129,543	229,473
225,000	326,740	331,740	5,000
43,000	43,000	90,448	47,448
<u>14,047,929</u>	<u>14,348,913</u>	<u>15,183,739</u>	<u>834,826</u>
2,632,621	2,750,623	2,726,021	24,602
4,895,194	5,237,666	5,223,508	14,158
19,200	2,239	2,239	-
802,651	949,251	945,519	3,732
11,000	9,333	9,333	-
925,439	973,319	965,033	8,286
263,420	263,016	259,920	3,096
3,996,172	4,028,271	4,027,781	490
336,250	353,753	353,753	-
299,914	302,370	301,806	564
<u>14,181,861</u>	<u>14,869,841</u>	<u>14,814,913</u>	<u>54,928</u>
<u>(133,932)</u>	<u>(520,928)</u>	<u>368,826</u>	<u>889,754</u>
23,000	23,000	24,979	1,979
24,000	35,347	101,749	66,402
105,000	105,000	61,325	(43,675)
<u>(37,500)</u>	<u>(67,500)</u>	<u>(37,500)</u>	<u>-</u>
<u>114,500</u>	<u>95,847</u>	<u>150,553</u>	<u>24,706</u>
(19,432)	(425,081)	519,379	914,460
<u>19,432</u>	<u>425,081</u>	<u>6,354,023</u>	<u>5,928,942</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,873,402</u>	<u>\$ 6,843,402</u>

Town of Wallkill, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended December 31, 2017

(With Comparative Actuals for 2016)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2016 Actual
REAL PROPERTY TAXES	\$ 6,112,853	\$ 6,112,853	\$ 6,112,853	\$ -	\$ 5,359,083
OTHER TAX ITEMS					
Payments in lieu of taxes	141,290	141,290	137,543	(3,747)	628,823
Interest and penalties on real property taxes	37,000	37,000	40,113	3,113	36,904
Franchise fees	270,000	270,000	294,140	24,140	260,342
	448,290	448,290	471,796	23,506	926,069
NON-PROPERTY TAXES					
Non-property tax distribution from County	4,050,000	4,050,000	4,447,036	397,036	4,229,874
DEPARTMENTAL INCOME					
Town Clerk fees	6,800	6,800	7,900	1,100	5,442
Assessor label fees	3,000	3,000	2,440	(560)	1,670
Police fees	67,000	67,000	84,713	17,713	53,873
Vital statistics fees	55,750	55,750	50,721	(5,029)	49,939
Safety inspection fees	120,700	120,700	222,300	101,600	170,365
Bus operations	26,000	26,000	24,751	(1,249)	27,656
Parks and recreation fees	77,718	260,068	259,158	(910)	212,682
Zoning fees	16,000	16,000	16,664	664	32,433
Planning Board fees	26,000	26,000	66,142	40,142	29,958
Refuse and garbage charges	5,000	5,000	6,000	1,000	6,000
Water and sewer management charge	68,226	68,226	68,226	-	68,226
Dog control	-	-	1,000	1,000	1,450
Miscellaneous	6,000	6,000	1,847	(4,153)	14,883
	478,194	660,544	811,862	151,318	674,577
INTERGOVERNMENTAL CHARGES					
Chargebacks from Agencies	20,000	20,000	-	(20,000)	-

USE OF MONEY AND PROPERTY

Earnings on investments	8,500	8,500	11,956	3,456	11,177
Rental of real property	152,000	152,000	234,663	82,663	68,230
	<u>160,500</u>	<u>160,500</u>	<u>246,619</u>	<u>86,119</u>	<u>79,407</u>

**SALE OF PROPERTY AND
COMPENSATION FOR LOSS**

Sale of equipment	3,000	3,000	645	(2,355)	13,780
Minor sales	570	570	5,521	4,951	250
	<u>3,570</u>	<u>3,570</u>	<u>6,166</u>	<u>2,596</u>	<u>14,030</u>

LICENSES AND PERMITS

Bingo licenses	8,500	8,500	372	(8,128)	-
Dog licenses	5,750	6,450	10,881	4,431	10,986
Building permits	481,000	481,000	679,373	198,373	634,584
Other licenses and permits	1,950	1,950	2,781	831	4,805
	<u>497,200</u>	<u>497,900</u>	<u>693,407</u>	<u>195,507</u>	<u>650,375</u>

FINES AND FORFEITURES

Parking tickets	90,000	90,000	91,552	1,552	82,290
Fines and forfeited bail	1,550,000	1,550,000	1,460,756	(89,244)	1,616,303
	<u>1,640,000</u>	<u>1,640,000</u>	<u>1,552,308</u>	<u>(87,692)</u>	<u>1,698,593</u>

STATE AID

Per capita	89,881	89,881	89,881	-	89,881
Mortgage tax	565,000	565,000	800,626	235,626	718,497
Park and ride aid	65,000	65,000	72,500	7,500	75,739
Police safety grant	-	1,400	6,855	5,455	104,931
Youth aid	-	-	9,500	9,500	9,000
Transportation aid	125,000	125,000	118,340	(6,660)	125,620
Other aid	-	9,591	9,591	-	5,875
	<u>844,881</u>	<u>855,872</u>	<u>1,107,293</u>	<u>251,421</u>	<u>1,129,543</u>

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Town of Wallkill, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget (Continued)

