

TOWN OF OWASCO

Audited Financial Statements
For the Year Ending December 31, 2017

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, 2017, 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, 2017, 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

Auburn, New York
February 3, 2018

TOWN OF OWASCO
Management's Discussion and Analysis
For the Year Ending December 31, 2017

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, 2017. We encourage readers to consider the information presented here in conjunction with the audited financial statements that follow.

Financial Highlights

- The assets of the Town's Funds exceeded its liabilities at the close of the most recent fiscal year by \$882,593.
- At the end of the current fiscal year, the fund balance for the general fund was \$572,238, a decrease of \$165,136 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 increased by \$8,159,457 during the current fiscal year. This increase was due to two new debt issues being issued that exceeded the 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 \$6,247,423 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 \$882,593 an increase of \$2,996,710 in comparison with the prior year. This increase was largely due to the issuance of two bonds less the cost of a capital project.

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 \$176,089. The total fund balance of the Town's general fund decreased \$165,136 from 2016.

The highway fund had an increase in fund balance of 22,623 due to revenues being significantly higher than the budgeted amounts during 2017.

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 \$1,071,548 and \$1,605,602, respectively. The water fund had a deficit for the year of \$71,890 while the sewer funds had decreases in fund balances of \$2,606 from 2016.

<u>Fund Balances - Governmental Funds</u>			
	2017	2016	Difference
General Fund	\$ 572,238	\$ 737,374	\$ (165,136)
Highway Fund	326,370	303,747	22,623
Capital Fund	(2,703,891)	(5,947,212)	3,243,321
Debt Service	10,726	40,328	(29,602)
Water Fund	1,071,548	1,143,438	(71,890)
Sewer Fund	<u>1,605,602</u>	<u>1,608,208</u>	<u>(2,606)</u>
Total Fund Balances	\$ <u>882,593</u>	\$ (<u>2,114,117</u>)	\$ <u>2,996,710</u>

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 \$332,000 and expenditures were under budget by approximately \$1,000. The general fund experienced a decrease in fund balance of \$165,136, which compares favorably to the budgeted decrease of \$497,890.

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, 2017

Revenues and Expenses - Governmental Funds

REVENUES

	2017		2016		Difference
General Fund	\$ 1,158,507	\$	915,475	\$	243,032
Highway Fund	914,805		835,480		79,325
Capital Fund	385,748		2,324		383,424
Debt Service Fund	53		29,641	(29,588)
Water Fund	802,312		868,723	(66,411)
Sewer Fund	<u>1,027,834</u>		<u>1,031,850</u>	(4,016)
Revenue Totals	\$ <u>4,289,259</u>	\$	<u>3,683,493</u>	\$	<u>605,766</u>

EXPENDITURES

	2017		2016		Difference
General Fund	\$ 1,323,643	\$	920,242	\$	403,401
Highway Fund	892,182		1,133,833	(241,651)
Capital Fund	2,676,884		5,595,964	(2,919,080)
Debt Service Fund	-		-		-
Water Fund	703,857		588,758		115,099
Sewer Fund	<u>1,030,440</u>		<u>709,553</u>		<u>320,887</u>
Expenditure Totals	\$ <u>6,627,006</u>	\$	<u>8,948,350</u>	\$	<u>(2,321,344)</u>

Capital Asset and Debt Administration

The Town's investment in capital assets for its governmental activities as of December 31, 2017, amounts to \$19,928,810, less accumulated depreciation of \$5,640,364. 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 \$3,404,174.

At the end of the current fiscal year, the Town had total long term debt outstanding of \$8,159,457 with \$613,456 due within one year. The Town's debt represents bonds secured solely by specified revenue sources.

The Town's long term debt increased by \$5,334,457, which was due to new debt issues exceeding 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, 2017

	Primary Government
	Governmental Activities
ASSETS	
Cash:	
Unrestricted	\$ 3,641,258
Restricted	563,285
Receivables:	
Accounts receivable	64,003
Due from other governments	369,454
Prepaid expenses	22,811
Capital assets (net of accumulated depreciation):	
Land	338,557
Construction in progress	8,520,017
Infrastructure	1,153,390
Buildings and improvements	2,735,841
Machinery and equipment	1,540,641
	18,949,257
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - other	170,708
Total assets and deferred outflow of resources	\$ 19,119,965
LIABILITIES	
Accounts payable	\$ 330,213
Accrued expenses	-
Due to other governments	-
Retained percentages, contract payable	-
Bond anticipation notes payable	3,448,005
Bonds payable - current portion	613,456
Other post retirement benefits payable	601,791
Net pension liability	261,651
Bonds payable - long-term portion	7,546,001
Total liabilities	12,801,117
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - other	71,425
Total liabilities and deferred inflows of resources	\$ 12,872,542
NET POSITION	
Invested in capital assets, net of related debt	6,062,625
Restricted	563,285
Unrestricted	(378,487)
Total net position	6,247,423

