

I. Summary of Significant Accounting Policies

The fund financial statements of the Town have been prepared using the modified accrual basis. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

In preparing financial statements in conformity with the statutory basis of accounting referred to above, Town management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the statutory basis financial statements, and reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

The following is a summary of the Town's significant accounting policies consistently applied in the preparation of the accompanying statutory basis financial statements:

A. Financial Reporting Entity

The Town of North Elba, New York (Town) was established in 1849 and is governed by Town Law of the State of New York, other general state laws, and various local laws and ordinances. The Town Board, which consists of a Supervisor and four council members, is the legislative body responsible for overall operations. The Supervisor serves as chief executive officer and as chief fiscal officer.

The Town provides the following basic services: general governmental support, fire protection, airport, highways and streets, a transfer station, public improvements, planning and zoning, general administrative services, water and sewer, and recreation (including a toboggan chute, equestrian show grounds and a golf course).

All governmental activities and functions performed for the Town of North Elba are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

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 reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence.

Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to influence operations significantly, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Town and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town and is generally available to its citizens. A third criterion used in evaluating potential component units is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities.

Based on the application of these criteria, the Town has no component units to be included in its reporting entity.

B. Fund Accounting

The Town of North Elba uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

The Town of North Elba records its transactions in the fund types described below.

Fund Categories

- 1. Governmental Funds** - Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. The following are the Town of North Elba's governmental fund types.

General Fund - the principal operating fund that includes all operations not required to be recorded in another fund

Special Revenue Funds - used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes. Since the Town includes the incorporated Village of Lake Placid and a portion of the incorporated Village of Saranac Lake, certain funds are required by the prescribed accounting principles identified above to account for revenues generated to finance activities provided outside the villages. The following Special Revenue Funds are utilized:

General Outside Village Fund – used to account for operations (excluding those accounted for in the *Highway Outside Village Fund*) the expense of which are partially shared with Villages within the Town

Highway Town-wide Fund – used to account for revenues that are generated to finance expenditures for repairs and improvements to bridges.

Highway Outside Village Fund – used to account for revenues generated to finance expenditures for acquisition and repairs to highway machinery, snow removal, and repairs and improvements to town roads located outside the incorporated villages.

Sewer Fund – to account for revenues generated to finance operations, including debt service, of sewer districts. The Town has one sewer district and has elected not to account for sewer operations as a business-type activity in an enterprise fund.

Water Fund – to account for revenues generated to finance operations, including debt service, of the Town's water districts. The Town has three water districts and has elected not to account for water operations as a business-type activity in an enterprise fund.

Fire Protection District Fund – to account for revenues generated to finance fire protection and prevention operations, including debt service, of the Town's fire protection districts. The Town has three fire protection districts.

Park District Fund – used to account for revenues generated to finance recreation activities, such as the Craig Wood Golf Course, operations of the Lake Placid Airport, the Town’s funding of the Olympic Regional Development Authority, and other recreation activities.

Road District Fund (Special Miscellaneous) – used to account for revenues generated to finance the paving of a private road dedicated to the Town.

Capital Projects Fund - used to account for financial resources to be used for the acquisition and/or construction of major capital facilities for the towns various governmental funds.

- 2. Fiduciary Funds** - used to account for assets held by the Town in a trustee or custodial capacity. Fiduciary funds may consist of pension trust funds, private purpose trust funds, investment trust funds and agency funds. Currently, the Town reports only agency funds, as follows:

Agency Funds - used to account for money (and/or property) received and held in the capacity of trustee, custodian or agent pending payment to the proper agencies or organizations.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

Modified Accrual Basis – The Town’s governmental funds are accounted for using the modified accrual basis of accounting.

Under this basis of accounting, revenues are recorded when they become susceptible to accrual, which is when they are both measurable and available. Measurable means the amounts can be reasonably determined and available means the cash resources are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered to be available if collected within sixty (60) days of the end of the fiscal year. Revenues susceptible to accrual include fuel sales, insurance premium reimbursements, water rents, court fines and fees, sewer rents, state aid and federal aid. Various other revenues, such as recreation fees, licenses, permits and miscellaneous charges for services are generally measurable when received, and accordingly are recorded on a cash basis.