Year Ended December 31, 2017

(With Comparative Actuals for 2016)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2016 Actual
FEDERAL AID					
Bus aid	\$ 280,000	\$ 280,000	\$ 252,767	\$ (27,233)	\$ 331,740
MISCELLANEOUS					
Refund of prior year's expenditures	-	-	-	-	2,160
Unclassified	83,000	89,822	86,267	(3,555)	88,288
	83,000	89,822	86,267	(3,555)	90,448
TOTAL REVENUES	<u>14,618,488</u>	<u>14,819,351</u>	<u>15,788,374</u>	<u>969,023</u>	<u>15,183,739</u>
OTHER FINANCING SOURCES					
Sale of real property	23,000	23,000	23,740	740	24,979
Insurance recoveries	24,000	29,167	100,775	71,608	101,749
Transfers in					
Special Purpose Fund	65,000	180,000	115,000	(65,000)	61,325
TOTAL OTHER FINANCING SOURCES	<u>112,000</u>	<u>232,167</u>	<u>239,515</u>	<u>7,348</u>	<u>188,053</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 14,730,488</u>	<u>\$ 15,051,518</u>	<u>\$ 16,027,889</u>	<u>\$ 976,371</u>	<u>\$ 15,371,792</u>

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See independent auditors' report.

Town of Wallkill, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended December 31, 2017

(With Comparative Actuals for 2016)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2016 Actual
GENERAL GOVERNMENT SUPPORT					
Town Board	\$ 39,217	\$ 45,687	\$ 45,593	\$ 94	\$ 45,863
Town Justice	612,679	610,336	600,341	9,995	592,035
Supervisor	194,344	260,900	252,819	8,081	208,575
Auditor	50,000	58,074	58,073	1	57,930
Tax collection	22,650	22,767	21,703	1,064	20,505
Budget	-	87	87	-	4,521
Assessor	211,223	208,989	208,370	619	240,616
Town Clerk	101,907	129,661	129,350	311	113,323
Attorney	202,500	180,960	177,869	3,091	237,363
Engineer	29,000	38,542	34,467	4,075	47,861
Elections	-	300	300	-	31,757
Public works administration	62,445	67,283	66,272	1,011	63,479
Buildings	336,200	263,126	239,424	23,702	424,597
Central communications	33,000	33,229	33,229	-	32,868
Central printing	98,800	127,619	122,353	5,266	98,852
Data processing	256,810	108,255	107,043	1,212	125,032
Unallocated insurance	272,800	344,672	344,669	3	329,368
Municipal association dues	2,300	2,300	2,000	300	2,000
Judgments and claims	30,000	40,470	37,250	3,220	11,667
Taxes and assessments on property	18,900	52,395	52,395	-	19,549
Metropolitan commuter transportation mobility tax	15,700	15,700	13,587	2,113	14,810
Unclassified	13,600	10,750	10,750	-	3,450
Contingency	133,777	-	-	-	-
	<u>2,737,852</u>	<u>2,622,102</u>	<u>2,557,944</u>	<u>64,158</u>	<u>2,726,021</u>

PUBLIC SAFETY

Police	4,569,060	4,728,814	4,494,191	234,623	4,587,086
Traffic control	51,500	46,329	44,400	1,929	49,342
Parking enforcement	31,360	49,959	49,818	141	46,400
Dog control	36,350	24,355	22,549	1,806	26,197
Safety inspection	456,586	452,547	397,609	54,938	518,021

	<u>5,144,856</u>	<u>5,302,004</u>	<u>5,008,567</u>	<u>293,437</u>	<u>5,227,046</u>
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HEALTH

Registrar	4,750	4,750	1,204	3,546	2,239
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TRANSPORTATION

Highway garage	259,500	278,297	255,497	22,800	428,668
Street lighting	198,000	63,074	63,074	-	179,378
Park and ride lot	65,000	76,318	75,835	483	64,687
Central garage	500	500	473	27	93
Bus operations	309,086	273,047	247,547	25,500	272,693

	<u>832,086</u>	<u>691,236</u>	<u>642,426</u>	<u>48,810</u>	<u>945,519</u>
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ECONOMIC OPPORTUNITY AND DEVELOPMENT

Publicity	3,300	3,300	3,300	-	3,300
Veteran's service	1,700	1,700	1,000	700	1,328
Programs for the aging	7,000	7,000	3,600	3,400	4,705

	<u>12,000</u>	<u>12,000</u>	<u>7,900</u>	<u>4,100</u>	<u>9,333</u>
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CULTURE AND RECREATION

Recreation administration	181,900	434,978	417,719	17,259	245,351
Parks	577,360	622,131	590,759	31,372	712,927
Historian	5,460	5,460	3,038	2,422	3,217

	<u>764,720</u>	<u>1,062,569</u>	<u>1,011,516</u>	<u>51,053</u>	<u>961,495</u>
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HOME AND COMMUNITY SERVICES

Zoning	17,035	21,624	21,070	554	20,531
Planning	97,400	90,810	85,685	5,125	86,223
Master plan	1,000	1,000	-	1,000	-
Human rights commission	1,400	1,570	1,540	30	971
Refuse and garbage	87,000	91,944	91,943	1	81,267
Landfill	6,000	6,000	5,695	305	5,925
Urban renewal	10,000	2,925	2,924	1	40,076
Solar farm	-	372,435	372,435	-	24,927

