

VILLAGE OF SARANAC LAKE, NEW YORK

ANNUAL FINANCIAL REPORT

Fiscal Year Ended May 31, 2017

Richard H. Dinolfo
Certified Public Accountant
Queensbury, New York

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REPORT ON THE REGULATORY BASIS FINANCIAL STATEMENTS

Independent Auditor's Report

Mayor and Members of Board of Trustees
Village of Saranac Lake, New York

Report on the Financial Statements

We have audited the accompanying combined regulatory basis financial statements as reported in the Annual Financial Report Update Document of the Village of Saranac Lake, New York (Village), as of and for the year ended May 31, 2017, and the related notes to the regulatory basis financial statements, which collectively comprise the Village's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Mayor and Board of Trustees and other management of the Village are responsible for the preparation and fair presentation of these financial statements in accordance with the regulatory basis of accounting and reporting prescribed by the Office of the State Comptroller of the State of New York; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

As more fully described in Note A to the Regulatory Basis Financial Statements, the Village prepared these financial statements using the regulatory basis of accounting and reporting prescribed by the Office of the State Comptroller of the State of New York for submitting annual financial reports to that office. This regulatory basis of accounting and reporting is a special purpose framework other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and reporting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the regulatory basis financial statements reported are free of 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 Village'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 Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the significant 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.

Auditor's Opinion

In our opinion, the accompanying combined regulatory basis financial statements referred to above present fairly, in all material respects, the financial position of the Village of Saranac Lake, New York as of May 31, 2017, and the results of its operations for the year then ended, in accordance with the regulatory basis of accounting and reporting described in Note A.

Report on Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2018 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of internal control over financial reporting and on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Intended Use of This Report

As there are differences between financial statements prepared in accordance with accounting principles generally accepted in the United States of America and financial statements prepared in accordance with the regulatory basis of accounting and reporting prescribed by the Office of the State Comptroller of the State of New York, this report is not intended to be used by anyone not understanding those differences. Accordingly, this report is intended solely for the information and use of the Mayor and Board of Trustees and management of the Village of Saranac Lake, New York, and for filing with the applicable agencies of the State of New York and is not intended to be used for any other purpose.

Richard H Dinolfo CPA

Richard H. Dinolfo CPA
Queensbury, New York
April 15, 2018

**VILLAGE OF SARANAC LAKE, NEW YORK
COMBINED BALANCE SHEET
ALL FUND TYPES AND SCHEDULES
May 31, 2017**

	Governmental Fund Types			Fiduciary		Schedules		Total (Memorandum Only)
	General	Special Revenue Funds	Capital Projects	Agency	Private Purpose Trust	Non-Current Governmental Assets	Non-Current Governmental Liabilities	
ASSETS AND OTHER DEBITS								
ASSETS								
Cash and cash equivalents	\$ 2,478,271	\$ 2,013,920	\$ 2,942,269	\$ 67,021	\$ 3,477	\$ -	\$ -	\$ 7,504,958
Real property tax receivables	129	-	-	-	-	-	-	129
State and federal receivables	-	-	-	-	-	-	-	-
Due from other governments	-	287	-	-	-	-	-	287
Due from other funds	1,033,588	512,148	-	-	-	-	-	1,545,736
Other receivables	343,740	1,259,210	-	-	-	-	-	1,602,950
Prepaid expenses	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Restricted assets:								
Cash and cash equivalents	606,236	2,184,904	-	-	-	-	-	2,791,140
Capital assets	-	-	-	-	-	38,793,804	-	38,793,804
Total assets	4,461,964	5,970,469	2,942,269	67,021	3,477	38,793,804	-	52,239,004
OTHER DEBITS								
Amount to be provided for retirement of non-current governmental liabilities	-	-	-	-	-	-	17,077,706	17,077,706
Total assets and other debits	\$ 4,461,964	\$ 5,970,469	\$ 2,942,269	\$ 67,021	\$ 3,477	\$ 38,793,804	\$ 17,077,706	\$ 69,316,710

The accompanying Notes to Regulatory Basis Financial Statements are an integral part of these statements.

**VILLAGE OF SARANAC LAKE, NEW YORK
COMBINED BALANCE SHEET
ALL FUND TYPES AND SCHEDULES
May 31, 2017**

	Governmental Fund Types			Fiduciary Funds		Schedules		Total (Memorandum Only)
	General	Special Revenue Funds	Capital Projects	Agency	Private Purpose Trust	Non-Current Governmental Assets	Non-Current Governmental Liabilities	
LIABILITIES, OTHER CREDITS, AND FUND BALANCES:								
LIABILITIES								
Accounts payable	\$ 194,053	\$ 106,515	\$ 40	\$ 66,916	\$ -	\$ -	\$ -	\$ 367,524
Accrued liabilities	-	-	-	-	-	-	-	-
Retained percentages, contracts payable	-	-	-	-	-	-	-	-
Bond anticipation notes payable	-	-	3,911,043	-	-	-	-	3,911,043
Due to other governments	-	-	-	-	-	-	-	-
Due to other funds	-	730,000	815,631	105	-	-	-	1,545,736
Other current liabilities	4,100	-	-	-	-	-	-	4,100
Deferred inflows of resources	227,412	370,873	-	-	-	-	-	598,285
Bonds payable	-	-	-	-	-	-	15,830,200	15,830,200
Installment purchase debt	-	-	-	-	-	-	-	-
Net Pension Liability - Proportionate Share	-	-	-	-	-	-	1,065,280	1,065,280
Landfill closure and post closure costs	-	-	-	-	-	-	50,000	50,000
Compensated absences	-	-	-	-	-	-	132,226	132,226
Total liabilities	<u>425,565</u>	<u>1,207,388</u>	<u>4,726,714</u>	<u>67,021</u>	<u>-</u>	<u>-</u>	<u>17,077,706</u>	<u>23,504,394</u>
OTHER CREDITS								
Investment in non-current governmental assets	-	-	-	-	-	38,793,804	-	38,793,804
FUND BALANCES (DEFICIT)								
Fund balances (deficit)								
Restricted for:								
Capital reserves	606,236	2,184,904	-	-	-	-	-	2,791,140
Assigned:								
Appropriated for 2017-2018	227,000	321,750	-	-	-	-	-	548,750
Unappropriated	-	2,256,427	-	-	3,477	-	-	2,259,904
Unassigned	3,203,163	-	(1,784,445)	-	-	-	-	1,418,718
Total fund balances (deficit)	<u>4,036,399</u>	<u>4,763,081</u>	<u>(1,784,445)</u>	<u>-</u>	<u>3,477</u>	<u>-</u>	<u>-</u>	<u>7,018,512</u>
Total liabilities, other credits and fund balances	<u>\$ 4,461,964</u>	<u>\$ 5,970,469</u>	<u>\$ 2,942,269</u>	<u>\$ 67,021</u>	<u>\$ 3,477</u>	<u>\$ 38,793,804</u>	<u>\$ 17,077,706</u>	<u>\$ 69,316,710</u>

