

**TOWN OF NEW HARTFORD,
NEW YORK**

*Basic Financial Statements, Required
Supplementary Information and Supplementary
Information for the Year Ended December 31, 2019
and Independent Auditors' Reports*

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Town Board
Town of New Hartford, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of New Hartford, New York (the "Town"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion on the governmental activities and unmodified audit opinion on the discretely presented component unit, each major fund, and the aggregate remaining fund information.

Basis for Adverse Opinion on Governmental Activities

The Town does not maintain a complete record of capital assets for governmental activities. As a result, we were unable to obtain sufficient appropriate audit evidence to support the Town's balance of capital assets for governmental activities. Accounting principles generally accepted in the United States of America require that capital assets be properly presented and valued in the government-wide financial statements. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined. Additionally, the Town has not recorded the value of the long-term pension liability related to its Length of Service Award Program ("LOSAP"), or the related deferred inflows of resources and deferred outflows of resources, thereof. Accounting principles generally accepted in the United States of America require that the long-term pension liability and related deferred inflows of resources and deferred outflows of resources be properly presented and valued in the government-wide financial statements. The amount by which this departure would affect the liabilities, deferred inflows of resources, deferred outflows of resources, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion on Governmental Activities

In our opinion, because of the significance of the matters described in the Basis for Adverse Opinion on Governmental Activities paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town, as of December 31, 2019, and the respective changes in financial position thereof for the year then ended.

Unmodified Opinion on the Discretely Presented Component Unit, Each Major Fund, and the Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Town, as of December 31, 2019, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 Supplementary Information, as listed in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, is the responsibility of management and was 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. Because of the significance of the matter described in the Basis for Adverse Opinion on Governmental Activities paragraph, it is inappropriate to and we do not express an opinion on such supplementary information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2020 on our consideration of the Town's internal control over financial reporting and 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 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 Town's internal control over financial reporting and compliance.

Drescher & Malecki LLP

September 16, 2020

TOWN OF NEW HARTFORD, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2019

As management of the Town of New Hartford, New York (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2019. This document should be read in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The liabilities and deferred inflows of resources of the Town's primary government exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$6,325,269 (*net position*). This consists of \$6,129,234 net investment in capital assets, \$402,277 restricted for specific purposes and an unrestricted net position of (\$12,856,780).
- The Town's total primary government net position increased by \$1,133,999 during the year ended December 31, 2019.
- At the close of the current fiscal year, the Town's governmental funds, excluding the Capital Projects Fund, reported combined ending fund balances of \$8,665,895, an increase of \$1,749,243. The Town's Capital Projects Fund fund balance increased \$5,327,941 to an ending deficit fund balance of \$(297,887), primarily as a result of proceeds from a serial bond issuance. At the end of the current fiscal year, the Town's total ending fund balance amounted to \$8,368,008.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$2,674,029, or 68.7 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the Town's discretion and constitutes approximately 83.2 percent of the General Fund's total fund balance of \$3,212,488 at December 31, 2019.
- During the year ended December 31, 2019, the Town's total serial bonds outstanding increased by \$7,460,097. During the year the Town issued \$8,266,928 in 2019 Serial Bonds. In addition, the Town made scheduled principal payments of \$806,831.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise 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 themselves.

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, liabilities and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in 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, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*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 support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services and unallocated interest and fiscal charges. The Town does not engage in any business-type activities.

The government-wide financial statements include not only the Town itself (known as the *primary government*), but also a legally separate Library (the New Hartford Public Library) for which the Town is financially accountable. Financial information for this discretely presented component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, 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 reported as *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 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. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the General Fund, Police Fund, Highway Town-wide, Highway Part-Town Fund, Sewer Fund and Capital Projects Fund, all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources are not available to support the Town’s own programs. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Town maintains one fiduciary fund, the Agency Fund.

The fiduciary fund financial statement can be found on page 19 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-49 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town’s net pension liabilities, the changes in the Town’s total other postemployment benefits (“OPEB”) obligations, and the Town’s budgetary comparison schedules for the General Fund, Police Fund, Highway Town-wide, Highway Part-Town Fund and Sewer Fund. Required Supplementary Information and a related note to the required supplementary information can be found on pages 50-60 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information immediately following the Required Supplementary Information in the Supplementary Information section on pages 61-62 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the Town, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$6,325,269 at the close of the most recent fiscal year, as compared to \$7,459,268 at the close of the fiscal year ended December 31, 2018.

Table 1, as shown on the following page, presents a condensed statement of net position as compared to the prior year.

Table 1—Condensed Statement of Net Position—Primary Government

| | Governmental Activities | |
|----------------------------------|-------------------------|-----------------------|
| | December 31, | |
| | 2019 | 2018 |
| Current assets | \$ 9,497,235 | \$ 10,751,788 |
| Capital assets | 20,566,497 | 18,295,068 |
| Total assets | <u>30,063,732</u> | <u>29,046,856</u> |
| Deferred outflows of resources | 2,696,279 | 3,811,061 |
| Current liabilities | 1,366,751 | 9,597,396 |
| Noncurrent liabilities | 33,569,939 | 28,561,085 |
| Total liabilities | <u>34,936,690</u> | <u>38,158,481</u> |
| Deferred inflows of resources | 4,148,590 | 2,158,704 |
| Net position: | | |
| Net investment in capital assets | 6,129,234 | 5,674,127 |
| Restricted | 402,277 | 126,412 |
| Unrestricted | (12,856,780) | (13,259,807) |
| Total net position | <u>\$ (6,325,269)</u> | <u>\$ (7,459,268)</u> |

The largest portion of the Town's net position, \$6,129,234, reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets. The Town uses these capital assets to provide a variety of services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in 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.

An additional portion of the Town's net position, \$402,277, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining portion of the Town's net position, \$(12,856,780) is considered to be an unrestricted net deficit.

Table 2, as presented on the following page, shows the changes in net position for the years ended December 31, 2019 and December 31, 2018.

Table 2—Condensed Statements of Changes in Net Position—Primary Government

| | Governmental Activities | |
|------------------------------------|-------------------------|-----------------------|
| | Year Ended December 31, | |
| | 2019 | 2018 |
| Program revenues: | | |
| Charges for services | \$ 1,250,326 | \$ 1,249,301 |
| Operating grants and contributions | 246,799 | 520,014 |
| Capital grants and contributions | 977,340 | 2,166,771 |
| General revenues | <u>14,466,351</u> | <u>13,260,158</u> |
| Total revenues | <u>16,940,816</u> | <u>17,196,244</u> |
| Total expenses | <u>15,806,817</u> | <u>15,338,770</u> |
| Change in net position | 1,133,999 | 1,857,474 |
| Net position—beginning | <u>(7,459,268)</u> | <u>(9,316,742)</u> |
| Net position—ending | <u>\$ (6,325,269)</u> | <u>\$ (7,459,268)</u> |

Overall revenues of the primary government decreased 1.5 percent from the prior year, while overall expenses increased 3.1 percent.

A summary of sources of revenues for the years ended December 31, 2019 and December 31, 2018 is presented in Table 3 below.

Table 3—Summary of Sources of Revenues—Primary Government

| | Year Ended December 31, | | Increase/(Decrease) | |
|--|-------------------------|----------------------|---------------------|---------------|
| | 2019 | 2018 | Dollars | Percent (%) |
| Charges for services | \$ 1,250,326 | \$ 1,249,301 | \$ 1,025 | 0.1 |
| Operating grants and contributions | 246,799 | 520,014 | (273,215) | (52.5) |
| Capital grants and contributions | 977,340 | 2,166,771 | (1,189,431) | (54.9) |
| Real property taxes and tax items | 6,132,052 | 5,970,138 | 161,914 | 2.7 |
| Nonproperty tax items | 6,538,550 | 6,244,588 | 293,962 | 4.7 |
| Use of money and property | 43,561 | 7,953 | 35,608 | 447.7 |
| Sale of property and compensation for loss | 1,012,139 | 329,228 | 682,911 | 207.4 |
| Miscellaneous | 257,939 | 150,344 | 107,595 | 71.6 |
| Unrestricted state aid | <u>482,110</u> | <u>557,907</u> | <u>(75,797)</u> | <u>(13.6)</u> |
| Total revenues | <u>\$ 16,940,816</u> | <u>\$ 17,196,244</u> | <u>\$ (255,428)</u> | <u>(1.5)</u> |

The Town's most significant source of revenue for the year ended December 31, 2019 was nonproperty tax items, which accounted for \$6,538,550, or 38.6 percent of total revenues. The next largest sources of revenue were real property taxes and tax items of \$6,132,052, or 36.2 percent of total revenues and charges for services of \$1,250,326, or 7.4 percent of total revenues. For the year ended December 31, 2018, the Town's most significant source of revenue was nonproperty tax items, which accounted for \$6,244,588, or 36.3 percent of total revenues. The next largest sources of revenue were real property taxes and tax items of \$5,970,138, or 34.7 percent of total revenues and capital grants and contributions of \$2,166,771, or 12.6 percent of total revenues.

A summary of program expenses for the years ended December 31, 2019 and December 31, 2018 is presented below in Table 4:

Table 4—Summary of Program Expenses—Primary Government

| | Year Ended December 31, | | Increase/(Decrease) | |
|-------------------------------------|-------------------------|----------------------|---------------------|-------------|
| | 2019 | 2018 | Dollars | Percent (%) |
| General government support | \$ 2,138,651 | \$ 2,439,027 | \$ (300,376) | (12.3) |
| Public safety | 5,968,856 | 5,845,663 | 123,193 | 2.1 |
| Health | 67,365 | 72,605 | (5,240) | (7.2) |
| Transportation | 4,948,048 | 4,679,883 | 268,165 | 5.7 |
| Economic assistance and opportunity | 124,546 | 174,722 | (50,176) | (28.7) |
| Culture and recreation | 1,146,496 | 1,207,659 | (61,163) | (5.1) |
| Home and community services | 1,039,696 | 613,049 | 426,647 | 69.6 |
| Interest and fiscal charges | 373,159 | 306,162 | 66,997 | 21.9 |
| Total expenses | <u>\$ 15,806,817</u> | <u>\$ 15,338,770</u> | <u>\$ 468,047</u> | 3.1 |

The Town's most significant expense item for the year ended December 31, 2019 was public safety, which accounted for \$5,968,856, or 37.8 percent of total expenses. The next largest expense items were transportation of \$4,948,048, or 31.3 percent of total expenses and general government support of \$2,138,651, or 13.5 percent of total expenses. Similarly, for the year ended December 31, 2018, the most significant expense item was public safety, which accounted for \$5,845,663, or 38.1 percent of total expenses. The next largest expense items were transportation of \$4,679,883, or 30.5 percent of total expenses and general government support of \$2,439,027, or 15.9 percent of total expenses

Financial Analysis of Governmental Funds

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, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not been limited to use for a particular purpose by an external party, the Town itself, or a group of individuals that has been delegated to assign resources for use for particular purposes by the Town Board.

At December 31, 2019, the Town's governmental funds reported combined ending fund balances of \$8,368,008, an increase of \$7,077,184 from the prior year fund balance of \$1,290,824. Total unassigned fund balance is \$2,376,142, of which \$(297,887) represents a fund balance deficit of the Capital Projects Fund. The remainder of fund balance is either *nonspendable*, *restricted* or *assigned* to indicate that it is (1) not in spendable form, \$386,083, (2) restricted for particular purposes, \$402,277, or (3) assigned for particular purposes, \$5,203,506.

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 \$2,674,029, while total fund balance increased to \$3,212,488. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 68.7 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 83.2 percent of that same amount. The total fund balance of the

Town's General Fund increased by \$639,279 during the current fiscal year, primarily as a result of higher than anticipated nonproperty tax items.

The Town's Police Fund ending fund balance was \$1,272,406 at December 31, 2019. Of this amount, \$1,111,618 is assigned to specific Police Fund use. During the year ended December 31, 2019, the Police Fund's fund balance increased \$310,522 as a result of savings related to public safety and employee benefits as well as favorable revenues related to nonproperty tax items.

The Town's Highway Town-wide Fund ending fund balance was \$49,085. The entire fund balance was assigned for specific Highway Town-wide Fund use. During the year ended December 31, 2019, the Highway Town-wide Fund's fund balance increased \$19,173 due to savings realized within transportation expenditures.

The Town's Highway Part-Town Fund ending fund balance was \$822,782. Of this amount, \$43,427 is nonspendable, and the remaining amount of \$779,355 is assigned for specific Highway Part-Town Fund use. During the year ended December 31, 2019, the Highway Part-Town Fund's fund balance increased \$323,413 due to overall revenues exceeding the anticipated budget related to nonproperty tax items and sales of property.

The Town's Sewer Fund ending fund balance was \$2,102,719, of which \$185,110 is assigned for the subsequent year's appropriations, and \$1,913,040 is assigned for specific Sewer Fund use. During the year ended December 31, 2019, the Sewer Fund's fund balance decreased \$26,970, primarily as a result of less than anticipated departmental income.

The Town's Capital Projects Fund's fund balance increased \$5,327,941 during the year ended December 31, 2019, as a result of a serial bond issuance. The ending fund deficit in the Capital Projects Fund was \$297,887, which is anticipated to be remedied primarily through future grants and interfund transfers.

General Fund Budgetary Highlights

The Town's General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for additional current year appropriations supported by an increase in budgeted revenues or appropriation of fund balance. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget.

A summary of the General Fund results of operations for the year ended December 31, 2019 is presented in Table 5 below:

Table 5—General Fund Budget

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues and other financing sources | \$ 3,965,127 | \$ 3,965,127 | \$ 5,316,168 | \$ 1,351,041 |
| Expenditures and other financing uses | <u>3,965,127</u> | <u>3,965,127</u> | <u>4,676,889</u> | <u>(711,762)</u> |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 639,279</u> | <u>\$ 639,279</u> |

Final budget compared to actual results—A review of actual expenditures compared to estimated appropriations in the final budget yields several favorable variances, most notably related to lower than anticipated general government support. Revenues exceeded the budget primarily due to the receipt of higher than anticipated nonproperty tax items and revenues from the sale of property.

Capital Assets and Debt Administration

Capital assets—The Town’s investment in capital assets for its governmental activities as of December 31, 2019, amounted to \$20,566,497 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment and infrastructure.