	<u>219,835</u>	<u>588,308</u>	<u>581,292</u>	<u>7,016</u>	<u>259,920</u>
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(Continued)

Town of Wallkill, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget (Continued)

Year Ended December 31, 2017

(With Comparative Actuals for 2016)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2016 Actual
EMPLOYEE BENEFITS					
State retirement	\$ 1,148,000	\$ 1,122,162	\$ 1,122,162	\$ -	\$ 1,053,704
Social security	502,000	504,235	503,708	527	510,321
Workers' compensation benefits	312,000	304,414	304,414	-	299,620
Unemployment benefits	4,000	4,000	135	3,865	1,057
Disability	3,000	4,332	4,332	-	1,176
Health insurance	2,422,500	2,408,983	2,408,981	2	2,161,903
	<u>4,391,500</u>	<u>4,348,126</u>	<u>4,343,732</u>	<u>4,394</u>	<u>4,027,781</u>
DEBT SERVICE					
Principal					
Serial bonds	347,700	347,700	347,700	-	336,250
Installment purchase debt	-	-	17,869	(17,869)	17,503
	<u>347,700</u>	<u>347,700</u>	<u>365,569</u>	<u>(17,869)</u>	<u>353,753</u>
Interest					
Serial bonds	287,786	287,786	287,785	1	299,163
Bond anticipation notes	-	-	-	-	707
Installment purchase debt	-	-	1,636	(1,636)	1,936
	<u>287,786</u>	<u>287,786</u>	<u>289,421</u>	<u>(1,635)</u>	<u>301,806</u>
	<u>635,486</u>	<u>635,486</u>	<u>654,990</u>	<u>(19,504)</u>	<u>655,559</u>
TOTAL EXPENDITURES	<u>14,743,085</u>	<u>15,266,581</u>	<u>14,809,571</u>	<u>457,010</u>	<u>14,814,913</u>
OTHER FINANCING USES					
Transfers out					
Capital Projects Fund	-	-	-	-	37,500
Community Development Fund	-	132,429	132,429	-	-
Total Other Financing Sources	<u>-</u>	<u>132,429</u>	<u>132,429</u>	<u>-</u>	<u>37,500</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 14,743,085</u>	<u>\$ 15,399,010</u>	<u>\$ 14,942,000</u>	<u>\$ 457,010</u>	<u>\$ 14,852,413</u>

See independent auditors' report.

Town of Wallkill, New York

Highway Fund
 Comparative Balance Sheet
 December 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 3,117,789	\$ 3,057,358
Receivables		
Accounts	17,070	15,914
Due from other governments	45,890	28,629
Due from other funds	232,357	153,563
	<u>295,317</u>	<u>198,106</u>
Total Assets	<u>\$ 3,413,106</u>	<u>\$ 3,255,464</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 202,528	\$ 79,346
Accrued liabilities	85,491	66,626
Due to retirement systems	170,040	155,422
Due to other funds	51,500	-
Total Liabilities	<u>509,559</u>	<u>301,394</u>
Fund balance		
Restricted	278,732	300,000
Committed	300,000	300,000
Assigned	2,324,815	2,354,070
Total Fund Balance	<u>2,903,547</u>	<u>2,954,070</u>
Total Liabilities and Fund Balance	<u>\$ 3,413,106</u>	<u>\$ 3,255,464</u>

See independent auditors' report.

Town of Wallkill, New York

Highway Fund

Comparative Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Years Ended December 31,

	2017			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real property taxes	\$ 4,643,886	\$ 4,643,886	\$ 4,643,886	\$ -
Other tax items	87,319	87,319	82,235	(5,084)
Intergovernmental charges	192,000	192,000	245,776	53,776
Use of money and property	-	-	4,813	4,813
Sale of property and compensation for loss	28,500	28,500	64,615	36,115
Interfund revenues	189,000	189,000	121,474	(67,526)
State aid	423,000	423,000	497,426	74,426
Miscellaneous	34,000	34,000	86,156	52,156
Total Revenues	5,597,705	5,597,705	5,746,381	148,676
EXPENDITURES				
Current				
General government support	61,150	4,000	3,239	761
Transportation	3,789,588	4,155,171	4,010,736	144,435
Employee benefits	1,457,426	1,435,596	1,434,142	1,454
Debt service				
Principal	202,500	200,500	245,790	(45,290)
Interest	101,317	120,564	122,957	(2,393)
Total Expenditures	5,611,981	5,915,831	5,816,864	98,967
Excess (Deficiency) of Revenues Over Expenditures	(14,276)	(318,126)	(70,483)	247,643
OTHER FINANCING SOURCES (USES)				
Transfers in	12,000	115,273	139,753	24,480
Transfers out	-	(69,793)	(119,793)	(50,000)
Total Other Financing Sources (Uses)	12,000	45,480	19,960	(25,520)
Net Change in Fund Balance	(2,276)	(272,646)	(50,523)	222,123
FUND BALANCE				
Beginning of Year	2,276	272,646	2,954,070	2,681,424
End of Year	\$ -	\$ -	\$ 2,903,547	\$ 2,903,547

See independent auditors' report.