The accompanying Notes to Regulatory Basis Financial Statements are an integral part of these statements.

VILLAGE OF SARANAC LAKE, NEW YORK
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND PRIVATE PURPOSE TRUST
For the Fiscal Year Ended May 31, 2017

	<u>Governmental Fund Types</u>			<u>Fiduciary</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue Funds</u>	<u>Capital Projects</u>	<u>Private Purpose Trust</u>	
REVENUES					
Real property taxes	\$ 3,616,761	\$ -	\$ -	\$ -	\$ 3,616,761
Real property tax items	60,886			-	60,886
Nonproperty taxes	153,131	-	-	-	153,131
Departmental income	358,619	2,962,594	-	-	3,321,213
Intergovernmental charges	358,599	808,461	-	-	1,167,060
Use of money and property	46,629	37,026	46	-	83,701
Licenses and permits	25,490	-	-	-	25,490
Fines and forfeitures	-	-	-	-	-
Sale of property and compensation for loss	5,380	-	-	-	5,380
Miscellaneous local sources	11,678	30,830	-	814	43,322
State aid	394,044	-	-	-	394,044
Federal aid	-	-	-	-	-
Total revenues	<u>5,031,217</u>	<u>3,838,911</u>	<u>46</u>	<u>814</u>	<u>8,870,988</u>
OTHER FINANCING SOURCES					
Bond anticipation notes redeemed from appropriations	-	-	33,500	-	33,500
Proceeds of long-term debt	-	-	350,000	-	350,000
Interfund transfers in	-	-	223,931	-	223,931
Total revenues and other sources	<u>5,031,217</u>	<u>3,838,911</u>	<u>607,477</u>	<u>814</u>	<u>9,478,419</u>
EXPENDITURES					
General government support	390,801	217,978	-	-	608,779
Public safety	1,904,090	-	350,598	-	2,254,688
Health	5,996	-	-	-	5,996
Transportation	1,099,220	-	-	-	1,099,220
Economic opportunity and development	35,230	23,380	-	-	58,610
Culture and recreation	375,715	-	310	-	376,025
Home and community services	182,486	1,737,468	689,708	-	2,609,662
Employee benefits	262,412	460,399	-	-	722,811
Debt service	115,413	841,688	-	-	957,101
Total expenditures	<u>4,371,363</u>	<u>3,280,913</u>	<u>1,040,616</u>	<u>-</u>	<u>8,692,892</u>
OTHER USES					
Interfund transfers out	81,931	142,000	-	-	223,931
Total expenditures and other uses	<u>4,453,294</u>	<u>3,422,913</u>	<u>1,040,616</u>	<u>-</u>	<u>8,916,823</u>
Net change in fund balances	577,923	415,998	(433,139)	814	561,596
FUND BALANCE, <i>beginning of year</i>	3,458,476	4,347,083	(1,351,306)	2,663	6,456,916
FUND BALANCE, <i>end of year</i>	\$ 4,036,399	\$ 4,763,081	\$ (1,784,445)	\$ 3,477	\$ 7,018,512

The accompanying Notes to Regulatory Basis Financial Statements are an integral part of these statements.

VILLAGE OF SARANAC LAKE, NEW YORK
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
May 31, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Community Development</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 870,904	\$ 496,055	\$ 646,961	\$ 2,013,920
State and federal receivables	-	-	-	-
Due from other governments	287	-	-	287
Due from other funds	50,002	407,146	55,000	512,148
Other receivables, net	389,024	499,313	370,873	1,259,210
Prepaid expenses	-	-	-	-
Inventory	-	-	-	-
Restricted assets				
Cash and cash equivalents	1,164,337	1,020,567	-	2,184,904
Capital assets	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,474,554</u>	<u>\$ 2,423,081</u>	<u>\$ 1,072,834</u>	<u>\$ 5,970,469</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 27,218	\$ 79,297	\$ -	\$ 106,515
Accrued liabilities	-	-	-	-
Retained percentages, contracts payable	-	-	-	-
Bond anticipation notes payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	675,000	55,000	730,000
Deferred revenue	-	-	370,873	370,873
Compensated absences	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>27,218</u>	<u>754,297</u>	<u>425,873</u>	<u>1,207,388</u>
Fund balances				
Restricted for:				
Capital reserves	1,164,337	1,020,567	-	2,184,904
Assigned:				
Appropriated for 2016-2017	140,000	181,750	-	321,750
Unappropriated	1,142,999	466,467	646,961	2,256,427
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>2,447,336</u>	<u>1,668,784</u>	<u>646,961</u>	<u>4,763,081</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 2,474,554</u>	<u>\$ 2,423,081</u>	<u>\$ 1,072,834</u>	<u>\$ 5,970,469</u>

The accompanying Notes to Regulatory Basis Financial Statements are an integral part of these statements.