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, 2017

Functions/Programs	Expenses	Charges for Services	Net (Expense) Revenue and Changes in Net Position
Governmental activities:			
General government	\$ 514,701	\$ 32,239	\$ (482,462)
Public safety	45,503	-	(45,503)
Public health	730	-	(730)
Transportation	487,241	-	(487,241)
Culture and recreation	483,506	-	(483,506)
Economic assistance and opportunity	1,700	-	(1,700)
Home and community services	1,250,055	863,977	(386,078)
Employee benefits	742,637	-	(742,637)
Interest	143,076	-	(143,076)
Total governmental activities	\$ <u>3,669,149</u>	\$ <u>896,216</u>	<u>(2,772,933)</u>
General revenues:			
Real property taxes			1,080,554
Non property taxes			1,395,590
Use of money and property			76,147
State and federal aid			565,396
Fines and forfeitures			11,762
Miscellaneous			<u>436,244</u>
Total general revenues			<u>3,565,693</u>
Change in net position			792,760
Net position - beginning			<u>5,454,663</u>
Net position - ending			\$ <u><u>6,247,423</u></u>

See auditors' report and accompanying notes to financial statements

TOWN OF OWASCO
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	Governmental		
	General	Highway	Capital Projects
ASSETS			
Cash:			
Unrestricted	\$ 322,935	\$ 177,660	\$ 1,286,644
Restricted	106,365	9,608	-
Receivables:			
Accounts receivable	-	-	-
Due from other governments	137,869	149,186	-
Due from other funds	14,056	-	6,680
Prepaid expenses	-	-	22,811
TOTAL ASSETS	<u>\$ 581,225</u>	<u>\$ 336,454</u>	<u>\$ 1,316,135</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 2,307	\$ 10,084	\$ 317,822
Accrued expenses	-	-	-
Due to other funds	6,680	-	254,199
Due to other governments	-	-	-
Retained percentages, contract payable	-	-	-
Bond anticipation notes payable	-	-	3,448,005
Total liabilities	<u>8,987</u>	<u>10,084</u>	<u>4,020,026</u>
FUND BALANCES			
Nonspendable	-	-	22,811
Restricted	106,365	9,608	-
Committed	-	-	-
Assigned	289,784	316,762	-
Unassigned	176,089	-	(2,726,702)
Total fund balances	<u>572,238</u>	<u>326,370</u>	<u>(2,703,891)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 581,225</u>	<u>\$ 336,454</u>	<u>\$ 1,316,135</u>

Fund Types			
Special Revenue Funds			Total Governmental Funds
Debt Service	Water	Sewer	
\$ 10,726	\$ 756,262	\$ 1,087,031	\$ 3,641,258
-	11,241	436,071	563,285
-	29,249	34,754	64,003
-	35,422	46,977	369,454
-	239,374	1,086	261,196
-	-	-	22,811
<u>\$ 10,726</u>	<u>\$ 1,071,548</u>	<u>\$ 1,605,919</u>	<u>\$ 4,922,007</u>
\$ -	\$ -	\$ -	\$ 330,213
-	-	-	-
-	-	317	261,196
-	-	-	-
-	-	-	-
-	-	-	3,448,005
<u>-</u>	<u>-</u>	<u>317</u>	<u>4,039,414</u>
-	-	-	22,811
-	11,241	436,071	563,285
-	-	-	-
10,726	1,060,307	1,169,531	2,847,110
-	-	-	(2,550,613)
<u>10,726</u>	<u>1,071,548</u>	<u>1,605,602</u>	<u>882,593</u>
<u>\$ 10,726</u>	<u>\$ 1,071,548</u>	<u>\$ 1,605,919</u>	<u>\$ 4,922,007</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, 2017

Fund Balances - Total Governmental Funds	\$	882,593
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Deferred outflows of resources		170,708
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		14,288,446
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Net pension liability	(261,651)
Deferred inflows of resources	(71,425)
Other post retirement benefits payable	(601,791)
Bonds payable	(<u>8,159,457)</u>
Net Position of Governmental Activities	\$	<u>6,247,423</u>