2016

Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 4,305,034	\$ 4,305,034	\$ 4,305,034	\$ -
470,000	470,000	478,974	8,974
306,000	306,000	207,496	(98,504)
-	-	6,151	6,151
36,000	36,000	52,189	16,189
178,000	178,000	175,615	(2,385)
345,000	423,789	423,959	170
36,434	38,934	142,909	103,975
<u>5,676,468</u>	<u>5,757,757</u>	<u>5,792,327</u>	<u>34,570</u>
104,000	4,000	3,414	586
4,045,505	4,279,742	3,906,969	372,773
1,387,494	1,373,633	1,343,666	29,967
63,750	62,716	62,715	1
68,978	39,649	39,649	-
<u>5,669,727</u>	<u>5,759,740</u>	<u>5,356,413</u>	<u>403,327</u>
6,741	(1,983)	435,914	437,897
-	-	-	-
(110,000)	(234,156)	(234,156)	-
(110,000)	(234,156)	(234,156)	-
(103,259)	(236,139)	201,758	437,897
<u>103,259</u>	<u>236,139</u>	<u>2,752,312</u>	<u>2,516,173</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,954,070</u>	<u>\$ 2,954,070</u>

Town of Walkkill, New York

Special Districts Fund
 Combining Balance Sheet - Sub Funds
 December 31, 2017
 (With Comparative Totals for 2016)

	Combined Water Districts	Combined Sewer Districts	Combined Lighting Districts
ASSETS			
Cash and equivalents	\$ 3,069,421	\$ 5,150,981	\$ 285,272
Receivables			
Accounts	3,331	14,160	-
Water and sewer rents	953,353	925,889	-
Due from other funds	1,605,592	210,000	-
	<u>2,562,276</u>	<u>1,150,049</u>	<u>-</u>
Total Assets	<u>\$ 5,631,697</u>	<u>\$ 6,301,030</u>	<u>\$ 285,272</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 209,526	\$ 78,928	\$ 2,929
Accrued liabilities	12,966	24,061	-
Due to retirement systems	62,978	62,978	-
Due to other funds	103,569	78,250	-
Total Liabilities	<u>389,039</u>	<u>244,217</u>	<u>2,929</u>
Fund balances			
Restricted	239,883	288,705	-
Assigned	5,002,775	5,768,108	282,343
Total Fund Balances	<u>5,242,658</u>	<u>6,056,813</u>	<u>282,343</u>
Total Liabilities and Fund Balances	<u>\$ 5,631,697</u>	<u>\$ 6,301,030</u>	<u>\$ 285,272</u>

See independent auditors' report.

Road Improvement Area	Combined Drainage Districts	Totals	
		2017	2016
\$ 369,513	\$ 71,628	\$ 8,946,815	\$ 8,304,518
-	-	17,491	14,196
-	-	1,879,242	1,695,174
50,429	9,600	1,875,621	1,866,021
50,429	9,600	3,772,354	3,575,391
<u>\$ 419,942</u>	<u>\$ 81,228</u>	<u>\$ 12,719,169</u>	<u>\$ 11,879,909</u>
\$ -	\$ -	\$ 291,383	\$ 163,356
-	-	37,027	50,026
-	-	125,956	115,128
-	-	181,819	147,707
-	-	636,185	476,217
-	-	528,588	239,676
419,942	81,228	11,554,396	11,164,016
419,942	81,228	12,082,984	11,403,692
<u>\$ 419,942</u>	<u>\$ 81,228</u>	<u>\$ 12,719,169</u>	<u>\$ 11,879,909</u>

Town of Walkill, New York

Special Districts Fund
 Combining Schedule of Revenues, Expenditures and Changes
 in Fund Balances - Sub Funds
 Year Ended December 31, 2017
 (With Comparative Totals for 2016)

	Water Districts			Sewer Districts	
	Consolidated	Arfman Tract	Lorelei	Consolidated	Arfman Tract
REVENUES					
Real property taxes	\$ 1,247,761	\$ -	\$ 31,096	\$ 1,527,517	\$ -
Other tax items	-	-	-	-	-
Departmental income	2,028,824	323,745	5,261	2,078,622	186,284
Use of money and property	2,358	22	35	7,841	40
Sale of property and compensation for loss	-	-	-	14,604	-
Miscellaneous	27,336	-	5,028	7,126	-
Total Revenues	3,306,279	323,767	41,420	3,635,710	186,324
EXPENDITURES					
Current					
Transportation	-	-	-	-	-
Home and community services	2,038,842	339,535	4,769	2,284,292	193,541
Employee benefits	396,630	-	-	360,999	-
Debt service					
Principal	339,628	-	-	198,328	-
Interest	180,764	-	7,157	121,401	-
Total Expenditures	2,955,864	339,535	11,926	2,965,020	193,541
Excess (Deficiency) of Revenues Over Expenditures	350,415	(15,768)	29,494	670,690	(7,217)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(25,000)	(25,000)	-
Total Other Financing Uses	-	-	(25,000)	(25,000)	-
Net Change in Fund Balances	350,415	(15,768)	4,494	645,690	(7,217)
FUND BALANCES (DEFICITS)					
Beginning of Year	4,788,699	70,125	44,693	5,374,021	44,319
End of Year	<u>\$ 5,139,114</u>	<u>\$ 54,357</u>	<u>\$ 49,187</u>	<u>\$ 6,019,711</u>	<u>\$ 37,102</u>

