

TOWN OF ULSTER, NEW YORK

Basic Financial Statements,
Supplementary Information and
Independent Auditors' Report

December 31, 2018

TOWN OF ULSTER, NEW YORK

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INDEPENDENT AUDITORS' REPORT

To the Supervisor and Members
of the Town Board
Town of Ulster, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ulster, New York (the Town), as of and for the year ended December 31, 2018, and the related notes to financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on Governmental Activities

As discussed in note 2 to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and does not record depreciation expense. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and all capitalized assets depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town as of December 31, 2018, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in note 1(o) to the financial statements, the Town adopted the provisions of governmental Accounting Standards Board (GASB) Statement No. 75 - “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” during the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 4 through 13, and the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying combining nonmajor governmental fund financial statements on pages 51 and 52 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 3, 2019, 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 3, 2019

TOWN OF ULSTER, NEW YORK
Management's Discussion and Analysis
December 31, 2018

This section of the Town of Ulster, New York's (the Town) financial statements presents a discussion and analysis of the Town's financial performance during the year ended December 31, 2018. Please read it in conjunction with the Town's basic financial statements following this section. The Town is a local municipality located in the Mid Hudson Valley area of New York State. Its purpose is to provide services to the residents of the Township such as police and fire protection, highways, and home and community services.

Financial Highlights

- The Town had net position (liabilities and deferred inflows exceeded assets and deferred outflows) of \$(7,758,956) at the end of 2018.
- The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," during the year ended December 31, 2018. This required restating net position at the beginning of the year, which decreased by \$4,628,782, as described in note 9.
- The Town's total net position increased by \$1,145,972 from 2017 to 2018, as a result of revenues exceeding expenses.
- The Town's general fund unassigned fund balance was \$1,756,504 at the end of 2018. This amount is about 22.8% of the general fund's expenditures.

Overview of the Financial Statements and Financial Analysis

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the residual reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

TOWN OF ULSTER, NEW YORK
Management's Discussion and Analysis, Continued

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes or earned but unused vacation time). The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, education, public safety, transportation, economic development, culture and recreation, and home and community services. The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain accountability over resources that have been segregated for specific activities or objectives. The Town of Ulster, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions as reported for governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This is done so that readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations have been provided for both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances to facilitate this comparison between governmental funds and governmental activities.

TOWN OF ULSTER, NEW YORK
Management's Discussion and Analysis, Continued

The Town maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the general, highway, capital projects, sewer and water funds, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its general fund and for its major special revenue funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Ulster's own programs.

The basic fiduciary financial statements can be found on page 20 of this report.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the basic information provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 21 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Ulster, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7,758,956 at the close of 2018.

The largest portion of the Town of Ulster's assets is its investment in capital assets. These financial statements include only the 2004 through 2018 additions to capital assets for which the Town does not recognize depreciation. All of the outstanding debt related to capital assets is included in the financial statements. The Town of Ulster uses these capital assets to provide services to citizens; consequently, the assets are not available for future spending. Although the Town of Ulster's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF ULSTER, NEW YORK
Management's Discussion and Analysis, Continued

Town of Ulster's Net Position
Condensed Statements of Net Position

	<u>2018</u>	<u>2017*</u>
Assets:		
Current and other assets	\$ 12,728,163	11,366,256
Capital assets	<u>20,990,588</u>	<u>20,601,955</u>
Total assets	<u>33,718,751</u>	<u>31,968,211</u>
Deferred outflows of resources	<u>2,933,177</u>	<u>2,491,169</u>
Liabilities:		
Current liabilities	1,247,756	1,252,264
Noncurrent liabilities	<u>37,131,978</u>	<u>41,383,037</u>
Total liabilities	<u>38,379,734</u>	<u>42,635,301</u>
Deferred inflows of resources	<u>6,031,150</u>	<u>729,007</u>
Net position:		
Net investment in capital assets	16,801,945	16,152,973
Restricted	7,656,590	5,598,327
Unrestricted	<u>(32,217,491)</u>	<u>(30,656,228)</u>
Total net position	\$ <u>(7,758,956)</u>	<u>(8,904,928)</u>

* 2017 amounts have been restated to reflect implementation of GASB No. 75.

TOWN OF ULSTER, NEW YORK
Management's Discussion and Analysis, Continued

Governmental Activities

Governmental activities generated an increase in the Town of Ulster's net position in 2018. A summary of the components of this increase follows.

<u>Town of Ulster's Changes in Net Position</u>		<u>2018</u>	<u>2017</u>
<u>Condensed Statements of Activities</u>			
Revenue:			
Program revenue:			
Charges for services	\$ 3,379,623	3,252,370	
Capital and operating grants	799,090	712,627	
General revenue:			
Property taxes	13,139,554	13,359,309	
Other tax items	281,457	312,254	
Non-property tax items	516,678	493,975	
Other	<u>314,486</u>	<u>223,574</u>	
Total revenue	<u>18,430,888</u>	<u>18,354,109</u>	
Expenses:			
General government support	1,898,793	1,980,358	
Education	3,432	1,740	
Public safety	4,945,250	4,988,165	
Health	8,260	9,570	
Transportation	2,340,415	2,107,921	
Economic assistance and opportunity	3,915	5,872	
Culture and recreation	462,906	472,825	
Home and community services	2,911,924	2,752,442	
Employee benefits	4,580,878	5,770,680	
Interest on long-term debt	<u>129,143</u>	<u>153,188</u>	
Total expenses	<u>17,284,916</u>	<u>18,242,761</u>	
Change in net position	\$ <u>1,145,972</u>	<u>111,348</u>	

TOWN OF ULSTER, NEW YORK
Management's Discussion and Analysis, Continued

Financial Analysis of the Government's Funds

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

Governmental Funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Town's governmental funds reported combined ending fund balances of \$12,207,307, an increase of \$1,371,415 from the prior year. Of this total amount, \$1,755,504 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is classified to indicate that it is not available for new spending because it has either already been spent or has been designated to pay for future expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,756,504, while total fund balance was \$6,084,892.

The Town's general fund balance increased by \$569,762 during the current year.

General Fund Budgetary Highlights

The Town's general fund is the largest "fund" of the Town comprising 53.0% of the adopted 2018 Town budget. Some of the services provided by the general fund are:

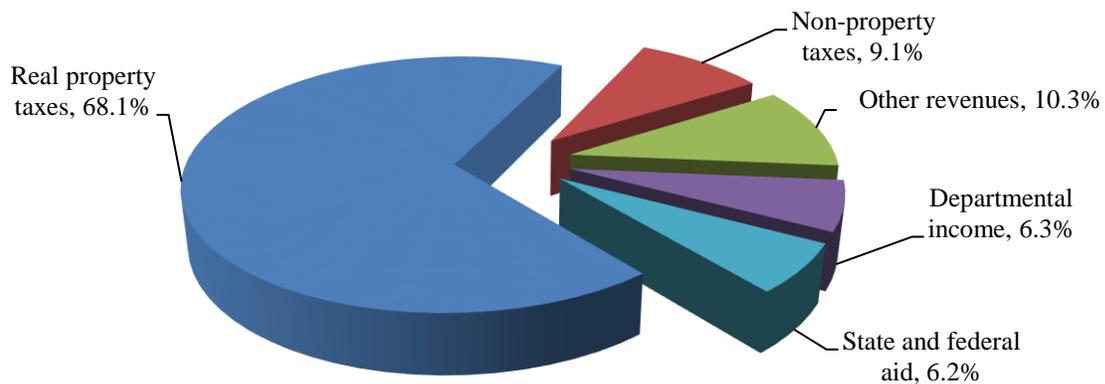
- Issuing and maintaining vital records (birth, death, and marriage certificates) and issuing various state and local licenses and permits;
- Providing public safety services, including police, building and code enforcement;
- Operating and maintaining the Town's solid waste transfer station and recyclable center;
- Operating and maintaining public parks and offering recreation programs; and
- Operating of the Town Court and supporting offices.

TOWN OF ULSTER, NEW YORK
Management's Discussion and Analysis, Continued

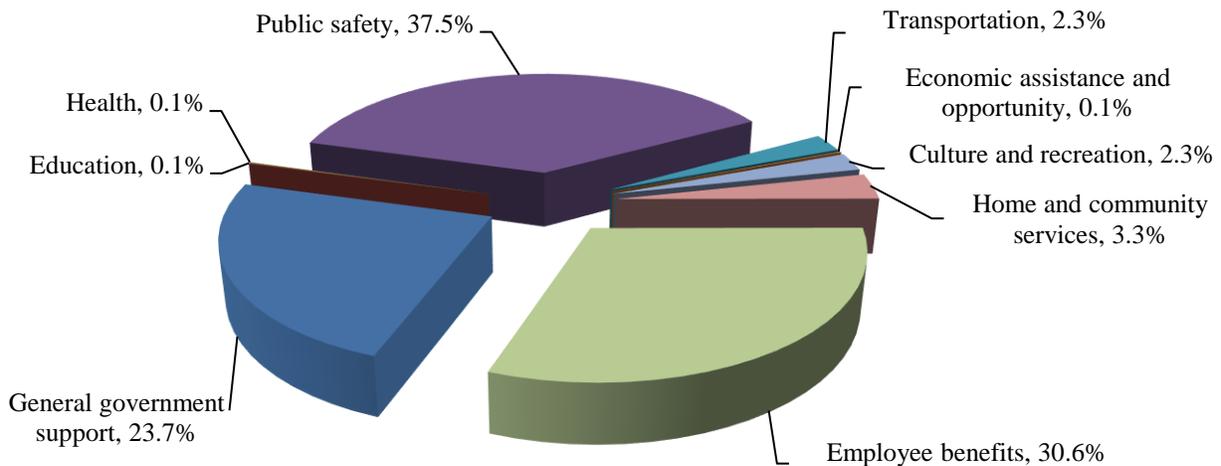
In addition to the above programs, the general fund provides support such as administration, accounting and financial management, payroll and personnel services, assessment, planning and zoning, legal etc.