VILLAGE OF SARANAC LAKE, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
SPECIAL REVENUE FUNDS
For the Fiscal Year Ended May 31, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Community Development</u>	<u>Total Special Revenue Funds</u>
REVENUES				
Departmental income	\$ 1,665,473	\$ 1,146,739	\$ 150,382	\$ 2,962,594
Intergovernmental charges	-	808,461	-	808,461
Use of money and property	30,038	917	6,071	37,026
Miscellaneous	-	25,280	5,550	30,830
Federal aid	-	-	-	-
Total revenues	<u>1,695,511</u>	<u>1,981,397</u>	<u>162,003</u>	<u>3,838,911</u>
OTHER FINANCING SOURCES				
Bond anticipation notes redeemed from appropriations	-	-	-	-
Proceeds of long-term debt	-	-	-	-
Interfund transfers in	-	-	-	-
Total revenues and other sources	<u>1,695,511</u>	<u>1,981,397</u>	<u>162,003</u>	<u>3,838,911</u>
EXPENDITURES				
General government support	91,858	126,120	-	217,978
Transportation	-	-	-	-
Economic opportunity and development	-	-	23,380	23,380
Culture and recreation	-	-	-	-
Home and community service	675,459	1,062,009	-	1,737,468
Employee benefits	216,769	243,630	-	460,399
Debt service	<u>362,400</u>	<u>479,288</u>	-	<u>841,688</u>
Total expenditures	<u>1,346,486</u>	<u>1,911,047</u>	<u>23,380</u>	<u>3,280,913</u>
OTHER USES				
Interfund transfers out	<u>101,000</u>	<u>41,000</u>	-	<u>142,000</u>
Total expenditures and other uses	<u>1,447,486</u>	<u>1,952,047</u>	<u>23,380</u>	<u>3,422,913</u>
Net change in fund balances	248,025	29,350	138,623	415,998
FUND BALANCE, beginning of year	<u>2,199,311</u>	<u>1,639,434</u>	<u>508,338</u>	<u>4,347,083</u>
FUND BALANCE, end of year	<u>\$ 2,447,336</u>	<u>\$ 1,668,784</u>	<u>\$ 646,961</u>	<u>\$ 4,763,081</u>

The accompanying Notes to Regulatory Basis Financial Statements are an integral part of these statements.

VILLAGE OF SARANAC LAKE, NEW YORK
SUMMARY OF ADOPTED BUDGETS FOR THE NEXT FISCAL YEAR
GENERAL FUND, WATER FUND AND SEWER FUND
Reported For the Fiscal Year Ending May 31, 2017

	<u>General</u>	<u>Water</u>	<u>Sewer</u>
ESTIMATED REVENUES			
Real property taxes	\$ 3,671,597	\$ -	\$ -
Real property tax items	56,356	-	-
Non-property taxes	136,800	-	-
Departmental income	288,789	1,771,837	1,245,119
Intergovernmental charges	190,966	-	813,500
Use of money and property	101,630	28,800	-
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Sale of property and compensation for loss	-	-	-
Miscellaneous	92,550	-	30,000
Interfund revenue	90,000	-	-
State aid	481,394	-	-
Total estimated revenues	<u>5,110,082</u>	<u>1,800,637</u>	<u>2,088,619</u>
APPROPRIATED FUND BALANCE	<u>227,000</u>	<u>140,000</u>	<u>181,750</u>
Total estimated revenues and other sources	<u><u>5,337,082</u></u>	<u><u>1,940,637</u></u>	<u><u>2,270,369</u></u>
 APPROPRIATIONS			
General government support	600,203	199,379	222,019
Education	-	-	-
Public safety	2,404,793	-	-
Health	7,275	-	-
Transportation	1,082,863	-	-
Economic opportunity and development	43,000	-	-
Culture and recreation	318,548	-	-
Home and community service	127,319	964,156	1,190,859
Employee benefits	503,450	222,775	241,775
Debt service	118,169	410,800	449,500
Total appropriations	<u>5,286,953</u>	<u>1,823,110</u>	<u>2,130,153</u>
OTHER USES	<u>50,129</u>	<u>117,527</u>	<u>140,216</u>
Total appropriations and other uses	<u><u>\$ 5,337,082</u></u>	<u><u>\$ 1,940,637</u></u>	<u><u>\$ 2,270,369</u></u>

The accompanying Notes to Regulatory Basis Financial Statements are an integral part of these statements.

VILLAGE OF SARANAC LAKE, NEW YORK
NOTES TO REGULATORY FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Saranac Lake, New York (Village) was established in 1892 and is governed by the Village Law and other general laws of the State of New York, and various local laws and ordinances. The Board of Trustees is the legislative body responsible for the overall operation of the Village and is comprised of the Mayor and four Trustees. The Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer. The corporate boundaries of the Village are situated in portions of the Towns of North Elba and St. Armand, in Essex County, and the Town of Harrietstown, in Franklin County.

The Village provides general government services, police and fire protection, public works including streets and bridges, culture and recreation, water, sewer, community development, and other home and community services to the residents of the Village and certain local area communities.

The Office of the State Comptroller of the State of New York (OSC) has the basic responsibility to provide oversight to local governments and other applicable governmental agencies in the State of New York in accordance with provisions of the State Constitution and Article 3 of the General Municipal Law of the State of New York. OSC has established the Accounting and Reporting Manual for local governments pursuant to Section 36 of the General Municipal Law of the State of New York. OSC has established the required presentation of the Annual Financial Report Update Document (AUD), which generally includes a balance sheet, statements of revenues, expenditures and changes in fund balances, and budget information for each major governmental fund reported. The required presentation also includes schedules of non-current governmental assets and liabilities, and statements for proprietary funds and fiduciary funds, if applicable. OSC provides prior year data in the AUD submitted to each local government, generally as a guide to preparing the current year report and not for comparative financial statement purposes.