Lighting Districts					Road Improvement Area	Drainage Districts		
District No. 1	District No. 2	District No. 3	District No. 4	District No. 5		District A	District B	District #1
\$ 30,000	\$ 35,000	\$ 2,610	\$ 2,000	\$ -	\$ 55,000	\$ 1,500	\$ 600	\$ 1,500
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
105	82	-	-	2	883	4	1	5
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>30,105</u>	<u>35,082</u>	<u>2,610</u>	<u>2,000</u>	<u>2</u>	<u>55,883</u>	<u>1,504</u>	<u>601</u>	<u>1,505</u>
40,667	50,088	1,889	1,339	-	200,014	-	-	902
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>40,667</u>	<u>50,088</u>	<u>1,889</u>	<u>1,339</u>	<u>-</u>	<u>200,014</u>	<u>-</u>	<u>-</u>	<u>902</u>
<u>(10,562)</u>	<u>(15,006)</u>	<u>721</u>	<u>661</u>	<u>2</u>	<u>(144,131)</u>	<u>1,504</u>	<u>601</u>	<u>603</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	(139,753)	-	-	-
-	-	-	-	-	(139,753)	-	-	-
<u>(10,562)</u>	<u>(15,006)</u>	<u>721</u>	<u>661</u>	<u>2</u>	<u>(283,884)</u>	<u>1,504</u>	<u>601</u>	<u>603</u>
<u>171,208</u>	<u>127,346</u>	<u>3,517</u>	<u>4,456</u>	<u>-</u>	<u>703,826</u>	<u>9,815</u>	<u>4,995</u>	<u>10,027</u>
<u>\$ 160,646</u>	<u>\$ 112,340</u>	<u>\$ 4,238</u>	<u>\$ 5,117</u>	<u>\$ 2</u>	<u>\$ 419,942</u>	<u>\$ 11,319</u>	<u>\$ 5,596</u>	<u>\$ 10,630</u>

(Continued)

Town of Walkill, New York

Special Districts Fund
 Combining Schedule of Revenues, Expenditures and Changes
 in Fund Balances - Sub Funds (Continued)
 Year Ended December 31, 2017
 (With Comparative Totals for 2016)

	District No. 4	District No. 5	District No. 6	District No. 7	District No. 8
REVENUES					
Real property taxes	\$ 1,500	\$ -	\$ 1,500	\$ 1,500	\$ 600
Other tax items	-	-	-	-	-
Departmental income	-	-	-	-	-
Use of money and property	4	-	-	-	6
Sale of property and compensation for loss	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	1,504	-	1,500	1,500	606
EXPENDITURES					
Current					
Transportation	2,721	-	1,357	-	-
Home and community services	-	-	-	-	-
Employee benefits	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	2,721	-	1,357	-	-
Excess (Deficiency) of Rev- enues Over Expenditures	(1,217)	-	143	1,500	606
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Uses	-	-	-	-	-
Net Change in Fund Balances	(1,217)	-	143	1,500	606
FUND BALANCES (DEFICITS)					
Beginning of Year	9,009	10,021	7,568	10,021	10,026
End of Year	\$ 7,792	\$ 10,021	\$ 7,711	\$ 11,521	\$ 10,632

Drainage Districts

District No. 9	District No. 10	District No. 11	District No. 12	District No. 13	District No. 14	District No. 15	District No. 16
\$ 1,000	\$ 1,000	\$ 3,000	\$ 500	\$ 600	\$ 2,000	\$ 500	\$ 500
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,000</u>	<u>1,000</u>	<u>3,000</u>	<u>500</u>	<u>600</u>	<u>2,000</u>	<u>500</u>	<u>500</u>
-	-	-	-	-	-	-	-
1,740	-	-	-	-	1,854	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,854</u>	<u>-</u>	<u>-</u>
(740)	1,000	3,000	500	600	146	500	500
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(740)	1,000	3,000	500	600	146	500	500
-	-	-	-	-	-	-	-
<u>\$ (740)</u>	<u>\$ 1,000</u>	<u>\$ 3,000</u>	<u>\$ 500</u>	<u>\$ 600</u>	<u>\$ 146</u>	<u>\$ 500</u>	<u>\$ 500</u>

(Continued)

Town of Walkill, New York

Special Districts Fund
 Combining Schedule of Revenues, Expenditures and Changes
 in Fund Balances - Sub Funds (Continued)
 Year Ended December 31, 2017
 (With Comparative Totals for 2016)

	Totals		
	District No. 17	2017	2016
REVENUES			
Real property taxes	\$ 500	\$ 2,949,284	\$ 2,844,739
Other tax items	-	-	24,041
Departmental income	-	4,622,736	4,657,293
Use of money and property	-	11,388	16,091
Sale of property and compensation for loss	-	14,604	300
Miscellaneous	-	39,490	58,298
Total Revenues	500	7,637,502	7,600,762
EXPENDITURES			
Current			
Transportation	-	298,977	140,624
Home and community services	-	4,864,573	4,514,210
Employee benefits	-	757,629	707,568
Debt service			
Principal	-	537,956	373,648
Interest	-	309,322	249,232
Total Expenditures	-	6,768,457	5,985,282
Excess (Deficiency) of Rev- enues Over Expenditures	500	869,045	1,615,480
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	864
Transfers out	-	(189,753)	(4,263,537)
Total Other Financing Uses	-	(189,753)	(4,262,673)
Net Change in Fund Balances	500	679,292	(2,647,193)
FUND BALANCES (DEFICITS)			
Beginning of Year	-	11,403,692	14,050,885
End of Year	\$ 500	\$ 12,082,984	\$ 11,403,692

See independent auditors' report.

