

# **TOWN OF OWASCO**

Audited Financial Statements  
For the Year Ending December 31, 2016

**TOWN OF OWASCO**  
Audited Financial Statements

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## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Owasco, New York

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Owasco, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Owasco, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 28-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,

*Cuddy & Ward, LLP*

CUDDY & WARD, LLP  
Certified Public Accountants

**TOWN OF OWASCO**  
Management's Discussion and Analysis  
For the Year Ending December 31, 2016

As supervisor of the Town of Owasco, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the audited financial statements that follow.

**Financial Highlights**

- The liabilities of the Town's Funds exceeded its assets at the close of the most recent fiscal year by \$2,114,117.
- At the end of the current fiscal year, the fund balance for the general fund was \$735,923, a decrease of \$6,218 from last year. See the Combined Statement of Revenues and Expenditures, Budget to Actual – General Fund for additional analysis of this change.
- The Town's total long term debt decreased by \$438,018 during the current fiscal year. This decrease was due to scheduled payments on existing bond issues.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components:

- 1) Government-wide financial statements
- 2) Fund financial statements, and
- 3) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** *The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.*

The statement of net position presents information on all the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (sales tax and state aid) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (water/sewer funds). The government activities of the Town include general government, public safety and public works (water and sewer operations).

The government-wide financial statements can be found starting on page 7 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general, highway, water, sewer, and capital funds.

The basic governmental funds financial statement can be found starting on page 9 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 14 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to schedules disclosing the Town's actual results compared to the approved budget. Required supplementary information can be found starting on page 28 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Owasco, assets exceeded liabilities by \$5,454,663 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, vehicles and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to Town residents; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### **Financial Analysis of the Government's Funds**

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

**Governmental Funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of (\$2,114,117), a decrease of \$5,264,857 in comparison with the prior year. This decrease was largely due to the cost of a capital project, for which funding has not been received at year end.

The general fund is the Town's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$478,613. The total fund balance of the Town's general fund decreased \$6,218 from 2015.

The highway fund had a decrease in fund balance of \$298,353 due to expenses being significantly higher than the budgeted amounts during 2016.

The Town's special revenue funds provide the same type of information in the government-wide financial statement.

Fund balances of the water and sewer funds amounted to \$997,438 and \$1,609,659, respectively. The water fund had a surplus for the year of \$79,965 while the sewer funds had increases in fund balances of \$323,748 from 2015.

Fund Balances - Governmental Funds

	<b>2016</b>		<b>2015</b>		<b>Difference</b>
General Fund	\$ 737,374	\$	742,141	\$ (	4,767)
Highway Fund	303,747		602,100	(	298,353)
Capital Fund	( 6,001,212)	(	407,572)	(	5,593,640)
Debt Service	40,328		10,687		29,641
Water Fund	1,197,438		917,473		279,965
Sewer Fund	<u>1,608,208</u>		<u>1,285,911</u>		<u>322,297</u>
<b>Total Fund Balances</b>	<b>\$ ( 2,114,117)</b>	<b>\$</b>	<b><u>3,150,740</u></b>	<b>\$ (</b>	<b><u>5,264,857</u></b> )

**General Fund Budgetary Highlights**

Differences between the original and final amended budgets for expenditures were relatively minor.

During the year, general fund revenues exceeded budgetary estimates by approximately \$26,000 and expenditures were under budget by approximately \$145,000. The general fund experienced a decrease in fund balance of \$6,218, which compares favorably to the budgeted decrease of \$177,610.

Budget to actual comparisons for the Town's special revenue funds were generally favorable as well, although to varying degrees.

**TOWN OF OWASCO**  
Management's Discussion and Analysis  
For the Year Ending December 31, 2016

Revenues and Expenses - Governmental Funds

**REVENUES**

	<b>2016</b>		<b>2015</b>		<b>Difference</b>
General Fund	\$ 915,475	\$	1,073,347	\$ (	157,872)
Highway Fund	835,480		759,130		76,350
Capital Fund	2,324		-		2,324
Debt Service Fund	29,641		21		29,620
Water Fund	868,723		766,931		101,792
Sewer Fund	<u>1,031,850</u>		<u>996,176</u>		<u>35,674</u>
<b>Revenue Totals</b>	<b>\$ <u>3,683,493</u></b>	<b>\$</b>	<b><u>3,595,605</u></b>	<b>\$</b>	<b><u>87,888</u></b>

**EXPENDITURES**

	<b>2016</b>		<b>2015</b>		<b>Difference</b>
General Fund	\$ 920,242	\$	1,019,350	\$ (	99,108)
Highway Fund	1,133,833		715,406		418,427
Capital Fund	5,595,964		407,572		5,188,392
Debt Service Fund	-		-		-
Water Fund	588,758		747,162	(	158,404)
Sewer Fund	<u>709,553</u>		<u>853,494</u>	(	<u>143,941</u> )
<b>Expenditure Totals</b>	<b>\$ <u>8,948,350</u></b>	<b>\$</b>	<b><u>3,742,984</u></b>	<b>\$</b>	<b><u>5,205,366</u></b>

**Capital Asset and Debt Administration**

The Town's investment in capital assets for its governmental activities as of December 31, 2016, amounts to \$16,524,636, less accumulated depreciation of \$5,169,046. This investment in capital assets includes land, buildings, improvements, infrastructure and machinery and equipment. The total increase in the Town's investment in capital assets for the current fiscal year was \$5,618,228.