Capital assets net of depreciation for the governmental activities at the years ended December 31, 2019 and 2018 are presented below.

Table 6—Summary of Capital Assets (Net of Depreciation)

| | Governmental Activities | |
|----------------------------|-------------------------|----------------------|
| | December 31, | |
| | 2019 | 2018 |
| Land | \$ 611,634 | \$ 611,634 |
| Construction in progress | 9,400,184 | 5,749,078 |
| Buildings and improvements | 992,587 | 1,123,296 |
| Machinery and equipment | 1,072,517 | 1,807,223 |
| Infrastructure | 8,489,575 | 9,003,837 |
| Total | <u>\$ 20,566,497</u> | <u>\$ 18,295,068</u> |

Additional information on the Town’s capital assets can be found in Note 4 to the financial statements.

Long-term debt—At December 31, 2019, the Town had net bonded debt outstanding of \$14,793,479 as compared to \$7,333,382 at December 31, 2018. During the year the Town issued \$8,266,928 in 2019 Serial Bonds. In addition, the Town made scheduled principal payments of \$806,831.

The Town’s governmental activities also have recorded debt for capital leases, compensated absences, a net pension liability and net other postemployment benefits (“OPEB”) obligation.

A summary of the Town’s long-term liabilities at December 31, 2019 and December 31, 2018 is presented in Table 7 on the following page.

Table 7—Summary of Long-Term Liabilities

| | Governmental Activities | |
|-------------------------|-------------------------|----------------------|
| | December 31, | |
| | 2019 | 2018 |
| Serial bonds | \$ 14,793,479 | \$ 7,333,382 |
| Premium on serial bonds | 52,020 | 56,267 |
| Capital lease | 222,233 | 347,346 |
| Compensated absences | 946,328 | 806,893 |
| Net pension liability | 1,514,782 | 837,879 |
| Net OPEB obligation | 16,041,097 | 19,179,318 |
| Total | <u>\$ 33,569,939</u> | <u>\$ 28,561,085</u> |

Additional information on the Town's long-term liabilities can be found in Note 12 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate, not seasonally adjusted, for the region at December 31, 2019 was 3.5 percent. This compares to New York State's average unemployment rate of 3.7 percent. These factors are considered in preparing the Town's budget.

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, impact on patients, employees and vendors all of which cannot be predicted.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Supervisor of the Town of New Hartford, 8635 Clinton Street, New Hartford, New York 13413.

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BASIC FINANCIAL STATEMENTS

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TOWN OF NEW HARTFORD, NEW YORK
Statement of Net Position
December 31, 2019

| | Primary Government | Component Unit |
|---|------------------------------------|--|
| | Governmental Activities | New Hartford Public Library |
| ASSETS | | |
| Cash and cash equivalents | \$ 5,541,785 | \$ 179,181 |
| Restricted cash and cash equivalents | 923,730 | 229,436 |
| Receivables | 489,195 | 96,001 |
| Intergovernmental receivables | 2,155,035 | - |
| Due from Agency Fund | 1,407 | - |
| Inventories | 5,163 | - |
| Prepaid items | 380,920 | 3,039 |
| Capital assets not being depreciated | 10,011,818 | 96,460 |
| Capital assets, net of accumulated depreciation | <u>10,554,679</u> | <u>1,857,341</u> |
| Total assets | <u>30,063,732</u> | <u>2,461,458</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows—relating to pension plans | 1,503,130 | 23,634 |
| Deferred outflows—relating to OPEB | 1,179,021 | - |
| Deferred charge on refunding | <u>14,128</u> | <u>-</u> |
| Total deferred outflows of resources | <u>2,696,279</u> | <u>23,634</u> |
| LIABILITIES | | |
| Accounts payable | 1,017,374 | 13,782 |
| Retainages payable | 40,480 | - |
| Accrued liabilities | 308,897 | 8,269 |
| Noncurrent liabilities: | | |
| Due within one year | 1,145,519 | 3,925 |
| Due within more than one year | <u>32,424,420</u> | <u>23,595</u> |
| Total liabilities | <u>34,936,690</u> | <u>49,571</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows—relating to pension plans | 628,973 | 8,500 |
| Deferred inflows—relating to OPEB | <u>3,519,617</u> | <u>-</u> |
| Total deferred inflows of resources | <u>4,148,590</u> | <u>8,500</u> |
| NET POSITION | | |
| Net investment in capital assets | 6,129,234 | 1,857,341 |
| Restricted for: | | |
| Capital | 402,277 | 304,436 |
| Unrestricted | <u>(12,856,780)</u> | <u>265,244</u> |
| Total net position | <u>\$ (6,325,269)</u> | <u>\$ 2,427,021</u> |

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

TOWN OF NEW HARTFORD, NEW YORK
Statement of Activities
Year Ended December 31, 2019

| Function/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|-------------------------------------|----------------------|-------------------------|--|--|--|--------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary | Component |
| | | | | | Government | Unit |
| | | | | | Governmental Activities | New Hartford Public Library |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government support | \$ 2,138,651 | \$ 66,047 | \$ - | \$ - | \$ (2,072,604) | \$ - |
| Public safety | 5,968,856 | 555,426 | 234,830 | - | (5,178,600) | - |
| Health | 67,366 | - | - | - | (67,366) | - |
| Transportation | 4,948,048 | 321,940 | 8,487 | 977,340 | (3,640,281) | - |
| Economic assistance and opportunity | 124,546 | - | - | - | (124,546) | - |
| Culture and recreation | 1,146,496 | 295,515 | 3,482 | - | (847,499) | - |
| Home and community services | 1,039,696 | 11,398 | - | - | (1,028,298) | - |
| Interest and other fiscal charges | 373,159 | - | - | - | (373,159) | - |
| Total primary government | <u>\$ 15,806,817</u> | <u>\$ 1,250,326</u> | <u>\$ 246,799</u> | <u>\$ 977,340</u> | <u>(13,332,352)</u> | <u>-</u> |
| Component unit: | | | | | | |
| New Hartford Public Library | <u>\$ 555,450</u> | <u>\$ 17,181</u> | <u>\$ 334,429</u> | <u>75,000</u> | | <u>(128,840)</u> |
| Total component unit | <u>\$ 555,450</u> | <u>\$ 17,181</u> | <u>\$ 334,429</u> | <u>\$ 75,000</u> | | <u>(128,840)</u> |
| General revenues: | | | | | | |
| | | | | | 6,132,052 | - |
| | | | | | 6,538,550 | - |
| | | | | | 43,561 | 61 |
| | | | | | 1,012,139 | 972 |
| | | | | | 257,939 | 37,039 |
| | | | | | 482,110 | - |
| | | | | | <u>14,466,351</u> | <u>(90,768)</u> |
| | | | | | 1,133,999 | (90,768) |
| | | | | | <u>(7,459,268)</u> | <u>2,517,789</u> |
| | | | | | <u>\$ (6,325,269)</u> | <u>\$ 2,427,021</u> |

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

TOWN OF NEW HARTFORD, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2019

| | Special Revenue | | | | | | Total | Total |
|--|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|---------------------|-----------------------|
| | General | Police | Highway Town-wide | Highway Part-Town | Sewer | Capital Projects | Nonmajor Funds | Governmental Funds |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 1,851,086 | \$ 1,017,081 | \$ 275,291 | \$ 89,696 | \$ 1,619,000 | \$ - | \$ 689,631 | \$ 5,541,785 |
| Restricted cash and cash equivalents | - | - | - | - | - | 540,936 | 382,794 | 923,730 |
| Receivables | 233,869 | 116,587 | - | 33,286 | 994 | 2,992 | 101,467 | 489,195 |
| Intergovernmental receivables | 609,475 | 232,398 | 143,754 | 881,396 | - | 248,847 | 39,165 | 2,155,035 |
| Due from other funds | 609,072 | 9 | - | - | 664,530 | - | 38,685 | 1,312,296 |
| Inventories | 5,163 | - | - | - | - | - | - | 5,163 |
| Prepaid items | 158,896 | 160,788 | - | 43,427 | 4,569 | - | 13,240 | 380,920 |
| Total assets | <u>\$ 3,467,561</u> | <u>\$ 1,526,863</u> | <u>\$ 419,045</u> | <u>\$ 1,047,805</u> | <u>\$ 2,289,093</u> | <u>\$ 792,775</u> | <u>\$ 1,264,982</u> | <u>\$ 10,808,124</u> |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ 58,609 | \$ 146,885 | \$ 3,962 | \$ 103,316 | \$ 178,123 | \$ 501,952 | \$ 24,527 | \$ 1,017,374 |
| Accrued liabilities | 27,317 | 49,095 | - | 31,894 | 1,641 | - | 1,906 | 111,853 |
| Due to other funds | 169,147 | 58,477 | 365,998 | 89,813 | 6,610 | 588,710 | 32,134 | 1,310,889 |
| Total liabilities | <u>255,073</u> | <u>254,457</u> | <u>369,960</u> | <u>225,023</u> | <u>186,374</u> | <u>1,090,662</u> | <u>58,567</u> | <u>2,440,116</u> |
| FUND BALANCES (DEFICIT) | | | | | | | | |
| Nonspendable | 164,059 | 160,788 | - | 43,427 | 4,569 | - | 13,240 | 386,083 |
| Restricted | - | - | - | - | - | - | 402,277 | 402,277 |
| Assigned | 374,400 | 1,111,618 | 49,085 | 779,355 | 2,098,150 | - | 790,898 | 5,203,506 |
| Unassigned | 2,674,029 | - | - | - | - | (297,887) | - | 2,376,142 |
| Total fund balances (deficit) | <u>3,212,488</u> | <u>1,272,406</u> | <u>49,085</u> | <u>822,782</u> | <u>2,102,719</u> | <u>(297,887)</u> | <u>1,206,415</u> | <u>8,368,008</u> |
| Total liabilities and fund balances (deficit) | <u>\$ 3,467,561</u> | <u>\$ 1,526,863</u> | <u>\$ 419,045</u> | <u>\$ 1,047,805</u> | <u>\$ 2,289,093</u> | <u>\$ 792,775</u> | <u>\$ 1,264,982</u> | <u>\$ 10,808,124</u> |

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

TOWN OF NEW HARTFORD, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
December 31, 2019

Amounts reported for governmental activities in the statement of net position (page 13) are different because:

| | | |
|--|----|-----------|
| Total fund balances (deficit)—governmental funds (page 15) | \$ | 8,368,008 |
|--|----|-----------|

| | | |
|--|--|------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$45,738,175 and the accumulated depreciation is \$25,171,678. | | 20,566,497 |
|--|--|------------|

| | | |
|--|--|--------|
| Deferred charges associated with refunding of bonds are not reported in the governmental funds. The charge is reported as a deferred outflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the related debt. | | 14,128 |
|--|--|--------|

Deferred outflows and inflows of resources related to pensions and other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the funds:

| | | | |
|---|--------------------|--|-------------|
| Deferred outflows related to employer contributions | \$ 616,010 | | |
| Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion | 887,120 | | |
| Deferred inflows related to pension plans | (628,973) | | |
| Deferred outflows related to OPEB | 1,179,021 | | |
| Deferred inflows related to OPEB | <u>(3,519,617)</u> | | (1,466,439) |

| | | |
|---|--|----------|
| Retained percentages payable are not a current liability and, therefore, are not reported in the funds. | | (40,480) |
|---|--|----------|

| | | |
|---|--|-----------|
| Net accrued interest expense for serial bonds is not reported in the funds. | | (197,044) |
|---|--|-----------|

Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized within the government-wide statements. The effects of these items are:

| | | | |
|-------------------------|---------------------|--|---------------------|
| Serial bonds | \$ (14,793,479) | | |
| Premium on serial bonds | (52,020) | | |
| Capital lease | (222,233) | | |
| Compensated absences | (946,328) | | |
| Net pension liability | (1,514,782) | | |
| Net OPEB obligation | <u>(16,041,097)</u> | | <u>(33,569,939)</u> |

| | | |
|---|----|--------------------|
| Net position of governmental activities | \$ | <u>(6,325,269)</u> |
|---|----|--------------------|

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

TOWN OF NEW HARTFORD, NEW YORK
Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit)—Governmental Funds
Year Ended December 31, 2019

