

Town of Washington, New York
Notes to the Financial Statements
Year Ended December 31, 2017

NOTE 1. Summary of Significant Accounting Policies

The Town of Washington, New York (“The Town”) was established and operates in accordance with Town Law and the various other applicable laws of the State of New York. The Town Board is the legislative body responsible for overall operation. The Supervisor serves as the Chief Executive Officer and as Chief Fiscal Officer.

The Town provides the following services: highway maintenance, ambulance, sheriff and fire protection, planning, zoning, building and safety inspection, lighting, sewer, and culture and recreation.

The accounting policies of the individual funds and account groups of the Town are accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. The Reporting Entity

The Town, for financial purposes, includes all of the funds and account groups relevant to the operations of the Town. The financial statements include organizations, functions and activities that are controlled by or dependent upon the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

B. Basis of Presentation and Accounting

The accounts of the Town are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in these funds.

Governmental Funds

Governmental fund types are used to account for the Town’s general government activities. Governmental fund types use current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the balance sheet.

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Notes to the Financial Statements (continued)

Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. Their reported fund balance (net current assets) is considered a measure of “available expendable resources.”

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues, and related assets are recognized when susceptible to accrual (i.e. when they become both measurable and available to finance operations). “Measurable” means the amount of the transactions can be determined and “available” means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Those revenues susceptible to accrual are special assessments, revenues from the use of property and money and charges for services. Expenditures, other than interest on long term debt and compensated absences, are recorded when the related fund liability is incurred. Interest on long term debt is recognized when payment is due and compensated absences are recognized as paid.

General Fund – This fund is the primary operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Funds are General Town wide and General Part Town. The Village of Millbrook is incorporated within the Town.

Special Revenue Fund – Special revenue funds are used to account for revenue sources that are legally restricted to expenditures for specific purposes. The Special Revenue Funds of the Town are: Highway Town wide and Highway Part Town Funds, Light, Fire Protection, Refuse and Garbage and Community Development.

Capital Projects Fund – This fund is used to account for the acquisition of fixed assets or construction of major capital projects.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the government in a trustee capacity of as an agent on behalf of others.

Trust and Agency 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. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Account Groups

Account Groups are used to establish accounting control and accountability for general fixed assets and general long term debt. The two account groups are not funds. They are concerned with measurement of financial position and not the results of operation.

General Fixed Assets Account Group – This group of accounts is a self-balancing group of accounts established to account for all fixed assets of the Town.

General Long Term Obligations Account Group – This is a self-balancing group of accounts established to account for all long term obligations of the Town.

C. Budgetary Information

The Town Board follows statutory procedures for establishing the budget for the General and Special Revenue Funds. The procedure is as follows:

On or before September 30, the budget officer files in the Town Clerk's office the tentative budget message, if any and the estimates and schedules.

The Town Clerk presents, as required, the tentative budget to the Town Board at a regular or special meeting held on or before October 5.

The Town Board reviews the tentative budget and upon completion, the tentative budget, as modified by the Town Board, becomes the preliminary budget and is required to be filed in the Town Clerk's office

On or before the Thursday following the general election, the Town must hold, as required, a public hearing on the preliminary budget.

After the public hearing, the budget is adopted no later than November 20.

Supplemental appropriations and other actions on the adopted budget are taken at a formal meeting of the Town Board and by resolution.

D. Assets, Liabilities, and Fund Equity

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

State statutes govern the investment policies of the Town. Permissible investments include obligations of the U.S. Treasury, U.S. agencies, and obligations of New York State and repurchase agreements of the U.S. Treasuries.

Investments are stated at cost or amortized cost and are pooled for governmental funds to facilitate its investment program. Investment income is allocated from the pooled earnings to the respective funds based on the sources of funds invested.

Receivables and Payables

Transactions between funds used to finance operations, provide services, and construct assets not paid or received at the end of the fiscal year are recorded as receivables and payables.

Receivables represent amounts due from other governments and individuals for services provided by the Town.

The Town submits an adopted budget to the County Commissioner of Finance by the fifth day of December of the previous year. Real property taxes for the Town and special district purposes are levied together with taxes for county purposes and become a lien on January 1. All taxes levied on property within the Town are collected by the Town Receiver of Taxes through May 31. The Town receives its entire tax levy, leaving collection of the unpaid property taxes to the County Commissioner of Finance. Therefore, the Town does not reflect receivable or deferred revenue in its financial statements.