At the end of the current fiscal year, the Town had total long term debt outstanding of \$3,278,959 with \$453,959 due within one year. The Town's debt represents bonds secured solely by specified revenue sources.

The Town's long term debt decreased by \$438,018, which was due to payments on existing bond issues.

**Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Town of Owasco, 2 Bristol Avenue, Auburn, NY 13021.



**TOWN OF OWASCO**  
**STATEMENT OF NET POSITION**  
December 31, 2016

	Primary Government Governmental Activities
<b>ASSETS</b>	
Cash:	
Unrestricted	\$ 5,325,568
Restricted	366,908
Receivables:	
Accounts receivable	64,006
Due from other governments	340,293
Due from fiduciary funds	-
Capital assets (net of accumulated depreciation):	
Land	223,554
Construction in progress	5,912,672
Infrastructure	1,187,800
Buildings and improvements	2,876,452
Machinery and equipment	1,155,112
	17,452,365
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - other	291,837
Total assets and deferred outflow of resources	\$ 17,744,202
<b>LIABILITIES</b>	
Accounts payable	\$ 4,636
Accrued expenses	-
Due to fiduciary funds	-
Due to other governments	-
Retained percentages, contract payable	-
Bond anticipation notes payable	8,206,256
Bonds payable - current portion	453,959
Other post retirement benefits payable	408,987
Net pension liability	337,067
Bonds payable - long-term portion	2,825,000
Total liabilities	12,235,905
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - other	53,634
Total liabilities and deferred inflows of resources	\$ 12,289,539
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	1,799,764
Restricted	366,908
Unrestricted	3,287,991
Total net position	5,454,663
Total liabilities and net position	\$ 17,744,202

See auditors' report and accompanying notes to financial statements

**TOWN OF OWASCO**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Charges for Services	Net (Expense) Revenue and Changes in Net Position
Governmental activities:			
General government	\$ 465,175	\$ 46,712	\$ ( 418,463)
Public safety	48,033	-	( 48,033)
Public health	730	-	( 730)
Transportation	856,824	-	( 856,824)
Culture and recreation	22,429	-	( 22,429)
Economic assistance and opportunity	2,323	-	( 2,323)
Home and community services	985,702	899,597	( 86,105)
Employee benefits	688,240	-	( 688,240)
Interest	73,363	-	( 73,363)
Total governmental activities	\$ <u>3,142,819</u>	\$ <u>946,309</u>	<u>( 2,196,510)</u>
General revenues:			
Real property taxes			1,072,854
Non property taxes			1,251,812
Use of money and property			71,047
State and federal aid			185,638
Fines and forfeitures			12,382
Miscellaneous			<u>142,323</u>
Total general revenues			<u>2,736,056</u>
Change in net position			539,546
Net position - beginning, as restated			<u>4,915,117</u>
Net position - ending			\$ <u>5,454,663</u>

See auditors' report and accompanying notes to financial statements

**TOWN OF OWASCO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2016

	Governmental		
	General	Highway	Capital Projects
<b>ASSETS</b>			
Cash:			
Unrestricted	\$ 555,713	\$ 152,294	\$ 2,506,918
Restricted	53,233	9,592	-
Receivables:			
Accounts receivable	599	-	-
Due from other governments	121,556	144,508	-
Due from other funds	14,942	-	6,680
<b>TOTAL ASSETS</b>	<b>\$ <u>746,043</u></b>	<b>\$ <u>306,394</u></b>	<b>\$ <u>2,513,598</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 1,989	\$ 2,647	\$ -
Accrued expenses	-	-	-
Due to other funds	6,680	-	308,554
Due to other governments	-	-	-
Retained percentages, contract payable	-	-	-
Bond anticipation notes payable	-	-	8,206,256
<b>Total liabilities</b>	<b><u>8,669</u></b>	<b><u>2,647</u></b>	<b><u>8,514,810</u></b>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	53,233	9,592	-
Committed	-	-	-
Assigned	204,077	294,155	-
Unassigned	480,064	-	( 6,001,212)
<b>Total fund balances</b>	<b><u>737,374</u></b>	<b><u>303,747</u></b>	<b><u>( 6,001,212)</u></b>
<b>TOTAL LIABILITIES AND     FUND BALANCES</b>	<b>\$ <u>746,043</u></b>	<b>\$ <u>306,394</u></b>	<b>\$ <u>2,513,598</u></b>