| | Special Revenue | | | | | | Total | Total |
|--|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|---------------------|-----------------------|
| | General | Police | Highway Town-wide | Highway Part-Town | Sewer | Capital Projects | Nonmajor Funds | Governmental Funds |
| REVENUES | | | | | | | | |
| Real property taxes | \$ 1,445,747 | \$ 2,383,593 | \$ - | \$ - | \$ 447,395 | \$ - | \$ 1,522,172 | \$ 5,798,907 |
| Real property tax items | 333,145 | - | - | - | - | - | - | 333,145 |
| Nonproperty tax items | 1,470,022 | 1,390,373 | 72,286 | 3,339,152 | - | - | 266,717 | 6,538,550 |
| Departmental income | 343,128 | 24,462 | - | - | 11,398 | - | 147,036 | 526,024 |
| Intergovernmental charges | - | - | - | 321,940 | - | - | - | 321,940 |
| Use of money and property | 43,120 | - | - | - | - | 284 | 157 | 43,561 |
| Sale of property and compensation for loss | 834,519 | 3,220 | - | 168,322 | - | - | - | 1,006,061 |
| Licenses and permits | 29,315 | - | - | - | - | - | 201,603 | 230,918 |
| Fines and forfeitures | 156,758 | - | - | - | - | - | - | 156,758 |
| Interfund revenues | - | - | - | 14,986 | - | - | - | 14,986 |
| Miscellaneous | 82,685 | 85,688 | - | - | - | - | 95,344 | 263,717 |
| State aid | 494,529 | 234,380 | 366,364 | 228,215 | - | 250,000 | 28,487 | 1,601,975 |
| Federal aid | - | - | - | - | - | - | 104,274 | 104,274 |
| Total revenues | <u>5,232,968</u> | <u>4,121,716</u> | <u>438,650</u> | <u>4,072,615</u> | <u>458,793</u> | <u>250,284</u> | <u>2,365,790</u> | <u>16,940,816</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government support | 1,337,889 | 19,975 | - | - | 4,383 | - | 4,635 | 1,366,882 |
| Public safety | 139,809 | 2,563,277 | - | - | - | - | 1,266,231 | 3,969,317 |
| Health | - | - | - | - | - | - | 49,884 | 49,884 |
| Transportation | 147,822 | - | 347,191 | 2,694,724 | - | - | 253,175 | 3,442,912 |
| Economic assistance and opportunity | 92,226 | - | - | - | - | - | - | 92,226 |
| Culture and recreation | 785,204 | - | - | - | - | - | - | 785,204 |
| Home and community services | - | - | - | - | 393,239 | - | 261,050 | 654,289 |
| Employee benefits | 654,994 | 1,394,694 | - | 686,791 | 50,448 | - | 150,166 | 2,937,093 |
| Debt service: | | | | | | | | |
| Principal | 493,259 | 7,450 | 57,000 | 189,855 | 57,548 | - | 126,832 | 931,944 |
| Interest and fiscal charges | 157,176 | 6,111 | 15,286 | 62,949 | 7,738 | - | 443 | 249,703 |
| Capital outlay | - | - | - | - | - | 3,651,106 | - | 3,651,106 |
| Total expenditures | <u>3,808,379</u> | <u>3,991,507</u> | <u>419,477</u> | <u>3,634,319</u> | <u>513,356</u> | <u>3,651,106</u> | <u>2,112,416</u> | <u>18,130,560</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,424,589</u> | <u>130,209</u> | <u>19,173</u> | <u>438,296</u> | <u>(54,563)</u> | <u>(3,400,822)</u> | <u>253,374</u> | <u>(1,189,744)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | - | 55,000 | - | - | - | 786,835 | 235,364 | 1,077,199 |
| Transfers out | (868,510) | (22,562) | - | (114,883) | (4,907) | - | (66,337) | (1,077,199) |
| Proceeds from serial bonds | 83,200 | 147,875 | - | - | 32,500 | 7,941,928 | 61,425 | 8,266,928 |
| Total other financing sources (uses) | <u>(785,310)</u> | <u>180,313</u> | <u>-</u> | <u>(114,883)</u> | <u>27,593</u> | <u>8,728,763</u> | <u>230,452</u> | <u>8,266,928</u> |
| Net change in fund balances (deficit) | 639,279 | 310,522 | 19,173 | 323,413 | (26,970) | 5,327,941 | 483,826 | 7,077,184 |
| Fund balances (deficit)—beginning | <u>2,573,209</u> | <u>961,884</u> | <u>29,912</u> | <u>499,369</u> | <u>2,129,689</u> | <u>(5,625,828)</u> | <u>722,589</u> | <u>1,290,824</u> |
| Fund balances (deficit)—ending | <u>\$ 3,212,488</u> | <u>\$ 1,272,406</u> | <u>\$ 49,085</u> | <u>\$ 822,782</u> | <u>\$ 2,102,719</u> | <u>\$ (297,887)</u> | <u>\$ 1,206,415</u> | <u>\$ 8,368,008</u> |

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

TOWN OF NEW HARTFORD, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended December 31, 2019

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances (deficit)—total governmental funds (page 17) \$ 7,077,184

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

| | | |
|-------------------------|-----------------|-----------|
| Capital asset additions | \$ 3,830,783 | |
| Depreciation expense | (1,478,374) | |
| Net loss on disposals | <u>(80,980)</u> | 2,271,429 |

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

(1,153)

Net differences between pension contributions and OPEB changes recognized on the fund financial statements and the government-wide financial statements are as follows:

| | | |
|---|--------------------|-------------|
| Town pension contributions | \$ (6,935) | |
| Cost of benefits earned net of employee contributions | (127,628) | |
| Changes in OPEB assumptions | <u>(3,645,855)</u> | (3,780,418) |

Retainages payable are not paid with current financial resources and are not reported as expenditures in the funds.

25,458

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.

(126,550)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized within the government-wide statements. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

| | | |
|-------------------------------------|------------------|--------------------|
| Proceeds from serial bonds | \$ (8,266,928) | |
| Principal payments on serial bonds | 806,831 | |
| Amortization of bond premium | 4,247 | |
| Principal payments on capital lease | 125,113 | |
| Change in compensated absences | (139,435) | |
| Change in net OPEB liability | <u>3,138,221</u> | <u>(4,331,951)</u> |

Change in net position of governmental activities \$ 1,133,999

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

TOWN OF NEW HARTFORD, NEW YORK
Statement of Net Position—Agency Fund
December 31, 2019

| | <u>Agency Fund</u> |
|------------------------------|-------------------------------|
| ASSETS | |
| Restricted cash | \$ 514,397 |
| Other assets | 12,997 |
| Intergovernmental receivable | 105 |
| Service Award Program assets | <u>542,456</u> |
| Total assets | <u><u>\$ 1,069,955</u></u> |
| LIABILITIES | |
| Agency liabilities | \$ 526,092 |
| Due to other funds | 1,407 |
| Service Award Program | <u>542,456</u> |
| Total liabilities | <u><u>\$ 1,069,955</u></u> |

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

TOWN OF NEW HARTFORD, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of New Hartford, New York (the “Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (the “GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town’s accounting policies are described below.

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e. statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges to external customers for support. The Town reports no business-type activities. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Town reports one component unit, the New Hartford Public Library.

Reporting Entity

The Town is governed by the general laws of the State of New York and various local laws and ordinances. The Town Board is the legislative body responsible for the overall operations of the Town. The Supervisor serves as the Chief Executive Officer and as Chief Fiscal Officer of the Town.

Discretely Presented Component Unit—The component unit column in the basic financial statements includes the financial data of the Town’s discretely presented component unit. This unit is reported in a separate column to emphasis that it is legally separate from the Town.

- **New Hartford Public Library**—The New Hartford Public Library (the “Library”) was established in 1977 by the Town and granted a charter by the State Board of Regents as provided in Article 5 of the Education Law. The Town appoints all trustees, raises taxes for the library purposes, and as needed, issues all library indebtedness which is supported by the full faith and credit of the Town. The Library has title to its capital assets. The Library is a discretely presented component unit of the Town. The financial statements can be obtained by writing to the Library at 2 Library Lane, New Hartford, New York 13413.

Units of local government which operate within the boundaries of the Town consist of the Village of New Hartford, the Village of New York Mills, and the hamlets of Chadwicks and Washington Mills. Public education is provided by one independent school districts within the Town.

Basis of Presentation—Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide statements.

As discussed earlier, the Town has one discretely presented component unit shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Town's funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the Town and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is real property taxes.
- *Police Fund*—This fund accounts for the revenues and expenditures related to Police services. Real property taxes are raised for police services from the whole Town excluding the Village of New York Mills.
- *Highway Town-wide Fund*—The Highway Whole-Town Fund is used to record all revenues and expenditures related to road maintenance and construction inside Village boundaries. The major source of revenue for this fund is sales tax.
- *Highway Part-Town Fund*—The Highway Part-Town Fund is used to record all revenues and expenditures related to road maintenance and construction outside Village boundaries. The major source of revenue for this fund is non-property taxes.
- *Sewer Fund*—The Sewer Fund is used to account for and report the proceeds of specific revenue sources that are legally restricted to expenditures for the purpose of the Sewer Fund. The major source of revenue for this fund is real property taxes.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of capital facilities.

Additionally, the Towns reports the following fund type:

Fiduciary Funds—These funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Agency Fund*. The Agency Fund is custodial in nature and does not involve measurement of results of operations. The Agency Fund accounts, such as payroll withholdings, are reported as liabilities.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

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* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences, pensions and claims and judgments, 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.

Property taxes, non-property taxes, franchise taxes, licenses, interest and state and federal aid associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and the amount is received during the period of availability. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Agency Fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents and Investments—The Town’s cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. The Town had no investments at December 31, 2019; however, when the Town does have investments it is the Town’s policy to record them at fair value based on quoted market value.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent amounts to support fund balance restrictions, unspent proceeds of debt and cash held on behalf of others.

Receivables—Receivables are shown net of an allowance for uncollectible accounts, when applicable. No allowance or uncollectible account has been provided since it is believed that such an allowance would not be material.

Inventories—Year-end inventory of office supplies on hand is shown as an asset of the Town. Inventories of materials and supplies are recorded at cost on a first-in, first-out basis or market value, whichever is lower. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

Prepaid Items—Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than purchased.

Capital Assets—Capital assets, which include buildings and improvements, machinery and equipment and infrastructure are reported in the government-wide financial statements. Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value at the date of their donation. Additions, improvements, and other capital outlays that significantly extend the life of an asset are capitalized. Other costs incurred for repairs and maintenance and expensed as incurred. Infrastructure assets are capitalized on a prospective basis. Land and construction in progress are not depreciated. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as shown below:

| Assets | Years |
|----------------------------|-------|
| Buildings and improvements | 40 |
| Machinery and equipment | 3-15 |
| Infrastructure | 40 |

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new highway vehicle included as part of *expenditures—transportation*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *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. At December 31, 2019, the Town has three items that qualify for reporting in this category. This first item represents the effect of the net change in the Town's proportion of the collective net pension liability, the difference during the measurement period between the Town's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The second item represents the effects of the change in the Town's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability. The final item represents a deferred charge on refunding. Each of these items are reported in the government-wide financial statements.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *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. At December 31, 2019, the Town has two items that qualify for reporting in this category. The first item represents the effect of the net change in the Town's proportion of the collective net pension liability and the difference during the measurement periods between the Town's contributions and its proportionate share of the total contributions to the pension systems not included in pension expense and is reported on the government-wide statements. The second item represents the effects of the change in the Town's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability.

Net Position Flow Assumption—Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions—Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Town Board is the highest level of decision-making authority for the Town that can, by Town Board resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes, but do not meet the criteria to be classified as committed. The Town Board has by resolution authorized the Supervisor to assign fund balance. The Town Board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

Program Revenues—The amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—Taxes are collected by the receiver of taxes during the period January 1st to January 31st without penalty. Taxes are due by January 31st. If received during February, there is a 1% penalty. If payment is received in March, there is a 1.5% penalty. After May 31st, any unpaid amount is turned over to Oneida County. The County is responsible for collecting all taxes after April 1st. The County pays the Town for the delinquent taxes and assumes enforcement responsibility for all taxes levied in the Town.

Compensated Absences—Town employees are granted vacation and sick leave in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave at various rates subject to certain maximum limits.

Pension Plans—The Town is mandated by New York State law to participate in the New York State Local Employees' Retirement System ("ERS") and the New York State Police and Fire Retirement System ("PFRS"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

Length of Service Awards Program ("LOSAP")—The Town has adopted a LOSAP for firefighters that serve on a volunteer basis. This program is administered by an outside agency with the Town as trustee. More information is included in Note 7.

Other Postemployment Benefits—In addition to providing pension benefits, the Town provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 8.

Other

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

Adoption of New Accounting Pronouncements—During the year ended December 31, 2019, the Town implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing effective dates of certain provisions in Statements No. 83, 84, 87, 88, 89, 90, 91, 92, 93, 94, 96 and 97. The implementation of GASB Statement No. 95 did not have a material impact on the Town's financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Town has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, effective for the year ending December 31, 2020, No. 87, *Leases*; and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending December 31, 2021, No. 91, *Conduit Debt Obligations*; No. 92, *Omnibus 2020*; No. 93, *Replacement of Interbank Offered Rates*; and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for the year ending December 31, 2022, and No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending December 31, 2023. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 83, 84, 87, 88, 89, 90, 91, 92, 93, 94, 96, and 97 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets—The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- No later than October 5th, the Town Supervisor submits a tentative budget to the Town Clerk for the fiscal year commencing the following January 1st. The tentative budget includes proposed expenditures and the proposed means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- The budget is legally enacted through passage of legislative resolution no later than Thursday after election date. Certified copies are filed no later than November 20th with the tax roll coordinator of Oneida County for the purpose of preparing the tax levy.

- The Town Supervisor is authorized to transfer certain budgeted amounts within departments and/or individual funds.

Deficit Fund Balances—At December 31, 2019, the Town’s Capital Projects Fund reported a fund deficit of \$297,887. The deficit is caused by capital outlay expenditures exceeding resources available. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Town’s investment policies are governed by State statutes. In addition, the Town has its own written investment policy. 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 and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Town has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash and cash equivalents at December 31, 2019 are as follows:

| | Governmental Funds | Fiduciary Funds | Total |
|-------------------------------|-----------------------|--------------------|---------------------|
| Petty cash (uncollateralized) | \$ 375 | \$ - | \$ 375 |
| Deposits | 6,465,140 | 514,397 | 6,979,537 |
| Total | <u>\$ 6,465,515</u> | <u>\$ 514,397</u> | <u>\$ 6,979,912</u> |

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2019 as follows:

| | Bank Balance | Carrying Amount |
|--|---------------------|---------------------|
| FDIC insured | \$ 750,000 | \$ 750,000 |
| Uninsured: | | |
| Collateral held by pledging bank's agent in the Town's name | 6,160,716 | 6,229,537 |
| Total | <u>\$ 6,910,716</u> | <u>\$ 6,979,537</u> |

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. As noted above, by State Statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2019, the Town’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the Town’s name.

Investments—The Town had no investments at December 31, 2019.

Interest Rate Risk—In accordance with its investment policy, the Town manages exposures by limiting investments to low risk type investments governed by New York State statute.

Restricted Cash and Cash Equivalents—The Town reports amounts to support restricted fund balance, unspent proceeds of debt and amounts held on behalf of others as restricted cash and cash equivalents. At December 31, 2019, the Town reported \$923,730 and \$514,397 of restricted cash and cash equivalents within its governmental activities and Agency Fund, respectively.

New Hartford Public Library—The Library's cash and cash equivalents, including restricted cash of \$229,436, totaled \$408,617 and were fully collateralized or insured at December 31, 2019.