The Village has elected to prepare its financial statements in conformity with the regulatory basis of accounting and reporting prescribed by the OSC. The Village has elected to present combined regulatory basis financial statements in this report. The financial statement presentation in this report presents all fund types and schedules in combined statements, with additional combining statements for the special revenue funds. A summary of the adopted budgets for the next fiscal year is also presented for the general fund, water fund and sewer fund.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The prescribed regulatory basis of accounting and reporting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The regulatory basis of accounting and reporting varies from accounting principles generally accepted in the United States of America primarily because it does not require the implementation of GASB Statements number 34, 45 and other applicable statements, and does not require reporting the government-wide statements of net position and activities in the AUD. Consequently, the resulting combined regulatory basis financial statements are not intended to be presented in accordance with accounting principles generally accepted in the United States of America.

In preparing financial statements in conformity with the regulatory basis of accounting and reporting referred to above, Village management may be required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the regulatory basis financial statements, and

VILLAGE OF SARANAC LAKE, NEW YORK
NOTES TO REGULATORY FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2017

the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying regulatory basis financial statements follows.

1. Financial Reporting Entity

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the regulatory basis of accounting and reporting prescribed by OSC, which is like GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to influence operations significantly, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Village and/or its citizens, or whether the activity is conducted within geographic boundaries of the Village and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village can exercise oversight responsibilities. Based on the application of these criteria, the Village is not considered a component unit of any other government or organization. Also, the Village does not consider any other governments or organizations to be component units to be reported as part of the Village's reporting entity.

Although the following organization, function, or activity is related to the Village, it is *not* included in the Village reporting entity because of the reasons noted:

Saranac Lake Local Development Corporation: The Saranac Lake Local Development Corporation was incorporated in 2010 under the Not-for-Profit Corporation Law of the State of New York and is required to comply with applicable provisions of the Public Authorities Law of the State of New York. The Corporation, as a supporting organization of the Village, shall comply with the provisions affecting local authorities contained within the Public Authorities Accountability Act of 2005. The by-laws of the Corporation indicate its main purpose is to relieve and reduce unemployment; promote and provide additional and maximum employment; improve and maintain job opportunities; attract new industry; retain existing industries; and lessen the burdens of government. The public objectives of the corporation are to apply for grants and loans to achieve its purposes; to acquire real or personal property, or interests therein, for use by others as industrial or manufacturing plants or commercial enterprises; to foster and encourage the location or expansion of industrial or manufacturing plants and other commercial enterprises in the Village of Saranac Lake.

2. Fund Accounting

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

A fund is a separate accounting entity with a self-balancing set of accounts. A schedule, on the other hand, is a financial reporting device designed to provide accountability for non-

VILLAGE OF SARANAC LAKE, NEW YORK
NOTES TO REGULATORY FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2017

current governmental assets and liabilities that are not recorded in funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types." For the year ended May 31, 2017, the Village reported no proprietary funds.

Governmental fund types are used to account for all or most of a government's activities, including the collection and disbursement of monies generated for specific purposes (Special Revenue Funds) and monies generated for the acquisition or construction of capital assets (Capital Projects Funds). The General Fund is used to account for all governmental activities not required to be accounted for in other funds.

The following are the Village's governmental fund types:

a. General Fund

The General Fund is the Village's principal fund and includes general government operations, police, fire protection, transportation, culture and recreation, and various other Village-wide activities not required to be accounted for in other funds.

b. Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue resources (other than those generated for major capital projects) that are legally restricted to expenditures for specific purposes. The Village uses the following special revenue funds:

Water Fund - Used to account for revenues generated to finance operations of the Village's water treatment and supply facilities that provide drinking water to all Village residents and organizations, as well as to certain other local communities outside the Village's corporate boundaries.

Sewer Fund - Used to account for revenues generated to finance operations of the Village's wastewater treatment facilities and sanitary sewer system that is provided to all Village residents and organizations and certain outside communities.

Community Development Fund - Used to account for federal Community Development Block Grants and other special aid received by the Village for specific programs.

c. Capital Projects Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment.

d. Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Village on behalf of outside parties, including other governments, or on behalf of other Village funds. Fiduciary funds can include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The Village currently reports agency funds and a private purpose trust. Agency funds are used to account for assets temporarily held by Village as agent for others pending disposition to the applicable parties. The private purpose trust fund is used to account for private contributions for special events.

VILLAGE OF SARANAC LAKE, NEW YORK
NOTES TO REGULATORY FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2017

e. Schedules

Non-Current Governmental Assets - The schedule of non-current governmental assets is used to account for capital assets used in governmental activities. No depreciation is recorded in this schedule.

Non-Current Governmental Liabilities - The schedule of non-current governmental liabilities is used to account for bonds payable, state loans, capital leases, and other long-term liabilities to be redeemed from governmental activities.

3. Measurement Focus and Basis of Accounting

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

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be reasonably determined, and "available" means the assets are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers real property taxes available if they are collected within 60 days after year end. A similar availability period is used for revenue recognition for most other governmental revenues. However, for certain revenues generated on a reimbursement basis, the Village may use a longer availability period extending up to one year.

Those revenues susceptible to accrual include real property taxes, non-property taxes, water rents, sewer rents, state aid, and federal aid. Fees from licenses, permits, fines and forfeitures and other similar revenues generally are not measurable until received and are recognized on a cash receipt basis.

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

- Purchase of inventory type items are recorded as expenditures when the related amounts are due and payable. This method is generally referred to as the "purchase" method rather than the "consumption" method.
- Principal and interest on indebtedness are recorded as expenditures when the related debt service amounts are due and payable, which normally approximates the date the debt is paid.
- Compensated absences, such as vacation leave and other authorized leave time, which vest or accumulate with eligible employees, are recorded as expenditures in the payroll period that the leave credits are used by employees.
- Current pension costs payable to the New York State Retirement Systems are recorded as expenditures when billed by the Systems, in accordance with accounting guidance provided by the Office of the State Comptroller of the State of New York.

VILLAGE OF SARANAC LAKE, NEW YORK
NOTES TO REGULATORY FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2017

- Costs of acquiring capital assets are recorded as expenditures when the related acquisition amounts are due and payable.