Expenditures are recorded when related liabilities are incurred except that:

1. Payments for inventory-type items are recognized as expenditures at the time of purchase (purchase method).
2. Payments of principal and interest on indebtedness are recognized as expenditures when the payments are due.
3. Compensated absences, such as vacation and sick leave which vests or accumulates, are charged as expenditures when paid.
4. Costs of acquiring or improving capital assets are recorded as expenditures when applicable liabilities are incurred.

D. Fund Balances

In fiscal 2011, the Town implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). GASB 54 changed the classification of fund balance to focus on the constraints imposed on resources in governmental funds, instead of the previous focus on availability for appropriation.

Fund balance is now broken down into five different classifications: non-spendable, restricted, committed, assigned, and unassigned.

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 a 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. The Town Board is the decision-making authority that can, by resolution prior to the end of the fiscal year, commit fund balance.

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. The Town Board, by appointment in organizational minutes has authorized the Budget Officer to assign 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, committed, or assigned.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all governmental funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

F. Capital Assets

Fixed assets purchased for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost or estimated historical costs in the Non-Current Governmental Assets supplemental schedule. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain infrastructure type improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the Town of North Elba. Therefore, the purposes of stewardship for capital expenditures can be satisfied without recording these assets.

Accumulated depreciation has been provided on general fixed assets; interest on general fixed assets construction in progress has not been capitalized.

G. Prepaid Items

Payments to vendors for costs, such as rent, retirement, leases, and insurance that apply to future accounting periods are recorded as prepaid assets in the fund financial statements.

H. Deferred Outflows/Inflows of Resources

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, defined and classified deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets that applies to future period(s), and as such, will not be recognized as an outflow of resources (expense/expenditure) until that time. A deferred inflow of resources is an acquisition of net assets that applies to future period(s), and as such, will not be recognized as an inflow of resources (revenue) until that time.

I. Insurance

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

J. Compensated Absences

Employees accrue vacation leave as follows:

Employees employed prior to January 1, 1994 accrue 20 days of vacation each year. Non union employees employed after January 1, 1994 accrue 5 days after 1 full year of service, 10 days after 2 full years of service, 12 days after 8 full years of service, 15 days after 10 full years of service, 18 days after 15 full years of service, and 20 days after 20 full years of service. Union employees employed after January 1, 1994 accrue 40 hours after 1 year of service, 80 hours after 2 years of service, 96 hours after 8 years of service, 120 hours after 10 years of service, 152 hours after 15 years of service, and 160 hours after 20 years of service.

Employees accrue sick leave at the rate of 18 days per year and may accumulate such credits up to a total of 185 days. Employees who retire from Town service can elect to be compensated at 100% for 20 days; the remaining accumulated sick days may be added to credited service and used in the benefit calculation by the New York State and Local Employees' Retirement System.

Vested vacation and sick leave is recorded in proprietary funds as a liability and expense, and in governmental funds as a long-term liability in the non-current governmental liabilities supplemental schedule if payable from future financial resources, or as a fund liability and expenditures, if payable from current resources. The liability for compensated absences for the years ended December 31, 2017 and December 31, 2016 was \$531,686 and \$473,785, respectively, and is reported in the non-current governmental liabilities

schedule.

K. Newly Adopted Accounting Standards

The Town has adopted all current Statements of the Governmental Accounting Standards Board that are applicable to Statutory Compliance reporting standards required by the State Comptroller of the State of New York. At 12/31/17, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ending December 31, 2017.

II. Stewardship, Compliance, Accountability

A. Budget Policies - The Town's budget policies follow the appropriate provisions of the Town Law of the State of New York, and are as follows:

1. No later than October 5th, the budget officer submits a tentative budget to the Town Clerk for the fiscal year commencing the following January 1st for presentation to the Town Board. The tentative budget includes proposed expenditures and the proposed means of financing for the general fund and all special revenue funds other than the special grant fund.
2. After public hearings are conducted to obtain taxpayer comments, no later than November 20th, the Town Board adopts the budgets for the general fund and applicable special revenue funds.
3. All modifications made to each budget must be approved by the Town Board.
4. Budgets are adopted annually on a basis consistent with the statutory basis of accounting as prescribed by the Office of the State Comptroller of the State of New York.
5. Appropriations in all budgeted funds lapse at the end of the fiscal year, except that outstanding encumbrances are re-apportioned in the subsequent year.

