TOWN OF HINSDALE

Notes to the Financial Statements
For the Fiscal Year Ended December 31, 2019

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:

- Maintenance and construction of town roads, bridges and right-of ways.
- 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 was substantially completed in 2019 and one dump truck was replaced in 2019. The building project and one additional tandem dump truck will be completed and received in 2020.

- **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 31st and become a lien on December 31st. Taxes are collected during the period January 1st to March 31st. 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^{st,} the budget officer submits a tentative budget to the Town Council for the fiscal year commencing the following January 1st. 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 2019 and 2020 budgets were 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 2019 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 2019.

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 2019 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 $51,602.74 was paid on behalf of six (6) active full-time employees, the expenditures are recorded in General and Highway funds.

II. Stewardship, Compliance, Accountability

A. Material Violations of Finance-Related Provisions

During the 2019 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 2020 taxes.

B. Deficit Fund Balances

The Town had no deficit fund balances during fiscal year 2019.

C. Overdrawn Appropriations

1. Expenditures for the year ended December 2019 had no material appropriations, which overdrew 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 36).

B. Liabilities

1. Pension Plans

Plan Description

The Town of Hinsdale participates in the New York State and Local Employees' Retirement System (ERS) which is collectively referred to as New York State and Local Retirement System (the System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). 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 of Yorkshire also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244

Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Special Plans

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first $50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed $18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent 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 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

ERS	
2019	$39,222.00
2018	$41,805.00
2017	$44,186.00

Chapter 57 of the Laws of 2010 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5 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 amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- The interest rate will be set annually, and will be comparable to taxable fixed income investments of a similar duration.
- For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. The total unpaid liability at the end of the fiscal year was $__.00 .

Chapter 57 of the Laws of 2013 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for up to 12 years in accordance with the following stipulations:

- The maximum amount an employer can amortize is the difference between the normal annual contribution (total bill, excluding payments for deficiency, group life, previous amortizations, incentive costs, and prior year adjustments) and the graded contribution.
- For subsequent State fiscal years (SFYs), the graded rate will increase or decrease by up to one-half of one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- The interest rate will be set annually, and will be comparable to a 12-year US Treasury Bond plus 1 percent.
- For subsequent SFYs in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. The total unpaid liability at the end of the fiscal year was $__.00

2. Short-Term Debt

The town had no short-term debt due as of December 31, 2019.

3. Long-Term Debt

a. Outstanding indebtedness aggregated $227,000. 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 page 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 93% in 2019. These fluctuations are due to the high sale prices for vacant land. The Town is now in the process of studying revaluation project during 2021.

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. The project completion is expected for 2020.

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. The new garage was substantially completed during 2019 and one of the new tandem trucks was received. The second truck is expected to be received in March of 2020.