

**TOWN OF NEW HARTFORD,
NEW YORK**

*Basic Financial Statements, Required
Supplementary Information and Supplementary
Information for the Year Ended December 31, 2020
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, 2020, 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 audit 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

As discussed in Note 5 to the financial statements, management 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 is not reasonably determinable. Additionally, as discussed in Note 8, 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 is not reasonably determinable.

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, 2020, and the changes in financial position thereof for the year then ended.

Unmodified Opinions 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, 2020, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2020, the Town implemented Governmental Accounting Standards Board ("GASB") Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

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 purposes 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 August 19, 2021 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

August 19, 2021

TOWN OF NEW HARTFORD, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2020

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, 2020. We encourage readers to consider the financial information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative. For comparative purposes, certain data from the prior year has been reclassified to conform with the current year presentation.

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 \$6,038,998 (*net position*). This consists of \$6,871,708 net investment in capital assets, \$916,098 restricted for specific purposes and an unrestricted net position of (\$13,826,804).
- The Town's total primary government net position decreased by \$256,185 during the year ended December 31, 2020.
- At the close of the current fiscal year, the Town's governmental funds, excluding the Capital Projects Fund, reported combined ending fund balances of \$9,838,082, an increase of \$629,731. The Town's Capital Projects Fund fund balance decreased \$2,168,746 to an ending deficit fund balance of \$(2,466,633), primarily a result from significant capital outlay activity. At the end of the current fiscal year, the Town's total ending fund balance amounted to \$7,371,449.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$2,717,916, or 74.1 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the Town's discretion and constitutes approximately 84.0 percent of the General Fund's total fund balance of \$3,236,936 at December 31, 2020.
- During the year ended December 31, 2020, the Town's total serial bonds outstanding decreased \$965,681 due to scheduled principal payments.

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 twelve 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 Fund, Highway Part-Town Fund, Sewer Fund and Capital Projects Fund, all of which are considered to be major funds. Data from the other six 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 maintains one fiduciary fund, the Custodial Fund.

The fiduciary fund financial statements can be found on pages 19-20 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 21-50 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 Fund, Highway Part-Town Fund and Sewer Fund. Required Supplementary Information and related notes to the required supplementary information can be found on pages 51-61 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 62-63 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 \$6,038,998 at the close of the most recent fiscal year, as compared to \$5,782,813 at the close of the fiscal year ended December 31, 2019, as restated.

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,	
	2020	2019 (as restated)
Current assets	\$ 11,205,716	\$ 10,039,691
Capital assets	22,747,718	20,566,497
Total assets	<u>33,953,434</u>	<u>30,606,188</u>
Deferred outflows of resources	<u>8,196,261</u>	<u>2,696,279</u>
Current liabilities	3,942,409	1,366,751
Noncurrent liabilities	41,067,608	33,569,939
Total liabilities	<u>45,010,017</u>	<u>34,936,690</u>
Deferred inflows of resources	<u>3,178,676</u>	<u>4,148,590</u>
Net position:		
Net investment in capital assets	6,871,708	6,129,234
Restricted	916,098	944,733
Unrestricted	(13,826,804)	(12,856,780)
Total net position	<u>\$ (6,038,998)</u>	<u>\$ (5,782,813)</u>

The largest portion of the Town's net position, \$6,871,708, reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), net of accumulated depreciation and 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, \$916,098, 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, \$(13,826,804) is considered to be an unrestricted net deficit. This deficit does not mean that the Town does not have resources available to meet its obligations in the ensuing year. Rather, it reflects liabilities not related to the Town's capital assets and are not expected to be repaid from current resources. These long-term liabilities including compensated absences, the net pension liability and OPEB obligation, are funded annually within the funds.

Table 2, as presented on the following page, shows the changes in net position for the years ended December 31, 2020 and December 31, 2019.

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

	Governmental Activities	
	Year Ended December 31,	
	2020	2019
Program revenues:		
Charges for services	\$ 894,416	\$ 1,250,326
Operating grants and contributions	134,235	246,799
Capital grants and contributions	479,828	977,340
General revenues	<u>12,884,915</u>	<u>14,466,351</u>
Total revenues	<u>14,393,394</u>	<u>16,940,816</u>
Total expenses	<u>14,649,579</u>	<u>15,806,817</u>
Change in net position	(256,185)	1,133,999
Net position—beginning	(5,782,813)	(7,459,268)
Restatement	<u>-</u>	<u>542,456</u>
Net position—ending	<u>\$ (6,038,998)</u>	<u>\$ (5,782,813)</u>

Overall revenues of the primary government decreased 15.0 percent from the prior year, while overall expenses decreased 7.3 percent. The decrease in revenues is primarily due to a decrease in sales tax revenues and distributions from the County. The decrease in expenses is related to a decrease in transportation and public safety expenditures.

A summary of sources of revenues for the years ended December 31, 2020 and December 31, 2019 is presented in Table 3 below.

Table 3—Summary of Sources of Revenues—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
Charges for services	\$ 894,416	\$ 1,250,326	\$ (355,910)	(28.5)
Operating grants and contributions	134,235	246,799	(112,564)	(45.6)
Capital grants and contributions	479,828	977,340	(497,512)	(50.9)
Real property taxes and tax items	6,296,703	6,132,052	164,651	2.7
Nonproperty tax items	5,785,352	6,538,550	(753,198)	(11.5)
Use of money and property	22,662	43,561	(20,899)	(48.0)
Sale of property and compensation for loss	150,534	1,012,139	(861,605)	(85.1)
Miscellaneous	115,468	257,939	(142,471)	(55.2)
Unrestricted state aid	<u>514,196</u>	<u>482,110</u>	<u>32,086</u>	6.7
Total revenues	<u>\$ 14,393,394</u>	<u>\$ 16,940,816</u>	<u>\$ (2,547,422)</u>	(15.0)

The Town's most significant source of revenue for the year ended December 31, 2020 was real property taxes and tax items, which accounted for \$6,296,703, or 43.7 percent of total revenues. The next largest sources of revenue were nonproperty tax items of \$5,785,352, or 40.2 percent of total revenues and charges for services of \$894,416, or 6.2 percent of total revenues. For the year ended December 31, 2019, the Town's most significant source of revenue 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.

A summary of program expenses for the years ended December 31, 2020 and December 31, 2019 is presented below in Table 4:

Table 4—Summary of Program Expenses—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
General government support	\$ 1,982,704	\$ 2,138,651	\$ (155,947)	(7.3)
Public safety	6,726,988	5,968,856	758,132	12.7
Health	87,009	67,365	19,644	29.2
Transportation	3,649,452	4,948,048	(1,298,596)	(26.2)
Economic assistance and opportunity	49,933	124,546	(74,613)	(59.9)
Culture and recreation	890,858	1,146,496	(255,638)	(22.3)
Home and community services	873,365	1,039,696	(166,331)	(16.0)
Interest and fiscal charges	389,270	373,159	16,111	4.3
Total expenses	<u>\$ 14,649,579</u>	<u>\$ 15,806,817</u>	<u>\$ (1,157,238)</u>	(7.3)

The Town's most significant expense item for the year ended December 31, 2020 was public safety, which accounted for \$6,726,988, or 45.9 percent of total expenses. The next largest expense items were transportation of \$3,649,452, or 24.9 percent of total expenses and general government support of \$1,982,704, or 13.5 percent of total expenses. Similarly, for the year ended December 31, 2019, the most significant expense item 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

Financial Analysis of Governmental Funds

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

Governmental funds—The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, 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, 2020, the Town's governmental funds reported combined ending fund balances of \$7,371,449, a decrease of \$1,539,015 from the prior year fund balance of \$8,910,464, as restated. Total unassigned fund balance is \$250,975, of which \$(2,466,633) and \$(308) represent fund balance deficits within the Capital Projects Fund and Lighting District Fund, respectively. The remainder of fund balance is either *nonspendable*, *restricted* or *assigned* to indicate that it is (1) not in spendable form, \$377,123, (2) restricted for particular purposes, \$916,098, or (3) assigned for particular purposes, \$5,827,253.

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 \$2,717,916, while total fund balance increased to \$3,236,936. 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 74.1 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 88.3 percent of that same amount. The total fund balance of the Town's General Fund increased by \$24,448 during the current fiscal year, primarily as a result of savings within general government support expenditures.

The Town's Police Fund ending fund balance was \$1,579,769 at December 31, 2020. Of this amount, \$1,421,615 is assigned to specific Police Fund use. During the year ended December 31, 2020, the Police Fund's fund balance increased \$307,363 as a result of savings related to public safety and employee benefits expenditures.

The Town's Highway Town-wide Fund ending fund balance was \$132,457. The entire fund balance was assigned for specific Highway Town-wide Fund use. During the year ended December 31, 2020, the Highway Town-wide Fund's fund balance increased \$83,372 due to savings realized within transportation expenditures and increased revenue related to sales tax.