B. Property Taxes

Real property taxes are levied annually no later than January 1st and become a lien on January 1st. Taxes are collected by the Town's Tax Collecting Officer during the period January 1st to April 30th as specified in the annual tax warrant issued by the County of Essex. On or before the time of settlement with the County during April of each year, the Town receives the total amount of taxes levied for each particular fund and special district. After the expiration of the warrant period, unpaid tax accounts are returned to the County of Essex, and the County assumes all subsequent enforcement responsibility.

The Town's annual real property tax levies are guaranteed by the County of Essex, and the full amount of the levy is received each year. Accordingly, no outstanding tax receivables are shown in the Town's financial statements.

General Municipal Law Section 3-c established a tax levy limit for local governments in New York State effective June 24, 2011. This law generally limits the amount by which a local government can increase property tax levies to two percent (2%) or the rate of inflation, whichever is less. The law does provide exclusions for certain specific costs and allows the governing board to override the tax levy limit with a

supermajority vote.

C. Deficit Fund Balance

Two capital project funds had deficit fund balances at December 31, 2017. The deficits will be reduced as federal and state grants are received.

III. Detail Notes on All Funds and Supplemental schedules

A. Assets

1. Cash and Investments

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

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Deposits: All deposits, including certificates of deposit, are carried at cost plus accrued interest.

Investments: Investments are stated at cost plus accrued interest and are held by the Town of North Elba's third party custodial bank.

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the Town of North Elba's custodial bank in the Town of North Elba's name. They are scheduled on page 19 of the notes.

2. Property Taxes

Current year returned village taxes of \$106,018.25 are offset by liabilities to the villages which were paid on February 14, 2018.

3. Changes in Capital Assets

	Balance 12/31/2016	2017 Additions	2017 Deletions	Balance 12/31/2017
Land	\$ 848,939	\$ -	\$ -	\$ 848,939
Building Improvements	28,322	-	-	28,322
Buildings	21,711,177	-	(35,600)	21,675,577
Machinery and Equipment	3,543,121	531,756	(505,585)	3,569,291
Totals	26,131,558	531,756	(541,185)	26,122,129
Less Accumulated Depreciation for:				
Building Improvements	(10,437)	(2,275)		(12,713)
Buildings	(19,815,321)	(494,460)	35,600	(20,274,181)
Machinery and Equipment	(2,620,210)	(232,771)	505,585	(2,347,396)
Total Accumulated Depreciation	(22,445,968)	(729,506)	541,185	(22,634,289)
Capital assets, net	\$ 3,685,590	\$ (197,750)	\$ -	\$ 3,487,840

B. Liabilities

1. Pension Plans

Plan Description

The Town of North Elba participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). 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 of North Elba also participates in the Public Employees' Group Life Insurance Plan (GLIP), 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 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.

Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years 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 Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>ERS</u>
2017	\$ 234,900
2016	\$ 234,023
2015	\$ 282,984

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017 the Town reported a liability of \$598,499 for its proportionate share of the net pension liability. 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 valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

TOWN OF NORTH ELBA

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

At December 31, 2017, the Town’s proportion was 0.0063696 percent, which was a decrease of 0.0006128 percent from its proportion measured at March 31, 2016.

For the year ended December 31, 2017, the Town recognized pension expense of \$234,400. As of the Measurement date of March 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,998	\$ 90,885
Changes of Assumptions	204,469	-
Net difference between projected and actual earnings on pension plan investments	119,544	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>12,080</u>	<u>61,546</u>
Total	<u>\$ 351,091</u>	<u>\$ 152,431</u>
Employer contributions subsequent to the measurement date	<u>\$ 234,900</u>	

\$234,900 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Date	
Year Ended March 31:	
2018	\$ 96,996
2019	\$ 96,996
2020	\$ 93,528
2021	\$ (88,861)
2022	\$ -
Thereafter	\$ -

Actuarial Assumptions

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. The actuarial valuation used the following actuarial assumptions:

	<u>ERS</u>
Inflation	2.50%
Salary increases	3.80%
Investment rate of return (net of investment expense, including inflation)	7.00%
Cost of living adjustments	1.30%

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

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

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long term 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 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.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2017 are summarized as follows:

Asset Class	Long-Term Expected Real RoR
Domestic equity	4.55%
International equity	6.35%
Private equity	7.75%
Real estate	5.80%
Absolute return strategies ^a	4.00%
Opportunistic portfolio	5.89%
Real assets	5.54%
Bonds and mortgages	1.31%
Cash	-0.25%
Inflation-indexed bonds	1.50%

^aExcludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity, respectively.

