

Town of Saratoga, New York

Financial Report

December 31, 2020

Town of Saratoga, New York

Financial Report

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CONTENTS

	Page
Independent Auditor's Report	1-2
Financial Statements	
Balance Sheet - Governmental Funds	3
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4
Notes to Financial Statements	5-20
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	21-22
Schedule of Findings and Responses	23



Independent Auditor's Report

Supervisor and Town Board
Town of Saratoga, New York
Schuylerville, New York

Report on the Financial Statements

We have audited the accompanying financial statements of each governmental fund of the Town of Saratoga, New York (Town), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise a portion of 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.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on the Financial Statements as a Whole

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Town's governmental activities have not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Financial Statements as a Whole” paragraph, the financial statements referred to above do not present fairly the financial position of the Town as of December 31, 2020, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted Management’s Discussion and Analysis, Budgetary Comparison Information, the Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions, and the Schedule of Other Postemployment Benefits Liability that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our adverse opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town’s internal control over financial reporting and compliance.

BST & Co. CPAs, LLP

Albany, New York
November 18, 2021



Town of Saratoga, New York

Balance Sheet - Governmental Funds

December 31, 2020						
Governmental Funds						
	Special Revenue					Total
	General	General Outside Village	Highway	Special Grant	Fire Protection	
ASSETS						
Cash, unrestricted	\$ 755,788	\$ 1,859,426	\$ 821,891	\$ 42,697	\$ -	\$ 3,479,802
Cash, restricted	865,001	-	302,331	114	-	1,167,446
Due from other funds	-	3,144	37,971	-	-	41,115
Due from other governments	27,987	250,263	-	-	-	278,250
Investments	701,977	-	-	-	-	701,977
Prepaid expenses	8,347	2,091	12,251	-	-	22,689
	\$ 2,359,100	\$ 2,114,924	\$ 1,174,444	\$ 42,811	\$ -	\$ 5,691,279
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 436	\$ 3,846	\$ 1,220	\$ 20,216	\$ -	\$ 25,718
Accrued liabilities	15,741	1,719	10,273	-	-	27,733
Due to other governments	-	-	-	500,000	-	500,000
Due to other funds	3,144	37,971	-	-	-	41,115
Security deposits and other	13,622	-	-	-	-	13,622
	32,943	43,536	11,493	520,216	-	608,188
FUND BALANCES (DEFICIT)						
Nonspendable	8,347	2,091	12,251	-	-	22,689
Restricted	865,001	-	302,331	114	-	1,167,446
Assigned	165,530	2,069,297	848,369	-	-	3,083,196
Unassigned (deficit)	1,287,279	-	-	(477,519)	-	809,760
Total fund balances (deficit)	2,326,157	2,071,388	1,162,951	(477,405)	-	5,083,091
	\$ 2,359,100	\$ 2,114,924	\$ 1,174,444	\$ 42,811	\$ -	\$ 5,691,279

See accompanying Notes to Financial Statements.

Town of Saratoga, New York

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended December 31, 2020						
Governmental Funds						
Special Revenue						
	General	General Outside Village	Highway	Special Grant	Fire Protection	Total
REVENUES						
Real property taxes and tax items	\$ 641,680	\$ -	\$ -	\$ -	\$ 51,071	\$ 692,751
Nonproperty taxes	100,000	343,239	900,000	-	-	1,343,239
Departmental income	2,624	51,233	-	-	-	53,857
Use of money and property	103,049	5,523	1,346	2	-	109,920
Licenses and permits	2,077	-	-	-	-	2,077
Fines and forfeitures	14,222	-	-	-	-	14,222
Sale of property and compensation for loss	6,097	-	1,081	-	-	7,178
Miscellaneous local sources	63,364	-	-	-	-	63,364
Intergovernmental charges	-	-	-	18,750	-	18,750
State aid	241,745	-	156,587	488,427	-	886,759
Total revenues	1,174,858	399,995	1,059,014	507,179	51,071	3,192,117
EXPENDITURES						
General government support	501,478	-	-	-	-	501,478
Public safety	29,545	8,063	-	-	51,071	88,679
Health	-	1,393	-	-	-	1,393
Transportation	89,505	-	655,922	-	-	745,427
Economic opportunity and development	1,145	-	-	-	-	1,145
Culture and recreation	45,144	7,500	-	19,905	-	72,549
Home and community services	3,128	77,223	-	446,271	-	526,622
Employee benefits	122,425	11,413	151,564	-	-	285,402
Capital outlays	6,581	-	114,521	-	-	121,102
Debt service						
Principal	160,000	-	-	-	-	160,000
Interest	37,730	-	-	-	-	37,730
Total expenditures	996,681	105,592	922,007	466,176	51,071	2,541,527
Excess of revenues over expenditures	178,177	294,403	137,007	41,003	-	650,590
OTHER FINANCING SOURCES (USES)						
Operating transfers in	145,000	-	100,000	-	-	245,000
Operating transfers out	(20,000)	(225,000)	-	-	-	(245,000)
Total other financing sources (uses)	125,000	(225,000)	100,000	-	-	-
Excess of revenues and other financing sources over expenditures and other financing uses	303,177	69,403	237,007	41,003	-	650,590
FUND BALANCES (DEFICIT), beginning of year	2,022,980	2,001,985	925,944	(518,408)	-	4,432,501
FUND BALANCES (DEFICIT), end of year	\$ 2,326,157	\$ 2,071,388	\$ 1,162,951	\$ (477,405)	\$ -	\$ 5,083,091