The Town's Highway Part-Town Fund ending fund balance was \$944,516. Of this amount, \$56,336 is nonspendable, \$107,566 is assigned for the subsequent year's appropriations, and \$780,614 is assigned for specific Highway Part-Town Fund use. During the year ended December 31, 2020, the Highway Part-Town Fund's fund balance increased \$121,734 primarily due to savings realized within transportation expenditures.

The Town's Sewer Fund ending fund balance was \$2,090,221. Of this amount, \$4,209 is nonspendable, \$217,106 is assigned for the subsequent year's appropriations, and \$1,868,906 is assigned for specific Sewer Fund use. During the year ended December 31, 2020, the Sewer Fund's fund balance decreased \$12,498, primarily as a result of more than anticipated employee benefits expenditures.

The Town's Capital Projects Fund's fund balance decreased \$2,168,746 during the year ended December 31, 2020, as a result of significant capital outlay funded through bond anticipation notes. The ending fund balance deficit in the Capital Projects Fund was \$2,466,633, 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, 2020 is presented in Table 5 on the following page.

Table 5—General Fund Budget

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues and other financing sources	\$ 3,898,297	\$ 3,898,297	\$ 3,690,249	\$ (208,048)
Expenditures and other financing uses	<u>4,272,697</u>	<u>4,272,697</u>	<u>3,665,801</u>	<u>606,896</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (374,400)</u>	<u>\$ (374,400)</u>	<u>\$ 24,448</u>	<u>\$ 398,848</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 were lower than anticipated due to the decrease in departmental income and fines and forfeitures. No changes were made between the original and final budgets.

Capital Assets and Debt Administration

Capital assets—The Town’s investment in capital assets for its governmental activities as of December 31, 2020, amounted to \$22,747,718 (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 December 31, 2020 and 2019 are presented below.

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

	Governmental Activities	
	December 31,	
	2020	2019
Land	\$ 611,634	\$ 611,634
Construction in progress	3,573,756	9,400,184
Buildings and improvements	861,878	992,587
Machinery and equipment	1,439,393	1,072,517
Infrastructure	<u>16,261,057</u>	<u>8,489,575</u>
Total	<u>\$ 22,747,718</u>	<u>\$ 20,566,497</u>

Additional information on the Town’s capital assets can be found in Note 5 to the financial statements.

Long-term debt—At December 31, 2020, the Town had net bonded debt outstanding of \$13,827,798 as compared to \$14,793,479 at December 31, 2019. The Town made scheduled principal payments of \$965,681 during the year ended December 31, 2020.

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

A summary of the Town’s long-term liabilities at December 31, 2020 and December 31, 2019 is presented in Table 7 on the following page.

Table 7—Summary of Long-Term Liabilities

	Governmental Activities	
	December 31,	
	2020	2019
Serial bonds	\$ 13,827,798	\$ 14,793,479
Premium on serial bonds	47,774	52,020
Capital lease	186,656	222,233
Compensated absences	793,569	946,328
Net pension liability	4,993,934	1,514,782
OPEB obligation	21,217,877	16,041,097
Total	<u>\$ 41,067,608</u>	<u>\$ 33,569,939</u>

Additional information on the Town's long-term liabilities can be found in Note 13 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

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. Largely as a result of the public health emergency, the unemployment rate, not seasonally adjusted, for the region at December 31, 2020 was 6.6 percent. This compares to New York State's average unemployment rate of 8.5 percent. These factors are considered in preparing the Town's budget.

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, 2020

	Primary Government	Component Unit
	Governmental Activities	New Hartford Public Library
ASSETS		
Cash and cash equivalents	\$ 5,394,854	\$ 158,107
Restricted cash and cash equivalents	1,755,447	279,649
Restricted investments	606,174	-
Receivables	526,259	1,744
Intergovernmental receivables	2,545,859	-
Prepaid items	377,123	2,937
Capital assets not being depreciated	4,185,390	96,460
Capital assets, net of accumulated depreciation	<u>18,562,328</u>	<u>1,738,407</u>
Total assets	<u>33,953,434</u>	<u>2,277,304</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows—relating to pension plans	3,683,750	69,002
Deferred outflows—relating to OPEB	4,499,537	-
Deferred charge on refunding	12,974	-
Total deferred outflows of resources	<u>8,196,261</u>	<u>69,002</u>
LIABILITIES		
Accounts payable	363,160	3,245
Accrued liabilities	287,487	8,874
Bond anticipation notes payable	3,291,762	-
Noncurrent liabilities:		
Due within one year	1,213,325	3,728
Due within more than one year	<u>39,854,283</u>	<u>92,901</u>
Total liabilities	<u>45,010,017</u>	<u>108,748</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows—relating to pension plans	214,204	2,604
Deferred inflows—relating to OPEB	<u>2,964,472</u>	<u>-</u>
Total deferred inflows of resources	<u>3,178,676</u>	<u>2,604</u>
NET POSITION		
Net investment in capital assets	6,871,708	1,738,407
Restricted for:		
Capital	264,945	279,649
Debt service	44,979	-
Service awards program	606,174	-
Unrestricted	<u>(13,826,804)</u>	<u>216,898</u>
Total net position	<u>\$ (6,038,998)</u>	<u>\$ 2,234,954</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, 2020

Functions/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	New Hartford
					Activities	Public Library
Primary government:						
Governmental activities:						
General government support	\$ 1,982,704	\$ 366,107	\$ -	\$ -	\$ (1,616,597)	\$ -
Public safety	6,726,988	74,707	134,235	12,369	(6,505,677)	-
Health	87,009	-	-	-	(87,009)	-
Transportation	3,649,452	277,479	-	313,253	(3,058,720)	-
Economic assistance and opportunity	49,933	-	-	-	(49,933)	-
Culture and recreation	890,858	140,357	-	3,154	(747,347)	-
Home and community services	873,365	35,766	-	151,052	(686,547)	-
Interest and other fiscal charges	389,270	-	-	-	(389,270)	-
Total primary government	<u>\$ 14,649,579</u>	<u>\$ 894,416</u>	<u>\$ 134,235</u>	<u>\$ 479,828</u>	<u>(13,141,100)</u>	<u>-</u>
Component unit:						
New Hartford Public Library	<u>\$ 512,506</u>	<u>\$ 5,496</u>	<u>\$ 300,944</u>	<u>\$ 653</u>		(205,413)
Total component unit	<u>\$ 512,506</u>	<u>\$ 5,496</u>	<u>\$ 300,944</u>	<u>\$ 653</u>		<u>(205,413)</u>
General revenues:						
Real property taxes and tax items					6,296,703	-
Nonproperty tax items					5,785,352	-
Use of money and property					22,662	51
Sale of property and compensation for loss					150,534	385
Miscellaneous					115,468	12,910
Unrestricted state aid					514,196	-
Total general revenues					<u>12,884,915</u>	<u>(192,067)</u>
Change in net position					(256,185)	(192,067)
Net position—beginning, as restated					<u>(5,782,813)</u>	<u>2,427,021</u>
Net position—ending					<u>\$ (6,038,998)</u>	<u>\$ 2,234,954</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, 2020

	Special Revenue						Total	Total
	General	Police	Highway Town-wide	Highway Part-Town	Sewer	Capital Projects	Nonmajor Funds	Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 1,294,394	\$ 888,235	\$ 427,589	\$ 391,204	\$ 1,452,903	\$ -	\$ 940,529	\$ 5,394,854
Restricted cash and cash equivalents	-	-	-	-	-	1,465,006	290,441	1,755,447
Restricted investments	-	-	-	-	-	-	606,174	606,174
Receivables	370,232	74,623	-	63,867	-	2,992	14,545	526,259
Intergovernmental receivables	574,186	614,916	71,250	1,283,507	-	2,000	-	2,545,859
Due from other funds	1,154,766	9	-	-	664,530	-	38,685	1,857,990
Prepaid items	144,520	158,154	-	56,336	4,209	-	13,904	377,123
Total assets	<u>\$ 3,538,098</u>	<u>\$ 1,735,937</u>	<u>\$ 498,839</u>	<u>\$ 1,794,914</u>	<u>\$ 2,121,642</u>	<u>\$ 1,469,998</u>	<u>\$ 1,904,278</u>	<u>\$ 13,063,706</u>
LIABILITIES								
Accounts payable	\$ 89,967	\$ 33,810	\$ 384	\$ 150,329	\$ 19,811	\$ 56,159	\$ 12,700	\$ 363,160
Accrued liabilities	40,641	63,881	-	64,562	5,000	-	5,261	179,345
Due to other funds	170,554	58,477	365,998	635,507	6,610	588,710	32,134	1,857,990
Bond anticipation notes payable	-	-	-	-	-	3,291,762	-	3,291,762
Total liabilities	<u>301,162</u>	<u>156,168</u>	<u>366,382</u>	<u>850,398</u>	<u>31,421</u>	<u>3,936,631</u>	<u>50,095</u>	<u>5,692,257</u>
FUND BALANCES (DEFICIT)								
Nonspendable	144,520	158,154	-	56,336	4,209	-	13,904	377,123
Restricted	-	-	-	-	-	-	916,098	916,098
Assigned	374,500	1,421,615	132,457	888,180	2,086,012	-	924,489	5,827,253
Unassigned	2,717,916	-	-	-	-	(2,466,633)	(308)	250,975
Total fund balances (deficit)	<u>3,236,936</u>	<u>1,579,769</u>	<u>132,457</u>	<u>944,516</u>	<u>2,090,221</u>	<u>(2,466,633)</u>	<u>1,854,183</u>	<u>7,371,449</u>
Total liabilities and fund balances (deficit)	<u>\$ 3,538,098</u>	<u>\$ 1,735,937</u>	<u>\$ 498,839</u>	<u>\$ 1,794,914</u>	<u>\$ 2,121,642</u>	<u>\$ 1,469,998</u>	<u>\$ 1,904,278</u>	<u>\$ 13,063,706</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, 2020