3. RECEIVABLES

Major revenues accrued by the Town at December 31, 2019 consisted of the following:

Receivables—Represents amounts due from various sources. Receivables at December 31, 2019 are:

| | | | |
|-----------------------------|----|----------------|-------------------|
| General Fund: | | | |
| Cable TV Franchise fees | \$ | 89,919 | |
| Recreation Center fees | | 82,847 | |
| Justice Court fees | | 21,167 | |
| Other | | <u>39,936</u> | \$ 233,869 |
| Police Fund: | | | |
| School Program | | 103,559 | |
| Town Patrols | | 10,562 | |
| Other | | <u>2,466</u> | 116,587 |
| Highway Part-Town Fund: | | | |
| Fuel | | 18,442 | |
| Ice control | | 3,721 | |
| Other | | <u>11,123</u> | 33,286 |
| Sewer: | | | |
| Miscellaneous | | | 994 |
| Capital Projects Fund: | | | |
| Miscellaneous | | | 2,992 |
| Nonmajor Funds: | | | |
| General Part-Town Fund—fees | | <u>101,467</u> | |
| Total governmental funds | | | <u>\$ 489,195</u> |

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State, County of Oneida or other local governments. Intergovernmental receivables at December 31, 2019 are shown on the following page.

| | | |
|-------------------------------|---------------|---------------------|
| General Fund: | | |
| Mortgage tax | \$ 200,400 | |
| Sales tax | 409,075 | \$ 609,475 |
| Police Fund: | | |
| Sales tax | 229,838 | |
| Miscellaneous | <u>2,560</u> | 232,398 |
| Highway Town-wide Fund: | | |
| Oneida County | | 143,754 |
| Highway Part-Town Fund: | | |
| Sales tax | 839,940 | |
| Oneida County plowing | <u>41,456</u> | 881,396 |
| Capital Projects Fund: | | |
| State grant parks improvement | 246,847 | |
| Miscellaneous | <u>2,000</u> | 248,847 |
| Nonmajor Funds: | | |
| General Part-Town Fund | | <u>39,165</u> |
| Total governmental funds | | <u>\$ 2,155,035</u> |
| Agency Fund: | | |
| Miscellaneous | | <u>105</u> |
| Total Agency Fund | | <u>\$ 105</u> |

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2019 was as follows:

| | Balance 1/1/2019 | Increases | Decreases | Balance 12/31/2019 |
|--|----------------------|---------------------|--------------------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 611,634 | \$ - | \$ - | \$ 611,634 |
| Construction in progress | <u>5,749,078</u> | <u>3,651,106</u> | <u>-</u> | <u>9,400,184</u> |
| Total capital assets, not being depreciated | <u>6,360,712</u> | <u>3,651,106</u> | <u>-</u> | <u>10,011,818</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 5,228,360 | - | - | 5,228,360 |
| Machinery and equipment | 10,365,939 | 179,677 | (167,160) | 10,378,456 |
| Infrastructure | <u>20,119,541</u> | <u>-</u> | <u>-</u> | <u>20,119,541</u> |
| Total capital assets, being depreciated | <u>35,713,840</u> | <u>179,677</u> | <u>(167,160)</u> | <u>35,726,357</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (4,105,064) | (130,709) | - | (4,235,773) |
| Machinery and equipment | (8,558,716) | (833,403) | 86,180 | (9,305,939) |
| Infrastructure | <u>(11,115,704)</u> | <u>(514,262)</u> | <u>-</u> | <u>(11,629,966)</u> |
| Total accumulated depreciation | <u>(23,779,484)</u> | <u>(1,478,374)</u> | <u>86,180</u> | <u>(25,171,678)</u> |
| Total capital assets, being depreciated, net | <u>11,934,356</u> | <u>(1,298,697)</u> | <u>(80,980)</u> | <u>10,554,679</u> |
| Total capital assets, net | <u>\$ 18,295,068</u> | <u>\$ 2,352,409</u> | <u>\$ (80,980)</u> | <u>\$ 20,566,497</u> |

Depreciation expense was charged to the functions of the governmental activities for the year ended December 31, 2019 as shown on the following page.

| | |
|-----------------------------|---------------------|
| General government support | \$ 292,754 |
| Public safety | 546,094 |
| Transportation | 397,287 |
| Culture and recreation | 86,123 |
| Home and community services | 156,116 |
| Total | <u>\$ 1,478,374</u> |

New Hartford Public Library—Capital asset activity for the Library for the year ended December 31, 2019 was as follows:

| | Balance 1/1/2019 | Increases | Decreases | Balance 12/31/2019 |
|--|---------------------|--------------------|-------------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 96,460 | \$ - | \$ - | \$ 96,460 |
| Total capital assets, not being depreciated | <u>96,460</u> | <u>-</u> | <u>-</u> | <u>96,460</u> |
| Capital assets, being depreciated: | | | | |
| Land improvements | 150,662 | - | - | 150,662 |
| Buildings and improvements | 2,952,971 | 87,875 | - | 3,040,846 |
| Machinery and equipment | 323,574 | - | - | 323,574 |
| Total capital assets, being depreciated | <u>3,427,207</u> | <u>87,875</u> | <u>-</u> | <u>3,515,082</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | (111,792) | (10,614) | - | (122,406) |
| Buildings and improvements | (1,113,054) | (88,153) | - | (1,201,207) |
| Machinery and equipment | (326,133) | (7,995) | - | (334,128) |
| Total accumulated depreciation | <u>(1,550,979)</u> | <u>(106,762)</u> | <u>-</u> | <u>(1,657,741)</u> |
| Total capital assets, being depreciated, net | <u>1,876,228</u> | <u>(18,887)</u> | <u>-</u> | <u>1,857,341</u> |
| Total capital assets, net | <u>\$ 1,972,688</u> | <u>\$ (18,887)</u> | <u>\$ -</u> | <u>\$ 1,953,801</u> |

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2019 were as follows:

| | General Fund | Police Fund | Highway Part-Town Fund | Sewer Fund | Total Nonmajor Funds | Total Governmental Funds |
|------------------------------|------------------|------------------|------------------------------|-----------------|----------------------------|--------------------------------|
| Salary and employee benefits | \$ 27,317 | \$ 49,095 | \$ 31,894 | \$ 1,641 | \$ 1,906 | \$ 111,853 |
| Total accrued liabilities | <u>\$ 27,317</u> | <u>\$ 49,095</u> | <u>\$ 31,894</u> | <u>\$ 1,641</u> | <u>\$ 1,906</u> | <u>\$ 111,853</u> |

6. PENSION PLANS

New York State and Local Police and Fire Retirement System (“PFRS”) and Employees’ Retirement System (“ERS”)—The Town participates in the PFRS and ERS (the “Systems”). The Systems provide retirement benefits as well as death and disability benefits. The net position of the Systems are held in the New York State Common Retirement Fund (the “Fund”), which was established to hold all assets and record changes in fiduciary net position allocated to the Systems. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the Systems. System benefits are established under the provisions of the New York State Retirement and Social Security Law (“NYSRSSL”). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension

membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Town also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The Systems are included in the State's financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2019, the Town reported the following liabilities for its proportionate share of the net pension liability for each of the Systems. The net pension liabilities were measured as of March 31, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2018, with update procedures used to roll forward the total net pension liabilities to the measurement date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the Systems in reports provided to the Town.

| | PFRS | ERS |
|--|----------------|----------------|
| Measurement date | March 31, 2019 | March 31, 2019 |
| Net pension liability | \$ 866,346 | \$ 648,436 |
| Town's portion of the Plan's total net pension liability | 0.0516585% | 0.0091519% |

For the year ended December 31, 2019, the Town recognized pension expenses of \$523,801 and \$432,547, respectively, for PFRS and ERS. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|-----------------------------------|-------------------|----------------------------------|-------------------|
| | PFRS | ERS | PFRS | ERS |
| Differences between expected and actual experiences | \$ 210,459 | \$ 127,691 | \$ 92,497 | \$ 43,528 |
| Changes of assumptions | 314,767 | 162,990 | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | - | 173,508 | 166,424 |
| Changes in proportion and differences between the Town's contributions and proportionate share of contributions | 126 | 71,087 | 129,381 | 23,635 |
| Town contributions subsequent to the measurement date | 328,274 | 287,736 | - | - |
| Total | <u>\$ 853,626</u> | <u>\$ 649,504</u> | <u>\$ 395,386</u> | <u>\$ 233,587</u> |

Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown below:

| Year Ending December 31, | PFRS | ERS |
|--------------------------|------------|------------|
| 2020 | \$ 129,500 | \$ 154,046 |
| 2021 | (70,891) | (117,004) |
| 2022 | (25,700) | (1,973) |
| 2023 | 82,144 | 93,112 |
| 2024 | 14,913 | - |

Actuarial Assumptions—The total pension liabilities as of the measurement date 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 date. The actuarial valuations used the actuarial assumptions:

| | PFRS | ERS |
|----------------------------|----------------------------------|----------------------------------|
| Measurement date | March 31, 2019 | March 31, 2019 |
| Actuarial valuation date | April 1, 2018 | April 1, 2018 |
| Interest rate | 7.00% | 7.00% |
| Salary scale | 5.00% | 4.20% |
| Decrement tables | April 1, 2010- March 31, 2015 | April 1, 2010- March 31, 2015 |
| Inflation rate | 2.5% | 2.5% |
| Cost-of-living adjustments | 1.3% | 1.3% |

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2014. The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

| Measurement date | PFRS and ERS | |
|----------------------------|-------------------|---------------------|
| | Target Allocation | Long-Term Expected |
| | | Real Rate of Return |
| Asset class: | March 31, 2019 | |
| Domestic equities | 36.0 % | 4.6 % |
| International equities | 14.0 | 6.4 |
| Private equity | 10.0 | 7.5 |
| Real estate | 10.0 | 5.6 |
| Absolute return strategies | 2.0 | 3.8 |
| Opportunistic portfolio | 3.0 | 5.7 |
| Real assets | 3.0 | 5.3 |
| Bonds and mortgages | 17.0 | 1.3 |
| Cash | 1.0 | (0.3) |
| Inflation-indexed bonds | 4.0 | 1.3 |
| Total | 100.0 % | |

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

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the Town's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the Town's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

| | 1% Decrease (6.0%) | Current Assumption (7.0%) | 1% Increase (8.0%) |
|---|--------------------------|---------------------------------|--------------------------|
| Employer's proportionate share of the net pension liability/(asset)—PFRS | \$ 3,130,846 | \$ 866,346 | \$ (1,024,774) |
| Employer's proportionate share of the net pension liability/(asset)—ERS | 2,835,066 | 648,436 | (1,188,488) |

Pension Plan Fiduciary Net Position—The components of the current-year net pension liabilities of the employers as of the valuation date, were as follows:

| | (Dollars in Thousands) | | |
|--|------------------------|---------------------|---------------------|
| | PFRS | ERS | Total |
| Valuation date | April 1, 2018 | April 1, 2018 | |
| Employers' total pension liability | \$ 34,128,100 | \$ 189,803,429 | \$ 223,931,529 |
| Plan fiduciary net position | 32,451,037 | 182,718,124 | 215,169,161 |
| Employers' net pension liability | <u>\$ 1,677,063</u> | <u>\$ 7,085,305</u> | <u>\$ 8,762,368</u> |
| System fiduciary net position as a percentage of total pension liability | 95.1% | 96.3% | 96.1% |

The New Hartford Public Library—The Library also participates in the ERS system.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At December 31, 2019, the Library reported a liability of \$23,595 for its proportionate share of the net pension liability. At the March 31, 2019 measurement date, the Library's proportion was 0.0003330%.

For the year ending December 31, 2019, the Library recognized pension expense of \$15,739. At December 31, 2019, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| | ERS | |
| Differences between expected and actual experiences | \$ 4,646 | \$ 1,584 |
| Changes of assumptions | 5,931 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 6,056 |
| Changes in proportion and differences between the Library's contributions and proportionate share of contributions | 2,587 | 860 |
| Library contributions subsequent to the measurement date | 10,470 | - |
| Total | <u>\$ 23,634</u> | <u>\$ 8,500</u> |

The Town's contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending December 31, 2020. 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 December 31,</u> | <u>ERS</u> |
|---------------------------------|------------|
| 2020 | \$ 5,605 |
| 2021 | (4,258) |
| 2022 | (72) |
| 2023 | 3,389 |

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The following chart presents the Library's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the Library's proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

| <u>ERS</u> | <u>1% Decrease (6.0%)</u> | <u>Current Assumption (7.0%)</u> | <u>1% Increase (8.0%)</u> |
|--|-----------------------------------|--|-----------------------------------|
| Employer's proportionate share of the net pension liability/(asset) | \$ 103,161 | \$ 23,595 | \$ (43,246) |

7. PENSION OBLIGATIONS—LOSAP

The Town has not implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*.

Plan Description—The Town established a defined benefit Length of Service Award Program ("LOSAP") for the active volunteer firefighters of the Willowvale Fire Co., Inc. the Willowvale Fire Co., Inc. Service Award Program took effect in January 1, 2008. The program was established pursuant to Article 11-A of General Municipal Law. The program provides municipally-funded, pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Town is the sponsor of the program.

The Town's financial statements are for the year ended December 31, 2019. However, the actuarially calculated obligations of the plan contained in this note are based on the information for the LOSAP for the plan year ended on January 1, 2019, which is the most recent plan year for which complete information is available.

Participation, Vesting and Service Credit—Active volunteer firefighters who have reached the age of 18 and who are current active members for one year on the Emergency Service organization's membership roster are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is 65. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates points in accordance with the method used by the sponsor to determine active status. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on a basis of a statutory list of activities and

Benefits—A participant’s benefit under the program is paid as a life annuity guaranteed for ten years. Equal to \$15 multiplied by the firefighter’s total number of years of firefighting service. The number of years of firefighters service use to compute the benefit cannot exceed 40 years, except in the case of death or disability, in which benefits are payable when the participant reached the entitlement age. The maximum benefit is \$600. The program provides statutorily mandated death and disability benefits.

Fiduciary Investment and Control—Service credit is determined by the governing Board of the sponsor, based on information certified to the governing Board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board.

The governing Board of the Sponsor has retained and designated Firefighters Benefit and Insurance Services (“FBIS”) to assist in the administration of the program. The designated program administrator’s functions include those services listed in the service fee agreement. Disbursements of program assets for the payment of benefits or administrative expenses must be approved. The following is an explanation of the process for approving disbursements for benefits:

1. Entitlement Benefits—FBIS prepared and submits to the Plan Administrator (Sponsor) a Verification of Benefits statement and an Annuity Enrollment form for participants active at entitlement age and for vested participants upon terminations from the plan. Following review for accuracy, the Plan Administrator signs and returns the paperwork to FBIS to disburse entitlement benefits.
2. Death Benefits—Upon notification from the Plan Administrator (Sponsor) of a participant’s death, FBIS prepares a Verification of Benefits statement and a lump-sum death benefit form. Following review for accuracy, the Plan Administrator signs and returns the paperwork accompanied by a death certificate to FBIS authorizing FBIS to disburse a death benefit.
3. Disability Benefits—Upon notification from the Plan Administrator (Sponsor) of a participant’s total and permanent disability, FBIS prepares a Verification of Benefits statement, a physician statement form, and lump-sum disability benefit form. Following review for accuracy, the Plan Administrator signs and returns the paperwork authorizing FBIS to disburse a disability benefit.