The real rate of return is net of the long-term inflation assumption of 2.50%.

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

	1% Decrease (6.0%)	Current Assumption 7%	1% Increase 8%
Town's proportionate share of net pension liability	\$ 1,911,486	\$ 598,499	\$ (511,630)

Pension plan fiduciary net position

The components of the current-year net pension liability of the employers participating in the system as of March 31, 2017, were as follows:

(Dollars in Thousands)

	Employees' Retirement System	Police and Fire Retirement System	Total
Employers' total pension liability	\$ 177,400,586	\$ 31,670,483	\$ 209,071,069
Plan net position	168,004,363	29,597,830	197,602,193
Employers' net pension liability	<u>\$ 9,396,223</u>	<u>\$ 2,072,653</u>	<u>\$ 11,468,876</u>

Ratio of Plan net position to the employers' total pension	94.7%	93.5%	94.5%
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2. Post-Employment Benefits

In addition to providing pension benefits, the Town of North Elba provides health insurance coverage for retired employees. Substantially all of the Town's employees may become eligible for these benefits if they reach normal retirement age while working for the Town. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. In 2017 \$111,565 was paid on behalf of 14 retirees as compared to \$69,885 on behalf of 12 retirees in 2016. Post-employment benefits are recorded as expenditures in the general fund.

3. Short-Term Debt

Liabilities for bond anticipation notes (BANs) are generally accounted for in the capital projects funds. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12-month period thereafter.

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for a period equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

As of December 31, 2017 the Town had no outstanding bond anticipation notes.

4. Long-Term Debt and other Non-Current Liabilities

- a. The changes in the Town's long term indebtedness and non-current liabilities during the year ended December 31, 2017 is summarized as follows:

	Bonds	Compensated Absences
Payable at beginning of fiscal year	\$ 1,695,805	\$ 473,785
Additions	260,050	57,901
Deletions	261,062	-
Payable at end of fiscal year	<u>\$ 1,694,793</u>	<u>\$ 531,686</u>

- b. Serial Bonds -The Town of North Elba borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the non-current governmental liabilities schedule. The provision to be made in future budgets for capital indebtedness represents the amount inclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

The following is the Town's summary of future debt service requirements:

Years Ending December 31,	Principal	Interest	Total
2018	266,912	53,977	320,889
2019	271,862	42,606	314,468
2020	225,479	34,491	259,970
2021	186,679	27,559	214,238
2022	136,679	21,731	158,410
2023-2027	495,292	48,133	543,425
2028-2032	111,890	3,020	114,910
2033-2037	-	-	-
	<u>\$ 1,694,793</u>	<u>\$ 231,517</u>	<u>\$ 1,926,310</u>

TOWN OF NORTH ELBA

NOTES TO THE FINANCIAL STATEMENTS
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Long-Term Debt Maturity Schedule - The statement of serial bonds with corresponding maturity schedules is follows:

Description By Funds	Date Issued	Original Amount	Original Rate (%)	Final Maturity	Outstanding Balance
General Fund					
Equipment Purchase	05/01/15	25,000	2.70%	05/01/20	\$ 15,000
Equipment Purchase	05/15/17	25,000	2.59%	05/15/27	25,000
		<u>50,000</u>			<u>40,000</u>
Special Revenue Funds					
<u>Town outside Village Highway</u>					
Equipment Purchase	01/02/14	206,000	2.75%	01/02/19	82,400
Equipment Purchase	05/01/15	160,000	2.70%	05/01/20	96,000
Equipment Purchase	01/29/16	250,000	2.70%	01/29/21	200,000
Equipment Purchase	05/15/17	204,000	2.59%	05/15/30	204,000
		<u>820,000</u>			<u>582,400</u>
Tahawas Road District Bond	05/10/12	<u>39,000</u>	3.75%	05/10/22	<u>19,500</u>
<u>Park District</u>					
Athletic Field Construction	02/26/08	350,000	4.25%	02/26/23	140,400
Craig Wood Clubhouse Construction	10/28/11	750,000	3 to 4%	10/15/26	450,000
Equipment Purchase	05/15/15	34,000	2.70%	05/01/20	20,400
Toboggan Slide Construction	09/10/16	300,000	2.75%	09/09/26	270,000
Equipment Purchase	05/15/17	31,050	2.59%	05/15/22	31,050
		<u>1,465,050</u>			<u>911,850</u>
Consolidated Sewer District	07/24/03	<u>130,950</u>	.721% to 4.612%	07/15/30	<u>65,000</u>
		<u>130,950</u>			<u>65,000</u>
Ray Brook Water District	06/20/02	131,362	0.00%	06/20/32	65,677
Ray Brook Water District	01/08/07	62,198	4.60%	01/08/19	10,366
		<u>193,560</u>			<u>76,043</u>
Total		<u>\$ 2,698,560</u>			<u>\$ 1,694,793</u>

