

## TOWN OF HINSDALE

### Notes to the Financial Statements For the Fiscal Year Ended December 31, 2018

#### I. Summary of Significant Accounting Policies

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

##### A. Financial Reporting Entity

The Town of Hinsdale, (which was established on April 14, 1820.), is governed by the local laws of the Town of Hinsdale and other general laws of the State of New York. The Town Council is the legislative body responsible for overall operations; the Town Supervisor serves as chief executive officer and chief fiscal officer.

The following basic services are provided:

- o Maintenance and construction of town roads, bridges and right-of ways.
- o Provides for general support, judicial, traffic control, public safety and recreational and cultural activities.

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

The financial reporting entity consists of (a) the primary government which is the Town of Hinsdale, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement 14.

The decision to include a potential component unit in the Unit's reporting entity is based on several criteria set forth in GASB 14 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the Town of Hinsdale reporting entity.

#### 1. Included in the Reporting Entity

The Town of Hinsdale Water District established in 1932 and operated under provisions of Article 6 of the General Municipal Law. The Town Council of the Town of Hinsdale acquires real property used by the water district, approves all expenditures for new buildings or alterations, and retains general oversight responsibility for the water district. The Town of Hinsdale is required to make a detailed annual report of the operations of the water district as part of the annual reporting to the NYS Comptroller.

## **B. Fund Accounting**

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

A fund is a separate accounting entity with a self-balancing set of accounts.

The Town records its transactions in the fund types described below.

### **Fund Categories**

- **Governmental Funds** - Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon the determination of financial position and changes in financial position (the sources, uses, and balances of current financial resources). The following are the Unit's governmental fund types.

*General Fund* - the principal operating fund and includes all operations not required to be recorded in other funds.

*Highway Fund* – the principal account to record all operations and transactions of the town-wide highway department.

*Water District Fund* – the principle-operating fund to record all operations of the water district.

*Special Capital Project Fund* – This fund was established in 2018 to record all transactions with the loss of the town's highway garage and equipment due to the February 1, 2018 fire. Some of the equipment and losses were replaced in 2018. The new building and a dump truck will be constructed and replaced in 2019.

- **Fiduciary Funds** - used to account for assets held by the local government in a trustee or custodial capacity:

*Trust and Agency Fund* - Used to account for money (and/or property) received and held in the capacity of trustee, custodian, or agent.

## **C. Basis of Accounting/Measurement Focus**

Basis of accounting refers to when revenues and expenditures/ expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the

measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

**Modified Accrual Basis** - All Governmental Funds are accounted for using the modified accrual basis of accounting.

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered to be available if collected within **60 days** length of time.

Material revenues that are accrued include real property taxes, state and federal aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made and the resources are available.

Expenditures are recorded when incurred except that:

- a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.
- b. Principal and interest on indebtedness are not recognized as expenditure until due.
- c. Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as expenditure when paid (Note I (J), p. 2-8).

**D. Property Taxes**

Real property taxes are levied annually no later than December 31<sup>st</sup> and become a lien on December 31<sup>st</sup>. Taxes are collected during the period January 1<sup>st</sup> to March 31<sup>st</sup>. The county assumes enforcement responsibility for all taxes levied in the town.

Unpaid school district taxes and delinquent water bills are turned over to the county for enforcement. Any such taxes remaining unpaid at year-end are re-levied as county taxes in the subsequent year.

**E. Budgetary Data**

1. **Budget Policies** - The budget policies are as follows:

- a. No later than September 1<sup>st</sup>, the budget officer submits a tentative budget to the Town Council for the fiscal year commencing the following January 1<sup>st</sup>. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than November 1st, the governing board adopts the budget.
- c. All modifications of the budget must be approved by the governing board.

(However, the Town Supervisor is authorized to transfer certain budgeted amounts within departments.).

d. Effective with the 2012 fiscal year budget the town was required to adhere to the newly enacted 2% tax levy cap law. The 2017 budget was adopted within the allowable tax levy increase of the law.

2. **Budget Basis of Accounting**

The Budget(s) are adopted annually on a basis consistent with a cash basis. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

**F. Changes in Accounting Policies**

During the 2018 fiscal year, the Unit adopted no changes in accounting policies.

**G. Investments**

Investments are stated at cost, which approximates market.

**I. Insurance**

The Unit assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. There were no pending judgments or claims against the Town during 2018.

**J. Compensated Absences**

Employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 25 days a year, but may accumulate no more than a maximum of 25 days. Upon separation from service, employees are paid up to 25 days.

Employees accrue sick leave at the rate of 10 days per year and may accumulate such credits up to a total of 100 days. Employees who terminate with at least 10 years of service are paid up to 40 days, at their final pay rate.

**K. Post Employment Benefits**

In addition to providing pension benefits, the Town had provided health insurance coverage for retired employees and spouse until age 65. As per the newly approved collective bargaining agreement effective 1/1/2011 this benefit no longer is offered. On February 1, 2012 the last remaining employee with this benefit turned age 65

and is no longer eligible. During 2018 no full-time employees were eligible for this benefit. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Town recognizes the cost of providing benefits by recording its share of insurance premiums as expenditure in the year paid. During the year no payments were made on behalf of retirees.