Fund Types				
	Special Revenue Funds			Total Governmental Funds
Debt Service	Water	Sewer		
\$ 40,328	\$ 829,029	\$ 1,241,286	\$	5,325,568
-	11,223	292,860		366,908
-	31,338	32,069		64,006
-	32,474	41,755		340,293
-	293,374	1,689		316,685
<u>\$ 40,328</u>	<u>\$ 1,197,438</u>	<u>\$ 1,609,659</u>	\$	<u>6,413,460</u>
\$ -	\$ -	\$ -	\$	4,636
-	-	-		-
-	-	1,451		316,685
-	-	-		-
-	-	-		-
-	-	-		8,206,256
<u>-</u>	<u>-</u>	<u>1,451</u>		<u>8,527,577</u>
-	-	-		-
-	11,223	292,860		366,908
-	-	-		-
40,328	1,186,215	1,315,348		3,040,123
-	-	-		( 5,521,148)
<u>40,328</u>	<u>1,197,438</u>	<u>1,608,208</u>		<u>( 2,114,117)</u>
<u>\$ 40,328</u>	<u>\$ 1,197,438</u>	<u>\$ 1,609,659</u>	\$	<u>6,413,460</u>

See auditors' report and accompanying notes to financial statements

**TOWN OF OWASCO**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO**  
**THE GOVERNMENT – WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES**  
December 31, 2016

Fund Balances - Total Governmental Funds	\$ ( 2,114,117)
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows of resources	291,837
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	11,355,590
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	
Net pension liability	( 337,067)
Deferred inflows of resources	( 53,634)
Other post retirement benefits payable.	( 408,987)
Bonds payable	<u>( 3,278,959)</u>
Net Position of Governmental Activities	\$ <u>5,454,663</u>

**TOWN OF OWASCO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2016

	Governmental		
	General	Highway	Capital Projects
<b>REVENUES</b>			
Real property taxes, penalties and interest	\$ 62,722	\$ 61,062	\$ -
Non property taxes	575,000	676,812	-
Water and sewer charges, penalties and interest	-	-	-
Charges for service	21,087	6,378	-
Use of money and property	59,782	783	1,964
Licenses and permits	19,247	-	-
Fines and forfeitures	12,382	-	-
Sale of property and compensation of loss	12,250	11,000	-
Miscellaneous	33,538	13,274	360
State aid	<u>119,467</u>	<u>66,171</u>	<u>-</u>
Total revenue	<u>915,475</u>	<u>835,480</u>	<u>2,324</u>
<b>EXPENDITURES</b>			
Current:			
General government	351,636	225	-
Public safety	48,033	-	-
Public health	730	-	-
Transportation	102,882	916,867	-
Culture and recreation	109,750	-	-
Economic assistance and opportunity	2,323	-	-
Home and community services	75,071	-	-
Employee benefits	182,497	181,220	2,241
Debt service:			
Principal retirement	40,000	34,938	-
Interest	7,320	583	-
Capital Outlays:			
Current expenditures	<u>-</u>	<u>-</u>	<u>5,593,723</u>
Total expenditures	<u>920,242</u>	<u>1,133,833</u>	<u>5,595,964</u>
Revenues over (under) expenditures	<u>( 4,767)</u>	<u>( 298,353)</u>	<u>( 5,593,640)</u>
<b>Other Financial Sources (Uses):</b>			
Interfund transfers - in	-	-	-
Interfund transfers - out	-	-	-
Serial bonds	<u>-</u>	<u>-</u>	<u>-</u>
Total other financial sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources (uses) over (under) expenditures	( 4,767)	( 298,353)	( 5,593,640)
Fund balance January 1	<u>742,141</u>	<u>602,100</u>	<u>( 407,572)</u>
Fund balance December 31	<u>\$ 737,374</u>	<u>\$ 303,747</u>	<u>\$ ( 6,001,212)</u>

Fund Types			
	Special Revenue Funds		Total Governmental Funds
Debt Service	Water	Sewer	
\$ -	\$ 324,772	\$ 624,298	\$ 1,072,854
-	-	-	1,251,812
-	497,636	401,961	899,597
-	-	-	27,465
40	6,571	3,035	72,175
-	-	-	19,247
-	-	-	12,382
-	-	-	23,250
29,601	39,744	2,556	119,073
-	-	-	185,638
<u>29,641</u>	<u>868,723</u>	<u>1,031,850</u>	<u>3,683,493</u>
-	1,530	6,464	359,855
-	-	-	48,033
-	-	-	730
-	-	-	1,019,749
-	-	-	109,750
-	-	-	2,323
-	271,721	519,964	866,756
-	60,496	7,687	434,141
-	237,693	127,296	439,927
-	17,318	48,142	73,363
-	-	-	5,593,723
-	<u>588,758</u>	<u>709,553</u>	<u>8,948,350</u>
<u>29,641</u>	<u>279,965</u>	<u>322,297</u>	<u>( 5,264,857)</u>
-	-	-	-
-	-	-	-
-	-	-	-
29,641	279,965	322,297	( 5,264,857)
<u>10,687</u>	<u>917,473</u>	<u>1,285,911</u>	<u>3,150,740</u>
\$ <u>40,328</u>	\$ <u>1,197,438</u>	\$ <u>1,608,208</u>	\$ <u>( 2,114,117)</u>