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

Total fund balances (deficit)—governmental funds (page 15)	\$ 7,371,449
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$49,644,310 and the accumulated depreciation is \$26,896,592.	22,747,718
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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.	12,974
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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	\$ 625,172	
Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion	3,058,578	
Deferred inflows related to pension plans	(214,204)	
Deferred outflows related to OPEB	4,499,537	
Deferred inflows related to OPEB	<u>(2,964,472)</u>	5,004,611

Net accrued interest expense for serial bonds is not reported in the funds.	(108,142)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:

Serial bonds	\$ (13,827,798)	
Premium on serial bonds	(47,774)	
Capital lease	(186,656)	
Compensated absences	(793,569)	
Net pension liability	(4,993,934)	
OPEB obligation	<u>(21,217,877)</u>	<u>(41,067,608)</u>

Net position of governmental activities	\$ <u>(6,038,998)</u>
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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, 2020

	Special Revenue						Total	Total
	General	Police	Highway Town-wide	Highway Part-Town	Sewer	Capital Projects	Nonmajor Funds	Governmental Funds
REVENUES								
Real property taxes	\$ 1,463,415	\$ 2,424,921	\$ -	\$ -	\$ 446,449	\$ -	\$ 1,541,252	\$ 5,876,037
Real property tax items	420,666	-	-	-	-	-	-	420,666
Nonproperty tax items	880,064	1,484,967	172,062	2,856,920	-	-	391,339	5,785,352
Departmental income	199,386	58,622	-	-	34,766	-	104,166	396,940
Intergovernmental charges	-	-	-	277,479	-	-	-	277,479
Use of money and property	21,996	-	-	-	-	408	199	22,603
Sale of property and compensation for loss	7,060	3,005	-	108,738	-	-	35,115	153,918
Licenses and permits	23,424	-	-	-	-	-	132,439	155,863
Fines and forfeitures	64,134	-	-	-	-	-	-	64,134
Miscellaneous	14,233	-	-	-	-	-	97,910	112,143
State aid	514,196	134,235	2,700	182,553	-	294,575	-	1,128,259
Total revenues	<u>3,608,574</u>	<u>4,105,750</u>	<u>174,762</u>	<u>3,425,690</u>	<u>481,215</u>	<u>294,983</u>	<u>2,302,420</u>	<u>14,393,394</u>
EXPENDITURES								
Current:								
General government support	1,216,155	255	-	-	46	-	2,580	1,219,036
Public safety	113,693	2,442,776	-	-	-	-	1,212,580	3,769,049
Health	-	-	-	-	-	-	46,971	46,971
Transportation	134,642	-	18,554	2,506,597	-	-	99,240	2,759,033
Economic assistance and opportunity	26,397	-	-	-	-	-	-	26,397
Culture and recreation	701,378	-	-	-	-	-	-	701,378
Home and community services	-	-	-	-	368,531	-	140,305	508,836
Employee benefits	576,391	1,352,847	-	736,737	60,262	-	128,751	2,854,988
Debt service:								
Principal	590,904	12,110	59,000	241,016	60,515	-	130,411	1,093,956
Interest and fiscal charges	298,469	12,961	13,836	142,259	9,266	-	4,473	481,264
Capital outlay	-	-	-	-	-	2,564,199	-	2,564,199
Total expenditures	<u>3,658,029</u>	<u>3,820,949</u>	<u>91,390</u>	<u>3,626,609</u>	<u>498,620</u>	<u>2,564,199</u>	<u>1,765,311</u>	<u>16,025,107</u>
Excess (deficiency) of revenues over expenditures	<u>(49,455)</u>	<u>284,801</u>	<u>83,372</u>	<u>(200,919)</u>	<u>(17,405)</u>	<u>(2,269,216)</u>	<u>537,109</u>	<u>(1,631,713)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	81,675	22,562	-	322,653	4,907	51,578	1,550	484,925
Transfers out	(7,772)	-	-	-	-	(43,806)	(433,347)	(484,925)
Capital lease issued	-	-	-	-	-	92,698	-	92,698
Total other financing sources (uses)	<u>73,903</u>	<u>22,562</u>	<u>-</u>	<u>322,653</u>	<u>4,907</u>	<u>100,470</u>	<u>(431,797)</u>	<u>92,698</u>
Net change in fund balances (deficit)	24,448	307,363	83,372	121,734	(12,498)	(2,168,746)	105,312	(1,539,015)
Fund balances (deficit)—beginning, as restated	<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>1,748,871</u>	<u>8,910,464</u>
Fund balances (deficit)—ending	<u>\$ 3,236,936</u>	<u>\$ 1,579,769</u>	<u>\$ 132,457</u>	<u>\$ 944,516</u>	<u>\$ 2,090,221</u>	<u>\$ (2,466,633)</u>	<u>\$ 1,854,183</u>	<u>\$ 7,371,449</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, 2020

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) \$ (1,539,015)

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	\$ 3,916,475	
Depreciation expense	<u>(1,735,254)</u>	2,181,221

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

(1,154)

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	\$ 820,158	
Cost of benefits earned net of employee contributions	(1,703,921)	
Changes in OPEB assumptions	<u>3,875,661</u>	2,991,898

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

40,480

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

88,902

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:

Principal payments on serial bonds	\$ 965,681	
Amortization of bond premium	4,246	
Capital lease issued	(92,698)	
Principal payments on capital leases	128,275	
Change in compensated absences	152,759	
Change in OPEB obligation	<u>(5,176,780)</u>	<u>(4,018,517)</u>

Change in net position of governmental activities	<u>\$ (256,185)</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF NEW HARTFORD, NEW YORK
Statement of Fiduciary Net Position—Custodial Fund
December 31, 2020

	<u>Custodial Fund</u>
ASSETS	
Restricted cash and cash equivalents	\$ 639,523
Prepays items	<u>11,634</u>
Total assets	<u>651,157</u>
 LIABILITIES	
Accounts payable and other liabilities	<u>641,211</u>
Total liabilities	<u>641,211</u>
 NET POSITION	
Restricted for other organizations	<u>\$ 9,946</u>

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

TOWN OF NEW HARTFORD, NEW YORK
Statement of Changes in Fiduciary Net Position—Custodial Fund
Year Ended December 31, 2020

	<u>Custodial Fund</u>
ADDITIONS	
Funds received on behalf of others	<u>\$ -</u>
Total additions	<u>-</u>
DEDUCTIONS	
Funds distributed on behalf of others	<u>-</u>
Total deductions	<u>-</u>
Change in fiduciary net position	-
Net position—beginning, as restated	<u>9,946</u>
Net position—ending	<u><u>\$ 9,946</u></u>

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

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TOWN OF NEW HARTFORD, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2020

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, which was established in 1870, is located within the County of Oneida, New York. 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.

The following basic services are provided: general government support, fire protection through contracts with local volunteer companies, safety inspection, highway maintenance, recreational programs, water transmission services, sanitary sewerage, street lighting, refuse, and general administration.

Independently elected officials of the Town consist of the following:

Supervisor	Town Clerk and Receiver of Taxes
Councilmembers (4)	Town Justices (2)
Superintendent of Highways	

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

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 *Custodial Fund*. Activities reported in the fiduciary fund include monies held on behalf of others.

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 Custodial Fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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, 2020; 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.

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. Donated assets are recorded at acquisition value. 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, 2020, 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 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 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, 2020, 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 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 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.

Payment of compensated absences recorded in the government-wide financial statements is dependent on many factors; therefore, the timing of future payments is not readily determinable. However, management believes that sufficient resources will be available for the payment of compensated absences when such payments become due.

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 7.

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 8.

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 9.

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, 2020, the Town implemented GASB Statements No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*, 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*, No. 92, *Omnibus 2020* 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*. GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (“AROs”). GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. GASB Statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 92 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 97 increases consistency and comparability related to the reporting of fiduciary component units, mitigates costs associated with the reporting of certain defined contribution plans and enhances the relevance, consistency and comparability of the accounting and reporting for internal Revenue Code Section 457 deferred compensation plans. Other than the matter discussed in Note 2, the implementation of GASB Statements No. 83, 84, 88, 90, 92 and 97 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. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; and No. 93, *Replacement of Interbank Offered Rates*, effective for the year ending December 31, 2021, No. 87 and *Leases*; No. 91, *Conduit Debt Obligations*, effective for the year ending December 31, 2022, 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 Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 87, 89, 91, 93, 94 and 96 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, 2020, the Town's Capital Projects Fund reported a fund balance deficit of \$2,466,633. 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. The Town's Lighting District reported a fund deficit of \$308 at December 31, 2020. It is expected that this deficit will be remedied through future increases in revenues.