Payment of Administrative Expenses—Per the executed service fee agreement, the Plan Administrator agrees to payment as contracted.

Program assets are required to be held in trust by the LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. Program assets are held in compliance with GML 11-A217(j).

Authority to invest program assets is vested in the Hartford Life Insurance Company. Subject to restrictions in the program document, program assets are invested in accordance with a statutory “prudent person” rule.

Program Financial Condition—The Sponsor is required to retain an actuary to determine the amount of Sponsor’s contributions to the plan. The actuary retained by the Sponsor for this purpose is FBIS. Portions of the following information are derived from a report prepared by the actuary with a valuation date of January 1, 2019 for the plan year ending December 31, 2019.

Prior service costs have been amortized and paid. The program assets are less than the actuarial present value of accrued benefits.

Program Financial Condition

Asset and Liabilities:

| | | | |
|---|-------------------|----|----------------|
| Actuarial Present Value of Benefits at December 31, 2019: | | \$ | 542,456 |
| Less: Assets available for benefits | <u>% of total</u> | | |
| Cash | 1.59% | | 8,607 |
| Life Insurance - Specialty | 7.29% | | 39,571 |
| International Stock | 13.22% | | 71,731 |
| Small-Cap Stock | 3.79% | | 20,574 |
| Large-Cap Stock | 22.68% | | 123,015 |
| Bonds | 51.43% | | <u>278,958</u> |
| Total net assets available for benefits | 100.00% | | <u>542,456</u> |
| Total unfunded benefits | | \$ | <u>-</u> |

Receipts and Disbursements:

| | | | |
|------------------------------------|----|----------------|----------------|
| Plan net assets, January 1, 2019 | | \$ | 459,192 |
| Changes during the year: | | | |
| Add: Plan contributions | \$ | 43,471 | |
| Earnings from investments | | 4,652 | |
| Market gain | | 62,797 | |
| Less: Payments to retirees | | (20,934) | |
| Insurance premiums | | <u>(6,722)</u> | |
| Net change | | | <u>83,264</u> |
| Plan net assets, December 31, 2019 | | \$ | <u>542,456</u> |

Contributions

| | | |
|--|----|--------|
| Amount of sponsor's contributions recommended by actuary | \$ | 36,749 |
| Amount of sponsor's actual contributions | \$ | 43,471 |

Administrative Fees

| | | |
|----------------------|----|-------|
| Fees paid to actuary | \$ | 2,813 |
|----------------------|----|-------|

8. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description and Benefits Provided—In addition to pension benefits, the Town administers a single-employer defined benefit medical plan (the “Plan”). The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the Town subject to applicable collective bargaining and employment agreements. Generally, the employees may retire with benefits when they reach the age of 55 and have 20 years of service with the Town. The Plan does not issue standalone publicly available financial reports since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Employees Covered by Benefit Terms—At December 31, 2019, the following employees were covered by the benefit terms:

| | |
|--|------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 27 |
| Active employees | <u>58</u> |
| Total | <u><u>85</u></u> |

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments, which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“AAL”) under GASB Statement No. 45.

Total OPEB Liability

The Town’s total OPEB liability of \$16,041,097 was measured as of January 1, 2019, and was determined by an actuarial valuation as of January 1, 2019.

Actuarial Assumptions and Other Inputs—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the January 1, 2019 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 3.44% effective January 1, 2018 to 3.78% effective January 1, 2019 based on the Bond Buyer Weekly 20-Bond GO Index. The salary scale is 3.50%. Adjusted RPH-2014, fully generational using scale MP-2017 was used for mortality rates. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 6.0%, while the ultimate healthcare cost trend rate is 3.94%.

Changes in the Total OPEB Liability—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

| | <u>Total OPEB Liability</u> |
|--|---------------------------------|
| Balances at December 31, 2018 | \$ 19,179,318 |
| Changes for the year: | |
| Service cost | 675,307 |
| Interest | 675,868 |
| Differences between expected and actual experience | (1,746,884) |
| Changes of assumptions | (2,327,878) |
| Benefit payments | <u>(414,634)</u> |
| Net changes | <u>(3,138,221)</u> |
| Balances at December 31, 2019 | <u>\$ 16,041,097</u> |

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have a profound impact on total liabilities. The table below presents the effect a 1% change in the discount rate assumption would have on the total OPEB liability.

| | 1% Decrease (2.78%) | Current Discount Rate (3.78%) | 1% Increase (4.78%) |
|----------------------|---------------------------|-------------------------------------|---------------------------|
| Total OPEB liability | \$ 18,730,027 | \$ 16,041,097 | \$ 13,876,547 |

Additionally, healthcare costs can be subject to considerable volatility over time. The table below presents the effect on the net OPEB liability of a 1% change in the initial (6.8%)/ultimate (3.94%) healthcare cost trend rates.

| | 1% Decrease (5.0%/2.94%) | Health Healthcare Cost Trend Rates (6.0%/3.94%) | 1% Increase (7.0%/4.94%) |
|----------------------|--------------------------------|---|--------------------------------|
| Total OPEB liability | \$ 13,591,678 | \$ 16,041,097 | \$ 19,183,673 |

Funding Policy—Authorization for the Town to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the Town Board. The Town recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. Town governmental activities contributed \$414,634 for the fiscal year ended December 31, 2019. For the year ended December 31, 2019, the Town's governmental activities recognized OPEB expense of \$931,796. The Town's contributions to the OPEB plan are based on negotiated contracts with four bargaining units, as discussed in Note 16. Any amendments to the employer's contributions are subject to the collective bargaining agreements.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The Town reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. The following table presents the Town’s deferred outflows and inflows of resources at December 31, 2019:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 1,508,889 |
| Changes of assumptions | 754,859 | 2,010,728 |
| Benefit payments subsequent to the measurement date | 424,162 | - |
| Total | <u>\$ 1,179,021</u> | <u>\$ 3,519,617</u> |

The Town’s benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

| Year ended December 31, | |
|-------------------------|--------------|
| 2020 | \$ (419,379) |
| 2021 | (419,379) |
| 2022 | (419,379) |
| 2023 | (419,379) |
| 2024 and thereafter | (1,087,242) |

9. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance for: property coverage, inland marine coverage, general liability coverage, crime coverage, automobile coverage, umbrella coverage, accidental death and dismemberment coverage and cyber coverage. There have been no significant reduction in the levels of this commercial insurance from the prior year, nor have there been any settlements which exceeded insurance coverage for each of the past three fiscal years.

Property insurance is limited based on scheduled locations. Inland marine coverage has various limits for each individually scheduled property and equipment. The general liability insurance is limited to \$1 million per occurrence, with a \$3 million annual aggregate limit. Various crime coverage is limited to \$1 million per each wrongful act, with a \$2 million aggregate limit. Automobile insurance is limited to \$1 million per accident. Umbrella coverage is limited to \$4 million per occurrence with a \$4 million annual aggregate limit. Accidental death and dismemberment varies. Cyber coverage limits range from \$500,000 to \$1,000,000 for each first party insured event.

10. LEASE OBLIGATIONS

Capital Leases—The Town has two outstanding capital leases for certain equipment. During the year ended December 31, 2015, the Town entered into a lease agreement for a truck at an interest rate of 2.33%. Payments on the lease began in the year ending December 31, 2016 with the final payment to be made in year ending December 31, 2020. During the year ended December 31, 2017, the Town entered into a lease agreement for a sewer truck at an interest rate of 2.88%. Payments on the lease began in the year ended December 31, 2018 with the final payment to be made during the year ending December 31, 2022. A long-term liability for the leases of \$222,233 has been recorded within the Town's governmental activities. The assets acquired through the capital leases are shown below:

| | Governmental Activities |
|--------------------------------|----------------------------|
| Assets: | |
| Machinery and equipment | \$ 960,550 |
| Less: Accumulated depreciation | <u>(363,292)</u> |
| Total | <u>\$ 597,258</u> |

The obligations under the leases can be summarized as follows:

| Year ending December 31, | Governmental Activities |
|--|----------------------------|
| 2020 | \$ 134,243 |
| 2021 | 49,033 |
| 2022 | <u>49,032</u> |
| Total minimum lease payments | <u>232,308</u> |
| Less: Amount representing interest costs | <u>(10,075)</u> |
| Present value of minimum lease payments | <u>\$ 222,233</u> |

11. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvements projects may be renewed for periods equivalent to the life of the permanent financing, provided that annual reductions of principal are made. The following is a summary of the Town’s changes in short-term debt for the year ended December 31, 2019:

| Description | Interest Rate | Maturity Date | Balance 1/1/2019 | Issues | Redemptions | Balance 12/31/2019 |
|-------------------------|---------------|---------------|---------------------|-------------|---------------------|--------------------|
| General Fund: | | | | | | |
| Tax certiorari | 2.50% | 3/7/2019 | \$ 83,200 | \$ - | \$ 83,200 | \$ - |
| Police Fund: | | | | | | |
| Tax certiorari | 2.50% | 3/7/2019 | 147,875 | - | 147,875 | - |
| Sewer Fund: | | | | | | |
| Tax certiorari | 2.50% | 3/7/2019 | 32,500 | - | 32,500 | - |
| Capital Projects Fund: | | | | | | |
| Town Hall | 2.13% | 6/27/2019 | 4,500,000 | - | 4,500,000 | - |
| Various Equipment | 1.85% | 3/7/2019 | 1,386,929 | - | 1,386,929 | - |
| Grange Hill, Tilden Ave | 2.34% | 3/7/2019 | 1,250,000 | - | 1,250,000 | - |
| Nonmajor Funds: | | | | | | |
| Tax certiorari | 2.50% | 3/7/2019 | 61,425 | - | 61,425 | - |
| Total | | | <u>\$ 7,461,929</u> | <u>\$ -</u> | <u>\$ 7,461,929</u> | <u>\$ -</u> |

12. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The Town’s outstanding long-term liabilities include serial bonds, premiums on serial bonds, capital leases, compensated absences, net pension liability and other postemployment benefits (“OPEB”) obligations. The serial bonds of the Town are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the Town's long-term debt for the year ended December 31, 2019 follows:

| | Balance 1/1/2019 | Additions | Reductions | Balance 12/31/2019 | Due Within One Year |
|-------------------------|----------------------|---------------------|---------------------|-----------------------|------------------------|
| Serial bonds | \$ 7,333,382 | \$ 8,266,928 | \$ 806,831 | \$ 14,793,479 | \$ 965,681 |
| Premium on serial bonds | 56,267 | - | 4,247 | 52,020 | 4,247 |
| Capital lease | 347,346 | - | 125,113 | 222,233 | 128,275 |
| Compensated absences* | 806,893 | 139,435 | - | 946,328 | 47,316 |
| Net pension liability* | 837,879 | 676,903 | - | 1,514,782 | - |
| Net OPEB obligation | 19,179,318 | - | 3,138,221 | 16,041,097 | - |
| Total | <u>\$ 28,561,085</u> | <u>\$ 9,083,266</u> | <u>\$ 4,074,412</u> | <u>\$ 33,569,939</u> | <u>\$ 1,145,519</u> |

*Reductions to compensated absences and the net pension liability are shown net of additions.

Serial Bonds—The Town issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town.

On March 6, 2019, the Town issued \$8,266,928 in 2019 Public Improvement Serial Bonds. The bonds were issued to redeem bond anticipation notes and provide new money for projects and equipment. The 2019 Bonds have an interest rate ranging from 3.0 percent – 3.13 percent and are scheduled to mature on March 6, 2042.

A summary of additions and payments for the year ended December 31, 2019 is presented on the following page.

| Purpose | Year of Issue/ Maturity | Interest Rate (%) | Balance 1/1/2019 | Increases | Decreases | Balance 12/31/2019 | Due Within One Year |
|-----------------------------------|-------------------------------|----------------------|---------------------|---------------------|-------------------|-----------------------|---------------------------|
| General Fund Whole Town: | | | | | | | |
| Public improvements | 2002/2022 | 3.90-4.75% | \$ 243,000 | \$ - | \$ 67,000 | \$ 176,000 | \$ 67,000 |
| Public improvements | 2013/2027 | 2.50-3.25% | 425,500 | - | 94,600 | 330,900 | 100,400 |
| Parks and recreation improvements | 2016/2024 | 0.85-2.30% | 295,800 | - | 46,660 | 249,140 | 49,000 |
| Public improvements—refunding | 2018/2032 | 1.90-4.00% | 2,040,000 | - | 285,000 | 1,755,000 | 290,000 |
| Public improvements | 2019/2042 | 3.00-3.13% | - | 5,101,986 | - | 5,101,986 | 84,504 |
| Total General Fund Whole Town | | | <u>3,004,300</u> | <u>5,101,986</u> | <u>493,260</u> | <u>7,613,026</u> | <u>590,904</u> |
| Police Fund: | | | | | | | |
| Public improvements | 2013/2027 | 2.50-3.25% | 33,600 | - | 3,400 | 30,200 | 3,500 |
| Parks and recreation improvements | 2016/2024 | 0.85-2.30% | 25,600 | - | 4,050 | 21,550 | 4,250 |
| Public improvements | 2019/2042 | 3.00-3.13% | - | 263,260 | - | 263,260 | 4,360 |
| Total Police Fund | | | <u>59,200</u> | <u>263,260</u> | <u>7,450</u> | <u>315,010</u> | <u>12,110</u> |
| Highway Town-wide Fund: | | | | | | | |
| Public improvements | 2013/2027 | 2.50-3.25% | 563,800 | - | 57,000 | 506,800 | 59,000 |
| Public improvements | 2019/2042 | 3.00-3.13% | - | 40,919 | - | 40,919 | 677 |
| Total Highway Whole Town Fund | | | <u>563,800</u> | <u>40,919</u> | <u>57,000</u> | <u>547,719</u> | <u>59,677</u> |
| Highway Part-Town Fund: | | | | | | | |
| Public improvements | 2013/2027 | 2.50-3.25% | 592,100 | - | 60,000 | 532,100 | 62,100 |
| Parks and recreation improvements | 2016/2024 | 0.85-2.30% | 306,740 | - | 48,476 | 258,264 | 50,670 |
| Public improvements | 2019/2042 | 3.00-3.13% | - | 2,715,002 | - | 2,715,002 | 44,973 |
| Total Highway Part-Town Fund | | | <u>898,840</u> | <u>2,715,002</u> | <u>108,476</u> | <u>3,505,366</u> | <u>157,743</u> |
| Water Fund: | | | | | | | |
| Water improvements | 2006/2036 | 0.00% | 2,738,382 | - | 126,831 | 2,611,551 | 128,753 |
| Total Water Fund | | | <u>2,738,382</u> | <u>-</u> | <u>126,831</u> | <u>2,611,551</u> | <u>128,753</u> |
| Sewer Fund: | | | | | | | |
| Public improvements | 2002/2022 | 3.90-4.75% | 32,000 | - | 8,000 | 24,000 | 8,000 |
| Parks and recreation improvements | 2016/2024 | 0.85-2.30% | 36,860 | - | 5,814 | 31,046 | 6,080 |
| Public improvements | 2019/2042 | 3.00-3.13% | - | 86,541 | - | 86,541 | 1,433 |
| Total Sewer Fund | | | <u>68,860</u> | <u>86,541</u> | <u>13,814</u> | <u>141,587</u> | <u>15,513</u> |
| Fire Fund: | | | | | | | |
| Public improvements | 2019/2042 | 3.00-3.13% | - | 59,220 | - | 59,220 | 981 |
| Total Fire Fund | | | <u>-</u> | <u>59,220</u> | <u>-</u> | <u>59,220</u> | <u>981</u> |
| Total | | | <u>\$ 7,333,382</u> | <u>\$ 8,266,928</u> | <u>\$ 806,831</u> | <u>\$ 14,793,479</u> | <u>\$ 965,681</u> |