See auditors' report and accompanying notes to financial statements

**TOWN OF OWASCO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
For the Year Ended December 31, 2016

Amounts Reported for Governmental Activities in the Statement of Activities and Changes in Net Position are different because:

Net Change in Fund Balance - Total Governmental Funds	\$ ( <u>5,264,857</u> )
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>	
Capital outlay expenditures	5,970,423
Loss on sale of assets	1,128
Depreciation expense	( <u>351,067</u> )
	<u>5,620,484</u>
<p>Long-term liabilities, such as those associated with employee benefits, are reported in the Statement of Net Position. Therefore, expenses which result in an (increase) or decrease in these long-term liabilities are not reflected in the Governmental Fund financial statements. This is the (increase) in the amount that is reported in the Statement of Activities and Changes in Net Position:</p>	
Net pension liability	( 28,971)
Other post employment benefits liability	( <u>225,128</u> )
	<u>( 254,099)</u>
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Principal paid on bonds	438,018
Bonds issued	-
	<u>438,018</u>
Change in Net Position of Governmental Activities	\$ <u><u>539,546</u></u>



**TOWN OF OWASCO**  
**STATEMENT OF FIDUCIARY NET POSITION**  
December 31, 2016

<b>ASSETS</b>	
Cash	\$ <u>3,991</u>
Total assets	<u>3,991</u>
<b>LIABILITIES</b>	
Accrued expenses	3,991
Due to other funds	<u>-</u>
Total liabilities	<u>3,991</u>
<b>NET POSITION</b>	
Funds held in trust	\$ <u><u>-</u></u>

See auditors' report and accompanying notes to financial statements

**TOWN OF OWASCO**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Owasco is governed by the Town Law and other general laws of the State of New York and various local laws and ordinances. The Town Council, which is the legislative body responsible for the overall operation of the Town, consists of the Supervisor and four Councilors. The Supervisor serves as chief officer of the Town.

The following basic services are provided:

- 1)      Fire protection
- 2)      Highway maintenance
- 3)      Water and sewer facilities
- 4)      Youth and senior citizen recreational programs

The accounting policies of the Town of Owasco, New York conform to generally accepted accounting principles as applicable to governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Town's more significant accounting policies:

A.      Financial Reporting Entity

The financial reporting entity consists of a) the primary government which is the Town of Owasco, b) organizations for which the Town is financially accountable and c) other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 14.

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the Town's reporting entity was made by applying the criteria set forth in GASB Statement No. 14, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there were no component units to include.

B.      Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities and changes in net position) report information on all non-fiduciary activities of the primary government as a whole and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

The Statement of Net Position presents the financial position of the Town and its component units at the end of its fiscal year. The Statement of Activities and Changes in Net Position demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities and Changes in Net Position.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, fund balance/net position, revenues and expenditures/expenses. 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 Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Proprietary and Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, reconciliation is presented on the page following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation. The Town's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

- a. Governmental Funds – Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds.

General Fund – The General Fund constitutes the primary operating fund of the Town in that it includes all revenues and expenditures not required by law to be accounted for in other funds.

Highway Fund – The Highway Fund is used to account for road and bridge maintenance and improvements as defined in the Highway Law of the State of New York.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

Special Revenue Fund – Special Revenue Funds are established to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain defined purposes. The major special revenue funds of the Town are as follows:

Water Fund – The Water Fund is used to account for the operation and maintenance of the Town's water districts.

Sewer Fund – The Sewer Fund is used to account for the operation and maintenance of the Town's sewer districts.

- b. Fiduciary Funds – (Not included in Government-wide Statements) The Fiduciary Funds are used to account for assets held by the Town in an agency capacity on behalf of others.

D. Measurement Focus, Basis of Accounting and Financial Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end.

A ninety day availability period is used for revenue recognition for all other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pension costs are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities and Net Position or Fund Balances

**Cash and Equivalents** - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The Town's investment policies are governed by State statutes. The Town has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The Town is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

**TOWN OF OWASCO**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Net Position or Fund Balances (continued)

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Town has entered into custodial agreements with the various banks which hold its deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

**Other Receivables** – Other receivables include amounts due from other governments and individuals for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred.

**Due From/To Other Funds** – During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of December 31, 2016, balances of inter-fund amounts receivable or payable have been recorded.

**Capital Assets** – Capital assets, which include property, plant, equipment and infrastructure asset (e.g., roads, bridges, sidewalks and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives is not capitalized.

Property, plant, equipment and infrastructure of the Town are depreciated using the straight line method over the following estimated useful lives.

Class	Life in Years
Infrastructure	40
Buildings and improvements	25 - 40
Machinery and equipment	5 - 10

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheet.

**Long-Term Liabilities** – In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount, where applicable. Bond issuance costs are amortized over the term of the related debt.