As indicated on the following charts, the Town relies upon a number of important revenue sources to fund its operating expenses. In 2018, real property taxes in the general fund represented 68.1% of the revenues. Operating expenses are incurred in the delivery of services to the Town's residents. In 2018, public safety represented 37.5% of the expenses while employee benefits and general government support represented 30.6% and 23.7%, respectively.

2018 General Fund Revenue



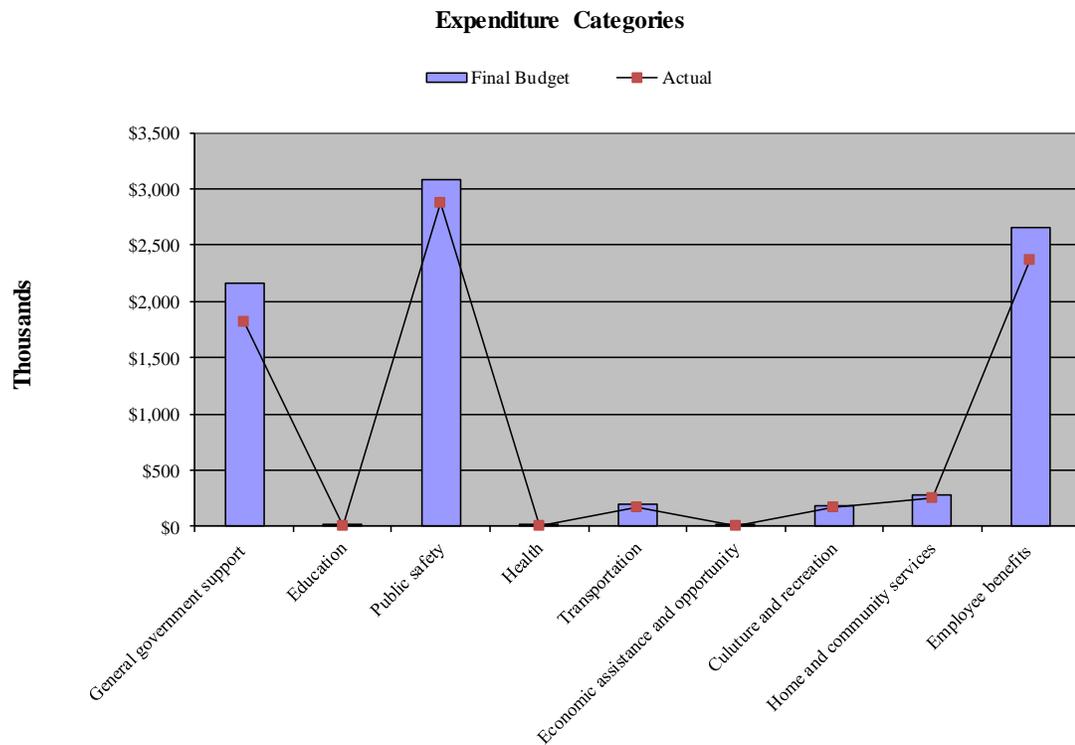
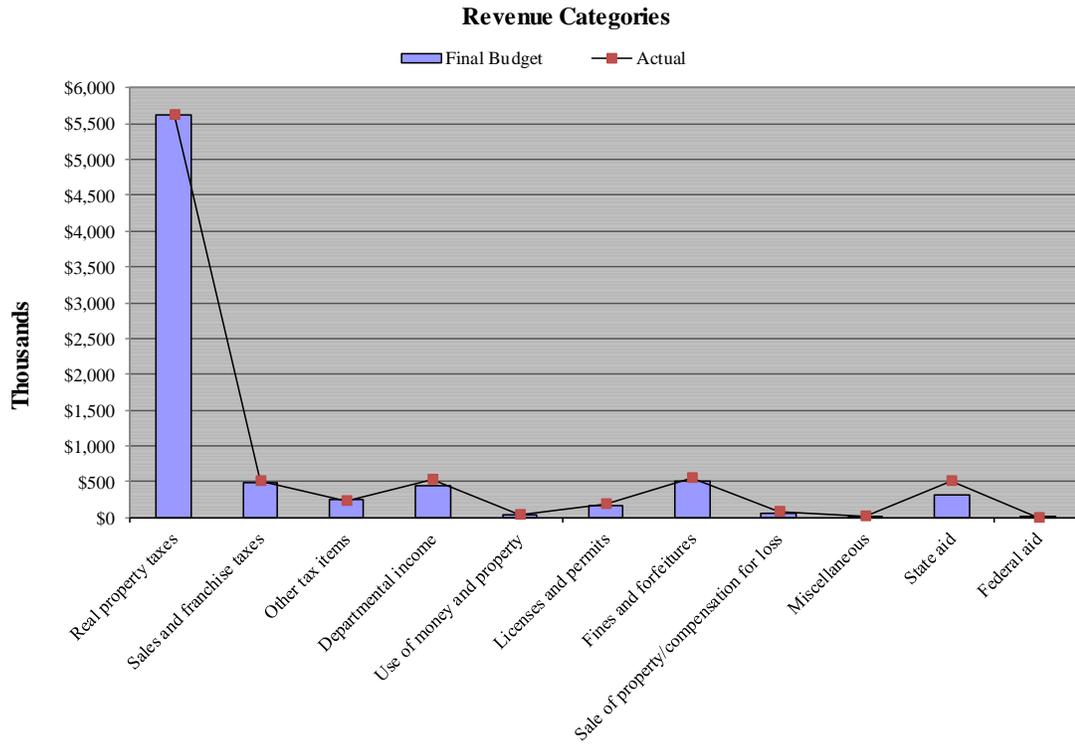
2018 General Fund Expenditures



The original general fund budget totaled \$8,276,329 with an anticipated use of \$390,000 of fund balance. However, actual results of operations showed an overall increase to fund balance of \$569,762, resulting in a fund balance of \$6,084,892 for the general fund at the end of 2018.

TOWN OF ULSTER, NEW YORK
Management's Discussion and Analysis, Continued

During the year there was a 3.8% increase in expense appropriations between the original and final amended budget.



TOWN OF ULSTER, NEW YORK
Management's Discussion and Analysis, Continued

Capital Assets and Debt Administration

Capital Assets

Capital assets at December 31, 2018 were \$20,990,588. Additions totaled \$489,101 and disposals totaled \$100,468. The Town does not have a current inventory value for its fixed assets and infrastructure. The capital assets reported are those assets placed in service between 2004 and 2018. The Town has not recorded depreciation expense.

The following table summarizes the increase in the capital assets in the current fiscal year.

<u>Function/Type</u>	<u>General Fund</u>	<u>Highway Fund</u>	<u>Water Fund</u>	<u>Total</u>
General support	\$ 12,118	-	-	12,118
Public safety	139,386	-	-	139,386
Transportation	6,720	253,543	-	260,263
Culture and recreation	17,798	-	-	17,798
Home and community services	<u>14,245</u>	<u>-</u>	<u>45,291</u>	<u>59,536</u>
Total	<u>\$ 190,267</u>	<u>253,543</u>	<u>45,291</u>	<u>489,101</u>

To date, the Town has not fully implemented GASB 34 because it does not have sufficient information to enable it to report all capital assets in the government-wide statement of net position and by reporting depreciation expense in the statement of activities. During 2012, a fixed asset policy was adopted by the Town Board which included capitalization policies and a requirement for performing a periodic inventory. Since the adoption of this policy, staff has been working to accumulate the historical records required to serve as the basis for an inventory.

Outstanding Debt

At the end of 2018, the Town has a total of \$4,335,000 of outstanding serial bond indebtedness which is backed by the full faith and credit of the Town. The Town also has a statutory installment bond of \$456,900, proceeds of which were used to retire a bond anticipation note. This bond was issued by the Highway Fund and purchased as an investment by the Sewer Fund.

New York State statutes place a limit on the maximum amount of total outstanding long-term debt that may be incurred by a local municipal entity at no more than seven percent of the five year average full valuation of all real property. At December 31, 2018, the Town had \$1,032,900 of outstanding debt subject to this limitation. The Town's constitutional debt limitation was substantially below its debt contracting authority at December 31, 2018.

For more detailed information on long-term debt activity, please see the notes to the financial statements on pages 29 through 31.

TOWN OF ULSTER, NEW YORK
Management's Discussion and Analysis, Continued

Requests for Information

This financial report is designed to provide a general overview of the Town of Ulster, New York's finances. Questions about this report should be addressed to James E. Quigley 3rd, Town Supervisor, Town of Ulster, 1 Town Hall Drive, Lake Katrine, New York 12449. Questions may also be sent to ulstersupervisor@townofulster.org or through the Town's website at www.townofulster.org.