Town of Saratoga, New York

Notes to Financial Statements December 31, 2020

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization

The Town of Saratoga, New York (Town) is governed by Town Law and other general laws of the State of New York. The governing body of the Town is the Town Board, which consists of the Supervisor and four Board members. The Supervisor is responsible for overall operations and serves as Chief Executive Officer and Chief Fiscal Officer.

The Town provides its residents with general government support, street maintenance, recreational facilities, and various other services.

All governmental activities and functions performed for the Town are the direct responsibility of the Town Board.

b. Basis of Presentation

Basic financial statements of a governmental entity are defined by the Governmental Accounting Standards Board (GASB) and represent the minimum financial statements that should be prepared under accounting principles generally accepted in the United States of America (U.S. GAAP). The basic financial statements generally contain the government-wide financial statements, fund financial statements, and notes to the financial statements accompanied by required supplementary information (Management's Discussion and Analysis and other Required Supplementary Information). The basic financial statements are required for a fair and complete presentation in accordance with U.S. GAAP.

The Town's basic financial statements include only the governmental fund statements, the presentation of which is considered to be less than a complete set of financial statements under U.S. GAAP.

The presentation of the Town's financial statements varies from U.S. GAAP primarily in that under U.S. GAAP:

- Financial statements include two additional statements, the statement of net position and the statement of activities, collectively referred to as the "government-wide" financial statements which are presented on the full accrual basis of accounting.
- A Management's Discussion and Analysis (MD&A) is required as supplementary information that precedes the basic financial statements and is intended to provide an objective analysis of the government's financial activities, both on a current and long-term basis, based on current conditions.
- Other supplementary information is required by U.S. GAAP, including budgetary comparison schedules for the General Fund and each major special revenue fund that has a legally adopted annual budget, a schedule of the proportionate share of the net pension liability, a schedule of pension contributions, and a schedule of other postemployment benefits liability.
- Fund-based financial statements must be reconciled to the "government-wide" financial statements.
- Capital assets, other than land, are depreciated and reported on the "government-wide" statement of net position at net book value, and depreciation expense is allocated to the major functions on the statement of activities based on the use of the underlying assets. Further, postemployment benefit costs and obligations are reported within the "government-wide" statement of net position.

Town of Saratoga, New York

Notes to Financial Statements December 31, 2020

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

c. Financial Reporting Entity

The financial reporting entity consists of the primary government, which is the Town.

In evaluating how to define the Town for financial reporting purposes, management has considered various separate legal entities as potential component units. 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. A second criterion used in evaluating potential component units is the scope of public service. 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 upon the application of these criteria, no component units have been included within the financial statements.

d. Fund Accounting

The Town uses funds to report 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. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental fund types are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (Special Revenue Funds) and the acquisition or construction of general fixed assets (Capital Projects Funds). The General Fund is used to account for all activities of the general government not accounted for in another fund.

The following are the Town's governmental fund types:

General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds of the Town include the following:

1. General Outside Village Fund is used to account for transactions required by statute to be charged to the area of the Town outside the Villages of Schuylerville and Victory.
2. Special District Funds such as Fire Protection are used to account for taxes or other revenues which are raised or received to provide special services to areas that encompass less than the whole Town.
3. Highway Fund is used to account for revenues and expenditures for highway purposes in accordance with Section 141 of the Highway Law.
4. Special Grant Fund is used to account for the receipt of grant funding and the administration of the related grant programs.