**TOWN OF OWASCO**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Net Position or Fund Balances (continued)

**Net Position** - Net position represent the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position include, invested in capital assets, net of related debt, restricted for capital projects, debt services and special revenue funds. The balance is classified as unrestricted.

Fund Balance Classifications:

Non-spendable – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The Town held no assets in non-spendable fund balances at December 31, 2016.

Restricted – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the town's highest level of decision making authority, i.e., the Town Board. The Town has no committed fund balances as of December 31, 2016.

Assigned - Includes amounts that are constrained by the town's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$2,841,574.

Unassigned – Includes all other General Fund balances that do not meet the definition of the above four classifications and are deemed to be available for general use by the Town. In addition, the deficit fund balance of the Capital Fund is included as Unassigned.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General, certain Special Revenue and Capital Projects funds. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**TOWN OF OWASCO**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2      STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A.      Budgetary Data

The Town generally follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- a)      Prior to August 31st, the head of each administrative unit shall submit to the budget officer an estimate of revenues and expenditures for such administrative unit for the ensuing year.
- b)      The budget officer, upon completion of the review of the estimates, shall prepare a tentative budget and file such budget in the office of the Town Clerk on or before September 30<sup>th</sup>.
- c)      On or before October 5<sup>th</sup>, the Town Clerk shall present the tentative budget to the Town Board.
- d)      The Town Board shall review the tentative budget and may make such changes, alterations and revisions as it shall consider advisable and which are consistent with law. Upon completion of such review, the tentative budget and any modifications as approved by the Town Board shall become the preliminary budget.
- e)      On or before November 15<sup>th</sup>, the Town Board shall hold a public hearing on the preliminary budget.
- f)      After the public hearing, the Town Board may further change, alter and revise the preliminary budget, subject to provisions of the law.
- g)      The preliminary budget as submitted or amended shall be adopted by resolution no later than November 20<sup>th</sup>.
- h)      Formal budgetary integration is employed during the year as a management control device for the General, Highway and Special Revenue funds.
- i)      Budgets for the General, Highway and Special Revenue funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis.
- j)      The Town Board has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board. Any modification to appropriations resulting from an increase in revenue estimates or supplemental reserve appropriations also requires a majority vote by the Board.
- k)      Appropriations in the General, Highway and Special Revenue funds lapse at the end of the fiscal year, except that outstanding encumbrances are re-appropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the Town Board. Individual amendments for the current year were not material in relation to the original appropriations which were amended.

**TOWN OF OWASCO**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Deposits

The carrying amount of the primary government's deposits at year-end was \$5,692,476. The bank balance was \$5,863,335. Of the bank balance, \$250,000 was covered by Federal deposit insurance and \$5,613,335 was covered by collateral held by the Town's agent, a third party financial institution, in the Town's name.

B. Due From/To Other Funds

The balances reflected as due from/to other funds of the primary government at December 31, 2016 were as follows:

Fund/District	Due From	Due To
General	\$ 13,491	\$ 6,680
Capital	6,680	108,554
Sewer	1,689	-
Water	93,374	
Fiduciary Trust Funds	-	-
	\$ 115,234	\$ 115,234

C. Capital Assets

Changes in the Town's capital assets are as follows:

Class	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
Capital assets, not being depreciated:				
Land	\$ 132,690	\$ 90,864	\$ -	\$ 223,554
Construction in progress	407,572	5,505,100	-	5,912,672
Total capital assets, not being depreciated	\$ 540,262	\$ 5,595,964	\$ -	\$ 6,136,226
Capital assets, being depreciated:				
Buildings and improvements	\$ 5,321,638	\$ 87,321	\$ -	\$ 5,408,959
Infrastructure	1,376,407	-	-	1,376,407
Machinery and equipment	3,259,436	287,138	( 56,470)	3,603,044
Total capital assets being depreciated	9,957,481	374,459	( 56,470)	10,388,410
Less: accumulated depreciation for:				
Buildings and improvements	2,409,623	122,884	-	2,532,507
Infrastructure	154,197	34,410	-	188,607
Machinery and equipment	2,198,817	193,773	( 55,342)	2,447,932
Total accumulated depreciation	4,762,637	351,067	( 55,342)	5,169,046
Total capital assets, being depreciated, net	\$ 5,194,844	\$ 23,392	\$ ( 1,128)	\$ 5,219,364
Government activities capital assets, net	\$ 5,735,106	\$ 5,619,356	\$ ( 1,128)	\$ 11,355,590



**TOWN OF OWASCO**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3      DETAILED NOTES ON ALL FUNDS (continued)

C.      Capital Assets (continued)

Depreciation expense was charged to the Town's functions and programs as follows:

Governmental Activities:

General Government Support	\$	105,320
Transportation		70,213
Home and Community Services		175,534
Total Depreciation Expense	\$	351,067

D.      Pension Plans

The primary government participates in the New York State and Local Employees' Retirement System (ERS). This System is a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by New York State Retirement and Social Security Law. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the New York State and Local Employees Retirement System, 110 State Street, Albany, New York 12224.