2. RESTATEMENT OF FUND BALANCE AND NET POSITION

During the year ended December 31, 2020, the Town implemented GASB Statement No. 84, *Fiduciary Activities*. The implementation of GASB Statement No. 84 establishes criteria for identifying fiduciary activities of state and local governments. This Statement also provides for the recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

The effects of this restatement to the Town's governmental activities, governmental funds and fiduciary funds are summarized as follows:

		<u>Governmental Fund</u>	
	<u>Governmental Activities</u>	<u>Fire Protection Fund</u>	<u>Custodial Fund</u>
Net position/fund balance—December 31, 2019, as previously stated	\$ (6,325,269)	\$ 53,037	\$ -
GASB Statement No. 84 implementation	542,456	542,456	9,946
Net position/fund balance—December 31, 2019, as restated	<u>\$ (5,782,813)</u>	<u>\$ 595,493</u>	<u>\$ 9,946</u>

3. 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, 2020 are as follows:

	Governmental Funds	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 375	\$ -	\$ 375
Deposits	7,149,926	639,523	7,789,449
Total	<u>\$ 7,150,301</u>	<u>\$ 639,523</u>	<u>\$ 7,789,824</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2020 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	7,220,096	7,039,449
Total	<u>\$ 7,970,096</u>	<u>\$ 7,789,449</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, 2020, 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, 2020.

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, 2020, the Town reported \$1,465,006, \$264,945, \$25,496 and \$639,523 of restricted cash and cash equivalents within the Capital Projects Fund, Mitigation Fund, Debt Service Fund and Custodial Fund, respectively.

New Hartford Public Library—The Library's cash and cash equivalents, including restricted cash of \$279,649, totaled \$437,756 and were fully collateralized or FDIC insured at December 31, 2020.

4. RECEIVABLES

Major revenues accrued by the Town at December 31, 2020 consisted of the following:

Receivables—Represents amounts due from various sources. Receivables at December 31, 2020 are shown below:

General Fund:		
PILOT fees	\$ 252,571	
Cable TV franchise fees	92,951	
Recreation Center fees	8,316	
Justice Court fees	10,816	
Other	<u>5,578</u>	\$ 370,232
Police Fund:		
School Program	59,331	
Town Patrols	9,611	
Other	<u>5,681</u>	74,623
Highway Part-Town Fund:		
Snow control	62,589	
Other	<u>1,278</u>	63,867
Capital Projects Fund:		
Miscellaneous		2,992
Nonmajor Funds:		
General Part-Town Fund—fees		<u>14,545</u>
Total governmental funds		<u>\$ 526,259</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, 2020 are shown below:

General Fund:		
Mortgage tax	\$ 209,756	
Sales tax	<u>364,430</u>	\$ 574,186
Police Fund:		
Sales tax		614,916
Highway Town-Wide Fund:		
Oneida County		71,250
Highway Part-Town Fund:		
Sales tax	1,241,781	
Oneida County plowing	<u>41,726</u>	1,283,507
Capital Projects Fund:		
Miscellaneous		<u>2,000</u>
Total governmental funds		<u>\$ 2,545,859</u>

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2020 was as follows:

	Balance 1/1/2020	Increases	Decreases	Balance 12/31/2020
Capital assets, not being depreciated:				
Land	\$ 611,634	\$ -	\$ -	\$ 611,634
Construction in progress	9,400,184	2,564,199	8,390,627	3,573,756
Total capital assets, not being depreciated	10,011,818	2,564,199	8,390,627	4,185,390
Capital assets, being depreciated:				
Buildings and improvements	5,228,360	-	-	5,228,360
Machinery and equipment	10,378,456	1,352,276	10,340	11,720,392
Infrastructure	20,119,541	8,390,627	-	28,510,168
Total capital assets, being depreciated	35,726,357	9,742,903	10,340	45,458,920
Less accumulated depreciation for:				
Buildings and improvements	4,235,773	130,709	-	4,366,482
Machinery and equipment	9,305,939	985,400	10,340	10,280,999
Infrastructure	11,629,966	619,145	-	12,249,111
Total accumulated depreciation	25,171,678	1,735,254	10,340	26,896,592
Total capital assets, being depreciated, net	10,554,679	8,007,649	-	18,562,328
Total capital assets, net	\$ 20,566,497	\$ 10,571,848	\$ 8,390,627	\$ 22,747,718

Depreciation expense was charged to the functions of the governmental activities for the year ended December 31, 2020 as shown below:

General government support	\$ 295,366
Public safety	559,716
Transportation	626,272
Culture and recreation	96,379
Home and community services	157,521
Total	<u>\$ 1,735,254</u>

New Hartford Public Library—Capital asset activity for the Library for the year ended December 31, 2020 is shown on the following page.

	Balance 1/1/2020	Increases	Decreases	Balance 12/31/2020
Capital assets, not being depreciated:				
Land	\$ 96,460	\$ -	\$ -	\$ 96,460
Total capital assets, not being depreciated	96,460	-	-	96,460
Capital assets, being depreciated:				
Land improvements	150,662	-	-	150,662
Buildings and improvements	3,040,846	-	-	3,040,846
Machinery and equipment	323,574	-	-	323,574
Total capital assets, being depreciated	3,515,082	-	-	3,515,082
Less accumulated depreciation for:				
Land improvements	122,406	10,614	-	133,020
Buildings and improvements	1,201,207	100,325	-	1,301,532
Machinery and equipment	334,128	7,995	-	342,123
Total accumulated depreciation	1,657,741	118,934	-	1,776,675
Total capital assets, being depreciated, net	1,857,341	(118,934)	-	1,738,407
Total capital assets, net	\$ 1,953,801	\$ (118,934)	\$ -	\$ 1,834,867

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2020 were as follows:

	General Fund	Police Fund	Highway Part-Town Fund	Sewer Fund	Total Nonmajor Funds	Total Governmental Funds
Salary and employee benefits	\$ 40,641	\$ 63,881	\$ 64,562	\$ 5,000	\$ 5,261	\$ 179,345
Total accrued liabilities	\$ 40,641	\$ 63,881	\$ 64,562	\$ 5,000	\$ 5,261	\$ 179,345

7. 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, 2020, 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, 2020. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2019, 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, 2020	March 31, 2020
Net pension liability	\$ 2,649,487	\$ 2,344,447
Town's portion of the Plan's total net pension liability	0.0495700%	0.0088535%

For the year ended December 31, 2020, the Town recognized pension expenses of \$895,307 and \$819,388, respectively, for PFRS and ERS. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions shown below:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PFRS	ERS	PFRS	ERS
Differences between expected and actual experiences	\$ 176,428	\$ 137,980	\$ 44,379	\$ -
Changes of assumptions	226,467	47,206	-	40,762
Net difference between projected and actual earnings on pension plan investments	1,193,147	1,201,877	-	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	7,940	67,533	104,105	24,958
Town contributions subsequent to the measurement date	338,466	286,706	-	-
Total	<u>\$ 1,942,448</u>	<u>\$ 1,741,302</u>	<u>\$ 148,484</u>	<u>\$ 65,720</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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown on the following page.

Year Ending December 31,	PFRS	ERS
2021	\$ 291,092	\$ 240,404
2022	334,894	351,673
2023	438,826	443,530
2024	374,754	353,269
2025	15,932	-

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, 2020	March 31, 2020
Actuarial valuation date	April 1, 2019	April 1, 2019
Interest rate	6.80%	6.80%
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, 2019 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	
	Long-Term Expected	
	Target Allocation	Real Rate of Return
Asset class:	March 31, 2020	
Domestic equities	36.0 %	4.1 %
International equities	14.0	6.1
Private equity	10.0	6.8
Real estate	10.0	5.0
Absolute return strategies	2.0	3.3
Opportunistic portfolio	3.0	4.7
Real assets	3.0	6.0
Bonds and mortgages	17.0	0.8
Cash	1.0	0.0
Inflation-indexed bonds	4.0	0.5
Total	100.0 %	

Discount Rate—The discount rate used to calculate the total pension liability was 6.8%. 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 6.8%, 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 (5.8%) or one percentage-point higher (7.8%) than the current assumption.

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Employer's proportionate share of the net pension liability/(asset)—PFRS	\$ 4,737,337	\$ 2,649,487	\$ 779,770
Employer's proportionate share of the net pension liability/(asset)—ERS	4,302,721	2,344,447	540,868

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

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2020	April 1, 2020	
Employers' total pension liability	\$ 35,309,017	\$ 194,596,261	\$ 229,905,278
Plan fiduciary net position	29,964,080	168,115,682	198,079,762
Employers' net pension liability	<u>\$ 5,344,937</u>	<u>\$ 26,480,579</u>	<u>\$ 31,825,516</u>
System fiduciary net position as a percentage of total pension liability	84.9%	86.4%	86.2%

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, 2020, the Library reported a liability of \$92,901 for its proportionate share of the net pension liability. At the March 31, 2020 measurement date, the Library's proportion was 0.0003508%.