Town of Saratoga, New York

Notes to Financial Statements December 31, 2020

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

e. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction that can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes available if they are collected within 60 days after year end. A 120-day availability period is used for revenue recognition for all other governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are state and federal aid, sales tax, interest and fines. Revenue from property taxes is recognized in the year for which the taxes are levied. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Governmental fund expenditures are recorded when the fund liability is incurred except that:

- Payment of prepaid expenses and purchase of inventory type items are recorded as expenditures when the related amounts are due and payable. This method is generally referred to as the "purchase" method, as opposed to the "consumption" method.
- Principal and interest on indebtedness are recorded as expenditures when the related debt service amounts are due and payable, which normally approximates the date the debt is paid.
- Compensated absences, such as vacation leave and compensation time, which vest or accumulate with eligible employees, are recorded as expenditures in the payroll period that the leave credits are used by employees.
- Claims and judgments payable are recorded only when they mature or become due for payment within the period.

f. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, other financing sources, expenses, and other financing uses during the reporting year. Actual results could differ from those estimates.

Town of Saratoga, New York

Notes to Financial Statements December 31, 2020

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

g. Budgetary Data

The Town employs the following budgetary procedures:

- i. No later than September 30, the Supervisor submits a tentative budget to the Town Clerk for the year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all operating funds of the Town.
- ii. After a public hearing is conducted to obtain taxpayer comments, but no later than November 20, the Town adopts the preliminary budget.
- iii. All revisions that alter appropriations of any department or fund must be approved by the Town Board.
- iv. Budgetary appropriations are established for individual capital projects through resolutions authorizing the corresponding Capital Projects Fund to be established which remains in effect for the life of the project.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgeting control purposes to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year-end are recorded as reservations of fund balances since the commitments do not constitute expenditures or liabilities. Open encumbrances, after review by the Town Board, are added to the subsequent year's budget to provide the modified budget. Expenditures for such commitments are recorded in the period in which the liability is incurred. The Town had no encumbrances at December 31, 2020.

Annual appropriated budgets are adopted for the General and Special Revenue Funds. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

All annual appropriations lapse at year-end. Project-length financial plans are adopted for all Capital Projects Funds.

h. Cash and Investments

The Town's investment policies are governed by State statutes. Town monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The Town is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies and obligations of New York State or its localities.

Collateral is required for all Town monies not covered by FDIC 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 local governments.

Town of Saratoga, New York

Notes to Financial Statements December 31, 2020

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

i. Receivables

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines an allowance for doubtful accounts, if any, by identifying troubled accounts and by using historical experience applied to an aging of accounts. The Town and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. Saratoga County assumes enforcement responsibility for all taxes levied in the Town.

j. Interfund Transactions

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

k. Deferred Inflows of Resources and Unearned Revenues

A deferred inflow of resources is an acquisition of resources by the Town that is applicable to a future reporting period. The Town's deferred inflows of resources arise when potential revenue does not meet both of the "measurable" and "available" criteria for recognition in the current period as defined in Note 1e. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the deferred inflow is removed from the balance sheet, and revenue is recognized.

Unearned revenues arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. The Town does not have any unearned revenues as of December 31, 2020.

l. Vacation and Sick Leave

Town employees are granted vacation and sick leave and may earn compensatory absences only with prior approval of a department head. Vacation leave must be used in the year it is earned. Accumulated sick leave is forfeited in the event of termination, resignation, retirement, or death.

m. Pension

The Town is a participating employer in the New York State and Local Retirement System (System). Employees in permanent positions are required to enroll in the System, and employees in part-time or seasonal positions have the option of enrolling in the System. The System is a cost sharing, multiple employer, public employee defined benefit retirement system. The impact on the Town's financial position and results of operations due to its participation in the System is more fully disclosed in Note 5.