Funding Policy – The System is non-contributory except for employees who join ERS after July 27, 1976 and have less than ten years of service, who contribute 3% of their salary. Contributions are certified by the State Comptroller and expressed as a percentage of member's salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion (GTLI) and a regular pension contribution.

Contributions made to the System for the current and two preceding years were as follows:

2016 \$	82,109
2015 \$	87,409
2014 \$	85,138

These contributions were equal to 100% of the actuarially required contributions for each respective fiscal year.

The current ERS contribution for the Town was charged to the funds identified below.

Fund/District	Amount
General	\$ 27,946
Highway	35,724
Water	17,492
Sewer	947
	\$ 82,109

**TOWN OF OWASCO**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

E. Other Post Employment Benefits

An alternative actuarial valuation using the entry age cost method of the Town of Owasco Postretirement Healthcare Benefits Program (the Plan) was performed for the plan for the fiscal year ended December 31, 2016.

The Plan is a single-employer, defined benefit healthcare plan administered by the Town of Owasco. The Plan provides medical and dental benefits to eligible retirees and their spouses. Benefit provisions are established through negotiations between the District and bargaining units and are renegotiated each three-year period. The Plan does not issue a stand-alone financial report, as there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The contribution requirements of Plan members and the Town are established and may be amended pursuant to applicable collective bargaining and employment agreements. The required contribution is based on projected pay-as-you-go financing requirements and varies depending on the applicable agreement.

For the year ended December 31, 2016, the Town contributed \$35,976 to the Plan for current premiums. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit. The costs of administering the Plan are paid by the Town.

The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Town's net OPEB obligation to the Plan:

Annual Required Contribution	\$	261,104
Contributions made on behalf of employees		<u>35,976</u>
Increase in Net OPEB Obligation		225,128
Net OPEB Obligation January 1, 2016		<u>183,859</u>
Net OPEB Obligation December 31, 2016	\$	<u>408,987</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year then ended is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2015 \$	221,958 \$	38,099	17%	183,859
12/31/2016	<u>261,104</u>	<u>35,976</u>	14% \$	<u>225,128</u>
	\$ <u>483,062</u>	\$ <u>74,075</u>		\$ <u>408,987</u>

**TOWN OF OWASCO**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

E. Other Post Employment Benefits (continued)

The year ended December 31, 2016 was the first year the OPEB obligation has been actuarially determined.

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2016 is as follows:

Actuarial accrued liability (AAL)	\$	1,967,327
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	1,967,327
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	856,326
UAAL as a percentage of covered payroll		229.74%
Annual required contribution	\$	261,104
Interest on Net OPEB Obligation		-
Adjustment to Annual Required Contribution		-
Annual OPEB cost		261,104
Contributions made		35,976
Increase in Net OPEB Obligation		225,128
Net OPEB Obligation, beginning of year		<u>183,859</u>
Net OPEB Obligation, end of year	\$	<u>408,987</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

F. Long-Term Liabilities

The following table summarizes changes in the Town's long-term indebtedness for the year ended December 31, 2016:

	Balance January 1, 2016	New Issues/ Additions	Maturities and/or Payments	Balance December 31, 2016	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ <u>3,716,977</u>	\$ <u>-</u>	\$ <u>438,018</u>	\$ <u>3,278,959</u>	\$ <u>453,959</u>

**TOWN OF OWASCO**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

F. Long-Term Liabilities (continued)

Bonds payable consist of the following at December 31, 2016:

Purpose	Maturity	Interest	Balance 01/01/16	Issued	Retired	Balance 12/31/16
2003 Serial Bond - Water Fund	1/15/2018	4.00%	\$ 146,548	\$ -	\$ 47,693	\$ 98,855
2003 Serial Bond - Dumptruck	1/15/2018	4.00%	15,488	-	4,877	10,611
2003 Serial Bond - Sewer Fund	1/15/2018	4.00%	52,964	-	17,430	35,534
Sewer Line Improvements	4/15/2032	1.031-4.901%	830,000	-	40,000	790,000
Highway Garage Addition	2/15/2019	4.30%	180,000	-	40,000	140,000
Sewer District #1 Repairs	1/15/2033	4.26%	1,050,000	-	45,000	1,005,000
Water Plant Construction	7/15/2018	3.75-5.20%	595,000	-	190,000	405,000
Melrose/Havens Sewer Upgrade	11/1/2041	.255% - 4.269%	790,000	-	25,000	765,000
Loader Lease	5/31/2017	3.30%	56,977	-	28,018	28,959
			\$ <u>3,716,977</u>	\$ -	\$ <u>438,018</u>	\$ <u>3,278,959</u>

The following is a summary of the principal and interest debt service requirements to maturity for the bonds listed above:

Fiscal Year Ending	Total Principal	Total Interest	Total Debt Service
2017	\$ 453,959	\$ 127,433	\$ 581,392
2018	440,000	113,289	553,289
2019	165,000	99,648	264,648
2020	115,000	94,130	209,130
2021	120,000	89,528	209,528
2022-2026	660,000	368,542	1,028,542
2027-2031	765,000	212,636	977,636
2032-2036	375,000	69,440	444,440
2037-2041	185,000	24,333	209,333
Total	\$ <u>3,278,959</u>	\$ <u>1,198,979</u>	\$ <u>4,477,938</u>