Town of Wallkill, New York

Capital Projects Fund
Comparative Balance Sheet
December 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 2,067,836	\$ 2,809,217
Restricted cash	66,039	1,998,686
Accounts receivable	316	313
Due from other funds	<u>359,249</u>	<u>-</u>
Total Assets	<u>\$ 2,493,440</u>	<u>\$ 4,808,216</u>
LIABILITIES AND FUND BALANCE (DEFICIT)		
Liabilities		
Accounts payable	\$ 351,989	\$ 291,840
Due to other funds	1,771,448	1,821,448
Bond anticipation notes payable	<u>2,652,000</u>	<u>2,537,000</u>
Total Liabilities	<u>4,775,437</u>	<u>4,650,288</u>
Fund balance (deficit)		
Restricted	-	157,928
Unassigned	<u>(2,281,997)</u>	<u>-</u>
Total Fund Balance (Deficit)	<u>(2,281,997)</u>	<u>157,928</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 2,493,440</u>	<u>\$ 4,808,216</u>

See independent auditors' report.

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Town of Wallkill, New York

Capital Projects Fund

Comparative Statement of Revenues, Expenditures and Changes
in Fund Balance
Years Ended December 31,

	<u>2017</u>	<u>2016</u>
REVENUES		
Use of money and property	\$ 5,346	\$ 4,613
State aid	(83,247)	927,855
Federal aid	<u>997,535</u>	<u>-</u>
Total Revenues	919,634	932,468
EXPENDITURES		
Capital outlay	<u>3,459,559</u>	<u>6,055,215</u>
Deficiency of Revenues Over Expenditures	<u>(2,539,925)</u>	<u>(5,122,747)</u>
OTHER FINANCING SOURCES (USES)		
Bonds issued	-	7,123,000
Transfers in	100,000	4,639,666
Transfers out	<u>-</u>	<u>(880)</u>
Total Other Financing Sources	<u>100,000</u>	<u>11,761,786</u>
Net Change in Fund Balance	(2,439,925)	6,639,039
FUND BALANCE (DEFICIT)		
Beginning of Year	<u>157,928</u>	<u>(6,481,111)</u>
End of Year	<u>\$ (2,281,997)</u>	<u>\$ 157,928</u>

See independent auditors' report.

Town of Wallkill, New York

Non-Major Governmental Funds

Combining Balance Sheet

December 31, 2017

(With Comparative Totals for 2016)

	<u>Community Development</u>	<u>Special Purpose</u>
ASSETS		
Cash and equivalents	\$ 725	\$ 531,688
Receivables		
Accounts	-	16,868
State and Federal aid	<u>295,591</u>	<u>-</u>
	<u>295,591</u>	<u>16,868</u>
 Total Assets	 <u><u>\$ 296,316</u></u>	 <u><u>\$ 548,556</u></u>
 LIABILITIES AND FUND BALANCES (DEFICITS)		
Liabilities		
Accounts payable	\$ 46,570	\$ 2,950
Due to other funds	<u>223,650</u>	<u>10,000</u>
 Total Liabilities	 <u>270,220</u>	 <u>12,950</u>
 Fund balances (deficits)		
Restricted	-	535,606
Assigned	26,096	-
Unassigned	<u>-</u>	<u>-</u>
 Total Fund Balances (Deficits)	 <u>26,096</u>	 <u>535,606</u>
 Total Liabilities and Fund Balances (Deficits)	 <u><u>\$ 296,316</u></u>	 <u><u>\$ 548,556</u></u>

See independent auditors' report.

Total Non-Major
Governmental Funds

2017	2016
\$ 532,413	\$ 459,142
16,868	44,634
295,591	147,156
312,459	191,790
<u>\$ 844,872</u>	<u>\$ 650,932</u>
\$ 49,520	\$ 85,295
233,650	116,273
283,170	201,568
535,606	479,486
26,096	-
-	(30,122)
561,702	449,364
<u>\$ 844,872</u>	<u>\$ 650,932</u>

Town of Walkill, New York

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes

in Fund Balances

Year Ended December 31, 2017

(With Comparative Totals for 2016)

	<u>Community Development</u>	<u>Special Purpose</u>
REVENUES		
Departmental income	\$ -	\$ 210,178
Use of money and property	23	578
Federal aid	<u>533,963</u>	<u>-</u>
 Total Revenues	 <u>533,986</u>	 <u>210,756</u>
 EXPENDITURES		
Current		
Public safety	26,099	-
Transportation	382,428	-
Culture and recreation	-	39,636
Home and community services	<u>271,463</u>	<u>-</u>
 Total Expenditures	 <u>679,990</u>	 <u>39,636</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>(146,004)</u>	 <u>171,120</u>
 OTHER FINANCING SOURCES (USES)		
Transfers in	202,222	-
Transfers out	<u>-</u>	<u>(115,000)</u>
 Total Other Financing Sources (Uses)	 <u>202,222</u>	 <u>(115,000)</u>
 Net Change in Fund Balances	 56,218	 56,120
 FUND BALANCES (DEFICITS)		
Beginning of Year	<u>(30,122)</u>	<u>479,486</u>
End of Year	<u>\$ 26,096</u>	<u>\$ 535,606</u>

See independent auditors' report.

