

**TOWN OF WASHINGTON, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**A. Summary of Significant Accounting Policies**

The Town of Washington, New York (the "Town") was established in 1788, and operates in accordance with Town law and other general laws of the State of New York. The Town operates under a Town Board form of government, consisting of a Supervisor and four Councilmen. The Supervisor serves as the Chief Executive Officer and also serves as the Chief Fiscal Officer of the Town.

The Town provides the following services: general government support, highway maintenance, planning, zoning, building and safety inspection, and culture and recreation.

The financial statements of the Town have been prepared in conformity with the basis of accounting required by the New York State Comptroller's Office and described in the Uniform System of Accounts published by that office. It is a basis of accounting other than accounting principles generally accepted in the United States of America and more further explained in Note A 5.

**1. The Reporting Entity**

The Town, for financial purposes, includes all of the funds relevant to the operations of the Town of Washington, New York. 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. Under these criteria, no other entities are included in the Town's financial statements.

**2. Fund Accounting**

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two fund types, as follows:

**GOVERNMENTAL FUND TYPES**

The accounting and reporting treatment applied to assets and liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

**General Fund**

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

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**A. Summary of Significant Accounting Policies (Continued)**

**2. Fund Accounting (Continued)**

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue funds include Highway.

**Capital Projects Fund**

This fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities. The principal source of financing is from other funds, federal and state grants, the sale of bonds or bond anticipation notes.

**FIDUCIARY FUND TYPE**

**Custodial Fund**

This fund is used to report assets which are held in a trust and agency capacity for others and are, therefore, not available to support Town programs. Fiduciary funds include a Permanent Fund.

**3. Schedules**

Included in this report are schedules which are used to establish accounting control and accountability for Non-current Assets and Non-current Liabilities. These schedules are not "funds." They are concerned only with the measurement of financial position. They are not involved with the measurement of the results of operations.

**Non-current Assets**

Non-current Assets includes real and personal property, otherwise known as "fixed assets" with an estimated useful of generally more than three years and an original cost of \$5,000. The Town does not depreciate its non-current assets, but only accounts for additions and disposals.

Non-current liabilities expected to be financed (paid) from governmental fund types are accounted for in this schedule, not in the governmental funds. They are recorded at the par value of the principal amount. No liability is recorded for interest payable to maturity.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities until in the year due. Therefore, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Non-current Liabilities schedule. Such non-current liabilities include bonded debt, other post employment benefits, and the Town's proportionate share of the NYS Employee Retirement System net pension liability.

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**A. Summary of Significant Accounting Policies (Continued)**

**4. Fund Balance Classification**

The following is a brief description of the five fund balance classifications, which are based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in the governmental funds:

**Nonspendable:**

Amounts that cannot be spent in the current period either because of their form or because they must be maintained intact. Prepaid expenses are nonspendable assets because, by definition, the money has already been spent.

**Restricted:**

Amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments or through constitutional provisions or enabling legislation.

Various New York State statutes allow local governments to establish reserve funds for various purposes. Since the State regulates the establishment, funding and use of these reserves, the Town has classified \$870,040 as General reserve funds.

**Committed:**

Amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision making authority (the Town Board) before the end of the fiscal year. The same level of formal action is required to remove the constraint.

**Assigned:**

Amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision making authority or by their designated body or official. 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.

**Unassigned:**

Represents the residual amount of fund balance in the General Fund. In funds other than the General Fund, this should only be used to report a deficit balance.

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**A. Summary of Significant Accounting Policies (Continued)**

**5. Regulatory Basis of Accounting**

Basis of accounting refers to when revenues and expenditures 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 applied.

Under the Uniform System of Accounts prescribed by the New York State Comptroller's Office all governmental funds are accounted for using the "modified accrual basis" of accounting. Their revenues are recognized when they become measurable and available as net current assets. The period of availability is generally defined as including sixty days following the end of the fiscal year. However, grant revenues are recognized when the reimbursable expenditure is incurred. All major revenues are susceptible to accrual.