Premium on Serial Bonds—As previously mentioned, the Town issued 2018 Public Improvement Refunding Bonds at a premium of \$59,452. The premium is being amortized over the life of the bonds. At December 31, 2019, the remaining premium is \$52,020.

Compensated Absences—As described in Note 1, the Town records the value of compensated absences. The annual budgets of the respective funds of which the employees' payroll is recorded provide funding for these benefits as they become payable. The value recorded at December 31, 2019, for governmental activities is \$946,328. While the payments of compensated absences are dependent upon many factors, the Town has estimated that \$47,316 will become due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

Net Pension Liability—The Town reports a liability for its proportionate share of the net pension liability for the Employees' Retirement System and Police and Fire Retirement System. The net pension liability is estimated to be \$1,514,782. Refer to Note 6 for additional information related to the Town's net pension liability.

Net OPEB Obligation—As discussed in Note 9, the Town's net OPEB obligation at December 31, 2019 is \$16,041,097.

The following is a maturity schedule of the Town's indebtedness.

| Year ending December 31, | Serial Bonds | Premium on Serial Bonds | Capital Lease | Compensated Absences | Net Pension Liability | Net OPEB Obligation | Total |
|-----------------------------|----------------------|-------------------------------|-------------------|-------------------------|--------------------------|------------------------|----------------------|
| 2020 | \$ 965,681 | \$ 4,247 | \$ 128,275 | \$ 47,316 | \$ - | \$ - | \$ 1,145,519 |
| 2021 | 1,105,674 | 4,247 | 46,308 | - | - | - | 1,156,229 |
| 2022 | 1,032,596 | 4,247 | 47,650 | - | - | - | 1,084,493 |
| 2023 | 869,520 | 4,247 | - | - | - | - | 873,767 |
| 2024 | 771,439 | 4,247 | - | - | - | - | 775,686 |
| 2025-2029 | 3,161,020 | 21,233 | - | - | - | - | 3,182,253 |
| 2030-2034 | 2,809,059 | 9,552 | - | - | - | - | 2,818,611 |
| 2035-2039 | 2,623,496 | - | - | - | - | - | 2,623,496 |
| Thereafter | 1,454,994 | - | - | 899,012 | 1,514,782 | 16,041,097 | 19,909,885 |
| Total | <u>\$ 14,793,479</u> | <u>\$ 52,020</u> | <u>\$ 222,233</u> | <u>\$ 946,328</u> | <u>\$ 1,514,782</u> | <u>\$ 16,041,097</u> | <u>\$ 33,569,939</u> |

Interest requirements on serial bonds payable and capital leases are as follows:

| Year ending December 31, | Serial Bonds | Capital Leases |
|-----------------------------|---------------------|-------------------|
| 2020 | \$ 471,759 | \$ 5,968 |
| 2021 | 325,048 | 2,725 |
| 2022 | 298,602 | 1,382 |
| 2023 | 274,546 | - |
| 2024 | 256,002 | - |
| 2025-2029 | 1,032,523 | - |
| 2030-2034 | 699,990 | - |
| 2035-2039 | 391,965 | - |
| 2040-2044 | 69,142 | - |
| Total | <u>\$ 3,819,577</u> | <u>\$ 10,075</u> |

The New Hartford Public Library

The Library's outstanding long-term liabilities include compensated absences and net pension liability. A summary of changes in the Library's long-term debt at December 31, 2019 is shown on the following page.

| | Balance 1/1/2019 | Additions | Reductions | Balance 12/31/2019 | Due Within One Year |
|------------------------|---------------------|------------------|-----------------|-----------------------|------------------------|
| Compensated absences | \$ 4,010 | \$ 3,925 | \$ 4,010 | \$ 3,925 | \$ 3,925 |
| Net pension liability* | 9,982 | 13,613 | - | 23,595 | - |
| Total | <u>\$ 13,992</u> | <u>\$ 17,538</u> | <u>\$ 4,010</u> | <u>\$ 27,520</u> | <u>\$ 3,925</u> |

*Reductions to the net pension liability are shown net of additions.

Compensated Absences—As described in Note 1, the Library records the value of compensated absences. The value recorded at December 31, 2019 for the Library is \$3,925, all of which is considered to be due within one year.

Net Pension Liability—The Library reports a liability for its proportionate share of the net pension liability for the Employees' Retirement System. The Library's net pension liability is estimated to be \$23,595. Refer to Note 6 for additional information related to the Library's net pension liability.

13. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. A reconciliation of the Town's governmental activities net investment in capital assets is shown below:

| | |
|---|---------------------|
| Capital assets, net of accumulated depreciation | \$ 20,566,497 |
| Related debt: | |
| Serial bonds | (14,793,479) |
| Premium on serial bonds | (52,020) |
| Deferred charge on refunding | 14,128 |
| Capital leases | (222,233) |
| Unspent debt proceeds | <u>616,341</u> |
| Net investment in capital assets | <u>\$ 6,129,234</u> |

- **Restricted Net Position**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions and enabling legislation.
- **Unrestricted Net Position**—This category represents the net position of the Town not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the Town at December 31, 2019 are shown on the following page.

- **Prepaid Items**—Represents amounts prepaid for various insurance policies. The General Fund, Police Fund, Highway Part-Town Fund, Sewer Fund and Nonmajor Funds reported \$158,896, \$160,788, \$43,427, \$4,569 and \$13,240, respectively, at December 31, 2019.
- **Inventories**—Represents the portion of fund balance, \$5,163, composed of inventory and is nonspendable because inventory is not an available spendable resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or by enabling legislation. Restricted fund balances of the Town at December 31, 2019 include:

- **Restricted for Mitigation**—Represents funds, \$402,277, held from the collection of mitigation fees that can only be spent on specific public improvements.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Town's highest level of decision-making authority. At December 31, 2019, the Town reported no committed fund balance.

In the fund financial statements, assignments are not legally required segregations, but are subject to a purpose constraint that represents an intended use established by the Town Board. 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. At December 31, 2019, the following fund balances were considered to be assigned:

| | General Fund | Police Fund | Highway Whole-Town Fund | Highway Part-Town Fund | Sewer Fund | Nonmajor Funds | Total |
|----------------------------------|-------------------|---------------------|-------------------------------|------------------------------|---------------------|-------------------|---------------------|
| Subsequent year's appropriations | \$ 374,400 | \$ - | \$ - | \$ - | \$ 185,110 | \$ 86,514 | \$ 646,024 |
| Specific use | - | 1,111,618 | 49,085 | 779,355 | 1,913,040 | 704,384 | 4,557,482 |
| Total assigned fund balance | <u>\$ 374,400</u> | <u>\$ 1,111,618</u> | <u>\$ 49,085</u> | <u>\$ 779,355</u> | <u>\$ 2,098,150</u> | <u>\$ 790,898</u> | <u>\$ 5,203,506</u> |

- **Assigned to Subsequent Year's Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2020 fiscal year.
- **Assigned to Specific Use**—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment's purpose relates to each fund's operations and represents amounts within funds that are not restricted or committed.

If the Town must use funds for emergency expenditures, the Board shall authorize the Supervisor to expend funds first from funds classified under GASB as nonspendable (if the funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other funds are available, the Town will use unassigned fund balance.

14. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short term in nature and exist because of temporary advances or payments made on behalf of other funds. All interfund balances are expected to be collected/paid within the ensuing year. Interfund transfers are routine annual events for both the budget and accounting process and are necessary to present funds in their proper fund classification.

Interfund receivables, payables, and transfers of the Town as of, and for the year ended December 31, 2019 are presented below:

| Fund | Interfund | | | |
|------------------------|---------------------|---------------------|---------------------|---------------------|
| | Receivables | Payables | Transfers in | Transfers out |
| Governmental funds: | | | | |
| General Fund | \$ 609,072 | \$ 169,147 | \$ - | \$ 868,510 |
| Police Fund | 9 | 58,477 | 55,000 | 22,562 |
| Highway Part-Town Fund | - | 89,813 | - | 114,883 |
| Sewer Fund | 664,530 | 6,610 | - | 4,907 |
| Capital Projects Fund | - | 588,710 | 786,835 | - |
| Nonmajor funds | 38,685 | 398,132 | 235,364 | 66,337 |
| Fiduciary funds: | | | | |
| Agency Fund | - | 1,407 | - | - |
| Total | <u>\$ 1,312,296</u> | <u>\$ 1,312,296</u> | <u>\$ 1,077,199</u> | <u>\$ 1,077,199</u> |

15. AGENCY FUND

An agency fund exists for employee withholding and temporary deposit funds. A summary of changes in the assets and liabilities for the year ended December 31, 2019 is presented below:

| | Balance 1/1/2019 | Increases | Decreases | Balance 12/31/2019 |
|------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| ASSETS | | | | |
| Restricted Cash | \$ 796,508 | \$ 2,115,858 | \$ (2,397,969) | \$ 514,397 |
| Other assets | 12,533 | 14,098 | (13,634) | 12,997 |
| Intergovernmental receivable | - | 105 | - | 105 |
| Service Award Program assets | 459,192 | 110,920 | (27,656) | 542,456 |
| Total assets | <u>\$ 1,268,233</u> | <u>\$ 2,240,981</u> | <u>\$ (2,439,259)</u> | <u>\$ 1,069,955</u> |
| LIABILITIES | | | | |
| Agency liabilities | \$ 807,634 | \$ 2,130,061 | \$ (2,411,603) | \$ 526,092 |
| Due from other funds | 1,407 | - | - | 1,407 |
| Service Awards Program | 459,192 | 110,920 | (27,656) | 542,456 |
| Total liabilities | <u>\$ 1,268,233</u> | <u>\$ 2,240,981</u> | <u>\$ (2,439,259)</u> | <u>\$ 1,069,955</u> |

16. LABOR RELATIONS

Town employees are represented by four bargaining units with the balance governed by Town Board rules and regulations. The Dispatcher Benevolent Association and the Parks and Recreation Teamsters Local No. 182 have contracts through December 31, 2019, and the Joseph Corr Police Benevolent Association and Highway Teamsters Local No. 182 have contracts through December 31, 2020.

17. TAX ABATEMENTS

The Town is subject to programs entered into by the Oneida County Industrial Development Agency (“OCIDA”). These programs have the stated purpose of increasing business activity and employment in the region and providing housing for senior citizens and disabled citizens with low to moderate income. Economic development agreements entered into by the OCIDA includes the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the Town the abatements have resulted in reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by the OCIDA and the Town, the Town collected \$69,702 during the 2019 fiscal year in payments in lieu of taxes (“PILOTs”); these collections were made in lieu of \$146,091 in property taxes.

18. CONTINGENCIES

Grants—In the normal course of operations, the Town receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of any expenditures which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Litigation—The Town is involved in litigation in the ordinary course of its operations. The Town believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the Town’s financial condition or results of operations.

Assessments—The Town is a defendant in various litigation under Article 7 of the Real Property Tax Law of the State of New York to review tax assessments. While the Town vigorously defends assessments, the likelihood of success is on a case by case basis, and is dependent upon various factors including market values and appraised amounts. Management believes that the level of potential losses on these cases, if any, would be immaterial and no provisions have been made within the financial statements.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 16, 2020, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF NEW HARTFORD, NEW YORK
Schedule of the Town's Proportionate Share of the
Net Pension Liability—Police and Fire Retirement System
Last Six Fiscal Years*

| | Year Ended December 31, | | | | | |
|--|-------------------------|-------------------|---------------------|---------------------|-------------------|-------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Measurement date | March 31, 2019 | March 31, 2018 | March 31, 2017 | March 31, 2016 | March 31, 2015 | March 31, 2014 |
| Town's proportion of the net pension liability | 0.0516585% | 0.0533926% | 0.0567903% | 0.058437% | 0.058184% | 0.058184% |
| Town's proportionate share of the net pension liability | <u>\$ 866,346</u> | <u>\$ 539,670</u> | <u>\$ 1,177,066</u> | <u>\$ 1,730,184</u> | <u>\$ 160,158</u> | <u>\$ 242,227</u> |
| Town's covered payroll | \$ 1,903,898 | \$ 1,870,032 | \$ 1,857,505 | \$ 1,788,100 | \$ 1,731,783 | \$ 1,709,519 |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 45.5% | 28.9% | 63.4% | 96.8% | 9.2% | 14.2% |
| Plan fiduciary net position as a percentage of the total pension liability | 95.1% | 93.5% | 93.5% | 90.2% | 99.0% | 98.5% |

*Information prior to December 31, 2014 is not available.