The Village reports deferred inflow of resources on its combined balance sheet. Deferred inflows arise when potential revenue does not meet both of the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Village before it has a legal claim to them, or for those revenues intended to be allocated over a period different from the Village’s fiscal year. In subsequent periods, when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

4. Budgets

Budgets are adopted on a basis consistent with the regulatory basis of accounting and reporting referred to above. Annual budgets are adopted for the General Fund and all Special Revenue Funds, except the Community Development Fund. Budgets for the Community Development Fund are adopted in accordance with the applicable grant and program requirements, which may involve a fiscal year or period different from the Village’s fiscal year.

Budgets for the Capital Project Funds are adopted on an as needed basis for each individual project.

5. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and time deposits at the Village’s designated depositories.

6. Short-Term Interfund Receivables/Payables

During operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

7. Receivables:

The Village reports receivables from state and federal sources, and for water rents, sewer rents, community development loans, amounts due from other governments and other miscellaneous amounts. Generally, receivables for rents and other services provided by the Village are recorded as of the period in which the services were provided. Receivables from state, federal and other governmental sources generally involve claims for reimbursement of expenditures and are recorded when the related claims and/or drawdown requests are submitted to grantor agencies, which approximates the period during which the related expenditures were incurred. Community development loans are recorded when the loan is made to eligible recipients.

Unpaid water and sewer rents for customers within the Village can be relieved on the subsequent year’s real property tax levy. Similar unpaid water and sewer rents for customers located outside the Village but within town special districts can be relieved on the applicable town’s subsequent year’s real property tax levy for the calendar year beginning January 1. Relieved rents are collected during the applicable tax collection periods.

VILLAGE OF SARANAC LAKE, NEW YORK
NOTES TO REGULATORY FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2017

8. Capital Assets

Capital assets include land, buildings, improvements other than buildings and equipment. These assets are not capitalized in the governmental funds used to acquire or construct them. Instead, acquisitions of capital assets are reported as expenditures in governmental funds, and the related assets are reported collectively in the schedule of non-current governmental assets. No depreciation is recorded in the schedule of non-current governmental assets or in the governmental funds.

The regulatory basis of accounting and reporting described above require that capital assets be recorded at historical cost. Donated capital assets are required to be reported at their estimated fair value as of the date of donation. No depreciation is required to be reported. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized as applicable.

Infrastructure assets consisting of roads, bridges, sidewalks, water systems, sewer systems, drainage systems, and lighting systems have not yet been capitalized and reported by the Village since the prescribed accounting principles described above do not currently require reporting infrastructure assets.

9. Compensated Absences

Village employees are granted vacation, personal, and sick leave, and earn compensatory absences in varying amounts. Vested vacation, sick leave, personal leave and compensatory leave are recorded as expenditures in the governmental funds during the payroll periods that the leave credits are used by employees. Those leave credits expected to be paid from future resources are recorded as liabilities in the schedule of non-current governmental liabilities.

10. Long-Term Debt

Long-term debt for bonds payable, landfill post closure costs and other obligations are not recognized as liabilities of the governmental funds until the related payments are due. These liabilities are reported in the schedule of non-current governmental liabilities.

11. Total (Memorandum Only) Columns

Included in the combined Regulatory basis financial statements are columns captioned "Total (Memorandum Only)" to indicate that they are presented only for information purposes. Adjustments to eliminate interfund transactions have not been recorded in arriving at such amounts, and the memorandum totals are not intended to fairly present the financial position or results of operations of the Village taken as a whole.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Budgetary Information

The Village's budgetary practices are governed by the Village Law of the State of New York. Each year, no later than March 20, the budget officer submits a tentative budget to the Board of Trustees for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing for the General, Water and Sewer Funds. After public hearings are conducted to obtain taxpayer comments, no later

VILLAGE OF SARANAC LAKE, NEW YORK
NOTES TO REGULATORY FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2017

than May 1, the Board of Trustees adopts the annual budget for the General, Water and Sewer Funds.

Budget estimates for the Community Development Fund are established in accordance with the applicable grant agreements, which generally involve state and federally funded grants with program years different from the Village's fiscal year. Capital project budgets are adopted for each applicable project and do not lapse at the end of a fiscal year but continue until the applicable projects are completed.

During the year, budget modifications may be necessary. Expenditures may not legally exceed budgeted appropriations at the activity level. Budget modifications, that increase or decrease appropriations for all governmental funds, must be approved by the Board of Trustees. Accordingly, the Board of Trustees takes actions during the year to amend budget estimates and provide supplementary appropriations as needed.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures 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 part of assigned unappropriated fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the applicable liabilities are incurred.

3. Deficit Fund Balance

The Capital Projects Fund reported an unassigned fund balance deficit of \$800,102 which resulted from the temporary financing of capital improvements with short-term bond anticipation notes. This deficit will be eliminated when the Village issues permanent financing or pays off the notes from appropriations.

NOTE C – DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

1. Deposits and Investments

The Village's deposit and investment practices are governed by various statutes of the State of New York. In addition, the Board of Trustees has adopted its own investment policy as required by these state statutes. Accordingly, Village monies generally must be deposited in banks or trust companies authorized to do business in the State of New York, and in demand and/or time deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC). In addition to demand and time deposit accounts at designated depositories, state statutes and the Village's investment policy allow for temporary investments in eligible securities issued by the federal government and applicable federal agencies, the State of New York and local governments within the State of New York.

The following are the cash assets in bank accounts reported in the financial statements;

Cash for general operating purposes	\$ 7,501,481
Cash restricted for reserves	2,791,140
Cash for the private purpose trust	<u>3,477</u>
Total cash and cash equivalents	<u>\$ 10,296,098</u>

VILLAGE OF SARANAC LAKE, NEW YORK
NOTES TO REGULATORY FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2017

Cash and cash equivalents reported in the financial statements consist of the following:

Petty cash on hand	\$ 900
Cash in checking and savings accounts	<u>10,295,198</u>
Total cash and cash equivalents	<u>\$ 10,296,098</u>

2. Concentration of Credit Risk and Custodial Risk

As indicated above, New York State statutes significantly restrict the type of investments that generally can be made by the Village to eligible federal, New York State and New York local government securities. New York State statutes also require that demand deposits and time deposits in excess of FDIC insured amounts must be secured by a pledge of obligations by depositories consisting of eligible securities or other types of authorized collateral. The Village's demand and time deposits were fully insured and collateralized as of May 31, 2017.