During the year \$51,919.82 was paid on behalf of six (6) active employees, the expenditures are recorded in General and Highway funds.

## **II. Stewardship, Compliance, Accountability**

### **A. Material Violations of Finance-Related Provisions**

During the 2018 Fiscal Year the Town had no material violations of finance related provision for the use of bond proceeds or the need to borrow on the 2019 taxes.

### **B. Deficit Fund Balances**

The Town had no deficit fund balances during fiscal year 2018.

### **C. Overdrawn Appropriations**

1. Expenditures for the year ended December 2018 had no material appropriations, which overdraw the budget. All accounts were fully funded through the budget.

## **III. Detail Notes on All Funds**

### **A. Assets**

#### **1. Cash and Investments**

State statutes govern the Town's investment policies. In addition, the Unit has its' own written investment policy. Town monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Town Supervisor is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash

and near their maturity. The combined Statement of Cash Flows presented on page 42 uses the direct method of reporting cash flows.

Deposits and investments at year-end were entirely covered by Federal Depository insurance or by collateral held by the Town's custodial bank Five Star Bank and Cattaraugus County Bank. (See page 37).

**B. Liabilities**

1. Pension Plans

Plan Description

The Town of Hinsdale participates in the New York State and Local Employees Retirement System (ERS). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law (NYSRSSL) govern obligations of employers and employees to contribute and benefits to employees. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees Retirement System after July 27, 1976 who contributes 3% of their salary for the first ten years of membership. Employees hired after January 1, 2010 are covered under the new Tiers 5 and 6 are required to contribute the 3% for the entire time they are enrolled in the retirement plan. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employer's contributions. The required contributions for the current year and two preceding years were:

ERS

2018	\$41,805.00
2017	\$44,186.00
2016	\$46,534.00

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

- o Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible
- o Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1<sup>st</sup> (e.g. billings due February 2019 would be based on the pension value as of March 31, 2018).

Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- o For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- o For SFY 2005-06, the amount in excess of 9.5 percent of employees covered pensionable salaries.
- o For SFY 2007-08, the amount in excess of 10.5 percent of employees covered pensionable salaries.

This law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the Systems fiscal years ending March 31, 2005 through 2008. [The total unpaid liability at the end of the fiscal year was \$0.00.

2. Short-Term Debt

The town had no short-term debt due as of December 31, 2018.

3. Long-Term Debt

- a. Outstanding indebtedness aggregated \$273,515. Of this amount, zero (0) was subject to the constitutional debt limit.
- b. Serial Bonds (and Capital Notes) -The Unit borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Schedule of Non-current Governmental Liabilities or in the enterprise fund in the case of Bond debt. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.
- c. During 2018 the town did not issue any new debt.
- d. Summary Long-Term Liabilities – The summary of long-term debt may be found on pages 34 & 35 of the Annual Financial Report.

## **VI. Subsequent Events**

- a. On February 15, 2007, the Norfolk Southern Rail Line in Cattaraugus County was sold in its' entirety to the Southern Tier Rail Authority. The results of this sale will remove \$1,575,000 from the tax rolls for a period of eight years. The Southern Tier Rail Authority also extended its tax abatement on their east/west line for an additional 8 years. The annual cost of lost real property taxes will be in excess of \$18,000.00. During 2009 through 2015 the Town did not received a PILOT as they did in 2008.
- b. The Town had completed a revaluation of all properties located within the town effective July 1, 2007. The purpose of the revaluation is to improve the equalization rate from the 2006 level of 84%. The new values resulted in an equalization rate of 100% as certified by the NYS Office of Real Property Services. The new assessments were in effect for the 2007 tax roll and used for the 2007 school district tax levy and the 2008 town and county tax levies. The Town's equalization rate remained at 100% through 2014 but decreased to 85% for the final 2016 tax roll and increase to 92% in 2018. These fluctuations are due to the high sale prices for vacant land. The Town is now in the process of securing bids to perform a new revaluation project during 2020.
- c. During 2016 the National Fuel Gas Corporation completed a \$54,000,000 compressor station in the town. This new construction was included on the 2016 tax roll resulting in decreases in the town, school and fire district tax rates by nearly 40% and the County's tax rate by 1%.
- d. During 2016 the Town began metering replacements within the Hinsdale Water District. These new meters use new technology with cellular end points with transmit the water usage daily to the town. Using this technology allows the town to become aware of malfunctioning meters and leaks in the system. This is a three year project with 25 additional meters planned to be replaced in 2017, 2018 and 2019.
- e. On February 1, 2018 the Town experienced a structure fire to its cold storage and highway garage. The cause of the fire is believed to be a result of a malfunction in a truck block heater. The building was a total loss. Also destroyed were two dump trucks, a road tractor w/broom, roller, lawn tractor and a great deal of supplies and parts. The town is working with its insurance company, NYMIR to replace the building and contents. It is believed most costs will be covered by insurance and there will be a minimal impact of the town's finances. There were no injuries as a result of the fire.