TOWN OF ULSTER, NEW YORK
Statement of Net Position
December 31, 2018

Assets

Current assets:

Cash and equivalents - unrestricted	\$ 4,255,689
Cash and equivalents - restricted	7,199,690
Receivables	968,852
Due from other governments	86,297
Prepays	<u>217,635</u>

Total current assets 12,728,163

Capital assets 20,990,588

Total assets 33,718,751

Deferred Outflows of Resources

Pensions	2,786,820
Discount on bond refunding	<u>146,357</u>

Total deferred outflows of resources 2,933,177

Liabilities

Current liabilities:

Accounts payable and other current liabilities	660,811
Due to other governments	316,945
Current portion of long-term liabilities	<u>270,000</u>

Total current liabilities 1,247,756

Noncurrent liabilities - long-term liabilities, less current portion 37,131,978

Total liabilities 38,379,734

Deferred Inflows of Resources

Pensions	2,702,982
OPEB	<u>3,328,168</u>

Total deferred inflows of resources 6,031,150

Net Position

Net investment in capital assets 16,801,945

Restricted for:

Capital asset acquisition	6,152,612
Employee benefits	1,503,978

Unrestricted (32,217,491)

Total net position \$ (7,758,956)

See accompanying notes to financial statements.

TOWN OF ULSTER, NEW YORK
Statement of Activities
Year ended December 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>	<u>Capital and Operating</u>	<u>Grants</u>	<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Services</u>	<u>Charges for</u>	<u>Governmental</u>	<u>Activities</u>
Primary government:					
Governmental activities:					
General government support	\$ 1,898,793	436,788	493,620		(968,385)
Education	3,432	-	-		(3,432)
Public safety	4,945,250	550,719	12,391		(4,382,140)
Health	8,260	-	-		(8,260)
Transportation	2,340,415	-	220,126		(2,120,289)
Economic assistance and opportunity	3,915	-	-		(3,915)
Culture and recreation	462,906	108,669	1,500		(352,737)
Home and community services	2,911,924	2,283,447	71,453		(557,024)
Employee benefits	4,580,878	-	-		(4,580,878)
Interest on long-term debt	129,143	-	-		(129,143)
Total governmental activities	<u>\$17,284,916</u>	<u>3,379,623</u>	<u>799,090</u>		<u>(13,106,203)</u>
General revenue:					
Property taxes					13,139,554
Other tax items					281,457
Non-property tax items					516,678
Use of money and property					81,926
Sale of property/compensation for loss					122,569
Miscellaneous					109,991
Total general revenue					<u>14,252,175</u>
Change in net position					<u>1,145,972</u>
Net position at beginning of year, before restatement					(4,276,146)
Cumulative effect of change in accounting principle (note 9)					<u>(4,628,782)</u>
Net position at beginning of year, as restated					<u>(8,904,928)</u>
Net position at end of year					<u><u>\$(7,758,956)</u></u>

See accompanying notes to financial statements.

TOWN OF ULSTER, NEW YORK
Balance Sheet - Governmental Funds
December 31, 2018

	<u>General</u>	<u>Highway</u>	<u>Capital Projects</u>	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>							
Cash and equivalents - unrestricted	\$ 2,225,863	502,483	-	664,123	762,199	101,021	4,255,689
Cash and equivalents - restricted	3,823,578	470,462	-	2,254,814	650,836	-	7,199,690
Investment in statutory bond - restricted	-	-	-	456,900	-	-	456,900
Receivables	201,861	119,794	-	208,949	438,248	-	968,852
Prepaid expenditures	154,810	33,839	-	12,491	16,495	-	217,635
Due from other funds	56,942	-	-	-	-	-	56,942
Due from other governments	86,297	-	-	-	-	-	86,297
Total assets	<u>\$ 6,549,351</u>	<u>1,126,578</u>	<u>-</u>	<u>3,597,277</u>	<u>1,867,778</u>	<u>101,021</u>	<u>13,242,005</u>
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable and other current liabilities	307,444	20,224	-	62,467	267,012	3,664	660,811
Due to other funds	-	3,107	-	32,569	21,266	-	56,942
Due to other governments	157,015	74,140	-	48,107	32,712	4,971	316,945
Total liabilities	<u>464,459</u>	<u>97,471</u>	<u>-</u>	<u>143,143</u>	<u>320,990</u>	<u>8,635</u>	<u>1,034,698</u>
Fund balances:							
Non-spendable	154,810	33,839	-	12,491	16,495	-	217,635
Restricted for:							
Capital asset acquisition	2,709,941	297,850	-	2,644,821	500,000	-	6,152,612
Employee benefits	1,113,637	172,612	-	66,893	150,836	-	1,503,978
Assigned	350,000	524,806	-	729,929	879,457	93,386	2,577,578
Unassigned (deficit)	1,756,504	-	-	-	-	(1,000)	1,755,504
Total fund balance	<u>6,084,892</u>	<u>1,029,107</u>	<u>-</u>	<u>3,454,134</u>	<u>1,546,788</u>	<u>92,386</u>	<u>12,207,307</u>
Total liabilities and fund balances	<u>\$ 6,549,351</u>	<u>1,126,578</u>	<u>-</u>	<u>3,597,277</u>	<u>1,867,778</u>	<u>101,021</u>	<u>13,242,005</u>

See accompanying notes to financial statements.

TOWN OF ULSTER, NEW YORK
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 December 31, 2018

Fund balances - total governmental funds		\$ 12,207,307
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The Town does not depreciate these assets.		20,990,588
Investments in statutory bonds, issued from the highway fund and invested in the sewer fund, are reported in the funds but not in the statement of net position.		(456,900)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Serial bonds payable	\$ (4,335,000)	
Compensated absences	(1,149,756)	
Total OPEB liability	(30,173,450)	
Net pension liability - ERS	(365,540)	
Net pension liability - PFRS	(607,155)	
Workers' compensation claims payable	<u>(771,077)</u>	(37,401,978)
Deferred outflows and inflows of resources are not reported in the funds.		
Deferred outflows of resources	2,933,177	
Deferred inflows of resources	<u>(6,031,150)</u>	<u>(3,097,973)</u>
Net position of governmental activities		\$ <u>(7,758,956)</u>

See accompanying notes to financial statements.

TOWN OF ULSTER, NEW YORK
Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds
Year ended December 31, 2018

	<u>General</u>	<u>Highway</u>	<u>Capital Projects</u>	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenue:							
Taxes:							
Property	\$ 5,632,009	2,638,519	-	1,154,650	1,144,722	2,569,654	13,139,554
Sales and franchise	516,678	-	-	-	-	-	516,678
Other tax items	239,480	41,977	-	-	-	-	281,457
Departmental income	521,085	110,025	-	619,288	1,406,712	-	2,657,110
Use of money and property	38,766	27,074	-	10,519	5,567	-	81,926
Licenses and permits	177,092	50	-	-	-	-	177,142
Fines and forfeitures	545,371	-	-	-	-	-	545,371
Sale of property/compensation for loss	70,434	136,015	-	7,947	8,641	-	223,037
Miscellaneous	19,245	87,983	-	1,117	1,646	-	109,991
State aid	506,389	220,126	-	-	-	-	726,515
Federal aid	1,123	-	71,452	-	-	-	72,575
Total revenue	<u>8,267,672</u>	<u>3,261,769</u>	<u>71,452</u>	<u>1,793,521</u>	<u>2,567,288</u>	<u>2,569,654</u>	<u>18,531,356</u>
Expenditures:							
General government support	1,824,193	-	-	51,064	35,654	-	1,910,911
Education	3,432	-	-	-	-	-	3,432
Public safety	2,883,677	-	-	-	-	2,200,959	5,084,636
Health	8,260	-	-	-	-	-	8,260
Transportation	175,615	2,373,577	-	-	-	51,488	2,600,680
Economic assistance and opportunity	3,915	-	-	-	-	-	3,915
Culture and recreation	176,504	-	-	-	-	304,200	480,704
Home and community services	257,253	-	59,827	915,024	1,739,356	-	2,971,460
Employee benefits	2,365,061	741,470	-	307,977	291,953	-	3,706,461
Debt service:							
Principal	-	-	-	154,000	111,000	-	265,000
Interest	-	-	-	19,980	104,502	-	124,482
Total expenditures	<u>7,697,910</u>	<u>3,115,047</u>	<u>59,827</u>	<u>1,448,045</u>	<u>2,282,465</u>	<u>2,556,647</u>	<u>17,159,941</u>
Excess of revenue over expenditures	569,762	146,722	11,625	345,476	284,823	13,007	1,371,415
Fund balances (deficit) at beginning of year	<u>5,515,130</u>	<u>882,385</u>	<u>(11,625)</u>	<u>3,108,658</u>	<u>1,261,965</u>	<u>79,379</u>	<u>10,835,892</u>
Fund balances at end of year	<u>\$ 6,084,892</u>	<u>1,029,107</u>	<u>-</u>	<u>3,454,134</u>	<u>1,546,788</u>	<u>92,386</u>	<u>12,207,307</u>

See accompanying notes to financial statements.