Expenditures are generally recognized under the "modified accrual basis" of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are generally not accrued; and (2) principal and interest on non-current debt which is recognized when due; and (3) expenditures for most inventory-type items which are recognized at time of purchase.

**6. Cash and Investments**

Cash includes amounts in demand and time deposits as well as short-term investments. State statutes and the Town's own investment policy govern the investment policies of the Town. The Town may invest its funds in banks or trust companies authorized to do business in the State of New York, as well as investing in obligations of the U.S. Treasury, U.S. Agencies, and obligations of the State of New York and its political subdivisions. The Town's monies must be deposited in FDIC insured commercial banks or trust companies located within the State.

Demand and time deposits and repurchase agreements not covered by federal deposit insurance, must be collateralized by the financial institutions with investments governed under state statutes.

**7. Accounts Receivable**

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

**8. Inventories and Prepaid Items**

Purchases of inventory-type items are recorded as expenditures in the Governmental Funds at the time of purchase. Inventory-type items are considered immaterial and, consequently, are not provided in the Fund statements.

Prepaid items represent payments made by the Town for which benefits extend beyond year-end.

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**A. Summary of Significant Accounting Policies (Continued)**

**9. Capital Assets**

Currently, the Town has not adopted a formal Capital Asset Policy. However, capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is not required to be reported under the NYS regulatory basis of accounting for governmental funds.

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not reported any of its capital and/or infrastructure assets in the financial statements.

**10. Vested Employee Benefits**

Town employees are granted sick leave, however, amounts are not paid to the employee in the event of termination or upon retirement. Therefore, no provision is made in future years' budgets for the repayment of these obligations and no amount is recorded in the Non-Current Governmental Liabilities Account Group.

The Town's employees participate in the New York State Employees' Retirement System. See Note E.

**11. Risk Retention**

The Town 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.

**12. Property Taxes**

The Town submits an approved budget to the County of Dutchess Commissioner of Finance by December 1<sup>st</sup> of the previous year. The County then establishes the warrant for the year which is due and payable on or about January 1<sup>st</sup> of each year. The Town collects the taxes on behalf of the Town and County without penalty through February 28<sup>th</sup> and with penalties and interest through May 31<sup>st</sup>. The Town receives its entire tax, leaving the unpaids to the County Commissioner of Finance. Taxes and accounts past due are re-levied by the County.

**13. Budgets**

The Town formally adopts a budget according to Town law. During the year, a budget was adopted and modified by the Town Board for the General Fund and Special Revenue Funds. However, for the Capital Projects Fund, budgets are established at the project level and continue until the project is completed. Unused appropriations of the annually budgeted funds lapse at the end of the year.

**14. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed as a control in preventing over expenditure of established appropriations. Open encumbrances are reported as assigned fund balance since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

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**A. Summary of Significant Accounting Policies (Continued)**

**15. Insurance**

The Town assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Such risks are covered by the purchase of commercial insurance. 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. Workers compensation coverage is provided through a retrospective policy, wherein premiums are recorded based on the ultimate cost of the experience to date of workers in similar occupations.

**16. Use of Estimates**

The preparation of financials statements, in conformity with the basis of accounting required by the New York State Comptroller’s Office and described in the Uniform System of Accounts published by that office, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, contingent liabilities and useful lives of long-lived assets.

**B. Interfund Activity**

Interfund receivables and payables at December 31, 2020 were as follow:

<b>FUND</b>	<b>AMOUNT RECEIVABLE</b>	<b>AMOUNT PAYABLE</b>
General	\$ 16,730	\$ -
Highway Outside Village	-	(16,730)
<b>TOTALS</b>	<b>\$ 16,730</b>	<b>\$ (16,730)</b>

Interfund revenues and expenditures for the year ended December 31, 2020 were as follows:

<b>TRANSFERS FROM</b>	<b>TRANSFERS TO</b>	<b>AMOUNT</b>
Town Wide	Highway Outside Village	\$ 266,551
Town Outside Village	Highway Outside Village	\$ 177,363
Highway Outside Village	Town Wide	\$ 70,703
<b>TOTALS</b>		<b>\$ 514,617</b>

Interfund transfers were made for the following purposes:

- Forgiveness of inter fund loans

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**C. Short-Term Debt**

Liabilities for bond anticipation notes (BANs) can be accounted for in the Capital Projects Fund. The notes, or renewal thereof, may not extend more than five years beyond the original date of issue unless a portion is redeemed within five years and within each 12 month period thereafter. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that the stipulated annual reductions of principal are made.