Town of Saratoga, New York

Notes to Financial Statements December 31, 2020

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

n. Postemployment Benefits

The Town provides healthcare insurance coverage benefits for eligible retired employees and their spouses in accordance with the provisions of the Town's employee handbook. Coverage includes healthcare insurance and prescription drug coverage for eligible retirees and their spouses based on the lifetime of the retiree. Town employees become eligible for these benefits if they are retirement eligible and have twelve years of full-time employment with the Town. Retiree contribution amounts are determined based on the dates of hire and are a percentage of the individual plan premium. An additional contribution is required for spousal coverage. Surviving spouses can continue coverage through the Consolidated Omnibus Budget Reconciliation Act (COBRA). Healthcare benefits are provided through an insurance company. The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. Postemployment benefits were provided to 9 individuals, at a cost approximating \$26,000 for the year ended December 31, 2020.

o. Long-Term Debt Obligations

Principal and interest payments are recognized as expenditures of a governmental fund when paid. Long-term debt is recognized as a liability of a governmental fund when due.

Governmental fund types recognize bond premiums, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

p. Fund Balances

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The five fund balance classifications are as follows:

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

Restricted - Amounts that have restraints that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action, such as legislation, resolution, or ordinance by the government's highest level of decision-making authority.

Assigned - Amounts that are constrained only by the government's intent to be used for a specified purpose, but are not restricted or committed in any manner.

Unassigned - The residual amount in the General Fund after all of the other classifications have been established. In a Special Revenue Fund, if expenditures and other financing uses exceed the amounts restricted, committed, or assigned for those purposes, then a negative unassigned fund balance will occur.

Town of Saratoga, New York

Notes to Financial Statements December 31, 2020

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

p. Fund Balances - Continued

The Town's fund balance policy is set by the Town Board, the highest level of decision-making authority. The Town Board considers "formal action" for a committed fund balance to be the passing of a Board resolution. The Board has delegated the ability to assign fund balance to the Supervisor. The Town considers fund balance spent in the order of restricted, committed, assigned, and unassigned.

Note 4 provides further details regarding the Town's fund balance classifications.

q. Sales Tax

In accordance with a County resolution, the Town receives sales tax revenue from the County. The County distributes monthly to the Town a share of 50% of the revenue received by the County. This share is based upon the percentage of the Town's full value assessment to the County's full value assessment (less the full value of the City of Saratoga Springs). In addition, the County distributes to the Town a share of \$3 million collected by the County. This share is equal to the Town's population as a percentage of the total County population multiplied by the Town's full value as a percentage of the Town and County's combined full value. Sales tax revenue for the year ended December 31, 2020 was \$1,343,239.

r. Adoption of New Accounting Standard

During 2020, the Town adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus of this criteria generally is on (1) whether a government is controlling the assets of the fiduciary activities and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the adoption of this statement, the Town now reports activity formerly recognized within the Agency Fund principally within the General Fund.

s. Subsequent Events

The Town has evaluated subsequent events for potential recognition or disclosure through November 18, 2021, the date the financial statements were available to be issued.

Note 2 - Stewardship, Compliance, and Accountability

Town administration prepares a proposed budget for approval by the Town Board for the General and General Outside Village Funds, the only funds with legally adopted budgets. The budgets are adopted annually no later than November 20. Appropriations are adopted at the program line item level. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year and any appropriated reserve funds. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at year end. Supplementary appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Expenditures may not legally exceed budgeted appropriations at the activity level.

Town of Saratoga, New York

Notes to Financial Statements December 31, 2020

Note 3 - Cash and Restricted Cash

It is the Town's policy for deposits to be secured by collateral valued at fair value or par, whichever is lower, less the amount of FDIC insurance. The Town's deposits were fully insured or collateralized with securities held by the Town or by its agent in the Town's name as of December 31, 2020.

Restricted assets consist of cash for the following:

General Fund - Building Reserve	\$ 436,733
General Fund - Parks	426,957
General Fund - Tax Cap Reserves	1,311
Special Grant	114
Highway Fund - Equipment Reserve	302,331
	\$ 1,167,446

Note 4 - Fund Balances (Deficit)

Fund balances at December 31, 2020 are as follows:

	General	General Outside Village	Highway	Special Grant
Nonspendable	\$ 8,347	\$ 2,091	\$ 12,251	\$ -
Restricted				
Other	428,268	-	-	114
Capital reserve	436,733	-	302,331	-
	865,001	-	302,331	114
Assigned				
Appropriations	165,530	51,462	138,955	-
Special revenue purposes	-	2,017,835	709,414	-
	165,530	2,069,297	848,369	-
Unassigned (deficit)	1,287,279	-	-	(477,519)
Total fund balance (deficit)	\$ 2,326,157	\$ 2,071,388	\$ 1,162,951	\$ (477,405)

Town of Saratoga, New York

Notes to Financial Statements

December 31, 2020

Note 5 - Retirement System

a. Plan Description and Benefits Provided

The Town participates in the New York State and Local Employees' Retirement System (ERS), which is a cost-sharing multiple-employer, public employee retirement system. ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from ERS at www.osc.state.ny.us/retire.