5. Landfill Closure and Post-Closure Care Costs

State and federal laws and regulations require the Town of North Elba to perform certain maintenance and monitoring functions at the Town of North Elba Landfill after closure plan acceptance in 1990. During 2017 and 2016, the Town of North paid \$4,216 and \$4,216, respectively for the annual post-closure monitoring event.

The Town currently operates a transfer station and contracts with Essex County for the transportation of waste. Expenditures for the operation of the transfer station are accounted for in the general fund.

C. Inter-fund Receivables and Payables

Interfund receivables and payables were as follows:

	Receivables	Payables
General	\$ 130,717	\$ -
Highway (outside villages)	18,700	-
Park District	38,172	-
Capital Projects	-	94,772
Ray Brook Water	-	28,000
Trust and Agency	-	64,817
	<u>\$ 187,589</u>	<u>\$ 187,589</u>

TOWN OF NORTH ELBA

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

D. Fund Equity

1. Allocation of Fund Balance

Certain funds of the Town of North Elba apply to areas less than the entire Town of North Elba. The fund balances as of December 31, 2017 are as follows:

	Fund Balances as of December 31, 2017 (with 12/31/16 totals for comparison)					As of 12/31/16
	Nonspendable	Restricted	Assigned	Unassigned	Totals	Totals
General Fund	\$ 65,729	\$ 137,309	\$ 285,669	\$ 1,646,101	\$ 2,134,808	\$ 1,959,925
General Fund- Outside Villages	218	-	42,257	-	42,475	49,696
Town-wide Highway	-	-	-	38,803	38,803	38,803
Town Outside Villages Highway	18,529	12,926	475,392	-	506,847	425,293
Capital Projects	-	-	13,840	(5,705)	8,135	103,776
Special Revenue Funds						
Park District	29,974	10,470	333,486	-	373,930	444,179
Road Districts	-	257	3,732	-	3,989	4,637
Fire Protection Districts	-	-	12,304	-	12,304	12,118
Sewer District	-	-	20,756	-	20,756	20,887
Water Districts	46	-	7,070	-	7,116	18,724
Totals as of 12/31/17:	\$ 114,496	\$ 160,962	\$ 1,194,507	\$ 1,679,200	\$ 3,149,164	\$ 3,078,039

2. Adjustments to Fund Balance for 2017:

	General	Park District
Beginning Fund Balance:	\$ 1,959,925	\$ 444,179
Fund Balance Adjustments:		
(1)	4,109	
(2)		13
Beginning Fund Balance Restated:	1,964,034	444,193
2017 Revenue	3,069,172	1,946,667
2017 Expense	(2,897,481)	(2,016,930)
Ending Fund Balance 12/31/2017:	\$ 2,135,725	\$ 373,930

(1) Contribution paid by other governments in 2017 towards fuel dispensing system repair per contractual agreement totaling \$8,104.86 less expenditures for fuel dispensing system repairs and maintenance for 2017 totaling \$3,996.01.

(2) Interest earned of \$13.34 on Olympic Torch restricted funds reclassified from assigned unappropriated fund balance.

E. Deferred Compensation Plan

The Governmental Accounting Standards Board issued Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This statement established accounting and financial reporting standards for Internal Revenue Code Section 457 deferred compensation plans of state and local governments.

NOTES TO THE FINANCIAL STATEMENTS
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As a result, Statement No. 32 became effective for the New York State Deferred Compensation Plan as of October 1, 1997. Since the plan no longer meets the criteria for inclusion in New York State’s financial statements, municipalities, which participate in the New York State’s Deferred Compensation Plan, are no longer required to report the value of the plan assets.