For the year ending December 31, 2020, the Library recognized pension expense of \$32,469. At December 31, 2020, 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	\$ 5,468	\$ -
Changes of assumptions	1,871	1,615
Net difference between projected and actual earnings on pension plan investments	47,626	-
Changes in proportion and differences between the Library's contributions and proportionate share of contributions	2,676	989
Library contributions subsequent to the measurement date	<u>11,361</u>	<u>-</u>
Total	<u>\$ 69,002</u>	<u>\$ 2,604</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, 2021. 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>
2021	\$ 9,526
2022	13,935
2023	17,575
2024	14,001

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 6.8%, 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 (5.8%) or one percentage-point higher (7.8%) than the current assumption.

<u>ERS</u>	<u>1% Decrease (5.8%)</u>	<u>Current Assumption (6.8%)</u>	<u>1% Increase (7.8%)</u>
Employer's proportionate share of the net pension liability/(asset)	\$ 170,500	\$ 92,901	\$ 21,432

8. 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, 2020. 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, 2020, 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

point values. A participant may also receive credit for five years of firefighting service rendered prior to the establishment of the program.

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, 2020 for the plan year ending December 31, 2020.

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, 2020:		\$	606,174
Less: Assets available for benefits	<u>% of total</u>		
Cash	1.41%		8,527
Life Insurance - Specialty	3.76%		22,810
International Stock	22.58%		136,873
Small-Cap Stock	1.89%		11,460
Large-Cap Stock	19.70%		119,405
Bonds	50.66%		<u>307,099</u>
Total net assets available for benefits			<u>606,174</u>
Total unfunded benefits		\$	<u>-</u>

Receipts and Disbursements:

Plan net assets, January 1, 2020		\$	542,456
Changes during the year:			
Add: Plan contributions	\$	37,498	
Earnings from investments		3,331	
Market gain		46,669	
Less: Payments to retirees		(17,655)	
Insurance premiums		<u>(6,125)</u>	
Net change			<u>63,718</u>
Plan net assets, December 31, 2020		\$	<u>606,174</u>

Contributions

Amount of sponsor's contributions recommended by actuary	\$	31,373
Amount of sponsor's actual contributions	\$	37,498

Administrative Fees

Fees paid to actuary	\$	2,813
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9. 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—As of the January 1, 2019 valuation date, 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>85</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 \$21,217,877 was measured as of January 1, 2020, 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 3.78% effective January 1, 2019 to 2.74% effective January 1, 2020 based on the Bond Buyer Weekly 20-Bond GO Index. The salary scale is 3.50%. Adjusted RPH-2014, fully generational using scale MP-2014 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 6.80%, while the ultimate healthcare cost trend rate is 4.80%.

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

	Total OPEB Liability
Balances at December 31, 2019	\$ 16,041,097
Changes for the year:	
Service cost	486,746
Interest	668,947
Change in benefit terms	526,177
Changes of assumptions	3,919,072
Benefit payments	(424,162)
Net changes	5,176,780
Balances at December 31, 2020	<u>\$ 21,217,877</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 of a 1% change in the discount rate assumption would have on the total OPEB liability.

	1% Decrease (1.74%)	Current Discount Rate (2.74%)	1% Increase (3.74%)
Total OPEB liability	\$ 25,046,681	\$ 21,217,877	\$ 18,177,141

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 (4.8%) healthcare cost trend rates.

	1% Decrease (5.80%/3.80%)	Health Healthcare Cost Trend Rates (6.80%/4.80%)	1% Increase (7.80%/5.80%)
Total OPEB liability	\$ 17,576,705	\$ 21,217,877	\$ 25,985,664

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 \$424,162 for the fiscal year ended December 31, 2020. For the year ended December 31, 2020, the Town's governmental activities recognized OPEB expense of \$1,796,425. The Town's contributions to the OPEB plan are based on negotiated contracts with three 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, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,270,894
Changes of assumptions	4,004,231	1,693,578
Benefit payments subsequent to the measurement date	495,306	-
Total	<u>\$ 4,499,537</u>	<u>\$ 2,964,472</u>

Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

	Year ending December 31,
2021	\$ 114,555
2022	114,555
2023	114,555
2024	114,555
2025 and thereafter	581,539

10. 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.

11. LEASE OBLIGATIONS

Capital Lease—The Town has two outstanding capital leases for certain equipment. During the year ending 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 ending December 31, 2018 with the final payment to be made during the year ending December 31, 2022. During the year ended December 31, 2020, the Town entered into a lease agreement for a truck at an interest rate of 3.12%. Payments on the lease will begin in the year ending December 31, 2021, with the final payment to be made during the year ending December 31, 2025. An outstanding long-term liability for the leases of \$186,656 has been recorded within the Town's governmental activities at December 31, 2020. The assets acquired through the capital lease are shown below:

	Governmental Activities
Assets:	
Machinery and equipment	\$ 1,128,248
Less: Accumulated depreciation	<u>(442,556)</u>
Total	<u>\$ 685,692</u>

The obligations under the leases can be summarized as follows:

Year ending December 31,	Governmental Activities
2021	\$ 69,343
2022	69,343
2023	20,310
2024	20,310
2025	<u>20,311</u>
Total minimum lease payments	<u>199,617</u>
Less: Amount representing interest costs	<u>(12,961)</u>
Present value of minimum lease payments	<u>\$ 186,656</u>

12. 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, 2020:

Description	Interest Rate	Maturity Date	Balance 1/1/2020	Issues	Redemptions	Balance 12/31/2020
Capital Projects Fund:						
Various equipment	1.75%	2/12/2021	\$ -	\$ 3,291,762	\$ -	\$ 3,291,762
Total			<u>\$ -</u>	<u>\$ 3,291,762</u>	<u>\$ -</u>	<u>\$ 3,291,762</u>

13. 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, 2020 follows:

	Balance 1/1/2020	Additions	Reductions	Balance 12/31/2020	Due Within One Year
Serial bonds	\$ 14,793,479	\$ -	\$ 965,681	\$ 13,827,798	\$ 1,105,674
Premium on serial bonds	52,020	-	4,246	47,774	4,247
Capital lease	222,233	92,698	128,275	186,656	63,726
Compensated absences*	946,328	-	152,759	793,569	39,678
Net pension liability*	1,514,782	3,479,152	-	4,993,934	-
OPEB obligation	16,041,097	5,600,942	424,162	21,217,877	-
Total	<u>\$ 33,569,939</u>	<u>\$ 9,172,792</u>	<u>\$ 1,675,123</u>	<u>\$ 41,067,608</u>	<u>\$ 1,213,325</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.

A summary of additions and payments for the year ended December 31, 2020 is presented below:

Purpose	Year of Issue/ Maturity	Interest Rate (%)	Balance 1/1/2020	Increases	Decreases	Balance 12/31/2020	Due Within One Year
General Fund Whole Town							
Public improvements	2002/2022	3.90-4.75%	\$ 176,000	\$ -	\$ 67,000	\$ 109,000	\$ 67,000
Public improvements	2013/2027	2.50-3.25%	330,900	-	100,400	230,500	95,400
Parks and recreation improvements	2016/2024	0.85-2.30%	249,140	-	49,000	200,140	49,000
Public improvements—refunding	2018/2032	1.90-4.00%	1,755,000	-	290,000	1,465,000	305,000
Public improvements	2019/2042	3.00-3.13%	5,101,986	-	84,504	5,017,482	163,544
Total General Fund Whole Town			<u>7,613,026</u>	<u>-</u>	<u>590,904</u>	<u>7,022,122</u>	<u>679,944</u>
General Part-Town Fund:							
Public improvement	2019/2042	3.00-3.13%	40,919	-	677	40,242	1,311
Total General Fund Part-Town			<u>40,919</u>	<u>-</u>	<u>677</u>	<u>40,242</u>	<u>1,311</u>
Police Fund:							
Public improvements	2013/2027	2.50-3.25%	30,200	-	3,500	26,700	3,500
Parks and recreation improvements	2016/2024	0.85-2.30%	21,550	-	4,250	17,300	4,250
Public improvements	2019/2042	3.00-3.13%	263,260	-	4,360	258,900	8,438
Total Police Fund			<u>315,010</u>	<u>-</u>	<u>12,110</u>	<u>302,900</u>	<u>16,188</u>
Highway Whole Town Fund:							
Public improvements	2013/2027	2.50-3.25%	506,800	-	59,000	447,800	59,000
Total Highway Whole Town Fund			<u>506,800</u>	<u>-</u>	<u>59,000</u>	<u>447,800</u>	<u>59,000</u>
Highway Part-Town Fund:							
Public improvements	2013/2027	2.50-3.25%	532,100	-	62,100	470,000	62,100
Parks and recreation improvements	2016/2024	0.85-2.30%	258,264	-	50,670	207,594	50,670
Public improvements	2019/2042	3.00-3.13%	2,715,002	-	44,973	2,670,029	87,035
Total Highway Part-Town Fund			<u>3,505,366</u>	<u>-</u>	<u>157,743</u>	<u>3,347,623</u>	<u>199,805</u>
Water Fund:							
Water improvements	2006/2036	0.00%	2,611,551	-	128,753	2,482,798	130,674
Total Water Fund			<u>2,611,551</u>	<u>-</u>	<u>128,753</u>	<u>2,482,798</u>	<u>130,674</u>
Sewer Fund:							
Public improvements	2002/2022	3.90-4.75%	24,000	-	8,000	16,000	8,000
Parks and recreation improvements	2016/2024	0.85-2.30%	31,046	-	6,080	24,966	6,080
Public improvements	2019/2042	3.00-3.13%	86,541	-	1,433	85,108	2,773
Total Sewer Fund			<u>141,587</u>	<u>-</u>	<u>15,513</u>	<u>126,074</u>	<u>16,853</u>
Fire Fund:							
Public improvements	2019/2042	3.00-3.13%	59,220	-	981	58,239	1,899
Total Fire Fund			<u>59,220</u>	<u>-</u>	<u>981</u>	<u>58,239</u>	<u>1,899</u>
Total			<u>\$ 14,793,479</u>	<u>\$ -</u>	<u>\$ 965,681</u>	<u>\$ 13,827,798</u>	<u>\$ 1,105,674</u>