TOWN OF OWASCO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Governmental		
	General	Highway	Capital Projects
REVENUES			
Real property taxes, penalties and interest	\$ 63,374	\$ 61,062	\$ -
Non property taxes	647,795	747,795	-
Water and sewer charges, penalties and interest	-	-	-
Charges for service	9,334	6,602	-
Use of money and property	62,725	394	3,676
Licenses and permits	16,303	-	-
Fines and forfeitures	11,762	-	-
Sale of property and compensation of loss	10,200	-	-
Miscellaneous	229,014	22,959	669
State aid	<u>108,000</u>	<u>75,993</u>	<u>381,403</u>
Total revenue	<u>1,158,507</u>	<u>914,805</u>	<u>385,748</u>
EXPENDITURES			
Current:			
General government	367,075	15,678	2,500
Public safety	45,503	-	-
Public health	730	-	-
Transportation	126,769	638,610	-
Culture and recreation	483,506	-	-
Economic assistance and opportunity	1,700	-	-
Home and community services	44,820	-	-
Employee benefits	203,107	202,591	2,810
Debt service:			
Principal retirement	45,000	33,975	-
Interest	5,433	1,328	-
Capital Outlays:			
Current expenditures	<u>-</u>	<u>-</u>	<u>2,671,574</u>
Total expenditures	<u>1,323,643</u>	<u>892,182</u>	<u>2,676,884</u>
Revenues over (under) expenditures	<u>(165,136)</u>	<u>22,623</u>	<u>(2,291,136)</u>
Other Financial Sources (Uses):			
Interfund transfers - in	-	-	200,000
Interfund transfers - out	-	-	-
Installment purchase debt	-	-	64,229
Serial bonds	<u>-</u>	<u>-</u>	<u>5,270,228</u>
Total other financial sources (uses)	<u>-</u>	<u>-</u>	<u>5,534,457</u>
Revenues and other sources (uses) over (under) expenditures	(165,136)	22,623	3,243,321
Fund balance January 1, as restated	<u>737,374</u>	<u>303,747</u>	<u>(5,947,212)</u>
Fund balance December 31	\$ <u>572,238</u>	\$ <u>326,370</u>	\$ <u>(2,703,891)</u>

Fund Types			
	Special Revenue Funds		Total Governmental Funds
Debt Service	Water	Sewer	
\$ -	\$ 328,861	\$ 627,257	\$ 1,080,554
-	-	-	1,395,590
-	466,296	397,681	863,977
-	-	-	15,936
53	6,512	2,787	76,147
-	-	-	16,303
-	-	-	11,762
-	614	-	10,814
-	29	109	252,780
-	-	-	565,396
<u>53</u>	<u>802,312</u>	<u>1,027,834</u>	<u>4,289,259</u>
-	4,752	9,380	399,385
-	-	-	45,503
-	-	-	730
-	-	-	765,379
-	-	-	483,506
-	-	-	1,700
-	298,662	832,383	1,175,865
-	67,714	10,107	486,329
-	247,697	127,287	453,959
-	85,032	51,283	143,076
-	-	-	2,671,574
-	<u>703,857</u>	<u>1,030,440</u>	<u>6,627,006</u>
<u>53</u>	<u>98,455</u>	<u>(2,606)</u>	<u>(2,337,747)</u>
-	29,655	-	229,655
(29,655)	(200,000)	-	(229,655)
-	-	-	64,229
-	-	-	5,270,228
<u>(29,655)</u>	<u>(170,345)</u>	<u>-</u>	<u>5,334,457</u>
(29,602)	(71,890)	(2,606)	2,996,710
<u>40,328</u>	<u>1,143,438</u>	<u>1,608,208</u>	<u>(2,114,117)</u>
\$ <u>10,726</u>	\$ <u>1,071,548</u>	\$ <u>1,605,602</u>	\$ <u>882,593</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, 2017

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>2,996,710</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	3,238,587
Gain (loss) on sale of assets	78,654
Depreciation expense	<u>(384,385)</u>
	<u>2,932,856</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	(63,504)
Other post employment benefits liability	<u>(192,804)</u>
	<u>(256,308)</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	453,959
Capital lease issued	(64,229)
Bonds issued	<u>(5,270,228)</u>
	<u>(4,880,498)</u>
Change in Net Position of Governmental Activities	\$ <u>792,760</u>

TOWN OF OWASCO
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2017

ASSETS	
Cash	\$ <u>5,698</u>
Total assets	<u>5,698</u>
LIABILITIES	
Accrued expenses	5,698
Due to other funds	<u>-</u>
Total liabilities	<u>5,698</u>
NET POSITION	
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.