TOWN OF ULSTER, NEW YORK
Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year ended December 31, 2018

Net change in fund balances - total governmental funds		\$ 1,371,415
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
Capital outlay, net of disposals of \$100,468, as the Town does not record depreciation expense.		388,633
Repayment of bond principal is an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. Also, the government funds report the cost of discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal payments on bonds	\$ 265,000	
Deferred amounts from refunding of debt, net	<u>(4,661)</u>	260,339
Some items reported in the statement of activities related to pensions do not require the use of current period resources and are not reported as revenues or expenditures in the governmental funds.		
Net pension liability - ERS	721,697	
Net pension liability - PFRS	740,928	
Deferred outflows of resources - pensions	446,669	
Deferred inflows of resources - pensions	<u>(1,973,975)</u>	(64,681)
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds.		
Workers' compensation liability	(302,324)	
Compensated absences	22,065	
Total OPEB liability	2,798,693	
Deferred inflows of resources - total OPEB liability	<u>(3,328,168)</u>	<u>(809,734)</u>
Change in net position of governmental activities		\$ <u>1,145,972</u>

See accompanying notes to financial statements.

TOWN OF ULSTER, NEW YORK
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2018

	<u>Agency</u>
<u>Assets</u>	
Cash and equivalents	<u>\$ 151,785</u>
 <u>Liabilities</u>	
Accounts payable	16,069
Deposits	<u>135,716</u>
Total liabilities	<u>\$ 151,785</u>

See accompanying notes to financial statements.

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements
December 31, 2018

(1) Summary of Significant Accounting Policies

The financial statements of the Town of Ulster, New York (the Town) have been prepared in accordance with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

(a) Financial Reporting Entity

The Town of Ulster, New York, established in 1879, is governed by its Charter, the Town local law and other general laws of the State of New York (the State) and various local laws. The Town Board is the legislative body responsible for overall operations; the Supervisor serves as the chief executive officer and as the chief fiscal officer of the Town.

The following basic services are provided: highway maintenance, water, sewer, planning, police and courts, fire, zoning, building and safety inspection, lighting, and culture and recreation.

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

The financial reporting entity consists of (a) the primary government which is the Town, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statements No. 14, No. 39 and No. 80.

The decision to include a potential component unit in the Town's reporting entity is based on the criteria set forth in GASB Statements No. 14, No. 39 and No. 80 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no component units which are required to be included in the Town's reporting.

(b) Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government as a whole. Internal activity, such as receivables and payables between funds, has been eliminated in the government-wide statements.

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(b) Government-Wide Financial Statements, Continued

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

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

(c) Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, fund balances, revenue and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is presented in a separate column, with nonmajor funds aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental-wide statements, reconciliations to the statement of net position and statement of activities are presented. The Town's resources are reflected in the fund financial statements in two broad fund categories in accordance with generally accepted accounting principles as follows:

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's major governmental fund types:

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Fund Financial Statements, Continued

Fund Categories, Continued:

(1) Governmental Funds, Continued

General Fund - The general fund is the principal operating fund and includes all operations not required to be accounted for in other funds.

Special Revenue Funds:

Highway Fund - The highway fund is used to account for the activities of the highway department such as maintenance of roadways and snow removal.

Water Fund - The water fund is used to account for the operations of the water districts within the Town.

Sewer Fund - The sewer fund is used to account for the operations of the sewer districts within the Town.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Town also reports the following nonmajor governmental funds:

Street Lighting Fund - The lighting fund is used to account for street lighting services provided by the Town.

Fire Protection Fund - The fire protection fund is used to account for fire protection services funded by the Town.

Library Fund - This fund is used to account for funds distributed to the library for its operations.

(2) Fiduciary Funds - Used to account for assets held by the local government in a trustee or custodial capacity:

Agency Funds - Used to account for assets received and held in the capacity of trustee, custodian or agent. Included in the agency fund are bid deposits and the liability for payroll withholding that has not yet been remitted.

(d) Budgetary Data

(1) Budget Policies - The Town's budget policies are as follows:

- No later than September 30, the budget officer submits a tentative budget to the Town Board for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all the funds.
- After public hearings are conducted to obtain taxpayer comments, the Town Board adopts the budget.
- All modifications of the budget subsequent to its adoption must be approved by the governing board (however, the Supervisor is authorized to transfer certain budgeted amounts within departments).

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Budgetary Data, Continued

(2) 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 the 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.

(3) Budget Basis of Accounting - The budget is adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

(e) Compensated Absences

It is the Town's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the Town's service.

The cost of sick leave is generally recognized as earned by employees. A long-term liability of \$1,149,756 of accrued vacation and sick leave at December 31, 2018, has been recorded in noncurrent government liabilities on the Statement of Net Position, representing the Town's commitment to fund such costs from future operations. The Town has restricted net position of \$1,176,747 in order to cover this liability.

(f) Postemployment Benefits

In addition to providing pension benefits, the Town provides health insurance coverage and other benefits for retired employees. Substantially all of the Town's employees may become eligible for these benefits provided they reach normal retirement age while working for the Town. Health care benefits and survivor benefits are provided for retirees through an insurance company whose premiums are based on the benefits paid during the year. Health insurance in the form of Medicare supplements is also paid on behalf of certain retirees. The Town recognizes the cost of providing benefits by recording the insurance premiums and other items as expenditures in the year paid.

In 2018, the Town implemented the provisions of GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." A long-term liability of \$30,713,450 has been recorded at December 31, 2018, as presented in note 4.

(g) Concentrations of Credit Risk

Financial instruments that potentially subject the Town to concentrations of credit risk consist principally of cash. The Town places its cash in various financial institutions and limits the amount of credit exposure by any one financial institution. At times, the cash balance may be in excess of the FDIC insurance limit.

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Allowance for Uncollectible Accounts

The Town does not maintain an allowance for uncollectible accounts. After one year, past due accounts are placed on the County tax rolls for collection, and paid to the Town as the taxes for the year are received.

(i) Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(j) Measurement Focus Basis of Accounting and Financial Presentation

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenue are considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. Fees and other similar revenue are not susceptible to accrual because they are generally not measurable until received in cash. When expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditures are made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pension costs are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) Property Taxes

The Town submits an approved budget to Ulster County (the County) by December 5th of the previous year. The County then establishes the warrant for the year which is due and payable on or about January 1 of that year. The Town collects the taxes on behalf of the Town and County without penalty through January 31st and with penalties and interest through May 31st. The towns and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. The County assumes enforcement responsibility for all taxes levied in the towns.

(l) Equity and Fund Balance Classifications

In the government-wide statements equity is classified as net position and displayed in three components:

- i) Net investment in capital assets - consists of capital assets including restricted capital assets, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Town does not depreciate its capital assets nor has it recorded infrastructure.
- ii) Restricted net position - consists of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- iii) Unrestricted - consists of net position without constraints.

In the fund financial statements, fund balances are broken down into five different classifications: non-spendable, restricted, committed, assigned and unassigned.

- i) 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, principal of endowments and the investment in the statutory bond.
- ii) 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.
- iii) 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 Board resolution, commit fund balance.
- iv) 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.

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Equity and Fund Balance Classifications, Continued

- v) 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.

When resources are available from multiple classifications, the Town spends funds in the following order: restricted, committed, assigned, unassigned.

(m) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has three items that qualify for reporting in this category. The first item represents changes in the Town's proportion of the collective net pension liabilities in the New York State and Local Employees' Retirement System (ERS) and New York State and Local Police and Fire Retirement System (PFRS) and includes differences between expected and actual experience with regard to economic and demographic factors, changes in assumptions, the net difference between projected and actual investment earnings on pension plan investments, and changes in proportion and differences between the Town's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is Town contributions to the pension systems subsequent to the measurement date. The third item is an unamortized discount received on the advance refunding of bonds, \$146,357 as of December 31, 2018.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualify for reporting in this category. The first item is related to pensions and represents changes in the Town's proportion of the collective net pension liability (ERS and PFRS) and difference during the measurement periods between the Town's contributions and its proportionate share of total contributions to the pension system not included in pension expense. The second item is related to changes in assumptions for the current measurement of the total other postemployment benefits (OPEB) liability.

(n) Investments

GASB Statement No. 72 - "Fair Value Measurement and Application." This Statement provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(n) Investments, Continued

- Level 1 - Valuations are based on quoted prices in active markets for identical asset or liabilities that the component units have the ability to access.
- Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable directly, or indirectly.
- Level 3 - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

(o) Change in Accounting Principles

For the year ended December 31, 2018, the Town implemented GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The implementation of the Statement requires the Town to report other postemployment benefits liabilities, expenses and deferred outflows of resources and deferred inflows of resources on the full accrual basis.

(2) Detail Notes on All Funds

(a) Assets

(1) Cash and Equivalents - The Town's investment policies are governed by State statutes. Town monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Supervisor is authorized to use demand accounts, special time deposit accounts, and certificates of deposit.

Permissible investments include obligations of the U.S. Treasury, obligations of U.S. agencies guaranteed by the U.S. Treasury, and obligations of the Town, but only with moneys in a reserve fund established pursuant to General Municipal Law.

Restricted cash represents cash restricted by law or third parties for specific purposes and can be used only according to the purpose for which it was established.