The following is a summary of the Town of Washington's outstanding bond anticipation notes as of December 31, 2020:

Purpose	Original Date of Issue	Original Borrowing	Current Interest Rate	Date of Maturity	Outstanding Principal 12/31/20
Culverts Standord Road	08/08/18	\$ 433,970	1.50%	08/08/21	\$ 363,243
Highway Loader	02/28/19	\$ 146,368	1.60%	02/28/21	\$ 29,503
		<u>\$ 580,338</u>			<u>\$ 392,746</u>

**D. Long-Term Debt**

Bonds: The Town 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, who benefit from the capital assets.

At December 31, 2020, the total principal indebtedness outstanding of the Town of Washington, aggregated \$264,736.

The following is a summary of the maturity of long-term indebtedness:

YEAR ENDING <u>DECEMBER 31,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$ 79,747	\$ 6,601	\$ 86,348
2022	46,247	3,700	49,947
2023	46,247	2,775	49,022
2024	46,247	1,849	48,096
2025	46,247	924	47,171
<b>TOTAL</b>	<b><u>\$ 264,735</u></b>	<b><u>\$ 15,849</u></b>	<b><u>\$ 280,584</u></b>

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**D. Long-Term Debt (Continued)**

Long-term liability balances and activity for the year are summarized below:

	<b>BALANCE</b>			<b>BALANCE</b>		<b>AMOUNTS</b>
	<b>DECEMBER 31</b>			<b>DECEMBER 31</b>		<b>DUE WITHIN</b>
	<b><u>2019</u></b>	<b><u>INCREASE</u></b>	<b><u>(DECREASE)</u></b>	<b><u>2020</u></b>	<b><u>ONE YEAR</u></b>	
Serial Bonds	\$ 67,000	\$ 231,236	\$ (33,500)	\$ 264,736	\$	79,747
Net Pension Liability ERS	209,606	507,197	-	716,803		-
Total OPEB Liability	<u>-</u>	<u>251,326</u>	<u>-</u>	<u>251,326</u>		<u>-</u>
<b>TOTAL</b>	<b><u>\$ 276,606</u></b>	<b><u>\$ 989,759</u></b>	<b><u>\$ (33,500)</u></b>	<b><u>\$ 1,232,865</u></b>	<b><u>\$</u></b>	<b><u>79,747</u></b>

**E. Pension Plans**

**1. Plan Description**

The Town of Washington participates in the New York State and Local Employees' Retirement System (ERS), which is referred to collectively with the New York State and Local Police and Fire Retirement System (PFRS) as 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. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. 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 Washington 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](http://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.



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**E. Pension Plans (Continued)**

**2. Funding Policy**

The Systems are noncontributory except for Tier III, IV, V and VI employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% to 6% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates, expressed as proportions of member payroll and employer contributions, used in computing the contributions required to be made by employers to the pension accumulation fund. An Eligible Tier III or IV member with ten or more years of membership, or ten years credited service, will not be required to contribute to the Retirement System. Tier V and VI members must continue to contribute throughout their employment.

The Town is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

Plan Year Ended March 31:

	<u>ERS</u>
2020	\$ 115,603
2019	\$ 108,090
2018	\$ 102,480

**3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2020, the Town reported a liability of \$716,808 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System in reports provided to the Town.

At December 31, 2020, the Town's proportion of the ERS net pension liability was .0027069%. At December 31, 2019, the Town's proportion of the ERS net pension liability was .0029583%.