Premium on Serial Bonds—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, 2020, the unamortized premium is \$47,774.

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, 2020, for governmental activities is \$793,569. While the payments of compensated absences are dependent upon many factors, the Town has estimated that \$39,678 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 total net pension liability is estimated to be \$4,993,934. Refer to Note 7 for additional information related to the Town’s net pension liability.

OPEB Obligation—As discussed in Note 9, the Town’s total OPEB obligation at December 31, 2020 is estimated to be \$21,217,877.

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
2021	\$ 1,105,674	\$ 4,247	\$ 63,726	\$ 39,678	\$ -	\$ -	\$ 1,213,325
2022	1,032,596	4,247	65,612	-	-	-	1,102,455
2023	869,520	4,247	18,522	-	-	-	892,289
2024	771,439	4,247	19,100	-	-	-	794,786
2025	673,360	4,247	19,696	-	-	-	697,303
2026-2030	3,050,627	21,235	-	-	-	-	3,071,862
2031-2035	2,808,669	5,304	-	-	-	-	2,813,973
2036-2040	2,530,920	-	-	-	-	-	2,530,920
Thereafter	984,993	-	-	753,891	4,993,934	21,217,877	27,950,695
Total	<u>\$ 13,827,798</u>	<u>\$ 47,774</u>	<u>\$ 186,656</u>	<u>\$ 793,569</u>	<u>\$ 4,993,934</u>	<u>\$ 21,217,877</u>	<u>\$ 41,067,608</u>

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

Year ending December 31,	Serial Bonds	Capital Leases
2021	\$ 325,048	\$ 5,617
2022	298,602	3,731
2023	274,546	1,788
2024	256,002	1,210
2025	239,231	615
2026-2030	958,385	-
2031-2035	638,640	-
2036-2040	326,347	-
2041-2045	31,030	-
Total	<u>\$ 3,347,831</u>	<u>\$ 12,961</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, 2020 is shown below:

	Balance 1/1/2020	Additions	Reductions	Balance 12/31/2020	Due Within One Year
Compensated absences	\$ 3,925	\$ 3,728	\$ 3,925	\$ 3,728	\$ 3,728
Net pension liability*	23,595	69,306	-	92,901	-
Total	<u>\$ 27,520</u>	<u>\$ 73,034</u>	<u>\$ 3,925</u>	<u>\$ 96,629</u>	<u>\$ 3,728</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, 2020 for the Library is \$3,728, 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 \$92,901. Refer to Note 7 for additional information related to the Library's net pension liability.

14. 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	\$ 22,747,718
Related debt:	
Serial bonds	(13,827,798)
Bond anticipation notes payable	(3,291,762)
Premium on serial bonds	(47,774)
Deferred charge on refunding	12,974
Capital leases	(186,656)
Unspent debt proceeds	<u>1,465,006</u>
Net investment in capital assets	<u>\$ 6,871,708</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, 2020 are shown below:

- **Prepaid Items**—Represents amounts prepaid for various insurance policies and prepaid retirement expenditures. The General Fund, Police Fund, Highway Part-Town Fund, Sewer Fund and Nonmajor Funds reported \$144,520, \$158,154, \$56,336, \$4,209 and \$13,904, respectively, at December 31, 2020.

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, 2020 include:

- **Restricted for Mitigation**—Represents funds, \$264,945, held from the collection of mitigation fees that can only be spent on specific public improvements.
- **Restricted for Debt Service**—Represents resources that have been legally restricted for principal and interest payments that will be made in future periods. At December 31, 2020, the Debt Service fund reported \$44,979.
- **Restricted for LOSAP**—Represents monies, \$606,174, held in trust for the administration of the Town's LOSAP.

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, 2020, 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, 2020, 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	\$ 374,500	\$ -	\$ -	\$ 107,566	\$ 217,106	\$ 88,249	\$ 787,421
Specific use	-	1,421,615	132,457	780,614	1,868,906	836,240	5,039,832
Total assigned fund balance	<u>\$ 374,500</u>	<u>\$ 1,421,615</u>	<u>\$ 132,457</u>	<u>\$ 888,180</u>	<u>\$ 2,086,012</u>	<u>\$ 924,489</u>	<u>\$ 5,827,253</u>

- **Assigned to Subsequent Year's Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2021 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.

15. 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, 2020 are presented below:

Fund	Interfund			
	Receivables	Payables	Transfers in	Transfers out
Governmental funds:				
General Fund	\$ 1,154,766	\$ 170,554	\$ 81,675	\$ 7,772
Police Fund	9	58,477	22,562	-
Highway Town-Wide Fund	-	365,998	-	-
Highway Part-Town Fund	-	635,507	322,653	-
Sewer Fund	664,530	6,610	4,907	-
Capital Projects Fund	-	588,710	51,578	43,806
Nonmajor funds	38,685	32,134	1,550	433,347
Total	<u>\$ 1,857,990</u>	<u>\$ 1,857,990</u>	<u>\$ 484,925</u>	<u>\$ 484,925</u>

16. LABOR CONTRACTS

Town employees are represented by four bargaining units with the balance governed by Town Board rules and regulations. The Dispatcher Benevolent Association contract expired December 31, 2019, the Joseph Corr Police Benevolent Association and Highway Teamsters Local No. 294 have contracts through December 31, 2020 and the Parks and Recreation Teamsters Local No. 294 has a contract through December 31, 2022.

17. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. As of December 31, 2020, the Town did not report any significant encumbrances.

18. 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 \$85,907 during the 2020 fiscal year in payments in lieu of taxes (“PILOTs”); these collections were made in lieu of \$153,201 in property taxes.

19. 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.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 19, 2021, 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 Seven Fiscal Years*

	Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2020	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	0.0495700%	0.0516585%	0.0533926%	0.0567903%	0.058437%	0.058184%	0.058184%
Town's proportionate share of the net pension liability	<u>\$ 2,649,487</u>	<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	\$ 1,938,270	\$ 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	136.7%	45.5%	28.9%	63.4%	96.8%	9.2%	14.2%
Plan fiduciary net position as a percentage of the total pension liability	84.9%	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 Seven Fiscal Years*

	Year Ended December 31,						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 437,699	\$ 430,576	\$ 428,947	\$ 416,259	\$ 397,862	\$ 476,267	\$ 428,212
Contributions in relation to the contractually required contribution	<u>(437,699)</u>	<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>	<u>\$ -</u>
Town's covered payroll	\$ 1,886,006	\$ 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	23.2%	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 Seven Fiscal Years*

	Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2020	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	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%
Primary Government ("Town"):							
Town's proportion of the net pension liability	0.0088535%	0.0091519%	0.0092398%	0.0091062%	0.0097943%	0.0105183%	0.0105045%
Town's proportionate share of the net pension liability	<u>\$ 2,344,447</u>	<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	\$ 2,549,191	\$ 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	92.0%	25.4%	11.4%	33.3%	61.4%	13.8%	19.2%
Town of New Hartford Public Library ("Library"):							
Library's proportion of the net pension liability	0.0003508%	0.0003330%	0.0003093%	0.0006226%	0.0006677%	0.0006567%	0.0006705%
Library's proportionate share of the net pension liability	<u>\$ 92,901</u>	<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	\$ 100,971	\$ 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	92.0%	25.4%	8.8%	61.8%	66.7%	11.2%	18.8%