TOWN OF NEW HARTFORD, NEW YORK
Schedule of the Town's Contributions—
Police and Fire Retirement System
Last Six Fiscal Years*

| | Year Ended December 31, | | | | | |
|---|-------------------------|------------------|------------------|------------------|------------------|------------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Contractually required contribution | \$ 430,576 | \$ 428,947 | \$ 416,259 | \$ 397,862 | \$ 476,267 | \$ 428,212 |
| Contributions in relation to the contractually required contribution | <u>(430,576)</u> | <u>(428,947)</u> | <u>(416,259)</u> | <u>(397,862)</u> | <u>(476,267)</u> | <u>(428,212)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered payroll | \$ 1,903,146 | \$ 1,882,884 | \$ 1,867,125 | \$ 1,851,484 | \$ 1,840,060 | \$ 1,731,108 |
| Contributions as a percentage of covered payroll | 22.6% | 22.8% | 28.5% | 21.5% | 25.9% | 24.7% |

*Information prior to December 31, 2014 is not available.

TOWN OF NEW HARTFORD, NEW YORK
Schedule of the Town's Proportionate Share of the
Net Pension Liability—Employees' Retirement System
Last Six Fiscal Years*

| | Year Ended December 31, | | | | | |
|---|-------------------------|-------------------|-------------------|---------------------|-------------------|-------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Measurement date | March 31, 2019 | March 31, 2018 | March 31, 2017 | March 31, 2016 | March 31, 2015 | March 31, 2014 |
| Plan fiduciary net position as a percentage of the total pension liability | 96.3% | 98.2% | 94.7% | 90.7% | 97.9% | 97.2% |
| Town of New Hartford ("Town"): | | | | | | |
| Town's proportion of the net pension liability | 0.0091519% | 0.0092398% | 0.0091062% | 0.0097943% | 0.0105183% | 0.0105045% |
| Town's proportionate share of the net pension liability | <u>\$ 648,436</u> | <u>\$ 298,209</u> | <u>\$ 855,636</u> | <u>\$ 1,572,015</u> | <u>\$ 355,333</u> | <u>\$ 474,681</u> |
| Town's covered payroll | \$ 2,555,046 | \$ 2,619,631 | \$ 2,573,075 | \$ 2,558,750 | \$ 2,569,190 | \$ 2,473,210 |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 25.38% | 11.38% | 33.25% | 61.44% | 13.83% | 19.19% |
| Town of New Hartford Public Library ("Library"): | | | | | | |
| Library's proportion of the net pension liability | 0.0003330% | 0.0003093% | 0.0006226% | 0.0006677% | 0.0006567% | 0.0006705% |
| Library's proportionate share of the net pension liability | <u>\$ 23,595</u> | <u>\$ 9,982</u> | <u>\$ 58,505</u> | <u>\$ 107,166</u> | <u>\$ 22,184</u> | <u>\$ 30,299</u> |
| Library's covered payroll | \$ 92,944 | \$ 113,464 | \$ 94,650 | \$ 160,611 | \$ 197,461 | \$ 161,164 |
| Library's proportionate share of the net pension liability as a percentage of its covered payroll | 25.39% | 8.80% | 61.81% | 66.72% | 11.23% | 18.80% |

*Information prior to December 31, 2014 is not available.

TOWN OF NEW HARTFORD, NEW YORK
Schedule of the Town's Contributions—
Employees' Retirement System
Last Six Fiscal Years*

| | Year Ended March 31, | | | | | |
|--|-----------------------------|------------------|------------------|------------------|------------------|------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Town of New Hartford ("Town"): | | | | | | |
| Contractually required contribution | \$ 385,343 | \$ 391,532 | \$ 397,720 | \$ 489,332 | \$ 456,306 | \$ 521,918 |
| Contributions in relation to the contractually required contribution | <u>(385,343)</u> | <u>(391,532)</u> | <u>(397,720)</u> | <u>(489,332)</u> | <u>(456,306)</u> | <u>(521,918)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered payroll | \$ 2,549,013 | \$ 2,663,573 | \$ 2,597,911 | \$ 2,524,980 | \$ 2,694,546 | \$ 2,608,107 |
| Contributions as a percentage of covered payroll | 15.1% | 14.7% | 15.3% | 19.4% | 16.9% | 20.0% |
| Town of New Hartford Public Library ("Library") | | | | | | |
| Contractually required contribution | \$ 14,022 | \$ 13,106 | \$ 11,632 | \$ 30,570 | \$ 28,507 | \$ 32,606 |
| Contributions in relation to the contractually required contribution | <u>(14,022)</u> | <u>(13,106)</u> | <u>(11,632)</u> | <u>(30,570)</u> | <u>(28,507)</u> | <u>(32,606)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Library's covered payroll | \$ 92,725 | \$ 118,668 | \$ 108,990 | \$ 95,586 | \$ 189,115 | \$ 194,453 |
| Contributions as a percentage of covered payroll | 15.1% | 11.0% | 10.7% | 32.0% | 15.1% | 16.8% |

*Information prior to December 31, 2014 is not available.

TOWN OF NEW HARTFORD, NEW YORK
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios
Last Two Fiscal Years*

| Total OPEB Liability | 2019 | 2018 |
|---|----------------------|----------------------|
| Service cost | \$ 675,307 | \$ 609,152 |
| Interest | 675,868 | 668,295 |
| Differences between expected and actual experience | (1,746,884) | - |
| Changes of assumptions or other inputs | (2,327,878) | 1,026,391 |
| Benefit payments | (414,634) | (390,232) |
| Net changes in total OPEB liability | (3,138,221) | 1,913,606 |
| Total OPEB liability—beginning | 19,179,318 | 17,265,712 |
| Total OPEB liability—ending | <u>\$ 16,041,097</u> | <u>\$ 19,179,318</u> |
| Plan Fiduciary Net Position | | |
| Contributions—employer | \$ 414,634 | \$ 390,232 |
| Benefit payments | (414,634) | (390,232) |
| Net change in plan fiduciary net position | - | - |
| Plan fiduciary net position—beginning | - | - |
| Plan fiduciary net position—ending | <u>\$ -</u> | <u>\$ -</u> |
| Town's net OPEB liability—ending | <u>\$ 16,041,097</u> | <u>\$ 19,179,318</u> |
| Plan's fiduciary net position as a percentage of the total OPEB liability | 0.0% | 0.0% |
| Covered-employee payroll | \$ 3,728,918 | \$ 3,728,918 |

*Information prior to the year ended December 31, 2018 is not available.

The notes to the required supplementary information is an integral part of this schedule.

TOWN OF NEW HARTFORD, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2019

| | Budgeted Amounts | | | Variance with |
|--|-------------------------|---------------------|---------------------|----------------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Real property taxes | \$ 1,445,735 | \$ 1,445,735 | \$ 1,445,747 | \$ 12 |
| Real property tax items | 365,763 | 365,763 | 333,145 | (32,618) |
| Nonproperty tax items | 1,165,555 | 1,165,555 | 1,470,022 | 304,467 |
| Departmental income | 275,490 | 275,490 | 343,128 | 67,638 |
| Use of money and property | 3,000 | 3,000 | 43,120 | 40,120 |
| Sale of property and compensation for loss | - | - | 834,519 | 834,519 |
| Licenses and permits | 29,425 | 29,425 | 29,315 | (110) |
| Fines and forfeitures | 170,000 | 170,000 | 156,758 | (13,242) |
| Miscellaneous | 13,556 | 13,556 | 82,685 | 69,129 |
| State aid | 496,603 | 496,603 | 494,529 | (2,074) |
| Total revenues | <u>3,965,127</u> | <u>3,965,127</u> | <u>5,232,968</u> | <u>1,267,841</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government support | 1,370,291 | 1,370,291 | 1,337,889 | 32,402 |
| Public safety | 145,488 | 145,488 | 139,809 | 5,679 |
| Transportation | 134,935 | 134,935 | 147,822 | (12,887) |
| Economic assistance and opportunity | 104,883 | 104,883 | 92,226 | 12,657 |
| Culture and recreation | 798,858 | 798,858 | 785,204 | 13,654 |
| Employee benefits | 726,576 | 726,576 | 654,994 | 71,582 |
| Debt service: | | | | |
| Principal | 497,700 | 497,700 | 493,259 | 4,441 |
| Interest and fiscal charges | 186,396 | 186,396 | 157,176 | 29,220 |
| Total expenditures | <u>3,965,127</u> | <u>3,965,127</u> | <u>3,808,379</u> | <u>156,748</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>1,424,589</u> | <u>1,424,589</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | - | (868,510) | (868,510) |
| Proceeds from serial bonds | - | - | 83,200 | 83,200 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(785,310)</u> | <u>(785,310)</u> |
| Net change in fund balances | - | - | 639,279 | 639,279 |
| Fund balances—beginning | <u>2,573,209</u> | <u>2,573,209</u> | <u>2,573,209</u> | <u>-</u> |
| Fund balances—ending | <u>\$ 2,573,209</u> | <u>\$ 2,573,209</u> | <u>\$ 3,212,488</u> | <u>\$ 639,279</u> |

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF NEW HARTFORD, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Police Fund
Year Ended December 31, 2019

| | Budgeted Amounts | | | Variance with |
|--|-------------------------|-------------------|---------------------|----------------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Real property taxes | \$ 2,383,573 | \$ 2,383,573 | \$ 2,383,593 | \$ 20 |
| Nonproperty tax items | 1,390,373 | 1,390,373 | 1,390,373 | - |
| Departmental income | 26,700 | 26,700 | 24,462 | (2,238) |
| Sale of property and compensation for loss | 7,500 | 7,500 | 3,220 | (4,280) |
| Miscellaneous | 93,080 | 93,080 | 85,688 | (7,392) |
| State aid | 251,360 | 251,360 | 234,380 | (16,980) |
| Total revenues | <u>4,152,586</u> | <u>4,152,586</u> | <u>4,121,716</u> | <u>(30,870)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government support | 19,976 | 19,976 | 19,975 | 1 |
| Public safety | 2,709,912 | 2,709,912 | 2,563,277 | 146,635 |
| Employee benefits | 1,530,056 | 1,530,056 | 1,394,694 | 135,362 |
| Debt service: | | | | |
| Principal | 12,000 | 12,000 | 7,450 | 4,550 |
| Interest and fiscal charges | 6,112 | 6,112 | 6,111 | 1 |
| Total expenditures | <u>4,278,056</u> | <u>4,278,056</u> | <u>3,991,507</u> | <u>146,636</u> |
| Excess (deficiency) of revenues over expenditures | <u>(125,470)</u> | <u>(125,470)</u> | <u>130,209</u> | <u>115,766</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 55,000 | 55,000 | 55,000 | - |
| Transfers out | - | - | (22,562) | (22,562) |
| Proceeds from serial bonds | - | - | 147,875 | 147,875 |
| Total other financing sources (uses) | <u>55,000</u> | <u>55,000</u> | <u>180,313</u> | <u>125,313</u> |
| Net change in fund balances* | (70,470) | (70,470) | 310,522 | 241,079 |
| Fund balances—beginning | <u>961,884</u> | <u>961,884</u> | <u>961,884</u> | <u>-</u> |
| Fund balances—ending | <u>\$ 891,414</u> | <u>\$ 891,414</u> | <u>\$ 1,272,406</u> | <u>\$ 241,079</u> |

* The net change in fund balance was included as an appropriation (i.e. spenddown) of fund balance.

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF NEW HARTFORD, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Highway Town-wide Fund
Year Ended December 31, 2019

| | <u>Budgeted Amounts</u> | | | <u>Variance with</u> |
|-----------------------------|-------------------------|--------------------|------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Final Budget</u> |
| REVENUES | | | | |
| Nonproperty tax items | \$ 72,286 | \$ 72,286 | \$ 72,286 | \$ - |
| State aid | - | 366,364 | 366,364 | - |
| Total revenues | <u>72,286</u> | <u>438,650</u> | <u>438,650</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | 65,000 | 431,364 | 347,191 | 84,173 |
| Debt service: | | | | |
| Principal | 57,000 | 57,000 | 57,000 | - |
| Interest and fiscal charges | <u>15,286</u> | <u>15,286</u> | <u>15,286</u> | <u>-</u> |
| Total expenditures | <u>137,286</u> | <u>503,650</u> | <u>419,477</u> | <u>84,173</u> |
| Net change in fund balance* | (65,000) | (65,000) | 19,173 | 84,173 |
| Fund balances—beginning | <u>29,912</u> | <u>29,912</u> | <u>29,912</u> | <u>2,129,689</u> |
| Fund balances—ending | <u>\$ (35,088)</u> | <u>\$ (35,088)</u> | <u>\$ 49,085</u> | <u>\$ 2,213,862</u> |

* The net change in fund balance was included as an appropriation (i.e. spenddown) of fund balance.

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF NEW HARTFORD, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Highway Part-Town Fund
Year Ended December 31, 2019

| | <u>Budgeted Amounts</u> | | | <u>Variance with</u> |
|--|-------------------------|-------------------|-------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Final Budget</u> |
| REVENUES | | | | |
| Nonproperty tax items | \$ 2,994,169 | \$ 2,994,169 | \$ 3,339,152 | \$ 344,983 |
| Departmental income | 1,500 | 1,500 | - | (1,500) |
| Intergovernmental charges | 263,000 | 263,000 | 321,940 | 58,940 |
| Sale of property and compensation for loss | 19,500 | 19,500 | 168,322 | 148,822 |
| Interfund revenues | - | 0 | 14,986 | 14,986 |
| State aid | 161,204 | 161,204 | 228,215 | 67,011 |
| Total revenues | <u>3,439,373</u> | <u>3,439,373</u> | <u>4,072,615</u> | <u>633,242</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | 2,481,250 | 2,396,040 | 2,694,724 | (298,684) |
| Employee benefits | 765,528 | 765,528 | 686,791 | 78,737 |
| Debt service: | | | | |
| Principal | 243,476 | 323,004 | 189,855 | 133,149 |
| Interest and fiscal charges | 59,119 | 64,801 | 62,949 | 1,852 |
| Total expenditures | <u>3,549,373</u> | <u>3,549,373</u> | <u>3,634,319</u> | <u>(84,946)</u> |
| Excess (deficiency) of revenues over expenditures | <u>(110,000)</u> | <u>(110,000)</u> | <u>438,296</u> | <u>548,296</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | - | (114,883) | (114,883) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(114,883)</u> | <u>(114,883)</u> |
| Net change in fund balances* | (110,000) | (110,000) | 323,413 | 433,413 |
| Fund balances—beginning | 499,369 | 499,369 | 499,369 | - |
| Fund balances—ending | <u>\$ 389,369</u> | <u>\$ 389,369</u> | <u>\$ 822,782</u> | <u>\$ 433,413</u> |

* The net change in fund balance was included as an appropriation (i.e. spenddown) of fund balance.