For the year ended December 31, 2020, the Town recognized pension expense of \$139,434. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,187	\$ -
Changes of Assumptions	14,433	12,463
Net difference between projected and actual earnings on pension plan investments	367,471	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	20,889	22,551
Town contributions subsequent to the measurement date	-	-
Total	\$ 444,980	\$ 35,014

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**E. Pension Plans (Continued)**

**3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

As the Town did not make a contribution until January 2021, there will not be a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended March 31:

2021	\$ 69,347
2022	105,585
2023	130,887
2024	104,147
2025	-

**4. Actuarial Assumptions**

The total pension liability as of the measurement date was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Significant actuarial assumptions used in the April 1, 2019 valuation were as follows:

	<b><u>ERS</u></b>
Inflation rate	2.5%
Salary increases	4.2%
Investment rate of return	6.8%
Cost of living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018. The previous actuarial valuation as of April 1, 2018 used the 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 expected 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 of the target asset allocation percentages and by adding expected inflation.

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**E. Pension Plans (Continued)**

**4. Actuarial Assumptions (Continued)**

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 are summarized below.

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equity	4.05%	36%
International Equity	6.15	14%
Private Equity	6.75	10%
Real Estate	4.95	10%
Absolute Return Strategies	3.25	2%
Opportunistic Portfolio	4.65	3%
Real Assets	5.95	3%
Bonds & Mortgages	0.75	17%
Cash	0.00	1%
Inflation-Indexed Bonds	0.50	4%
		<hr style="width: 100%; border: 0.5px solid black;"/> <b>100%</b> <hr style="width: 100%; border: 0.5px solid black;"/>

**5. 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 System's 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.

**6. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.8 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.8 percent) or 1-percentage-point higher (7.8 percent) than the current rate:

	<b>1% Decrease (5.8%)</b>	<b>Current Discount (6.8%)</b>	<b>1% Increase (7.8%)</b>
Town's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,315,545	\$ 716,808	\$ 165,369

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**F. Pension Plans (Continued)**

**7. Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of all employers as of March 31, 2020, were as follows:

	(Dollars in Thousands)		
	<b>Employees’ Retirement System</b>	<b>Police &amp; Fire Retirement System</b>	<b>Total</b>
Employers’ total pension asset/(liability)	\$ (194,596,261)	\$ (35,309,017)	\$ (229,905,278)
Plan net position	168,115,682	29,964,080	198,079,762
Employers’ net pension asset/(liability)	\$ (26,480,579)	\$ (5,344,937)	\$ (31,825,516)
Ratio of Plan net position to the employers’ total pension asset/(liability)	86.39%	84.86%	86.16%

**G. Contingencies**

**Certiorari Proceedings**

Open tax certiorari cases, which claim excessive assessed values, exist with several taxpayers. Claims allowed, if any, will result in a refund of Town taxes previously collected by the Town. Any such refunds resulting from adverse settlements will be provided for when determinable.

**Judgments and Claims**

A few claims against the Town are presently pending for miscellaneous matters. Although final outcome of these matters is not known at this time, management of the Town does not believe that the final settlement of these matters will have a materially adverse effect on the financial condition of the Town.

**H. Uncertainty**

In March 2020, the World Health Organization declared coronavirus disease (COVID-19) a global pandemic. Since then, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the pandemic by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. During 2020, the Town incurred additional costs for personal protective equipment and heightened cleaning protocols. When possible, the Town advised staff to work remotely for a period of time. While management cannot quantify the financial and any other impacts to the Town as of March 19, 2021, management does believe that a material impact on the Town’s financial position and results of future operation is reasonably possible.

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**I. New Reporting Standards**

In March 2020, the New York State Office of the State Comptroller issued the bulletin Accounting and Financial Reporting for Fiduciary Activities as Required by GASB Statement 84. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Town was required to implement this standard for the year ending December 31, 2020. The financial statements include this required reporting.

GASB has issued Statements 89 through 97 none of which are expected to have any substantive effects on the Town's financial position.