3. Real Property Taxes

Real property taxes attach as an enforceable lien on Village property as of June 1 each year. Real property taxes, which may include delinquent water and sewer rents that are relieved on the real property tax rolls, are levied on June 1 and are payable by June 30 without penalty. The Village bills and collects its own real property taxes generally through November 15 of each year. At that time, uncollected taxes on Village properties located in the three towns are returned to the Counties of Franklin and Essex, as applicable, for subsequent enforcement and collection. Any taxes remaining uncollected at December 31 each year are relieved by the Counties as county tax liens. The full amount of the uncollected taxes returned to the Counties is paid to the Village on or before the following April 1. Since the Village receives the total amount of its annual tax levy during the applicable fiscal year, no real property tax receivables are reported at the end of the fiscal year.

4. Receivables

The Village reports receivables from state and federal sources, and for water rents, sewer rents, community development loans, amounts due from other governments and miscellaneous amounts.

5. Capital Assets

Capital assets are used for the Village's governmental activities and are reported in the schedule of non-current governmental assets. The following capital assets were reported in the financial statements for the year ended May 31, 2017:

VILLAGE OF SARANAC LAKE, NEW YORK
NOTES TO REGULATORY FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2017

<u>Asset Category</u>	<u>Balance</u> <u>5/31/2017</u>
Land	\$ 1,250,000
Buildings	30,328,670
Improvements other than buildings	862,329
Machinery and equipment	6,352,805
Totals	<u>\$ 38,793,804</u>

6. Interfund Transactions

The following is a summary of interfund receivables and payables reported in the financial statements as amounts due to and due from other funds at May 31, 2017:

<u>Fund</u>	<u>Due from</u> <u>other Funds</u>	<u>Due to</u> <u>other funds</u>
General	\$ 1,033,588	\$ -
Community Development	55,000	55,000
Water	50,002	-
Sewer	407,146	675,000
Capital Projects	-	815,631
Agency	-	105
Totals	<u>\$ 1,545,736</u>	<u>\$ 1,545,736</u>

During the year, the following transfers were made between the various funds:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ -	\$ 81,931
Community Development	-	-
Water	-	101,000
Sewer	-	41,000
Capital Projects	223,931	-
Totals	<u>\$ 223,931</u>	<u>\$ 223,931</u>

7. Deferred Inflows of Resources

Deferred inflows of resources are recognized in the general fund and the community development fund. In the general fund, the Village recognizes revenues from fire protection and emergency service contracts with certain surrounding towns based on the contract period January 1 to December 31. Such contracts require the towns to make payment of the annual amounts in February of each year. Deferred inflows of \$227,412 reported in the general fund include allocation of the contract payments due in February 2017 to the period June 1, 2017 to December 31, 2017.

VILLAGE OF SARANAC LAKE, NEW YORK
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In the community development fund, deferred inflows of \$370,873 are reported for the amount of outstanding principal on rehabilitation loans and economic development loans from the Community Development Block Grants that are expected to be repaid and become available for additional loans. When the loan payments are received, revenue is recognized to the extent of both principal and interest received. When repaid funds are reloaned, a corresponding expenditure will be recorded for the amount of the new loans. When a loan is written off or determined to be uncollectible, a corresponding decrease in the amount of deferred revenue is made in the same period, the effect of which is to reduce the overall amount of funds available for future loans.

8. Compensated Absences

Village employees are granted vacation, personal, and sick leave, and earn compensatory absences in varying amounts. Subject to contractual agreements, in the event of termination or upon retirement, an employee may be entitled to payment for accumulated vacation, sick leave and unused compensatory time at various rates subject to certain maximum limitations. Vested vacation, sick leave, personal leave and compensatory leave credits to be paid from future resources amounted to \$132,226 at May 31, 2017 and are recorded as long-term liabilities in the schedule of non-current governmental liabilities.

9. Indebtedness

Bond Anticipation Notes:

The Village issues bond anticipation notes to temporarily finance capital improvements and other authorized acquisitions before permanent, long-term financing is obtained. The following is a summary of the Village's bond anticipation notes recorded in the Capital Project Funds for the year ended May 31, 2017:

Bond anticipation notes payable - beginning of year	\$	2,926,700
Notes issued during year		1,017,843
Notes redeemed during year		<u>(33,500)</u>
Bond anticipation notes payable - end of year	\$	<u>3,911,043</u>

The following bond anticipation notes were outstanding at May 31, 2017:

<u>Purpose</u>	<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Balance</u>
EFC STIFF - LWCS Sewer	6/11/2015	6/20/2019	0.00%	\$ 1,627,197
EFC STIFF - Final Clarifier	3/3/2016	4/9/2020	0.00%	<u>2,283,846</u>
Total Bond Anticipation Notes Payable				<u>\$ 3,911,043</u>

Bonds:

The Village issues bonds and other types of long-term debt to provide permanent financing for capital improvements and other authorized acquisitions for its governmental activities. A summary of the Village's bonds payable recorded in the schedule of non-current governmental liabilities for the year ended May 31, 2017 is as follows:

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For the Fiscal Year Ended May 31, 2017

Bonds payable - beginning of year		\$ 16,422,600
Bond principal issued during year		350,000
Bond principal paid during year		<u>(892,400)</u>
Bonds payable - end of year		<u>\$ 15,880,200</u>

The following bonds were outstanding as of May 31, 2017:

<u>Bonds</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u> <u>5/31/2017</u>
Sewer project EFC CW SIB	9/28/2006	4/1/2036	0.000%	\$ 3,895,000
Public improvement serial bonds	2/1/2001	8/1/2021	1.500%	930,000
Public improvement serial bonds	11/15/2011	11/15/2021	2.390%	560,000
Alternate Water Source - EFC SIB	9/24/2015	2/19/2045	0.000%	10,145,200
Fire Truck Purchase	7/5/2016	7/1/2021	1.625%	<u>350,000</u>
Total bonds payable				<u>\$ 15,880,200</u>

Aggregate minimum annual maturities of bonds payable are as follows:

<u>Fiscal Years Ending</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
May 31, 2018	\$ 993,406	\$ 962,400	\$ 31,006
May 31, 2019	989,369	965,400	23,969
May 31, 2020	979,131	962,400	16,731
May 31, 2021	976,625	967,400	9,225
May 31, 2022	755,419	752,400	3,019
May 31, 2023 to 2027	2,807,000	2,807,000	-
May 31, 2028 to 2032	2,867,000	2,867,000	-
May 31, 2033 to 2037	2,697,000	2,697,000	-
May 31, 2038 to 2042	1,812,000	1,812,000	-
May 31, 2043 to 2045	<u>1,087,200</u>	<u>1,087,200</u>	-
Total Payable to Maturity	<u>\$ 15,964,150</u>	<u>\$ 15,880,200</u>	<u>\$ 83,950</u>

10. Landfill Post Closure Monitoring Costs

The Village landfill was closed at the end of the fiscal year ending May 31, 1997. Under current regulations, the Village is responsible for monitoring the closed landfill for a 30-year period after the closing date. The Village has contracted with a firm to conduct landfill sample collection, testing and monitoring. The firm uses Village equipment to do other testing and reimburses the Village for that use. Village officials have estimated that monitoring costs will be approximately \$5,000 per year for the remaining 10 years. This estimated liability of \$50,000 is recorded as a long-term liability in the schedule of non-current governmental liabilities.

VILLAGE OF SARANAC LAKE, NEW YORK
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For the Fiscal Year Ended May 31, 2017

11. Restricted Assets and Restricted Fund Balances

The Village reports restricted assets and restricted fund balances in the combined regulatory basis balance sheet. Restricted assets and resultant restricted fund balances generally represent assets set aside in reserves to be used for specific future purposes. Generally, these restricted assets and restricted fund balances result from actions taken by the Board of Trustees to set aside and restrict cash assets for future capital improvements and debt service payments.

The following is an analysis of the restricted assets reported as of May 31, 2017:

<u>Cash restricted for reserves</u>	
Capital reserves	2,791,140
Total restricted cash and fund balances	<u>\$ 2,791,140</u>

NOTE D – OTHER INFORMATION

1. Pension Plans - New York State Retirement System

Plan Description:

The Village participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees Group Life Insurance Plan (collectively, the NYSLRS). These are cost-sharing multi-employer retirement systems. The NYSLRS 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 the NYSLRS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the NYSLRS and for the custody and control of their funds. The NYSLRS issue a publicly available financial report that includes financial statements and required supplementary information. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

Funding Policy:

The NYSLRS are noncontributory except for employees who joined the ERS after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) and January 9, 2010 (PFRS) who contribute 3% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the NYSLRS' fiscal year ended March 31. Employers are billed for contributions based on the NYSLRS' fiscal year April 1 to March 31, with the payment becoming due on the December 15 prior to the end of the NYSLRS' plan year. Recent legislation allowed employers to delay payment until the following February 1 with additional interest costs. The Village opted to pay the billings as of December 15 rather than delay the payment to February 1 and incur additional interest costs.

VILLAGE OF SARANAC LAKE, NEW YORK
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For the Fiscal Year Ended May 31, 2017

The required contributions billed to and paid by the Village for the current year and the two preceding years were:

<u>Billing Due Date</u>	<u>Total</u>	<u>ERS</u>	<u>PFRS</u>
December 15, 2016	\$ 406,818	\$ 278,735	\$ 128,083
December 15, 2015	366,636	304,631	62,005
December 15, 2014	540,810	350,100	190,710
Totals	<u>\$ 1,314,264</u>	<u>\$ 933,466</u>	<u>\$ 380,798</u>

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

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the System:

- Requires minimum contributions by employers of 4.5 percent of covered payroll every year, including years in which the investment performance of the pension fund would make a lower contribution possible;
- Changed the cycle of annual billing such that the contribution for a given plan fiscal year ending March 31 will be based on the value of the pension fund on the prior April 1.

Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement billings for prior plan fiscal years ending March 31, 2005 through 2009 for up to ten years. Chapter 57 of the Laws of 2010 of the State of New York was enacted that allows local employers to amortize a portion of their current retirement billings for up to ten years.

The Village chose not to bond or amortize applicable retirement billings, but to pay all required contributions on a current basis.

Effective for the Village's fiscal year ended May 31, 2017, OSC required participating local governments to report their proportionate share of the net pension liability calculated annually by NYSLRS. The Village's proportionate share was calculated to be \$1,065,280 and is reported in the schedule of non-current governmental liabilities.

2. Post-Employment Benefits

In addition to providing pension benefits, the Village provides health insurance coverage benefits for retired employees, subject to contractual agreements. If granted through a collective bargaining agreement or employment contract, employees may become eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year or community ratings. Except for existing retirees and police officers, the Village no longer provides paid health insurance as a post-employment benefit.

The Village recognizes the cost of providing benefits by recording its share of the insurance premiums as expenditures in the year paid. During the year ended May 31, 2017, \$133,026 was paid on behalf of 19 retirees, and this cost was allocated as expenditures of the General, Water and Sewer funds.