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF NEW HARTFORD, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Sewer Fund
Year Ended December 31, 2019

| | <u>Budgeted Amounts</u> | | | <u>Variance with</u> |
|--|-------------------------|---------------------|---------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Final Budget</u> |
| REVENUES | | | | |
| Real property taxes | \$ 447,391 | \$ 447,391 | \$ 447,395 | \$ 4 |
| Departmental income | 20,000 | 20,000 | 11,398 | (8,602) |
| Total revenues | <u>467,391</u> | <u>467,391</u> | <u>458,793</u> | <u>(8,598)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government support | 4,384 | 4,384 | 4,383 | 1 |
| Home and community services | 531,696 | 480,134 | 393,239 | 86,895 |
| Employee benefits | 63,154 | 63,154 | 50,448 | 12,706 |
| Debt service: | | | | |
| Principal | 14,824 | 61,090 | 57,548 | 3,542 |
| Interest and fiscal charges | <u>2,442</u> | <u>7,738</u> | <u>7,738</u> | <u>-</u> |
| Total expenditures | <u>616,500</u> | <u>616,500</u> | <u>513,356</u> | <u>103,144</u> |
| Excess (deficiency) of revenues over expenditures | <u>(149,109)</u> | <u>(149,109)</u> | <u>(54,563)</u> | <u>94,546</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | - | (4,907) | 4,907 |
| Proceeds from serial bonds | <u>-</u> | <u>-</u> | <u>32,500</u> | <u>(32,500)</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>27,593</u> | <u>(27,593)</u> |
| Net change in fund balances* | (149,109) | (149,109) | (26,970) | 66,953 |
| Fund balances—beginning | <u>2,129,689</u> | <u>2,129,689</u> | <u>2,129,689</u> | <u>2,129,689</u> |
| Fund balances—ending | <u>\$ 1,980,580</u> | <u>\$ 1,980,580</u> | <u>\$ 2,102,719</u> | <u>\$ 2,196,642</u> |

* The net change in fund balance was included as an appropriation (i.e. spenddown) of fund balance.

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF NEW HARTFORD, NEW YORK
Notes to the Required Supplementary Information
Year Ended December 31, 2019

1. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the discount rates and medical healthcare cost trend rate. The discount rate is based on the yield for 20-year tax-exempt general obligation municipal bonds as of the measurement date, which increased from 3.44% to 3.78% at December 31, 2019. The medical healthcare trend rates were updated to reflect current medical provisions and premiums and expected future experience.

2. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for all governmental funds, with the exception of the Capital Projects Fund. The Capital Projects Fund does not have appropriated budgets since there are other means to control the use of these resources (e.g., grant awards) and sometimes span a period of more than one year.

The appropriated budget is prepared by fund, function and department. The Town's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is as the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

Actual results of operations presented in accordance with GAAP and the Town's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements.

Excess of Expenditures over Appropriations—For the year ended December 31, 2019, the Town's General Fund had expenditures in excess of the final budgeted amount within transportation of \$12,887. These resulted from higher than anticipated contractual costs. The total expenditures within the Town's Highway Part-Town Fund were in excess of the final budgeted amounts. These resulted from higher than anticipated paving costs and related salaries and fuel costs. Also, the Town's transfers out exceeded the final budgeted amounts within the General Fund, Police Fund, Highway Part-Town Fund and Sewer Fund. The General Fund transfers out were offset by sale of property revenues. The Police Fund transfers out were offset by savings realized within public safety expenditures. The Highway Part-Town Fund transfers out were offset by revenues distributed by the County. Finally, the Sewer Fund transfers out were offset by savings realized within home and community services expenditures.

SUPPLEMENTARY INFORMATION

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TOWN OF NEW HARTFORD, NEW YORK
Combining Balance Sheet—Nonmajor Governmental Funds
December 31, 2019

| | Fire | General Part-Town | Mitigation | Debt Service | Special Grant | Water | Lighting Districts | Total Nonmajor Funds |
|--------------------------------------|------------------|----------------------|-------------------|-------------------|------------------|-------------------|-----------------------|----------------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 63,414 | \$ 493,635 | \$ 4,115 | \$ - | \$ - | \$ 102,649 | \$ 25,818 | \$ 689,631 |
| Restricted cash and cash equivalents | - | - | 166,895 | 215,899 | - | - | - | 382,794 |
| Receivables | - | 101,467 | - | - | - | - | - | 101,467 |
| Intergovernmental receivable | - | 39,165 | - | - | - | - | - | 39,165 |
| Due from other funds | - | 4,244 | 14,958 | 19,483 | - | - | - | 38,685 |
| Prepaid items | - | 13,240 | - | - | - | - | - | 13,240 |
| Total assets | <u>\$ 63,414</u> | <u>\$ 651,751</u> | <u>\$ 185,968</u> | <u>\$ 235,382</u> | <u>\$ -</u> | <u>\$ 102,649</u> | <u>\$ 25,818</u> | <u>\$ 1,264,982</u> |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ 453 | \$ 3,067 | \$ - | \$ - | \$ - | \$ - | \$ 21,007 | \$ 24,527 |
| Accrued liabilities | - | 1,906 | - | - | - | - | - | 1,906 |
| Due to other funds | 9,924 | 1,550 | 19,073 | - | - | - | 1,587 | 32,134 |
| Total liabilities | <u>10,377</u> | <u>6,523</u> | <u>19,073</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>22,594</u> | <u>58,567</u> |
| FUND BALANCES | | | | | | | | |
| Nonspendable | - | 13,240 | - | - | - | - | - | 13,240 |
| Restricted | - | - | 166,895 | 235,382 | - | - | - | 402,277 |
| Assigned | 53,037 | 631,988 | - | - | - | 102,649 | 3,224 | 790,898 |
| Total fund balances | <u>53,037</u> | <u>645,228</u> | <u>166,895</u> | <u>235,382</u> | <u>-</u> | <u>102,649</u> | <u>3,224</u> | <u>1,206,415</u> |
| Total liabilities and fund balances | <u>\$ 63,414</u> | <u>\$ 651,751</u> | <u>\$ 185,968</u> | <u>\$ 235,382</u> | <u>\$ -</u> | <u>\$ 102,649</u> | <u>\$ 25,818</u> | <u>\$ 1,264,982</u> |

TOWN OF NEW HARTFORD, NEW YORK
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2019

| | Fire | General Part-Town | Mitigation | Debt Service | Special Grant | Water | Lighting Districts | Total Nonmajor Funds |
|--|------------------|------------------------------|-------------------|-------------------------|--------------------------|-------------------|-------------------------------|-------------------------------------|
| REVENUES | | | | | | | | |
| Real property taxes | \$ 1,300,866 | \$ - | \$ - | \$ - | \$ - | \$ 126,832 | \$ 94,474 | \$ 1,522,172 |
| Nonproperty tax items | - | 266,717 | - | - | - | - | - | 266,717 |
| Departmental income | - | 147,036 | - | - | - | - | - | 147,036 |
| Use of money and property | - | - | 157 | - | - | - | - | 157 |
| Licenses and permits | - | 201,603 | - | - | - | - | - | 201,603 |
| Federal aid | - | - | - | - | 104,274 | - | - | 104,274 |
| State aid | - | - | - | - | 28,487 | - | - | 28,487 |
| Miscellaneous | - | - | 95,326 | 18 | - | - | - | 95,344 |
| Total revenues | <u>1,300,866</u> | <u>615,356</u> | <u>95,483</u> | <u>18</u> | <u>132,761</u> | <u>126,832</u> | <u>94,474</u> | <u>2,365,790</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government support | - | 4,635 | - | - | - | - | - | 4,635 |
| Public safety | 1,266,231 | - | - | - | - | - | - | 1,266,231 |
| Health | - | 49,884 | - | - | - | - | - | 49,884 |
| Transportation | - | - | - | - | 132,761 | - | 120,414 | 253,175 |
| Home and community services | - | 261,050 | - | - | - | - | - | 261,050 |
| Employee benefits | - | 150,166 | - | - | - | - | - | 150,166 |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | 126,832 | - | 126,832 |
| Interest and fiscal charges | - | 443 | - | - | - | - | - | 443 |
| Total expenditures | <u>1,266,231</u> | <u>466,178</u> | <u>-</u> | <u>-</u> | <u>132,761</u> | <u>126,832</u> | <u>120,414</u> | <u>2,112,416</u> |
| Excess (deficiency) of revenues over expenditures | <u>34,635</u> | <u>149,178</u> | <u>95,483</u> | <u>18</u> | <u>-</u> | <u>-</u> | <u>(25,940)</u> | <u>253,374</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | - | - | - | 235,364 | - | - | - | 235,364 |
| Transfers out | (9,787) | (1,550) | (55,000) | - | - | - | - | (66,337) |
| Proceeds from serial bonds | <u>61,425</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>61,425</u> |
| Total other financing sources (uses) | <u>51,638</u> | <u>(1,550)</u> | <u>(55,000)</u> | <u>235,364</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>230,452</u> |
| Net change in fund balances | 86,273 | 147,628 | 40,483 | 235,382 | - | - | (25,940) | 483,826 |
| Fund balances (deficit)—beginning | <u>(33,236)</u> | <u>497,600</u> | <u>126,412</u> | <u>-</u> | <u>-</u> | <u>102,649</u> | <u>29,164</u> | <u>722,589</u> |
| Fund balances—ending | <u>\$ 53,037</u> | <u>\$ 645,228</u> | <u>\$ 166,895</u> | <u>\$ 235,382</u> | <u>\$ -</u> | <u>\$ 102,649</u> | <u>\$ 3,224</u> | <u>\$ 1,206,415</u> |

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Certified Public Accountants

**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**

Honorable Town Board
Town of New Hartford, New York:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of New Hartford, New York (the "Town") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 16, 2020 (which report contains an adverse opinion on governmental activities due to the omission of capital assets and net pension liability related to its LOSAP).

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 entity's financial statements will not be prevented, or detected and correct 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 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 or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2019-001 and 2019-002, that we consider to be material weaknesses.

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's Responses to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Drescher & Malecki LLP

September 16, 2020

TOWN OF NEW HARTFORD, NEW YORK
Schedule of Findings
Year Ended December 31, 2019

We consider the deficiencies presented below to be material weaknesses in internal control.

Finding 2019-001—Governmental Accounting Standards and Principles

Criteria: Internal controls over financial reporting should be designed by management to prevent or detect and correct misstatements and to fully comply with Governmental Accounting Standards Board (“GASB”) requirements.

Condition and Context: GASB statements require that the Town appropriately account for their capital assets and the related depreciation on those assets. While conducting our audit we found that the Town does not maintain a complete inventory of capital assets, and does not track capital asset deletions or depreciation. The Town has not performed, and has not had performed, an inventory of capital assets that meets the recognition criteria under GASB standards.

In addition, in accordance with GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, the Town is responsible to determine its net pension liability related to its length of service awards programs (“LOSAP”).

Cause: The lack of complete capital asset records and failure to consider the effects of the GASB Statement No. 73.

Effect or Potential Effect: The financial statement balances of the Town’s capital assets and the Town’s LOSAP pension liability and related deferred inflows of resources and deferred outflows of resources could have a material impact on the Town’s governmental activities net position.

Recommendation: We recommend that the Town perform an inventory of capital assets that meet the GASB recognition criteria, and records the appropriate infrastructure and depreciation for those and all other depreciable assets.

We also recommend that the Town work with their LOSAP actuary and establish a timeline to obtain actuarial information for the year ended December 31, 2020 which addresses the provisions of GASB Statement No. 73 to estimate the Town’s LOSAP net pension liability and related deferred inflows and outflows of resources.

View of Responsible Officials and Planned Corrective Actions: Currently the finance office is tracking all assets acquired by and disposed of by the Town. However, we do understand that it is necessary to have all assets posted which would include those purchased and acquired in past years, and still in use today. This historical documentation would necessitate an extremely large number of man hours to accumulate and at present the Town does not have the staffing to accomplish this in an efficient and effective manner. However, this is a project which we are now reviewing and would hope to have started in the very near future. The Town will also reach out to the LOSAP actuary to ensure that the valuation for the year ended December 31, 2020 addresses and includes the provisions of GASB Statement No. 73.

Finding 2019-002—Accounting System Controls and Oversight

Criteria: Internal controls over financial reporting should be designed and executed to detect and prevent potential misstatements.

Condition and Context: The Town transitioned to a new accounting system for the beginning of the 2019 fiscal year. Certain general ledger accounts including cash were not properly recorded throughout the year in the new system. Additionally, there was also not an adequate review performed over recurring entries and year end accruals.

Cause: There was not adequate financial accounting oversight for the bookkeeping department.

Effect or Potential Effect: Potential for misstatement of account balances including cash.

Recommendation: We recommend that the Town inquire about additional training resources for the new accounting system and develop formal documented processes related to cash reconciliations and other key accounting procedures.

View of Responsible Officials and Planned Corrective Actions: The Town will contact its accounting software provider to inquire about additional training resources for our bookkeeper. In addition the Town will contract with auditors for guidance over the bookkeeping department procedures and assistance with best practices related to key accounting procedures. The Town will request auditors to come to regular board meetings to report on these items.

TOWN OF NEW HARTFORD, NEW YORK
Summary Schedule of Prior Audit Findings and Corrective Action Plan
Year Ended December 31, 2019
(Follow-up of December 31, 2018 Findings)

Finding 2018-001—Governmental Accounting Standards and Principles

See Finding 2019-001 within the Schedule of Findings for current status.

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