ERS provides retirement, disability, and death benefits for eligible members, including an automatic cost of living adjustment. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

b. Funding Policy

Employees in ERS Tiers I through IV are noncontributory except for employees with less than 10 years of service who contribute 3% of their salary, Tier V employees who contribute 3% of their salary, and Tier VI employees who contribute between 3% and 6% of their salary. The Comptroller annually certifies the rates, expressed as proportions of payroll of members, which are used in computing the contributions required to be made by employers.

The Town's required contributions for the current year and the two preceding years were:

2020	\$	90,752
2019		91,547
2018		80,243

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

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

The Town's long-term liability for its proportionate share of the net pension liability of the System was \$601,944 at December 31, 2020. The net pension liability was measured as of March 31, 2020, and the total pension liability was determined by an actuarial valuation as of April 1, 2019. The Town's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to the System's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2020 measurement date, the Town's proportionate share was 0.0022732%.

Town of Saratoga, New York

Notes to Financial Statements December 31, 2020

Note 5 - Retirement System – Continued

c. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions - Continued

For the year ended December 31, 2020, the Town recognized pension expense of \$90,752 in the governmental funds. Deferred outflows of resources and deferred inflows of resources at December 31, 2020 are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,427	\$ -
Changes of assumptions	12,120	10,466
Net differences between projected and actual investment earnings on pension plan investments	308,586	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,264	12,734
Total	\$ 366,397	\$ 23,200

Amounts recognized as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized as follows:

Year ending December 31,		
2021	\$	54,485
2022		84,844
2023		111,562
2024		92,306
Total	\$	343,197

d. Actuarial Assumptions

The actuarial assumptions used in the April 1, 2019 valuation, with updated procedures used to roll forward the total pension liability to March 31, 2020 were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Actuarial cost method	Entry age normal
Inflation rate	2.5 percent
Salary scale	3.8 percent, indexed by service
Investment rate of return, including inflation	6.8 percent compounded annually, net of expenses
Cost of living adjustment	1.3% annually
Decrement	Based on 20211-20015 experience
Mortality improvement	Society of Actuaries Scale MP-2018
Cost of living adjustment	1.30%

Town of Saratoga, New York

Notes to Financial Statements December 31, 2020

Note 5 - Retirement System - Continued

e. Investment Asset Allocation

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class and ERS's target asset allocation as of the applicable valuation dates are summarized below:

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	36.00%	4.05%
International equity	14.00%	6.15%
Private equity	10.00%	6.75%
Real estate	10.00%	4.95%
Absolute return strategies	2.00%	3.25%
Opportunistic portfolio	3.00%	4.65%
Real assets	3.00%	5.95%
Bonds and mortgages	17.00%	0.75%
Cash	1.00%	0.00%
Inflation-indexed bonds	4.00%	0.50%
	100.00%	

f. Discount Rate

The discount rate projection of cash flows assumes that contributions from members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, ERS'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.

g. 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 6.8% and the impact of using a discount rate that is 1% higher or lower than the current rate:

	1% Decrease (5.8%)	Current Discount (6.8%)	1% Increase (7.8%)
Town's proportionate share of the net pension liability (asset)	\$ 1,104,738	\$ 601,944	\$ 138,869

Town of Saratoga, New York

Notes to Financial Statements December 31, 2020

Note 5 - Retirement System - Continued

h. Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the New York State and Local Employees' Retirement System as of March 31, 2020 were as follows (amounts in thousands):

Employers' total pension liability	\$ 194,596,261
Plan net position	<u>168,115,682</u>
Employers' net pension liability	<u><u>\$ 26,480,579</u></u>
Ratio of plan net position to the employers' total pension liability	<u><u>86.4%</u></u>

Note 6 - Other Postemployment Benefits

In addition to providing retirement benefits, the Town provides medical benefits to its eligible retirees through the Town's Other Postemployment Benefit Plan (OPEB Plan). These benefits are provided through fully insured plans.