*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 Seven Fiscal Years*

	Year Ended March 31,						
	2020	2019	2018	2017	2016	2015	2014
Primary Government ("Town"):							
Contractually required contribution	\$ 382,459	\$ 385,343	\$ 391,532	\$ 397,720	\$ 489,332	\$ 456,306	\$ 521,918
Contributions in relation to the contractually required contribution	<u>(382,459)</u>	<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>	<u>\$ -</u>
Town's covered payroll	\$ 2,314,674	\$ 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	16.5%	15.1%	14.7%	15.3%	19.4%	16.9%	20.0%
Town of New Hartford Public Library ("Library")							
Contractually required contribution	\$ 15,149	\$ 14,022	\$ 13,106	\$ 11,632	\$ 30,570	\$ 28,507	\$ 32,606
Contributions in relation to the contractually required contribution	<u>(15,149)</u>	<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>	<u>\$ -</u>
Library's covered payroll	\$ 91,682	\$ 92,725	\$ 118,668	\$ 108,990	\$ 95,586	\$ 189,115	\$ 194,453
Contributions as a percentage of covered payroll	16.5%	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 Three Fiscal Years*

Total OPEB Liability	2020	2019	2018
Service cost	\$ 486,746	\$ 675,307	\$ 609,152
Interest	668,947	675,868	668,295
Changes in benefit terms	526,177	-	-
Differences between expected and actual experience	-	(1,746,884)	-
Changes of assumptions or other inputs	3,919,072	(2,327,878)	1,026,391
Benefit payments	<u>(424,162)</u>	<u>(414,634)</u>	<u>(390,232)</u>
Net changes in total OPEB liability	<u>5,176,780</u>	<u>(3,138,221)</u>	<u>1,913,606</u>
Total OPEB liability—beginning	<u>16,041,097</u>	<u>19,179,318</u>	<u>17,265,712</u>
Total OPEB liability—ending	<u><u>\$ 21,217,877</u></u>	<u><u>\$ 16,041,097</u></u>	<u><u>\$ 19,179,318</u></u>
Plan Fiduciary Net Position			
Contributions—employer	\$ 424,162	\$ 414,634	\$ 390,232
Benefit payments	<u>(424,162)</u>	<u>(414,634)</u>	<u>(390,232)</u>
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position—beginning	-	-	-
Plan fiduciary net position—ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Town's net OPEB liability—ending	<u><u>\$ 21,217,877</u></u>	<u><u>\$ 16,041,097</u></u>	<u><u>\$ 19,179,318</u></u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 3,728,918	\$ 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 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—General Fund
Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Real property taxes	\$ 1,463,415	\$ 1,463,415	\$ 1,463,415	\$ -
Real property tax items	462,688	462,688	420,666	(42,022)
Nonproperty tax items	909,593	909,593	880,064	(29,529)
Departmental income	246,430	246,430	199,386	(47,044)
Use of money and property	5,000	5,000	21,996	16,996
Sale of property and compensation for loss	-	-	7,060	7,060
Licenses and permits	28,600	28,600	23,424	(5,176)
Fines and forfeitures	165,000	165,000	64,134	(100,866)
Miscellaneous	14,293	14,293	14,233	(60)
State aid	521,603	521,603	514,196	(7,407)
Total revenues	<u>3,816,622</u>	<u>3,816,622</u>	<u>3,608,574</u>	<u>(208,048)</u>
EXPENDITURES				
Current:				
General government support	1,465,927	1,465,927	1,216,155	249,772
Public safety	115,122	115,122	113,693	1,429
Transportation	143,618	143,618	134,642	8,976
Economic assistance and opportunity	96,700	96,700	26,397	70,303
Culture and recreation	874,970	874,970	701,378	173,592
Employee benefits	686,985	686,985	576,391	110,594
Debt service:				
Principal	590,905	590,905	590,904	1
Interest and fiscal charges	298,470	298,470	298,469	1
Total expenditures	<u>4,272,697</u>	<u>4,272,697</u>	<u>3,658,029</u>	<u>614,668</u>
Excess (deficiency) of revenues over expenditures	<u>(456,075)</u>	<u>(456,075)</u>	<u>(49,455)</u>	<u>406,620</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	81,675	81,675	81,675	-
Transfers out	-	-	(7,772)	(7,772)
Total other financing sources (uses)	<u>81,675</u>	<u>81,675</u>	<u>73,903</u>	<u>(7,772)</u>
Net change in fund balances*	(374,400)	(374,400)	24,448	398,848
Fund balances—beginning	<u>3,212,488</u>	<u>3,212,488</u>	<u>3,212,488</u>	<u>-</u>
Fund balances—ending	<u>\$ 2,838,088</u>	<u>\$ 2,838,088</u>	<u>\$ 3,236,936</u>	<u>\$ 398,848</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—Police Fund
Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Real property taxes	\$ 2,424,920	\$ 2,424,920	\$ 2,424,921	\$ 1
Nonproperty tax items	1,534,792	1,534,792	1,484,967	(49,825)
Departmental income	181,580	181,580	58,622	(122,958)
Sale of property and compensation for loss	7,500	7,500	3,005	(4,495)
State aid	261,650	261,650	134,235	(127,415)
Total revenues	<u>4,410,442</u>	<u>4,410,442</u>	<u>4,105,750</u>	<u>(304,692)</u>
EXPENDITURES				
Current:				
General government support	1,277	1,277	255	1,022
Public safety	2,882,732	2,882,732	2,442,776	439,956
Employee benefits	1,523,923	1,523,923	1,352,847	171,076
Debt service:				
Principal	12,110	12,110	12,110	-
Interest and fiscal charges	12,962	12,962	12,961	1
Total expenditures	<u>4,433,004</u>	<u>4,433,004</u>	<u>3,820,949</u>	<u>440,978</u>
Excess (deficiency) of revenues over expenditures	<u>(22,562)</u>	<u>(22,562)</u>	<u>284,801</u>	<u>136,286</u>
OTHER FINANCING SOURCES				
Transfers in	<u>22,562</u>	<u>22,562</u>	<u>22,562</u>	<u>-</u>
Total other financing sources	<u>22,562</u>	<u>22,562</u>	<u>22,562</u>	<u>-</u>
Net change in fund balances	-	-	307,363	136,286
Fund balances—beginning	<u>1,272,406</u>	<u>1,272,406</u>	<u>1,272,406</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,272,406</u>	<u>\$ 1,272,406</u>	<u>\$ 1,579,769</u>	<u>\$ 136,286</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—Highway Town-wide Fund
Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Nonproperty tax items	\$ 177,836	\$ 177,836	\$ 172,062	\$ (5,774)
State aid	-	-	2,700	2,700
Total revenues	<u>177,836</u>	<u>177,836</u>	<u>174,762</u>	<u>(3,074)</u>
EXPENDITURES				
Current:				
Transportation	105,000	105,000	18,554	86,446
Debt service:				
Principal	59,000	59,000	59,000	-
Interest and fiscal charges	<u>13,836</u>	<u>13,836</u>	<u>13,836</u>	<u>-</u>
Total expenditures	<u>177,836</u>	<u>177,836</u>	<u>91,390</u>	<u>86,446</u>
Net change in fund balance	-	-	83,372	83,372
Fund balances—beginning	<u>49,085</u>	<u>49,085</u>	<u>49,085</u>	<u>-</u>
Fund balances—ending	<u>\$ 49,085</u>	<u>\$ 49,085</u>	<u>\$ 132,457</u>	<u>\$ 83,372</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—Highway Part-Town Fund
Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Nonproperty tax items	\$ 2,952,779	\$ 2,952,779	\$ 2,856,920	\$ (95,859)
Intergovernmental charges	255,200	255,200	277,479	22,279
Sale of property and compensation for loss	30,000	30,000	108,738	78,738
State aid	161,279	161,279	182,553	21,274
Total revenues	<u>3,399,258</u>	<u>3,399,258</u>	<u>3,425,690</u>	<u>26,432</u>
EXPENDITURES				
Current:				
Transportation	2,684,295	2,599,085	2,506,597	92,488
Employee benefits	739,551	739,551	736,737	2,814
Debt service:				
Principal	157,743	241,016	241,016	-
Interest and fiscal charges	140,322	142,259	142,259	-
Total expenditures	<u>3,721,911</u>	<u>3,721,911</u>	<u>3,626,609</u>	<u>95,302</u>
Excess (deficiency) of revenues over expenditures	<u>(322,653)</u>	<u>(322,653)</u>	<u>(200,919)</u>	<u>121,734</u>
OTHER FINANCING SOURCES				
Transfers in	<u>322,653</u>	<u>322,653</u>	<u>322,653</u>	<u>-</u>
Total other financing sources	<u>322,653</u>	<u>322,653</u>	<u>322,653</u>	<u>-</u>
Net change in fund balances	-	-	121,734	121,734
Fund balances—beginning	<u>822,782</u>	<u>822,782</u>	<u>822,782</u>	<u>-</u>
Fund balances—ending	<u>\$ 822,782</u>	<u>\$ 822,782</u>	<u>\$ 944,516</u>	<u>\$ 121,734</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—Sewer Fund
Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 446,449	\$ 446,449	\$ 446,449	\$ -
Departmental income	20,000	20,000	34,766	14,766
Total revenues	<u>466,449</u>	<u>466,449</u>	<u>481,215</u>	<u>14,766</u>
EXPENDITURES				
Current:				
General government support	214	214	46	168
Home and community services	584,492	535,459	368,531	166,928
Employee benefits	51,010	51,010	60,262	(9,252)
Debt service:				
Principal	15,515	60,517	60,515	2
Interest and fiscal charges	<u>5,235</u>	<u>9,266</u>	<u>9,266</u>	<u>-</u>
Total expenditures	<u>656,466</u>	<u>656,466</u>	<u>498,620</u>	<u>157,846</u>
Excess (deficiency) of revenues over expenditures	<u>(190,017)</u>	<u>(190,017)</u>	<u>(17,405)</u>	<u>172,612</u>
OTHER FINANCING SOURCES				
Transfers in	<u>4,907</u>	<u>4,907</u>	<u>4,907</u>	<u>-</u>
Total other financing sources	<u>4,907</u>	<u>4,907</u>	<u>4,907</u>	<u>-</u>
Net change in fund balances*	(185,110)	(185,110)	(12,498)	172,612
Fund balances—beginning	<u>2,102,719</u>	<u>2,102,719</u>	<u>2,102,719</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,917,609</u>	<u>\$ 1,917,609</u>	<u>\$ 2,090,221</u>	<u>\$ 172,612</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, 2020