Collateral is required for demand deposits and certificates of deposit at 102% of all deposits not covered by FDIC. Obligations that may be pledged as collateral are obligations of the United States, an agency thereof, or a United States government-sponsored corporation, obligations of New York State and its municipalities.

The carrying amount of cash and equivalents at December 31, 2018 totaled \$11,607,164 and the available bank balance was \$11,759,936. These bank balances were covered by Federal depository insurance or collateral as follows:

Amount insured by FDIC	\$ 250,000
Collateral held by a third party	<u>15,243,294</u>
Total	\$ <u>15,493,294</u>

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes on All Funds, Continued

(a) Assets, Continued

(2) Investment in Statutory Bond - The highway fund issued a statutory installment bond in the amount of \$609,199 which was purchased as an investment by the sewer fund. This investment carries an interest rate of 1.5% and is payable in yearly installments of \$76,150 plus interest through the year 2024. The amount outstanding was \$456,900 at December 31, 2018. See note 2(b)5 for further details. This is a Level 3 valuation.

(3) Capital Assets - Management has not prepared an inventory of capital assets and infrastructure for reporting of governmental activities nor does it recognize depreciation expense. The capital assets recorded on the statement of net position are those purchased or constructed by the Town since 2004. This practice is not in accordance with GASB Statement No. 34 - "Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments."

(4) Accounts Receivable - Amounts at December 31, 2018 are as follows:

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>
Accounts receivable	\$ 201,861	119,794	208,949	438,248
Due from other governments	<u>86,297</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 288,158</u>	<u>119,794</u>	<u>208,949</u>	<u>438,248</u>

(5) Interfund Receivables and Payables - Interfund receivables/payables exist for cash flow purposes. These are short-term in nature and are repaid within the next fiscal year. The interfund balances at year-end are as follows:

	<u>Receivables</u>	<u>Payables</u>
General fund	\$ 56,942	-
Highway	-	3,107
Sewer	-	32,569
Water	<u>-</u>	<u>21,266</u>
Total	<u>\$ 56,942</u>	<u>56,942</u>

(b) Liabilities

(1) Long-Term Debt - As of December 31, 2018, the total outstanding serial and statutory bond indebtedness of the Town aggregated \$4,791,900. Of this amount, \$1,032,900 was subject to the constitutional debt limit.

- Serial Bonds - The Town 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 are full faith and credit debt of the local government. This long-term debt is included as noncurrent liabilities in the statement of net position.

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes on All Funds, Continued

(b) Liabilities, Continued

(1) Long-Term Debt, Continued

- Other Long-Term Debt - In addition to the above long-term debt, the Town has the following non-current liabilities:
 - Compensated absences - Represents the value of earned and unused portion of the liability for compensated absences.
 - Net pension liability - See note 3 for explanation and details.
 - Total OPEB liability - See note 4 for explanation and details.
 - Workers' compensation claims payable - See note 6(d) for explanation and details.

(2) Changes in Long-Term Liabilities - The changes in the Town's long-term indebtedness during the year ended December 31, 2018 are summarized as follows:

	Balance at December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2018</u>	Amount due within <u>one year</u>
Serial bonds	\$ 4,600,000	-	(265,000)	4,335,000	270,000
Compensated absences	1,171,821	-	(22,065)	1,149,756	-
Total OPEB liability*	32,972,143	-	(2,798,693)	30,173,450	-
Workers' compensation payable claims	468,753	302,324	-	771,077	-
Net pension liability - ERS	1,087,237	-	(721,697)	365,540	-
Net pension liability - PFRS	<u>1,348,083</u>	-	<u>(740,928)</u>	<u>607,155</u>	-
Total	\$ <u>41,648,037</u>	<u>302,324</u>	<u>(4,548,383)</u>	<u>37,401,978</u>	<u>270,000</u>

* See note 9 - Balance as of December 31, 2017 was restated due to implementation of GASB 75.

(3) Serial Bonds Payable - The serial bonds payable, as of December 31, 2018, are as follows:

<u>Purpose</u>	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Amount Outstanding 12/31/18</u>	<u>Maturity Date</u>
Ulster Sewer Bond	3/01	4.64%	\$ 1,300,000	150,000	2020
Refunding:					
East Kingston Water District - Series A	8/15	2.00-4.00%	485,000	446,000	2044
East Kingston Water District - Series B	8/15	2.00-4.00%	439,000	399,000	2044
Cherry Hill Water District	8/15	2.00-4.00%	1,014,000	909,000	2037
Glenerie Water District - Series A	8/15	2.00-4.00%	1,855,000	1,711,000	2042
Glenerie Water District - Series B	8/15	2.00-4.00%	156,000	144,000	2042
Washington Avenue Sewer Public Improvement	8/15	2.00-4.00%	<u>796,000</u>	<u>576,000</u>	2026
Total			\$ <u>6,045,000</u>	<u>4,335,000</u>	

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes on All Funds, Continued

(b) Liabilities, Continued

(4) Annual Amortization Requirements - The annual requirements to amortize bonded debt, as of December 31, 2018, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 270,000	117,087
2020	270,000	110,903
2021	190,000	105,875
2022	195,000	101,663
2023	195,000	97,153
2024-2028	880,000	404,973
2029-2033	815,000	259,211
2034-2038	880,000	138,999
2039-2043	600,000	43,448
2044	<u>40,000</u>	<u>800</u>
	<u>\$ 4,335,000</u>	<u>1,380,112</u>

(5) Statutory Bond

The Town was indebted for a bond anticipation renewal note issued in 2009 to acquire heavy machinery and equipment, including incidental costs and improvements, in the amount of \$1,175,000. In 2016, a payment of \$95,000 was made on amounts outstanding. The balance was then converted to a statutory bond issued by the Town's highway fund for \$609,199, bearing interest at 1.5% and payable to the sewer fund in yearly installments through 2024. This bond was purchased as an investment by the Sewer Fund. The resultant transactions have been eliminated from the statement of net position and statement of activities since they are governmental activities.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 76,150	6,854
2020	76,150	5,711
2021	76,150	4,569
2022	76,150	3,427
2023	76,150	2,285
2024	<u>76,150</u>	<u>1,142</u>
	<u>\$ 456,900</u>	<u>23,988</u>

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes on All Funds, Continued

(c) Net Position

The components of net position are detailed below:

- Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets. (As stated in note 2, the Town has not taken a historical inventory of fixed assets or recorded depreciation in the current year; therefore, no accumulated depreciation has been reflected in this balance).
- Restricted for Capital Asset Acquisition - restricted by Board resolution for the future purchase of capital assets. Requires a permissive referendum prior to expenditure of these funds.
- Restricted for Employee Benefits - the component of net position restricted by law for the payment of compensated absences.
- Unrestricted - all other net position that does not meet the definition of restricted or invested in capital assets, net of related debt.

(3) Retirement Plans

(a) Employees' Retirement Systems

The Town participates in the New York State and Local Employees' Retirement System (ERS) and New York State Police and Firefighters Retirement System (PFRS). Both ERS and PFRS are cost-sharing multiple-employee retirement plans that provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of ERS and PFRS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of ERS and PFRS and for the custody and control of their funds. ERS and PFRS issue publicly available financial reports that include financial statements and required supplementary information. These reports 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 Systems, 110 State Street, Albany, New York 12244-0001.

ERS and PFRS are noncontributory except for employees who joined the New York State and Local Employee's Retirement System between July 28, 1976 and December 31, 2009 and have less than ten years of credited service. These members contribute 3% of their salary. Prior to October 2000, all Town employees who joined between July 28, 1976 and December 31, 2009 were required to contribute 3%, but the laws were modified to forgive the 3% contribution for those with ten or more years of service time.

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(3) Retirement Plans, Continued

(a) Employees' Retirement Systems, Continued

All members who joined between January 1, 2010 and March 31, 2012 are required to contribute 3% of their salary for the duration of service. Effective April 1, 2012 all members joining the system are required to contribute 3% of their salary for the duration of service. This contribution rate remained in effect through March 31, 2013. Beginning April 1, 2013 those members having joined as of April 1, 2012 and subsequently have their contribution rates vary from 3% to 6% based on their level of annualized wages for the duration of service. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation funds.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, net of those portions elected to be amortized, and were as follows:

	<u>ERS</u>	<u>PFRS</u>
2018	\$ 425,436	439,925
2017	423,012	436,046
2016	464,637	434,047

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

At December 31, 2018, the Town reported the following liabilities for its proportionate shares of the net pension liabilities for ERS and PFRS. The net pension liabilities were measured as of March 31, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuation. The Town's proportionate shares of the net pension liabilities were based on projections of the Town's long-term shares of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS and PFRS in reports provided to the Town.