Total Non-Major
Governmental Funds

2017	2016
\$ 210,178	\$ 528,758
601	526
<u>533,963</u>	<u>96,272</u>
<u>744,742</u>	<u>625,556</u>
26,099	-
382,428	3,502
39,636	45,453
<u>271,463</u>	<u>91,240</u>
<u>719,626</u>	<u>140,195</u>
<u>25,116</u>	<u>485,361</u>
202,222	-
<u>(115,000)</u>	<u>(165,782)</u>
<u>87,222</u>	<u>(165,782)</u>
112,338	319,579
<u>449,364</u>	<u>129,785</u>
<u>\$ 561,702</u>	<u>\$ 449,364</u>

Town of Walkill, New York

Community Development Fund
 Comparative Balance Sheet
 December 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 725	\$ 22,937
Receivables		
State and Federal aid	<u>295,591</u>	<u>147,156</u>
Total Assets	<u>\$ 296,316</u>	<u>\$ 170,093</u>
LIABILITIES AND FUND DEFICIT		
Liabilities		
Accounts payable	\$ 46,570	\$ 83,942
Due to other funds	<u>223,650</u>	<u>116,273</u>
Total Liabilities	270,220	200,215
Fund balance (deficit)		
Assigned	26,096	-
Unassigned	<u>-</u>	<u>(30,122)</u>
Total Fund Balance (Deficit)	<u>26,096</u>	<u>(30,122)</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 296,316</u>	<u>\$ 170,093</u>

See independent auditors' report.

Town of Wallkill, New York

Community Development Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
Years Ended December 31,

	<u>2017</u>	<u>2016</u>
REVENUES		
Use of money and property	\$ 23	\$ 16
Federal aid	<u>533,963</u>	<u>96,272</u>
Total Revenues	<u>533,986</u>	<u>96,288</u>
EXPENDITURES		
Current		
Public safety	26,099	-
Transportation	382,428	-
Home and community services	<u>271,463</u>	<u>91,240</u>
Total Expenditures	<u>679,990</u>	<u>91,240</u>
Excess (Deficiency) of Revenues Over Expenditures	(146,004)	5,048
OTHER FINANCING SOURCES		
Transfers in	<u>202,222</u>	<u>-</u>
Net Change in Fund Balance	56,218	5,048
FUND DEFICIT		
Beginning of Year	<u>(30,122)</u>	<u>(35,170)</u>
End of Year	<u>\$ 26,096</u>	<u>\$ (30,122)</u>

See independent auditors' report.

Town of Walkkill, New York

Special Purpose Fund
Comparative Balance Sheet
December 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 531,688	\$ 436,205
Accounts receivable	<u>16,868</u>	<u>44,634</u>
Total Assets	<u>\$ 548,556</u>	<u>\$ 480,839</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 2,950	\$ 1,353
Due to other funds	<u>10,000</u>	<u>-</u>
Total Liabilities	12,950	1,353
Fund balance		
Restricted	<u>535,606</u>	<u>479,486</u>
Total Liabilities and Fund Balance	<u>\$ 548,556</u>	<u>\$ 480,839</u>

See independent auditors' report.

Town of Wallkill, New York

Special Purpose Fund
Comparative Statement of Revenues, Expenditures and Changes
in Fund Balance
Years Ended December 31,

	<u>2017</u>	<u>2016</u>
REVENUES		
Departmental income	\$ 210,178	\$ 528,758
Use of money and property	<u>578</u>	<u>510</u>
Total Revenues	<u>210,756</u>	<u>529,268</u>
EXPENDITURES		
Current		
Transportation	-	3,502
Home and community services	<u>39,636</u>	<u>45,453</u>
Total Expenditures	<u>39,636</u>	<u>48,955</u>
Excess of Revenues Over Expenditures	171,120	480,313
OTHER FINANCING USES		
Transfers out	<u>(115,000)</u>	<u>(165,782)</u>
Net Change in Fund Balance	56,120	314,531
FUND BALANCE		
Beginning of Year	<u>479,486</u>	<u>164,955</u>
End of Year	<u><u>\$ 535,606</u></u>	<u><u>\$ 479,486</u></u>

See independent auditors' report.

Town of Walkill, New YorkEnterprise Fund - Golf Fund
Comparative Statement of Net Position
December 31,

ASSETS	<u>2017</u>	<u>2016</u>
Current assets		
Cash and equivalents	\$ 39,716	\$ 166,029
Accounts receivable, net of allowance of \$218,313 in 2017	35,111	97,730
Total Current Assets	<u>74,827</u>	<u>263,759</u>
Capital assets		
Not being depreciated	794,134	794,134
Being depreciated, net	776,744	805,207
Total Capital Assets	<u>1,570,878</u>	<u>1,599,341</u>
Total Assets	<u>1,645,705</u>	<u>1,863,100</u>
LIABILITIES		
Current liabilities		
Accounts payable	18,584	16,662
Due to retirement systems	6,298	5,756
Due to other funds	200,000	248,355
Total Current Liabilities	<u>224,882</u>	<u>270,773</u>
Noncurrent liabilities		
Due within one year	36,790	36,508
Due in more than one year	2,006,666	2,031,533
Total Noncurrent Liabilities	<u>2,043,456</u>	<u>2,068,041</u>
Total Liabilities	<u>2,268,338</u>	<u>2,338,814</u>
NET POSITION		
Net investment in capital assets	1,535,638	1,530,413
Unrestricted	(2,158,271)	(2,006,127)
Total Net Position	<u>\$ (622,633)</u>	<u>\$ (475,714)</u>

See independent auditors' report.