The Town offers medical benefits to its retired employees that meet specified eligibility requirements. The benefit terms provide for the retiree to pay:

Active employees hired before January 1, 1990	0%
Active employees hired between January 1, 1990 and January 1, 2006	10%
Active employees hired between January 2, 2006 and December 31, 2011	15%
Active employees hired between January 1, 2012 and September 9, 2012	20%
Active employees hired on or after September 9, 2012	25%

The benefit plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the benefit plan.

A summary of active employees and retired employees covered under the benefit plan at the actuarial valuation date of January 1, 2020 is as follows:

Active	8
Retired	<u>6</u>
	<u><u>14</u></u>

a. OPEB Liabilities

At December 31, 2020, the Town's total OPEB liability of \$1,668,966 was determined by an actuarial valuation as of January 1, 2020.

Town of Saratoga, New York

Notes to Financial Statements December 31, 2020

Note 6 - Other Postemployment Benefits - Continued

b. Actuarial Assumptions

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions:

Discount rate	2.74%
Health Care Cost Trend Rates:	
2019 Trend (Pre 65/Post 65)	10.00%/(10.39%)
2020 Trend	9.50%
Decrement	0.50%
Ultimate trend	5.00%
Year ultimate trend is reached	2029
Salary increases	2.00%

The discount rate was based on the index provided by Bond Buyer 20-Bond General Obligation Index based on the 20-year AA municipal bond rate as of December 31, 2019.

Mortality rates: SOA RP-2014 Total Dataset Mortality with Scale MP-2018 (Base Year 2016).

c. Changes in the OPEB Liability

OPEB liability as of December 31, 2019	\$ 1,595,474
Changes for the year	
Service cost	78,823
Interest	43,053
Benefit payments	<u>(48,384)</u>
OPEB liability as of December 31, 2020	<u>\$ 1,668,966</u>

d. Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Trend Rate and Discount Rate

The following presents the OPEB liability of the benefit plan as of December 31, 2020 using current health care cost trend rates as well as what the OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower or 1% higher than the current rate:

	1% Decrease	Baseline	1% Increase
OPEB Liability	\$ 1,373,763	\$ 1,668,966	\$ 2,050,816

Town of Saratoga, New York

Notes to Financial Statements December 31, 2020

Note 6 - Other Postemployment Benefits - Continued

e. Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Trend Rate and Discount Rate - Continued

The following presents the OPEB liability of the benefit plan as of December 31, 2020 using current the current discount rate of 2.74% as well as what the OPEB liability would be if it were calculated using a discount rate that was 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Baseline</u>	<u>1% Increase</u>
OPEB Liability	\$ 1,843,430	\$ 1,668,966	\$ 1,534,266

Note 7 - Bonds Payable

The Town borrows money in order to acquire land and 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 assets. These long-term liabilities are full faith and credit debt of the Town.

In January 2020, the Town issued \$1,445,000 of Public Improvement Refunding (Serial) Bonds. The bonds were sold at a premium of \$259,858. Cost of issuance and underwriter's discounts were \$55,731. Net proceeds from the issuance were deposited with an escrow agent to refund the outstanding principal amount of 2008 Series A bonds.

A summary of the Town's indebtedness under bonds payable is as follows:

	<u>Balance December 31, 2019</u>	<u>Additions</u>	<u>Refundings and Payments</u>	<u>Balance December 31, 2020</u>	<u>Due Within One Year</u>
Town Hall 2008 Series A	\$ 1,615,000	\$ -	\$ 1,615,000	\$ -	\$ -
2020 Public Improvement Refunding	-	1,445,000	160,000	1,285,000	135,000
	<u>\$ 1,615,000</u>	<u>\$ 1,445,000</u>	<u>\$ 1,775,000</u>	<u>\$ 1,285,000</u>	<u>\$ 135,000</u>

	<u>Original Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Date Final Maturity</u>	<u>Balance December 31, 2020</u>
2020 Public Improvement Refunding	1/2020	1,445,000	4.00% - 5.00%	8/2028	1,285,000

Town of Saratoga, New York

Notes to Financial Statements December 31, 2020

Note 7 - Bonds Payable - Continued

Aggregate minimum maturities of debt service are as follows:

	Principal	Interest	Total
For the year ending December 31,			
2021	\$ 135,000	\$ 62,900	\$ 197,900
2022	140,000	57,500	197,500
2023	145,000	50,500	195,500
2024	155,000	43,250	198,250
2025	165,000	35,500	200,500
2026 through 2028	545,000	55,250	600,250
	\$ 1,285,000	\$ 304,900	\$ 1,589,900

Note 8 - Interfund Activities

A summary of interfund transfers is as follows:

	Transfers In	Transfers Out
General	\$ 145,000	\$ (20,000)
General Outside Village	-	(225,000)
Highway	100,000	-
	\$ 245,000	\$ (245,000)
	Interfund Receivables	Interfund Payables
General	\$ -	\$ 3,144
General - Outside Village	3,144	37,971
Highway	37,971	-
	\$ 41,115	\$ 41,115

Note 9 - Commitments and Contingencies

a. Agreements with the Village of Schuylerville and the Village of Victory

The Town annually enters into agreements with the Villages of Schuylerville and Victory for fire protection service for the citizens of the Town.