	<u>ERS</u>	<u>PFRS</u>
Measurement date	3/31/2018	3/31/2018
Actuarial valuation date	4/1/2017	4/1/2017
Net pension liability	\$ 365,540	607,155
Town's proportion of the Plan's net pension liability	0.0113260%	0.0600693%

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(3) Retirement Plans, Continued

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

For the year ended December 31, 2018, the Town recognized pension expense of \$443,691 for ERS and \$486,379 for PFRS in the statement of activities. At December 31, 2018, the Town's proportionate share was 0.0113260% for ERS and 0.0600693% for PFRS which was a decrease of 0.0002450 and 0.0049722, respectively, from its proportion as of December 31, 2017. At December 31, 2018 the Town's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>ERS</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 130,376	107,738
Changes of assumptions	242,383	-
Net difference between projected and actual earnings on pension plan investments	530,918	1,047,978
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	25,369	45,830
Town's contributions subsequent to the March 31, 2018 measurement date	<u>321,549</u>	<u>-</u>
Total ERS	\$ <u>1,250,595</u>	<u>1,201,546</u>
 <u>PFRS</u>		
Differences between expected and actual experience	\$ 249,899	161,335
Changes of assumptions	460,030	-
Net difference between projected and actual earnings on pension plan investments	491,421	989,695
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	3,524	350,406
Town's contributions subsequent to the March 31, 2018 measurement date	<u>331,351</u>	<u>-</u>
Total PFRS	<u>1,536,225</u>	<u>1,501,436</u>
Total ERS and PFRS	\$ <u>2,786,820</u>	<u>2,702,982</u>

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(3) Retirement Plans, Continued

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

Town contributions subsequent to the measurement dates will be recognized as a reduction of the net pension liabilities in the year ending December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>ERS</u>	<u>PFRS</u>
2019	\$ 80,023	30,711
2020	52,409	16,833
2021	(272,899)	(209,499)
2022	(132,033)	(136,849)
2023	<u>-</u>	<u>2,242</u>
	\$ <u>(272,500)</u>	<u>(296,562)</u>

(c) Actuarial Assumptions

The total pension liabilities as of the measurement dates were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement dates. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

Measurement date	March 31, 2018
Actuarial valuation date	April 1, 2017
Inflation	2.5%
Salary increases	3.8% in ERS, 4.5% in PFRS
Investment rate of return (net of investment expense, including inflation)	7.0%
Cost of living adjustments	1.3%

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

The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(3) Retirement Plans, Continued

(c) Actuarial Assumptions, Continued

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 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 the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Asset type:		
Domestic equity	36.0%	4.55%
International equity	14.0%	6.35%
Private equity	10.0%	7.50%
Real estate	10.0%	5.55%
Absolute return strategies	2.0%	3.75%
Opportunistic portfolio	3.0%	5.68%
Real assets	3.0%	5.29%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	(0.25%)
Inflation - indexed bonds	4.0%	1.25%

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

(d) 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 determined. Based upon those 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.

(e) Sensitivity of the Proportionate Share of the Net Pension Asset (Liability) to the Discount Rate Assumption

The following presents the Town's proportionate share of each net pension liability calculated using the discount rate of 7.0%, as well as what the Town's proportionate share of each net pension liability would be if they were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(3) Retirement Plans, Continued

(e) Sensitivity of the Proportionate Share of the Net Pension Asset (Liability) to the Discount Rate Assumption, Continued

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset (liability):			
ERS	\$ <u>(2,765,773)</u>	\$ <u>(365,540)</u>	\$ <u>1,664,962</u>
PFRS	\$ <u>(2,974,009)</u>	\$ <u>(607,155)</u>	\$ <u>1,378,081</u>

(f) Pension Plan Fiduciary Net Position

The components of the collective net pension liabilities of all participating employers as of the respective measurement dates, were as follows:

	(Dollars in Millions)	
	<u>ERS</u>	<u>PFRS</u>
Measurement date	3/31/2018	3/31/2018
Employers' total pension liability	\$ (183,400)	\$ (32,914)
Plan fiduciary net position	<u>180,173</u>	<u>31,904</u>
Employers' net pension liability	\$ <u>(3,227)</u>	\$ <u>(1,010)</u>
Ratio of plan net position to the Employers' total pension liability	98.24%	96.93%

(g) Contributions to the Pension Plans

Employer contributions are paid annually based on the Systems' fiscal year which ends on March 31st. Retirement contributions as of December 31, 2018 represent the projected employer contribution for the period of April 1, 2018 through March 31, 2019 based on paid ERS and PFRS wages multiplied by the employer's contribution rate, by tier. These amounts have been recorded as deferred outflows of resources in the accompanying statement of net position.

(4) Total Other Postemployment Benefits Liability

(a) General Information about the OPEB Plan

Plan Description - The Town provides other postemployment benefits to retired employees and their eligible dependents. The benefits provided to employees upon retirement are based on provisions in various contracts that the Town has in place with different classifications of employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(4) Total Other Postemployment Benefits Liability, Continued

(a) General Information about the OPEB Plan, Continued

Benefits Provided - The Town provides medical and Medicare part B reimbursement coverage for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the Town offices and are available upon request.

Employees Covered by Benefit Terms - At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	50
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>72</u>
Total	<u>122</u>

(b) Total OPEB Liability

The Town's total OPEB liability of \$30,713,450 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.10%
2018 Medical Trend Rates Pre-65/Post 65	9.00%/5.00%
2019 Medical Trend Rates Pre-65/Post 65	8.50%/5.00%
Ultimate Medical Trend Rate	5.00%
Year Ultimate Trend Rates Reached Pre-65/Post 65	2026/2018
Annual Payroll Increase	2.50%

(c) Changes in Total OPEB Liability

Balance at December 31, 2017	\$ 32,972,143
Changes for the year:	
Service cost	1,145,299
Interest	1,159,031
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions and other inputs	(3,706,691)
Benefit payments	<u>(856,332)</u>
Net changes	<u>(2,258,693)</u>
Balance at December 31, 2018	\$ <u>30,713,450</u>

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(4) Total Other Postemployment Benefits Liability, Continued

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

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.10%) or 1 percentage point higher (5.10%) than the current discount rate:

	1% Decrease (3.10%)	Discount Rate (4.10%)	1% Increase (5.10%)
Total OPEB liability	\$ <u>36,580,033</u>	<u>30,713,450</u>	<u>26,108,076</u>

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

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (8.00% to 4.00%) or 1 percentage point higher (10.00% to 6.00%) than the current healthcare cost trend rate:

	1% Decrease (8.00% decreasing to 4.00%)	Healthcare Cost Trend Rate (9.00% decreasing to 5.00%)	1% Increase (10.00% decreasing to 6.00%)
Total OPEB liability	\$ <u>25,386,311</u>	<u>30,713,450</u>	<u>45,690,760</u>

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

For the year December 31, 2018, the Town recognized OPEB expense of \$1,925,808. At December 31, 2018, the Town reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ <u> -</u>	<u>3,328,168</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending</u>	<u>Amount</u>
2019	\$ (378,522)
2020	(378,522)
2021	(378,522)
2022	(378,522)
2023	(378,522)
Thereafter	<u>(1,435,558)</u>
	\$ <u>(3,328,168)</u>

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(5) Tax Abatements

Certain real property taxes on real properties within the Town have been abated by the Ulster County Industrial Development Agency (the Agency), a component unit of Ulster County, New York.

The Agency enters into and administers Payment in Lieu of Taxes (PILOT) agreements for various companies in the surrounding area. The PILOT agreements are entered into between the Agency and a third party business. Title to property owned by the third party business is transferred to the Agency for a period of time. During the term of the agreement (when the Agency holds the title to the property), the third party business pays the Agency an annual PILOT amount based on a calculation derived by a formula in the agreement. The calculation is performed by the Agency and sent to the municipalities, including the Town. The PILOTs allow the participants to make payments at a lower rate than if the company paid the property's assessed value at the current tax rates for county, town and school taxes. Certain requirements are to be met by the company to be able to maintain their PILOT. These requirements, stated in the PILOT agreement, can be comprised of reaching and maintaining certain employment goals and paying their PILOT in a timely fashion. This promotes employment and economic development. The Agency will in turn pay the respective tax authorities. At the completion of the PILOT program, title to the property is transferred back to the third party business owner and the property goes back on the respective tax rolls.

For the year ended December 31, 2018, Ulster County Industrial Development Agency PILOT agreements were in place for three companies which exempted approximately 76% of assessable real property taxes on five parcels, resulting in combined abatements of \$426,314.

(6) Contingencies

Contingencies at December 31, 2018 consist of the following:

(a) Landfill Operation and Closure

Effective February 1993, the Town and the Ulster County Resource Recovery Agency (the Agency) entered into an agreement covering the operation of the Town of Ulster landfill and its subsequent closure.

Through its enabling legislation, the Agency has assumed the responsibility for management of solid waste in Ulster County. As part of exercising that responsibility, the Agency contracted with the Town to operate the Town of Ulster landfill for which it assumes all operating costs and indemnifies the Town for events occurring as a result of operations including environmental impairments. The Town remains liable for any losses or conditions proven to exist prior to the date of the agreement. The agreement requires the Agency to set aside funds for payment of the costs of closing and monitoring the landfill. The landfill is presently in the post closure monitoring stage.

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(6) Contingencies, Continued

(b) Litigation

AG Properties of Kingston, LLC (and affiliated entities), the Town's third largest taxable property continues to pursue an Article 7 Action in NYS Supreme Court - Ulster County for a reduction in the assessed value of the former IBM Campus purchased by AG Properties of Kingston, LLC et al in 1998. The parties are currently in litigation with a November 2019 trial date set. AG Properties is delinquent on the payment of real estate taxes to Ulster County and the County has commenced In Rem foreclosure proceedings. The County has taken title to three parcels and is pursuing title on six additional parcels. Collectively, upon the completion of the transfer of title, these parcels will be removed from the assessment roll one year after foreclosure if Ulster County still owns them.