Town of Walkill, New YorkEnterprise Fund - Golf Fund
Comparative Statement of Revenues, Expenses and Changes in
Net Position
Years Ended December 31,

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for services	\$ 227,212	\$ 422,617
Insurance recoveries	12,766	39,376
Total Operating Revenues	<u>239,978</u>	<u>461,993</u>
OPERATING EXPENSES		
Personal services	74,000	84,052
Contractual and other	163,944	282,702
Employee benefits	93,454	88,798
Depreciation	52,395	55,614
Total Operating Expenses	<u>383,793</u>	<u>511,166</u>
Loss from Operations	<u>(143,815)</u>	<u>(49,173)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	75	-
Interest expense	(3,179)	(5,515)
Total Non-Operating Expenses	<u>(3,104)</u>	<u>(5,515)</u>
Change in Net Position	<u>(146,919)</u>	<u>(54,688)</u>
NET POSITION		
Beginning, as reported	(475,714)	(743,124)
Prior Period Adjustment	-	322,098
Beginning, as restated	<u>(475,714)</u>	<u>(421,026)</u>
Ending	<u>\$ (622,633)</u>	<u>\$ (475,714)</u>

See independent auditors' report.

Town of Wallkill, New York

Enterprise Fund - Golf Fund
 Comparative Statement of Cash Flows
 Years Ended December 31,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 289,831	\$ 419,838
Insurance recoveries	12,766	39,376
Cash payments for goods and services	(210,377)	(104,589)
Cash payments to employees	(86,687)	(82,677)
Cash payments for employee benefits	(71,122)	(69,830)
Net Cash from Operating Activities	<u>(65,589)</u>	<u>202,118</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(23,932)	-
Principal paid on installment purchase debt	(33,688)	(32,208)
Interest paid on indebtedness	(3,179)	(5,515)
Net Cash from Capital and Related Financing Activities	<u>(60,799)</u>	<u>(37,723)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	75	-
Net Change in Cash and Equivalents	<u>(126,313)</u>	<u>164,395</u>
CASH AND EQUIVALENTS		
Beginning of Year	166,029	1,634
End of Year	<u>\$ 39,716</u>	<u>\$ 166,029</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Loss from operations	\$ (143,815)	\$ (49,173)
Adjustments to reconcile loss from operations to net cash from operating activities		
Depreciation	52,395	55,614
Changes in assets and liabilities		
Accounts receivable	62,619	(2,779)
Accounts payable	1,922	14,776
Due to retirement systems	542	(925)
Due to other funds	(48,355)	163,337
Compensated absences	(12,687)	1,375
Other post employment benefit obligations payable	21,790	19,893
Net Cash from Operating Activities	<u>\$ (65,589)</u>	<u>\$ 202,118</u>

See independent auditors' report.

**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 Auditors' Report

**The Honorable Supervisor and Town Board
of the Town of Walkill, 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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Walkill, New York ("Town") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

December 6, 2018

**Report on Compliance For Each Major Federal Program and Report on
Internal Control Over Compliance Required by
the Uniform Guidance**

Independent Auditors' Report

**The Honorable Supervisor and the Town Board
of the Town of Walkill, New York**

Report on Compliance for Each Major Federal Program

We have audited the Town of Walkill, New York's ("Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2017. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

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Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

December 6, 2018

Town of Wallkill

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number (1)</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Sub- Recipients</u>	<u>Federal Program Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u> Direct Programs				
<i>CDBG - Entitlement Grants Cluster</i>				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ -	\$ 250,000
<i>CDBG - Disaster Recovery Grants - Pub. L. o. 113-2</i> Hurricane Sandy Community Development Block Grant Disaster Recovery Grant	14.269	ACH/NYS	-	<u>283,963</u>
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>533,963</u>
<u>U.S. Department of Transportation</u> Indirect Program - Passed through New York State Department of Transportation				
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	20.205	D034881		997,535
Federal Transit Formula Grants	20.507	N/A	-	<u>252,767</u>
Total U.S. Department of Transportation				<u>1,250,302</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,784,265</u>

(1) Catalog of Federal Domestic Assistance Number

The accompanying notes are an integral part of this schedule.

Town of Wallkill, New York

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Town of Wallkill, New York ("Town") under programs of the federal government for the year ended December 31, 2017. Federal awards received directly from the Federal agencies as well as Federal awards passed through other government agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

Town of Walkill, New York

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2017**

None

Town of Walkill, New York

Summary of Findings and Questioned Costs
December 31, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

___ Yes X No
___ Yes X None reported

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

___ Yes X No
___ Yes X None reported

Type of auditors' report issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___ Yes X No

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

20.205

Highway Planning and Construction Cluster:
Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

___ Yes X No

Town of Wallkill, New York

Summary of Findings and Questioned Costs (Concluded)
December 31, 2017

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None