F. Lease Commitments and Leased Assets

The Town leases equipment under operating leases. Total expenditures on such leases for the fiscal year ended December 31, 2017 were approximately \$63,915 compared to \$51,178 in 2016. The maximum future non-conciliabile operating lease payments are as follows:

Years Ending December 31,	Total
2018	\$ 62,409
2019	60,362
2020	55,850
2021	55,554
2022	40,242
Total	<u>\$ 234,174</u>

IV. Commitments and Contingencies

The Town has received grants in excess of \$550,000, which may be subject to audit by agencies of the State and Federal governments. Such audits may result in disallowance and a request for a return of funds to the Federal and State governments. Based on past audits, the local government believes disallowances, if any, will be immaterial.

The Town entered into a \$28,000 contract with New York State Department of Corrections and Community Supervision to perform an Engineering Feasibility Study for Proposed Water District Expansion. The Feasibility Study was completed in February 2018.

On August 8, 2017 the Town Board adopted a resolution authorizing the issuance of serial bonds in the amount of \$2,212,600 for the replacement of the existing 150,000 gallon water storage tank with a new 250,000 gallon water storage tank and distribution upgrades. The project is expected to be financed with the New York State Environmental Facilities Corporation and has been listed on the 2018 Intended Use Plan.

V. Subsequent Events

On February 13, 2018 the Town Board adopted a resolution repealing the bond resolution dated April 4, 2017 authorizing the issuance of serial bonds in the amount of \$489,950 for the reconstruction of the hockey box.

On February 13, 2018 the Town Board adopted a resolution authorizing the issuance of serial bonds in the amount of \$1,320,000 for the reconstruction of sidewalks along Mirror Lake Drive.

On February 13, 2018 the Town Board adopted a resolution authorizing the issuance of serial bonds in the amount of \$143,000 for the purchase of a dump truck with plow equipment.

TOWN OF NORTH ELBA

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On February 13, 2018 the Town Board adopted a resolution authorizing the issuance of serial bonds in the amount of \$117,000 for the purchase of a loader for the transfer station.

On March 13, 2018 the Town Board adopted a resolution increasing water rates in Ray Brook water district. The rates become effective May 1, 2018:

Residential Flat Rate from \$71.80 per quarter to \$75.80 per quarter, and
Commercial Meter Rates to be increased as follows:

Step 1: Water usage less than or equal to 2,000 cubic ft. (14,961.04 gallons) a flat rate of \$75.80; and

Step 2: Water usage greater than 2,000 cubic ft. and less than or equal to 25,000 cubic
ft. (187,012.95 gallons) a flat rate of \$47.10 per 1,000 cubic ft. or part thereof;

Step 3: Water usage greater than 25,000 cubic ft. a flat rate of \$53.50 per 1,000 cubic ft. or part thereof.

TOWN OF NORTH ELBA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Bank Balances & Collateralization

Banking Institution	Classification	Carrying Fund(s)	Bank Balance	FDIC Amount	Collateral Amount	Custodial Bank
	Demand Deposit	General, Part Town, Highway Townwide, Highway Part Town, Fire Protection, Sewer, Water, Park District	\$ 109,146			
	Demand Deposit	Park District	103,425			
	Demand Deposit	Health Reimbursement Arrangement	9,036			
NBT Bank NA		As listed above	\$ 221,607	\$ 250,000	\$ 182,893	The Bank of New York
	Money Market	General, Part Town, Highway Townwide, Highway Part Town, Fire Protection, Sewer, Water, Park District	\$ 281,095			
	Demand Deposit	General, Part Town, Highway Townwide, Highway Part Town, Fire Protection, Sewer, Water, Park District	\$ 376,175			
	Demand Deposit	General, Part Town, Highway Townwide, Highway Part Town, Fire Protection, Sewer, Water, Park District	460,255			
	Demand Deposit	General, Part Town, Highway Part Town, Park District	109,002			
Adirondack Bank		As listed above	\$ 945,431	\$ 250,000	\$ 1,009,001	M&T Investment Group
MBIA CLASS	Investments	General, Highway Part Town, Park District	\$ 2,018,499	n/a	\$ 813,415,796	New York CLASS Holdings, consisting of pooled investments