Additionally, the Town is subject to a number of lawsuits in the ordinary conduct of its affairs. The Town does not believe, however, that these suits individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the Town.

(c) Grants

The Town has received amounts in prior years from various grantor agencies. Should these grantor agencies conduct audits, any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be potentially disallowed by the grant agencies cannot be determined at this time.

(d) Risk Management

The Town participates in a risk sharing pool to insure workers' compensation claims administered by the County of Ulster. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to finance liability and risks related to workers' compensation claims. The Town's share of the liability for unbilled and open claims (IBNR) at December 31, 2018 is \$956,402. As of December 31, 2018, the Town's portion of the pool's cash reserves was \$185,325, which leaves a net liability balance of \$771,077.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Subsequent Events

Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued, and have determined that the following subsequent event requires disclosure under generally accepted accounting principles:

On January 1, 2019, the Town passed a resolution authorizing the issuance of \$3,480,000 of serial bonds.

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(8) Accounting Standards Issued But Not Yet Implemented

- GASB Statement No. 83 - “Certain Asset Retirement Obligations.” This Statement, issued in November 2016, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Governments that have legal obligations to perform certain future asset retirement activities related to tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning January 1, 2019 for the Town. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Town.
- GASB Statement No. 84 - “Fiduciary Activities.” This Statement, issued in January 2017, established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning January 1, 2019 for the Town. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Town.
- GASB Statement No. 87 - “Leases.” This Statement, issued in June 2017, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019, which is the fiscal year beginning January 1, 2020 for the Town. Management is in process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Town.
- GASB Statement No. 88 - “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.” This Statement, issued in April of 2018, requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning January 1, 2019 for the Town. Management is in the process of evaluating the potential impact of this Statement on the financial statements of the Town.

TOWN OF ULSTER, NEW YORK
Notes to Financial Statements, Continued

(8) Accounting Standards Issued But Not Yet Implemented, Continued

- GASB Statement No. 89 - “Accounting for Interest Cost Incurred before the End of a Construction Period.” This Statement, issued in June 2018, establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62 - “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” which are superseded by this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, which is the fiscal year beginning January 1, 2020 for the Town. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Town.
- GASB Statement No. 90 - “Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61.” This Statement, issued in August 2018, seeks to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and sets parameters as to whether a majority equity interest is to be reported as an investment or component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning January 1, 2019 for the Town. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Town.

(9) Cumulative Effect of Change in Accounting Principle

During the year ended December 31, 2018, the Town implemented GASB Statement No. 75 - “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” Implementation of this Statement required restatement of the governmental activities statement of net position as of December 31, 2017. The effect of this restatement was:

Net position, before restatement	\$ (4,276,146)
Cumulative effect of change in accounting principle:	
GASB Statement No. 45 - reversal of OPEB obligation	28,343,361
GASB Statement No. 75 - beginning OPEB liability	<u>(32,972,143)</u>
Net position, as restated	\$ <u>(8,904,928)</u>

TOWN OF ULSTER, NEW YORK
 Required Supplementary Information
 Schedule of the Changes in the Towns Total OPEB Liability and Related Ratios
 December 31, 2018

Total OPEB liability	
Service cost	\$ 1,145,299
Interest	1,159,031
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(3,706,691)
Benefit payments	<u>(856,332)</u>
Net change in total OPEB liability	(2,258,693)
Total OPEB liability, beginning	<u>32,972,143</u>
Total OPEB liability, ending	<u><u>\$ 30,713,450</u></u>
Covered payroll	4,535,453
Total OPEB liability as a percentage of covered payroll	678.00%

This schedule is presented to illustrate the requirements to show information for 10 years. However, information is presented for those years that are available.

TOWN OF ULSTER, NEW YORK
Required Supplementary Information
Schedule of Town's Proportionate Share of the Net Pension Liability
December 31, 2018

ERS	2018	2017	2016	2015
Town's proportion of the net pension liability	0.0113260%	0.0115710%	0.0110285%	0.0106387%
Town's proportionate share of the net pension liability	\$ 365,540	\$1,087,237	\$1,770,110	\$ 359,400
Town's covered payroll	\$3,017,087	\$2,949,652	\$2,950,379	\$2,714,221
Town's proportionate share of the net pension liability (asset) as a percentage of its covered - payroll	12.1%	36.9%	60.0%	13.2%
Plan fiduciary net position as a percentage of the total pension liability	98.2%	94.7%	90.7%	97.9%
<hr/>				
PFRS	2018	2017	2016	2015
Town's proportion of the net pension liability	0.0600693%	0.0650415%	0.0776508%	0.0729418%
Town's proportionate share of the net pension liability	\$ 607,155	\$1,348,083	\$2,299,076	\$ 200,779
Town's covered payroll	\$1,863,507	\$1,869,628	\$1,947,625	\$1,848,168
Town's proportionate share of the net pension liability (asset) as a percentage of its covered - payroll	32.6%	72.1%	118.0%	10.9%
Plan fiduciary net position as a percentage of the total pension liability	96.9%	93.5%	90.2%	99.0%

* The amounts presented for each pension plan were determined as of the March 31st measurement date of the plans for each respective year.

** This schedule is presented to illustrate the requirements to show information for 10 years. However, information is presented for those years that are available.

TOWN OF ULSTER, NEW YORK
Required Supplementary Information
Schedule of Town's Pension Contributions
December 31, 2018

	<u>NYSERS Pension Plan</u>									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 425,436	423,012	464,637	532,539	610,354	574,130	538,239	381,964	321,787	215,336
Contributions in relation to the contractually required contribution	<u>425,436</u>	<u>423,012</u>	<u>464,637</u>	<u>532,539</u>	<u>610,354</u>	<u>574,130</u>	<u>538,239</u>	<u>381,964</u>	<u>321,787</u>	<u>215,336</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
Town's covered payroll	\$3,017,087	2,949,652	2,950,379	2,714,221	2,750,757	2,649,967	2,633,697	2,512,883	2,877,889	2,867,098
Contributions as a percentage of covered payroll	14.10%	14.34%	15.75%	19.62%	22.19%	21.67%	20.44%	15.20%	11.18%	7.51%
	<u>NYSPPFRS Pension Plan</u>									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 439,925	436,046	434,047	449,587	561,450	423,794	396,016	289,233	354,193	299,048
Contributions in relation to the contractually required contribution	<u>439,925</u>	<u>436,046</u>	<u>434,047</u>	<u>449,587</u>	<u>561,450</u>	<u>423,794</u>	<u>396,016</u>	<u>289,233</u>	<u>354,193</u>	<u>299,048</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
Town's covered payroll	\$1,863,507	1,869,628	1,947,625	1,848,168	1,877,767	1,610,196	1,639,324	1,649,306	1,894,010	1,985,342
Contributions as a percentage of covered payroll	23.61%	23.32%	22.29%	24.33%	29.90%	26.32%	24.16%	17.54%	18.70%	15.06%

TOWN OF ULSTER, NEW YORK
Required Supplementary Information
Statement of Revenue, Expenditures, and Changes in Fund Balances -
Budget to Actual - General Fund
Year ended December 31, 2018

	<u>Budget Amounts</u>		<u>Actual</u> Amounts	Variance
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenue:				
Taxes:				
Property	\$5,632,009	5,632,009	5,632,009	-
Sales and franchise	485,000	485,000	516,678	31,678
Other tax items	246,680	246,680	239,480	(7,200)
Departmental income	453,500	453,500	521,085	67,585
Use of money and property	28,026	28,026	38,766	10,740
Licenses and permits	162,800	162,800	177,092	14,292
Fines and forfeitures	510,000	510,000	545,371	35,371
Sale of property/compensation for loss	12,000	56,135	70,434	14,299
Miscellaneous	-	1,242	19,245	18,003
State aid	301,314	308,960	506,389	197,429
Federal aid	-	1,123	1,123	-
Total revenue	<u>7,831,329</u>	<u>7,885,475</u>	<u>8,267,672</u>	<u>382,197</u>
Expenditures:				
General government support	1,910,673	2,164,574	1,824,193	340,381
Education	6,000	6,000	3,432	2,568
Public safety	3,037,876	3,084,376	2,883,677	200,699
Health	7,000	8,260	8,260	-
Transportation	184,750	191,470	175,615	15,855
Economic assistance and opportunity	6,500	6,500	3,915	2,585
Culture and recreation	151,113	188,212	176,504	11,708
Home and community services	295,240	285,895	257,253	28,642
Employee benefits	<u>2,677,177</u>	<u>2,658,102</u>	<u>2,365,061</u>	<u>293,041</u>
Total expenditures	<u>8,276,329</u>	<u>8,593,389</u>	<u>7,697,910</u>	<u>895,479</u>
Excess (deficiency) of revenue over expenditures	<u>(445,000)</u>	<u>(707,914)</u>	<u>569,762</u>	<u>1,277,676</u>
Other financing sources:				
Transfers in	55,000	55,000	-	(55,000)
Appropriated fund balance	<u>390,000</u>	<u>652,914</u>	-	<u>(652,914)</u>
Total other financing sources	<u>445,000</u>	<u>707,914</u>	-	<u>(707,914)</u>
Excess of revenue and other sources over expenditures	<u>\$ -</u>	<u>-</u>	<u>569,762</u>	<u>569,762</u>
Fund balance at beginning of year			<u>5,515,130</u>	
Fund balance at end of year			<u>\$6,084,892</u>	