Fixed Assets

Fixed assets used in governmental fund types of the government are recorded in the general fixed assets group at cost or estimated historical cost if purchased or constructed. Donated assets are recorded at their fair market value at the date of donation. No provision for depreciation is made on general fixed assets.

Public domain (infrastructure) general fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems and other assets that are immovable and of value only to the government are not capitalized.

The Town enumerates Fixed Assets in its report. The 2017 Annual Financial Report does not report Fixed Assets. There exists no record of Fixed Assets as of 12/31/17.

Long Term Liabilities

Long term liabilities expected to be financed from governmental fund revenues are accounted for in the General Long Term Debt Account Group, rather than in the governmental funds.

Significant GASB Standards to be Implemented in Near Future

GASB issued Statement No 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, which established specific standards for basic financial statements. Management’s Discussion and Analysis (MD&A), and certain required supplementary information other than the MD&A. This statement became effective for the Town in fiscal year 2004. Implementation of this statement significantly changes the presentation of the Town’s

general purpose financial statements. One of the significant changes is the requirement to present entity wide financial statements on a full accrual basis of accounting.

NOTE 2. Detailed Notes on All Funds and Account Groups

A. Cash and Investments

The carrying amount of the Town deposits at December 31, 2017, was \$2,027,960. The deposits were insured by Federal deposit insurance for \$250,000 (in each of two financial institutions) and the balance was covered by collateral held by the pledging financial institutions' trust departments or third party custodians in the Town's name in the amount.

B. Fixed Assets

Fixed Assets consisting of Land, Building, and Machinery and Equipment are not accounted for in detail on the Town's ledgers.

C. Bond Anticipation Notes

The Town has some short term debt. The amount outstanding at end of year was \$485,373.

D. Long – Term Debt

The outstanding Serial Bond debt at December 31, 2017 amounted to \$582,508. The Town borrowed this amount in part for Land Acquisition. This enabled the cost of this capital asset to be borne by the present and future taxpayers receiving the benefit of the asset. This long term liability which has the full faith and credit debt of the Town is recorded in the Schedule of Non-Current Government Liabilities. The provision to be made in future budgets for the debt represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the liability.

E. Pension Plan

Plan Description

The Town of Washington participates in the New York State and Local Employees' Retirement System. The system provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute is governed by the New York State Retirement and Social Security Law. As set forth in NYSRSSL, the Comptroller of the State Of New York serves as sole trustee and administrative head of the System.

The comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds.

The system issues a publicly available financial report that includes an Annual Report and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Funding Policy

The plan is non-contributory except for employees who joined the NYSRSSL after July 27, 1976 who contribute 3% of their salary – up to and including 10 years of service when it becomes individually noncontributory. Under the authority of the NYSRSSL the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Town of Washington is required to contribute at an actuarially determined rate. The required contribution for the current and preceding year was:

The Town's contributions made to the System were equal to 100% of the contribution required for that year.

Since 1989, the system's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17 year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The Town of Washington elected to make the full payment on December 15, 1989.

F. Post-Employment Benefits

In addition to providing pension benefits, the Town of Washington makes available health insurance coverage and survivor benefits for eligible retired employees. Substantially all of the Town's employees may become eligible for these benefits if they reach normal retirement age while working for the Town (with specified number of employment years). Survivor benefits are limited.

G. Compensated Absences

Vacation days are accumulated at an individual rate for the employees of the Town. The Town should accrue a liability for compensated absences that meet the following criteria:

1. The Town's obligations relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount may reasonably be estimated.

In accordance with these criteria, the Town has not accrued a liability for vacation pay that has been earned but not taken by Town Employees. For governmental funds, the liability for compensated absences are normally recorded in the General Long Term Debt Account Group as it is anticipated that none of the liabilities will be liquidated with expendable available financial resources.

NOTE 3. Commitments and Contingencies

A. Litigation

The Town was a defendant in a number of legal actions arising from the normal course of business and tax certiorari proceedings. The Town successfully defended itself from several of these actions. However, it is impossible at this time to determine settlements or outcomes that may result from the current outstanding litigations. The Town anticipates that such amounts, if any, may be substantially covered by the Town's insurance policies and will not be material to the financial position of the Town.

B Risk Management

The Town is provided insurance coverage through policies purchased from independent insurance carriers to reduce its exposure to property and casualty loss.