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 Bond Buyer Weekly 20-Bond GO Index as of the measurement date, which decreased from 3.78% to 2.74% at December 31, 2020. 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, 2020, the Town's General Fund had expenditures in excess of the final budgeted amount within transfers out of \$7,772 due to the General Fund covering an engineering bill for the Capital Projects Fund. Also, the Sewer Fund had expenditures in excess of the final budgeted amount within employee benefits of \$9,252 due to higher than anticipated costs within hospital and medical insurance.

SUPPLEMENTARY INFORMATION

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TOWN OF NEW HARTFORD, NEW YORK
Combining Balance Sheet—Nonmajor Governmental Funds
December 31, 2020

	Fire	General Part-Town	Mitigation	Debt Service	Water	Lighting Districts	Total Nonmajor Funds
ASSETS							
Cash and cash equivalents	\$ 100,279	\$ 721,837	\$ 4,115	\$ -	\$ 102,651	\$ 11,647	\$ 940,529
Restricted cash and cash equivalents	-	-	264,945	25,496	-	-	290,441
Restricted investments	606,174	-	-	-	-	-	606,174
Receivables	-	14,545	-	-	-	-	14,545
Due from other funds	-	4,244	14,958	19,483	-	-	38,685
Prepaid items	-	13,904	-	-	-	-	13,904
Total assets	<u>\$ 706,453</u>	<u>\$ 754,530</u>	<u>\$ 284,018</u>	<u>\$ 44,979</u>	<u>\$ 102,651</u>	<u>\$ 11,647</u>	<u>\$ 1,904,278</u>
LIABILITIES							
Accounts payable	\$ 453	\$ 1,879	\$ -	\$ -	\$ -	\$ 10,368	\$ 12,700
Accrued liabilities	-	5,261	-	-	-	-	5,261
Due to other funds	9,924	1,550	19,073	-	-	1,587	32,134
Total liabilities	<u>10,377</u>	<u>8,690</u>	<u>19,073</u>	<u>-</u>	<u>-</u>	<u>11,955</u>	<u>50,095</u>
FUND BALANCES (DEFICIT)							
Nonspendable	-	13,904	-	-	-	-	13,904
Restricted	606,174	-	264,945	44,979	-	-	916,098
Assigned	89,902	731,936	-	-	102,651	-	924,489
Unassigned	-	-	-	-	-	(308)	(308)
Total fund balances (deficit)	<u>696,076</u>	<u>745,840</u>	<u>264,945</u>	<u>44,979</u>	<u>102,651</u>	<u>(308)</u>	<u>1,854,183</u>
Total liabilities and fund balances (deficit)	<u>\$ 706,453</u>	<u>\$ 754,530</u>	<u>\$ 284,018</u>	<u>\$ 44,979</u>	<u>\$ 102,651</u>	<u>\$ 11,647</u>	<u>\$ 1,904,278</u>

TOWN OF NEW HARTFORD, NEW YORK
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances (Deficit)—Nonmajor Governmental Funds
Year Ended December 31, 2020

	Fire	General Part-Town	Mitigation	Debt Service	Water	Lighting Districts	Total Nonmajor Funds
REVENUES							
Real property taxes	\$ 1,316,789	\$ -	\$ -	\$ -	\$ 128,755	\$ 95,708	\$ 1,541,252
Nonproperty tax items	-	391,339	-	-	-	-	391,339
Departmental income	-	104,166	-	-	-	-	104,166
Use of money and property	-	-	199	-	-	-	199
Sale of property and compensation for loss	-	-	-	35,115	-	-	35,115
Licenses and permits	-	132,439	-	-	-	-	132,439
Miscellaneous	-	-	97,851	59	-	-	97,910
Total revenues	<u>1,316,789</u>	<u>627,944</u>	<u>98,050</u>	<u>35,174</u>	<u>128,755</u>	<u>95,708</u>	<u>2,302,420</u>
EXPENDITURES							
Current:							
General government support	-	2,580	-	-	-	-	2,580
Public safety	1,212,580	-	-	-	-	-	1,212,580
Health	-	46,971	-	-	-	-	46,971
Transportation	-	-	-	-	-	99,240	99,240
Home and community services	-	140,305	-	-	-	-	140,305
Employee benefits	-	128,751	-	-	-	-	128,751
Debt service:							
Principal	981	677	-	-	128,753	-	130,411
Interest and fiscal charges	2,645	1,828	-	-	-	-	4,473
Total expenditures	<u>1,216,206</u>	<u>321,112</u>	<u>-</u>	<u>-</u>	<u>128,753</u>	<u>99,240</u>	<u>1,765,311</u>
Excess (deficiency) of revenues over expenditures	<u>100,583</u>	<u>306,832</u>	<u>98,050</u>	<u>35,174</u>	<u>2</u>	<u>(3,532)</u>	<u>537,109</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	1,550	-	-	-	-	1,550
Transfers out	-	(207,770)	-	(225,577)	-	-	(433,347)
Total other financing sources (uses)	<u>-</u>	<u>(206,220)</u>	<u>-</u>	<u>(225,577)</u>	<u>-</u>	<u>-</u>	<u>(431,797)</u>
Net change in fund balances (deficit)	100,583	100,612	98,050	(190,403)	2	(3,532)	105,312
Fund balances—beginning, as restated	<u>595,493</u>	<u>645,228</u>	<u>166,895</u>	<u>235,382</u>	<u>102,649</u>	<u>3,224</u>	<u>1,748,871</u>
Fund balances (deficit)—ending	<u>\$ 696,076</u>	<u>\$ 745,840</u>	<u>\$ 264,945</u>	<u>\$ 44,979</u>	<u>\$ 102,651</u>	<u>\$ (308)</u>	<u>\$ 1,854,183</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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated August 19, 2021 (which report contains an adverse opinion on governmental activities due to capital assets and net pension related to its Length of Service Award Program, and an emphasis of matter paragraph regarding the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 84, *Fiduciary Activities*).

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings as item 2020-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings as item 2020-002 to be a significant deficiency.

Compliance and Other Matters

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

Town's Responses to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings. 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

August 19, 2021

TOWN OF NEW HARTFORD, NEW YORK
Schedule of Findings
Year Ended December 31, 2020

We consider the deficiency presented below to be a material weakness in internal control.

Finding 2020-001—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, 2021 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, 2021 addresses and includes the provisions of GASB Statement No. 73.

We consider the deficiency presented below to be a significant deficiency in internal control.

Finding 2020-002—Audit Readiness and Monthly Closing Process

Criteria: Prior to providing financial records to auditors, the Town should prepare for the audit of its financial statements by appropriately closing the books for the year. Standard closing procedures should be established to include sufficient documentation that is readily available, and ensure that reconciliations of account balances are performed on a monthly basis.

Condition and Context: Certain account balances in the trial balance that was provided had not been appropriately adjusted and reconciled. Also, the Town's bank reconciliations were not completed on a monthly basis and were incomplete at year end.

Cause: There was not a standard monthly process in place to reconcile bank accounts and perform a review of recurring accounting entries.

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 establish formal documented monthly 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 seek guidance from their auditors to help develop formal policies and procedures related to accounting system controls and oversight.

TOWN OF NEW HARTFORD, NEW YORK
Summary Schedule of Prior Audit Findings and Corrective Action Plan
Year Ended December 31, 2020
(Follow-up of December 31, 2019 Findings)

Finding 2019-001—Governmental Accounting Standards and Principles

See Finding 2020-001 within the Schedule of Findings for current status.

Finding 2019-002—Accounting System Controls and Oversight

See Finding 2020-002 within the Schedule of Findings for current status.

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