Town of Saratoga, New York

Notes to Financial Statements December 31, 2020

Note 9 - Commitments and Contingencies - Continued

b. Future Lease Revenues

The Town leases office space to several tenants under long-term operating leases. Certain other leases of office space are on a month-to-month basis and can be terminated at any time by the tenant giving notice to the Town. Revenues earned under the lease arrangements during 2020 approximated \$97,000.

c. Grant Programs

The Town participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs may be conducted, in accordance with grantor requirements, on a periodic basis. Accordingly, the Town's compliance with applicable grant requirements will be established at some future date. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Town believes, based upon its review of current activity and prior experience, the amount of such disallowances, if any, will be minimal.

d. Environmental Risks

Certain facilities of the Town are subject to federal, state, and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the Town expect such compliance to have, any material effect upon the capital expenditures or financial condition of the Town. The Town believes that its current practices and procedures for control and disposition of regulated wastes comply with applicable federal, state, and local requirements.

e. Cooperative Agreement with Saratoga County and Historic Hudson-Hoosic Rivers Partnership

The Town has entered into an agreement with the County of Saratoga, New York (County) and the Historic Hudson-Hoosic Rivers Partnership (Partnership), in which the Town has granted a license to the Partnership for a two-acre parcel of land on which the Partnership will build the Gateway Visitors Center (Center). In addition, the Town has agreed to act as the assigned payee under a grant agreement between the Partnership and the State of New York, in which the Town is responsible for paying contractors and vendors for the design and construction of the Center. The Town is reimbursed for costs incurred related to the Center pursuant to a grant agreement between the Partnership and the State of New York. The Town has received advances of \$500,000 from the County to assist in this process. The advances are repayable to the County upon the Town's receipt of reimbursement under the original grant or subsequent grant agreements.

Note 10 - Accounting Standards Not Yet Implemented

GASB Statement No. 87, *Leases* (GASB 87). GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use and underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government's leasing activities. The requirements for this standard, as delayed by GASB95, are effective for reporting periods beginning after June 15, 2021.

Management has not yet estimated the extent of potential impact of this statement on the Town's financial statements.



**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***

Supervisor and Town Board
Town of Saratoga, New York
Schuylerville, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each governmental fund of the Town of Saratoga, New York (Town) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 18, 2021, which contains an adverse opinion, as discussed therein.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as Item 2020-001 that we consider to be a material weakness.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

BST+Co.CPAs, LLP

Albany, New York
November 18, 2021



Town of Saratoga, New York

Schedule of Findings and Responses December 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Adverse

Internal control over financial reporting:

· Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
· Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported

Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No
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Section II - Financial Statement Findings

2020-001 - Government-Wide Financial Reporting

Criteria: Accounting principles generally accepted in the United States of America (U.S. GAAP), as prescribed by the Governmental Accounting Standards Board (GASB), require the presentation of government-wide financial statements to display the financial position and changes in financial position of the Town's governmental activities. U.S. GAAP also requires the capitalization and depreciation of capital assets in the government-wide financial statements.

Condition and cause: Management of the Town does not have processes and controls in place to ensure complete and accurate reporting of capital asset balances. Such information is required to present government-wide financial statements in accordance with U.S. GAAP. Accordingly, government-wide financial statements have not been included within the Town's basic financial statements.

Effect or potential effect: An adverse opinion has been issued on the Town's financial statements as a whole.

Recommendation: We recommend that management of the Town develop processes and controls to ensure the complete and accurate reporting of capital asset balances. Further, the Town should utilize such information to develop government-wide financial statements as required under U.S. GAAP.

View of responsible officials: The Town is evaluating the cost of gathering the information required to prepare financials statements in accordance with U.S. GAAP and whether the benefits derived from the improved quality of financial reporting would outweigh such costs.