TOWN OF ULSTER, NEW YORK
Required Supplementary Information
Statement of Revenue, Expenditures, and Changes in Fund Balances -
Budget to Actual - Highway Fund
Year ended December 31, 2018

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Revenue:				
Property taxes	\$ 2,638,519	2,638,519	2,638,519	-
Other tax items	44,750	44,750	41,977	(2,773)
Departmental income	5,000	116,443	110,025	(6,418)
Use of money and property	10,000	10,000	27,074	17,074
Licenses and permits	250	250	50	(200)
Sale of property/compensation for loss	7,000	37,079	136,015	98,936
Miscellaneous	50,000	77,507	87,983	10,476
Interfund revenues	76,701	76,701	-	(76,701)
Federal aid	<u>152,011</u>	<u>363,222</u>	<u>220,126</u>	<u>(143,096)</u>
Total revenue	<u>2,984,231</u>	<u>3,364,471</u>	<u>3,261,769</u>	<u>(102,702)</u>
Expenditures:				
General government support	49,338	49,338	-	49,338
Transportation	1,990,811	2,627,693	2,373,577	254,116
Employee benefits	859,936	854,444	741,470	112,974
Debt service	<u>84,146</u>	<u>7,996</u>	<u>-</u>	<u>7,996</u>
Total expenditures	<u>2,984,231</u>	<u>3,539,471</u>	<u>3,115,047</u>	<u>424,424</u>
Excess (deficiency) of revenue over expenditures	-	(175,000)	146,722	321,722
Other financing sources - appropriated fund balance	<u>-</u>	<u>175,000</u>	<u>-</u>	<u>(175,000)</u>
Excess of revenue and other sources over expenditures	<u>\$ -</u>	<u>-</u>	146,722	<u>146,722</u>
Fund balance at beginning of year			<u>882,385</u>	
Fund balance at end of year			<u>\$1,029,107</u>	

TOWN OF ULSTER, NEW YORK
Required Supplementary Information
Statement of Revenue, Expenditures, and Changes in Fund Balances -
Budget to Actual - Sewer Fund
Year ended December 31, 2018

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Revenue:				
Property taxes	\$1,154,650	1,154,650	1,154,650	-
Departmental income	567,600	567,600	619,288	51,688
Use of money and property	4,550	4,550	10,519	5,969
Sale of property/compensation for loss	-	-	7,947	7,947
Miscellaneous	<u>9,157</u>	<u>10,274</u>	<u>1,117</u>	<u>(9,157)</u>
Total revenue	<u>1,735,957</u>	<u>1,737,074</u>	<u>1,793,521</u>	<u>56,447</u>
Expenditures:				
General government support	89,197	88,907	51,064	37,843
Home and community services	1,195,242	1,196,359	915,024	281,335
Employee benefits	378,138	377,828	307,977	69,851
Debt service	<u>173,380</u>	<u>173,980</u>	<u>173,980</u>	<u>-</u>
Total expenditures	<u>1,835,957</u>	<u>1,837,074</u>	<u>1,448,045</u>	<u>389,029</u>
Excess (deficiency) of revenue over expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>345,476</u>	<u>445,476</u>
Other financing sources - appropriated fund balance	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Excess of revenue and other sources over expenditures	<u>\$ -</u>	<u>-</u>	<u>345,476</u>	<u>345,476</u>
Fund balance at beginning of year			<u>3,108,658</u>	
Fund balance at end of year			<u>\$3,454,134</u>	

TOWN OF ULSTER, NEW YORK
Required Supplementary Information
Statement of Revenue, Expenditures, and Changes in Fund Balances -
Budget to Actual - Water Fund
Year ended December 31, 2018

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Revenue:				
Property taxes	\$ 1,144,752	1,144,752	1,144,722	(30)
Departmental income	1,296,074	1,296,134	1,406,712	110,578
Use of money and property	4,100	4,100	5,567	1,467
Sale of property/compensation for loss	3,000	7,829	8,641	812
Miscellaneous local sources	<u>-</u>	<u>1,587</u>	<u>1,646</u>	<u>59</u>
Total revenue	<u>2,447,926</u>	<u>2,454,402</u>	<u>2,567,288</u>	<u>112,886</u>
Expenditures:				
General government support	89,281	40,685	35,654	5,031
Home and community services	1,853,877	1,912,583	1,739,356	173,227
Employee benefits	332,407	333,303	291,953	41,350
Debt service	<u>226,078</u>	<u>226,078</u>	<u>215,502</u>	<u>10,576</u>
Total expenditures	<u>2,501,643</u>	<u>2,512,649</u>	<u>2,282,465</u>	<u>230,184</u>
Excess (deficiency) of revenue over expenditures	(53,717)	(58,247)	284,823	343,070
Other financing sources - appropriated fund balance	<u>53,717</u>	<u>58,247</u>	<u>-</u>	<u>(58,247)</u>
Excess revenues and other sources over expenditures	<u>\$ -</u>	<u>-</u>	284,823	<u>284,823</u>
Fund balance at beginning of year			<u>1,261,965</u>	
Fund balance at end of year			<u>\$ 1,546,788</u>	

TOWN OF ULSTER, NEW YORK
Other Supplementary Information
Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2018

	<u>Street Lighting</u>	<u>Fire Protection</u>	<u>Library</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>				
Cash and equivalents - unrestricted	\$ 101,021	-	-	101,021
<u>Liabilities</u>				
Accounts payable	3,664	-	-	3,664
Due to other governments	3,971	1,000	-	4,971
Total liabilities	7,635	1,000	-	8,635
<u>Fund Balances</u>				
Assigned	93,386	-	-	93,386
Unassigned (deficit)	-	(1,000)	-	(1,000)
Total fund balance (deficit)	93,386	(1,000)	-	92,386
Total liabilities and fund balances	\$ 101,021	-	-	101,021

TOWN OF ULSTER, NEW YORK
Other Supplementary Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year ended December 31, 2018

	<u>Street Lighting</u>	<u>Fire Protection</u>	<u>Library</u>	Total Nonmajor Governmental <u>Funds</u>
Revenue - property taxes	\$ 65,495	2,199,959	304,200	<u>2,569,654</u>
Expenditures:				
Public safety	-	2,200,959	-	2,200,959
Transportation	51,488	-	-	51,488
Culture and recreation	-	-	304,200	<u>304,200</u>
Total expenditures	<u>51,488</u>	<u>2,200,959</u>	<u>304,200</u>	<u>2,556,647</u>
Excess of revenue over expenditures	14,007	(1,000)	-	13,007
Fund balances at beginning of year	<u>79,379</u>	<u>-</u>	<u>-</u>	<u>79,379</u>
Fund balances (deficit) at end of year	<u>\$ 93,386</u>	<u>(1,000)</u>	<u>-</u>	<u>92,386</u>

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

To the Supervisor and Members
of the Town Board
Town of Ulster, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ulster, New York (the Town), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 3, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2018-001, that we consider to be a material weakness.

Compliance and Other Matters

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

Town of Ulster, New York's Response to Findings

The Town's response to the finding identified in our audit is 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 it.

Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York
June 3, 2019

TOWN OF ULSTER, NEW YORK
Schedule of Findings and Responses
Year ended December 31, 2018

(2018-001) GASB Statement No. 34

Criteria - Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements on the full-accrual basis of accounting (GASB Statement No. 34). This requires the presentation of capital assets and their associated accumulated depreciation.

Condition - The Town does not maintain adequate detailed records to support its infrastructure, property and equipment. In addition, the Town is not recording depreciation on its infrastructure, property and equipment.

Effect of Condition - The Town's financial statements do not comply with accounting principles generally accepted in the United States of America or GASB Statement No. 34. We were unable to verify the capital assets of the Town and are unable to reasonably determine the amount by which this departure affects governmental activities and entity-wide financial statements of the Town.

Recommendation - We recommend that the Town complete an inventory of all the property and equipment it owns and assess all infrastructures within the Town's limit. The Town needs to record the property, equipment, and infrastructure it owns in the noncurrent government asset fund. The Town must determine the accumulated depreciation associated with the assets and record the accumulated depreciation in the noncurrent government asset fund. We also recommend that additions and deletions be recorded on a current basis and that depreciation expense be recorded properly. The Town should develop a plan to inventory its capital assets on an annual basis to ensure that the capital asset records are accurate.

Management Response - The Town is in the process of implementation of a new general ledger package which contains a fixed asset module integrated with the purchasing and accounts payable modules. Once implemented, newly acquired assets will be identified at the beginning on the accounting process and automatically added to the fixed asset module. The fixed asset module contains the functions to properly calculate depreciation.

Historical fixed asset information is still being accumulated to prepare for an inventory as required by GASB Statement No. 34. Once this inventory is completed, asset information will be added to the capital asset module facilitating the proper calculation of depreciation.

TOWN OF ULSTER, NEW YORK
Status of Prior Year Audit Findings
Year ended December 31, 2018

GASB Statement No. 34

Reference: (17-001)

Status: Repeated