**TOWN OF OWASCO**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3      DETAILED NOTES ON ALL FUNDS (continued)

G.      Revenues and Expenditures

Inter-fund Transfers

Inter-fund transfers are defined as the flow of assets, such as cash or goods and services, without the equivalent flow of assets in return. The inter-fund transfers reflected below have been reflected as transfers:

Transfer Out	Transfer In					Total
	General	Highway	Capital	Water	Sewer	
General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highway	-	-	-	-	-	-
Capital	-	-	-	-	-	-
Water	-	-	-	-	-	-
Sewer	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

H.      Net Position

The components of net position are detailed below:

*Invested in Capital Assets, net of Related Debt* – the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

*Restricted*– the component of net position that reports the difference between assets and liabilities with constraints placed on their use by Local Finance Law.

*Unrestricted* – all other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

NOTE 4      PENSION PLANS

The Town participates in the New York State Employees’ Retirement System (NYSERS). This is a cost-sharing multiple employer public defined benefit employee retirement system. The system offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute and benefits employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, 110 State Street, Albany, New York 12244.

The system is noncontributory, except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary. Employees in the System more than ten years are no longer required to contribute. For NYSERS the Comptroller certifies the rates expressed as proportions of members’ payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund.

**TOWN OF OWASCO**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4 PENSION PLANS (continued)

The Town is required to contribute at an actuarially determined rate. The Town contributions made to the System was equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

2016 \$	82,109
2015 \$	87,409
2014 \$	85,138

At December 31, 2016, the Town reported a liability for NYSERS of \$337,067 for its proportionate share of the net pension liability/asset. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate 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 municipalities, actuarially determined. At December 31, 2016 the Town's proportions were .0021001% for NYSERS.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended December 31,		
2017 \$	59,595	
2018	59,595	
2019	59,595	
2020	59,418	
Thereafter	<u>-</u>	
\$	<u>238,203</u>	

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to March 31, 2016. As a result of the 2016 actuarial experience study, the expectation of life after disability was adjusted in the December 31, 2016 actuarial valuation to more closely reflect the actual experience.

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 pension plan 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 the target asset allocation percentage and by adding expected inflation.

The discount rate used to measure the total pension liability was 7.0% for NYSERS. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from towns will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected future benefit payments of current active and inactive employees. 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.

**TOWN OF OWASCO**  
**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4 PENSION PLANS (continued)

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Town's proportional share of the net pension liability would be if it were calculated using a discount rate that 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability	\$ <u>760,061</u>	\$ <u>337,067</u>	\$ <u>( 20,345)</u>

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,703	\$ 39,954
Changes of assumptions	89,885	-
Net difference between projected and actual earnings on pension plan investments	199,966	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	283	13,680
Town contributions subsequent to the measurement date	-	-
Total	\$ <u>291,837</u>	\$ <u>53,634</u>

Detailed information about the pension plan's fiduciary net position is available in the separately issued NYSERS financial report.

NOTE 5 PRIOR PERIOD ADJUSTMENT

During 2016, amounts from the capital project were restated to Construction in Progress, in the amount of \$407,572. This resulted in an increase in Construction in Progress and an increase in Net Position.

NOTE 6 SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 24, 2017, the date on which the financial statements were available to be issued.

**TOWN OF OWASCO**  
**COMBINED STATEMENT OF REVENUES AND EXPENDITURES**  
 Budget to Actual - General Fund  
 For the Year Ended December 31, 2016

	GENERAL FUND		
	Modified Budget	Actual	Variance Favorable/ (Unfavorable)
<b>REVENUES</b>			
Real property taxes, penalties and interest	\$ 63,062	\$ 62,722	\$ ( 340)
Non-property taxes	575,000	575,000	-
Charges for service	75,990	21,087	( 54,903)
Use of money and property	40,900	59,782	18,882
Licenses and permits	11,810	19,247	7,437
Fines and forfeitures	10,050	12,382	2,332
Sale of property and compensation of loss	5,000	12,250	7,250
Miscellaneous	-	33,538	33,538
State Aid	<u>107,700</u>	<u>119,467</u>	<u>11,767</u>
Total revenues	<u>889,512</u>	<u>915,475</u>	<u>25,963</u>
<b>EXPENDITURES</b>			
Current:			
General government	415,158	351,636	63,522
Public safety	52,332	48,033	4,299
Public health	730	730	-
Transportation	122,887	102,882	20,005
Culture and recreation	120,119	109,750	10,369
Economic assistance and opportunity	2,500	2,323	177
Home and community services	109,306	75,071	34,235
Employee benefits	196,770	182,497	14,273
Debt service:			
Principal retirement	40,000	40,000	-
Interest	<u>7,320</u>	<u>7,320</u>	<u>-</u>
Total expenditures	<u>1,067,122</u>	<u>920,242</u>	<u>146,880</u>
Excess revenues over (under) expenditures	<u>( 177,610)</u>	<u>( 4,767)</u>	<u>172,843</u>
<b>OTHER FINANCIAL SOURCES (USES):</b>			
Interfund transfers - In	-	-	-
Interfund transfers - Out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenues and other sources (uses) over (under) expenditures	\$ <u>( 177,610)</u>	\$ <u>( 4,767)</u>	\$ <u>172,843</u>