VILLAGE OF SARANAC LAKE, NEW YORK
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For the Fiscal Year Ended May 31, 2017

3. Deferred Compensation Plan

The Village participates in the New York State Deferred Compensation Plan (Plan) and offers its employees the option to participate in the Plan. In October 1997, The New York State Deferred Compensation Board (Board) created a Trust and Custody agreement with Chase Manhattan Bank to serve as trustee and custodian of the Plan. Since the Board no longer serves as Trustee of the Plan, the OSC advised participating municipalities that they are no longer required to record the value of Plan assets in their regulatory basis financial statements

4. Risk Management and Insurance

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

5. Commitments and Contingencies

State and federal grant programs:

The Village participates in a number of grant programs and has received funding from various state and federal agencies. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits may result in disallowances and requests for return of funds to the applicable state and federal agencies. Based on past audit experiences, Village management believes disallowances, if any, will be immaterial.

6. Subsequent Events

- A. Landfill Use: The Village is contracting with the Town of North Elba to convert the prior landfill that was closed many years ago into an athletic field. The financing for this project will be covered by a NYS Parks and Recreation Grant.
- B. Mt. Pisgah/NYS Parks Project: The project has been concluded and final reimbursement has been submitted. NYS issued payment, less \$60,000 which is a 10% retainage on the grant. The Village has not yet received its final payment from NYS Parks.
- C. Hydro Power: The Village is continuing to explore the costs and benefits of hydro-electric power generation at both its 3 Main and 17 Main Street locations. The Village started working on getting its facilities approved for Net-Metering.
- D. Union Contracts: The PBA contract expired on May 31, 2012. Negotiations restarted following the selection of a new PBA attorney. The PBA contract remains open at this time. The contract with the Service Employees International Union ended May 31, 2017 and is being renegotiated at this time.
- E. Sewer Projects: The Village has substantially completed two major projects funded via Environmental Facilities Corporation (EFC), replacement of damaged final clarifiers and upgrades to Lake Flower Lift Station. Wastewater final clarifiers one and two were damaged during the 2011 floods, the project was substantially completed August of 2016, few punch list items remain open as of June 1, 2017. Short-term financing has been made available to the Village from EFC for this project, funding of 87.5% of the total project

VILLAGE OF SARANAC LAKE, NEW YORK
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For the Fiscal Year Ended May 31, 2017

will be provided by FEMA, final closeout for the project funding will be determined for long-term financing or immediate payment of the balance from sewer debt reserves. Lake Flower Lift Station was completely rebuilt including; installation of new electrical generator, controls and screening of the facility completed May of 2017. Both projects were funded via EFC funding, which the village did receive hardship designation as determined by the Governor's Office. EFC has also funded engineering of two additional projects listed on the IUP, Brandy Brook Sewer line replacement and Woodruff St. siphon line replacements.

- F. Lake Flower Sidewalk Project: The contracts let by NYS DOT for this project came in significantly under budget. The Village had to make a \$190,000 contribution based on the original estimates. Based on the final contract amounts, the Village is due a refund of approximately \$52,000 that has been outstanding since January 2015. The amount of \$53,066.72 was received in late August 2017.

- G. Village Treasurer: The Village Treasurer resigned her position in August 2017 to move to another state. The position remained open for several months and the responsibilities were performed by an Interim Village Treasurer, a former Village Treasurer. The position was advertised, and an individual was appointed in October 2017.

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

Independent Auditor's Report

Mayor and Board of Trustees
Village of Saranac Lake, New York

We were engaged to 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, the regulatory basis financial statements as reported in the Annual Financial Report Update Document of the Village of Saranac Lake, New York (Village) as of and for the fiscal year ended May 31, 2017, and the related notes to the financial statements, which collectively comprise the Village's regulatory basis financial statements and have issued our report thereon dated April 15, 2018.

Internal Control over Financial Reporting

The Mayor, Board of Trustees and other management of the Village are responsible for establishing and maintaining effective internal control over financial reporting. In connection with our engagement to audit the financial statements of the Village, we considered the Village'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 as reported in the Annual Financial Report Update Document, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control, item #2017-001, that we consider to be a significant deficiency.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be

prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by the Mayor and Board of Trustees who are charged with governance.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Village, 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 that the deficiency referred to above, item #2017-001, was also an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Village's Response to Findings

The Village Officials generally agreed with this finding and will develop a process to make needed improvements. The Village's response was not subjected to the auditing procedures applied in the engagement to 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 Village'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 Village's internal control and compliance. Accordingly, this communication is intended for the information and use of the Mayor, Board of Trustees, other management of the Village, and for filing with the federal audit clearinghouse and applicable agencies of the State of New York and is not intended for any other purpose.

Richard H Dinolfo CPA

Richard H. Dinolfo CPA
Queensbury, New York
April 15, 2018

VILLAGE OF SARANAC LAKE, NEW YORK

**SCHEDULE OF FINDINGS
For the Year Ended May 31, 2017**

2017-001 Need for Improvements in the Accounting System and Financial Reporting

Criteria: The Village is required by applicable provisions of the General Municipal Law of the State of New York to file an Annual Financial Report Update Document (AUD) with the Office of the State Comptroller of the State of New York (OSC) that has been prepared in accordance with the regulatory basis of accounting and reporting prescribed by OSC.

Condition: The Village's accounting system did not accurately identify certain required accounts. The fixed asset records appeared to include building assets based in part on insurable values rather than historical cost and may have included fire fighting vehicles owned by the volunteer fire department and not the Village.

Context: The Village's accounting system and records are the primary source of information needed to prepare annual financial statements.

Effect: The Village's AUD filed with OSC was not complete, and not in accordance with the accounting and reporting practices prescribed by OSC. The AUD needed to be amended at various times in 2018. Because of the need to correct the financial statements and other matters, the audit report for the year ended May 31, 2017 was not completed promptly.

Cause: The former Village Treasurer left office and the next Village Treasurer resigned in August 2017. A new individual was appointed in October 2017. Turnover in that key office contributed to the conditions noted above. Village officials have not yet developed a process to take an inventory count of property and equipment assets and record such assets in their accounting records.

Recommendation: Village officials should attempt to improve the accounting system and supporting documentation for reporting in the next annual AUD.