See auditors' report



**TOWN OF OWASCO**  
**COMBINED STATEMENT OF REVENUES AND EXPENDITURES**  
 Budget to Actual - Highway Fund  
 For the Year Ended December 31, 2016

	HIGHWAY FUND		
	Modified Budget	Actual	Variance Favorable/ (Unfavorable)
<b>REVENUES</b>			
Real property taxes, penalties and interest	\$ 61,062	\$ 61,062	\$ -
Non-property taxes	675,000	676,812	1,812
Charges for service	5,000	6,378	1,378
Interest earnings	950	783	( 167)
Sale of property and compensation of loss	13,000	11,000	( 2,000)
Miscellaneous	-	13,274	13,274
Federal Aid	-	-	-
State Aid	52,500	66,171	13,671
Total revenues	807,512	835,480	27,968
<b>EXPENDITURES</b>			
Current:			
General government	-	225	( 225)
Transportation	988,778	916,867	71,911
Employee benefits	181,323	181,220	103
Debt service:			
Principal retirement	34,940	34,938	2
Interest	583	583	-
Total expenditures	1,205,624	1,133,833	71,791
Excess revenues over (under) expenditures	( 398,112)	( 298,353)	99,759
<b>OTHER FINANCIAL SOURCES (USES):</b>			
Interfund transfers - In	-	-	-
Interfund transfers - Out	-	-	-
Total other financial sources (uses)	-	-	-
Excess revenues and other sources (uses) over (under) expenditures	\$ ( 398,112)	\$ ( 298,353)	\$ 99,759

See auditors' report

**TOWN OF OWASCO**  
**COMBINED STATEMENT OF REVENUES AND EXPENDITURES**  
 Budget to Actual - Water Fund  
 For the Year Ended December 31, 2016

	WATER FUND		
	Modified Budget	Actual	Variance Favorable/ (Unfavorable)
<b>REVENUES</b>			
Real property taxes, penalties and interest	\$ 324,772	\$ 324,772	\$ -
Water charges, penalties and interest	385,526	497,636	112,110
Interest earnings	6,050	6,571	521
Sale of property and compensation of loss	-	-	-
Miscellaneous	-	39,744	39,744
State Aid	-	-	-
Total revenues	716,348	868,723	152,375
<b>EXPENDITURES</b>			
<b>Current:</b>			
General government	1,532	1,530	2
Home and community services	717,154	271,721	445,433
Employee benefits	65,607	60,496	5,111
<b>Debt service:</b>			
Principal retirement	237,694	237,693	1
Interest	17,319	17,318	1
Total expenditures	1,039,306	588,758	450,548
Excess revenues over (under) expenditures	( 322,958)	279,965	602,923
<b>OTHER FINANCIAL SOURCES (USES):</b>			
Interfund transfers - In	-	-	-
Interfund transfers - Out	-	-	-
Total other financing sources (uses)	-	-	-
Excess revenues and other sources (uses) over (under) expenditures	\$ ( 322,958)	\$ 279,965	\$ 602,923

See auditors' report

**TOWN OF OWASCO**  
**COMBINED STATEMENT OF REVENUES AND EXPENDITURES**  
 Budget to Actual - Sewer Fund  
 For the Year Ended December 31, 2016

	SEWER FUND		
	Modified Budget	Actual	Variance Favorable/ (Unfavorable)
<b>REVENUES</b>			
Real property taxes, penalties and interest	\$ 624,299	\$ 624,298	\$ ( 1)
Sewer charges, penalties and interest	426,050	401,961	( 24,089)
Interest earnings	2,400	3,035	635
Sale of property and compensation of loss	-	-	-
Miscellaneous	8,000	2,556	( 5,444)
Total revenues	1,060,749	1,031,850	( 28,899)
<b>EXPENDITURES</b>			
Current:			
General government	6,466	6,464	2
Home and community services	1,173,215	519,964	653,251
Employee benefits	8,274	7,687	587
Debt service:			
Principal retirement	127,297	127,296	1
Interest	48,143	48,142	1
Total expenditures	1,363,395	709,553	653,842
Excess revenues over (under) expenditures	( 302,646)	322,297	624,943
<b>OTHER FINANCIAL SOURCES (USES):</b>			
Interfund transfers - In	-	-	-
Interfund transfers - Out	-	-	-
Total other financing sources (uses)	-	-	-
Excess revenues and other sources (uses) over (under) expenditures	\$ ( 302,646)	\$ 322,297	\$ 624,943

See auditors' report.