TOWN OF OWASCO
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

TOWN OF OWASCO
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2017, 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, 2017.

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, 2017.

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 \$671.

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 30th.
- c) On or before October 5th, 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 15th, 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 20th.
- 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, 2017 were as follows:

Fund/District	Due From	Due To
General	\$ 14,056	\$ 6,680
Capital	6,680	254,199
Sewer	1,086	317
Water	239,374	-
Fiduciary Trust Funds	-	-
	\$ 261,196	\$ 261,196

C. Capital Assets

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

Class	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital assets, not being depreciated:				
Land	\$ 223,554	\$ 115,003	\$ -	\$ 338,557
Construction in progress	<u>5,912,672</u>	<u>2,607,345</u>	<u>-</u>	<u>8,520,017</u>
Total capital assets, not being depreciated	<u>\$ 6,136,226</u>	<u>\$ 2,722,348</u>	<u>\$ -</u>	<u>\$ 8,858,574</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 5,408,959	\$ 3,000	\$ -	\$ 5,411,959
Infrastructure	1,376,407	-	-	1,376,407
Machinery and equipment	<u>3,603,044</u>	<u>513,239</u>	<u>(165,587)</u>	<u>4,281,870</u>
Total capital assets being depreciated	<u>10,388,410</u>	<u>516,239</u>	<u>(165,587)</u>	<u>11,070,236</u>
Less: accumulated depreciation for:				
Buildings and improvements	2,532,507	143,611	-	2,676,118
Infrastructure	188,607	34,410	-	223,017
Machinery and equipment	<u>2,447,932</u>	<u>206,364</u>	<u>(86,933)</u>	<u>2,741,229</u>
Total accumulated depreciation	<u>5,169,046</u>	<u>384,385</u>	<u>(86,933)</u>	<u>5,640,364</u>
Total capital assets, being depreciated, net	<u>\$ 5,219,364</u>	<u>\$ 131,854</u>	<u>\$ (78,654)</u>	<u>\$ 5,429,872</u>
Government activities capital assets, net	<u>\$ 11,355,590</u>	<u>\$ 2,854,202</u>	<u>\$ (78,654)</u>	<u>\$ 14,288,446</u>

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	\$ 115,316
Transportation	76,876
Home and Community Services	<u>192,193</u>
Total Depreciation Expense	<u>\$ 384,385</u>

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:

2017 \$	91,891
2016 \$	82,110
2015 \$	87,409

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	\$ 27,739
Highway	45,947
Water	17,870
Sewer	<u>335</u>
	<u>\$ 91,891</u>

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, 2017.

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, 2017, 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	\$	228,219
Contributions made on behalf of employees		<u>35,415</u>
Increase in Net OPEB Obligation		192,804
Net OPEB Obligation January 1, 2016		<u>408,987</u>
Net OPEB Obligation December 31, 2016	\$	<u>601,791</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	261,104	35,976	14% \$	225,128
12/31/2017	<u>228,219</u>	<u>35,415</u>	16%	<u>192,804</u>
\$	<u>483,062</u> \$	<u>74,075</u>		\$ <u>601,791</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, 2017 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, 2017 is as follows:

Actuarial accrued liability (AAL)	\$	1,642,423
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	1,642,423
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	891,148
UAAL as a percentage of covered payroll		184.30%
Annual required contribution	\$	228,219
Interest on Net OPEB Obligation		-
Adjustment to Annual Required Contribution		-
Annual OPEB cost		228,219
Contributions made		<u>35,415</u>
Increase in Net OPEB Obligation		192,804
Net OPEB Obligation, beginning of year		<u>408,987</u>
Net OPEB Obligation, end of year	\$	<u><u>601,791</u></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, 2017:

	Balance January 1, 2017	New Issues/ Additions	Maturities and/or Payments	Balance December 31, 2017	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ <u>3,278,959</u>	\$ <u>5,334,457</u>	\$ <u>453,959</u>	\$ <u>8,159,457</u>	\$ <u>613,456</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, 2017:

Purpose	Maturity	Interest	Balance 01/01/17	Issued	Retired	Balance 12/31/17
2003 Serial Bond - Water Fund	1/15/2018	4.00%	\$ 98,855	\$ -	\$ 47,704	\$ 51,151
2003 Serial Bond - Dumptruck	1/15/2018	4.00%	10,611	-	5,024	5,587
2003 Serial Bond - Sewer Fund	1/15/2018	4.00%	35,534	-	17,272	18,262
Sewer Line Improvements	4/15/2032	1.031-4.901%	790,000	-	40,000	750,000
Highway Garage Addition	2/15/2019	4.30%	140,000	-	45,000	95,000
Sewer District #1 Repairs	1/15/2033	4.26%	1,005,000	-	45,000	960,000
Water Plant Construction	7/15/2018	3.75-5.20%	405,000	-	200,000	205,000
Melrose/Havens Sewer Upgrade	11/1/2041	.255% - 4.269%	765,000	-	25,000	740,000
Loader Lease	5/31/2017	3.30%	28,959	-	28,959	-
Loader Lease	9/7/2020	4.50%	-	64,229	-	64,229
2017 Sewer District #1,2	8/1/2047	3.641 - 3.976%	-	1,602,228	-	1,602,228
2017 Water Tank Project	9/1/2042	2.75%	-	3,668,000	-	3,668,000
			\$ <u>3,278,959</u>	\$ <u>5,334,457</u>	\$ <u>453,959</u>	\$ <u>8,159,457</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
2018	\$ 613,456	\$ 189,363	\$ 802,819
2019	338,623	181,313	519,936
2020	287,378	173,795	461,173
2021	275,000	166,833	441,833
2022	275,000	161,005	436,005
2023-2027	1,540,000	658,633	2,198,633
2028-2032	1,740,000	511,485	2,251,485
2033-2037	1,355,000	324,787	1,679,787
2038-2042	<u>1,735,000</u>	<u>159,410</u>	<u>1,894,410</u>
Total	\$ <u>8,159,457</u>	\$ <u>2,526,624</u>	\$ <u>10,686,081</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	Debt Service	Water	Sewer	Total	
General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highway	-	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	29,655	-	-	29,655
Water	-	-	200,000	-	-	-	-	200,000
Sewer	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ 200,000	\$ -	\$ 29,655	\$ -	\$ -	\$ 229,655

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:

2017 \$	91,891
2016 \$	82,110
2015 \$	87,409

At December 31, 2017, 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, 2017, 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, 2017 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,	
2018 \$	45,261
2019	45,261
2020	43,897
2021	(35,136)
2022	-
Thereafter	<u>-</u>
	<u>\$ 99,283</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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to March 31, 2017. As a result of the 2017 actuarial experience study, the expectation of life after disability was adjusted in the December 31, 2017 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>835,661</u>	\$ <u>261,651</u>	\$ (<u>223,674</u>)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,557	\$ 39,733
Changes of assumptions	89,389	-
Net difference between projected and actual earnings on pension plan investments	52,262	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	22,500	31,692
Town contributions subsequent to the measurement date	-	-
Total	\$ <u>170,708</u>	\$ <u>71,425</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 2017, amounts from the capital project were restated to the Water Fund, in the amount of \$54,000. This resulted in a reclassification of Fund balance.

NOTE 6 SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 3, 2018, 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, 2017

	GENERAL FUND		
	Modified Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES			
Real property taxes, penalties and interest	\$ 62,562	\$ 63,374	\$ 812
Non-property taxes	575,000	647,795	72,795
Charges for service	11,125	9,334	(1,791)
Use of money and property	40,900	62,725	21,825
Licenses and permits	11,710	16,303	4,593
Fines and forfeitures	13,000	11,762	(1,238)
Sale of property and compensation of loss	5,000	10,200	5,200
Miscellaneous	-	229,014	229,014
State Aid	107,700	108,000	300
Total revenues	826,997	1,158,507	331,510
EXPENDITURES			
Current:			
General government	367,907	367,075	832
Public safety	45,503	45,503	-
Public health	730	730	-
Transportation	126,769	126,769	-
Culture and recreation	483,918	483,506	412
Economic assistance and opportunity	1,700	1,700	-
Home and community services	44,820	44,820	-
Employee benefits	203,107	203,107	-
Debt service:			
Principal retirement	45,000	45,000	-
Interest	5,433	5,433	-
Total expenditures	1,324,887	1,323,643	1,244
Excess revenues over (under) expenditures	(497,890)	(165,136)	332,754
OTHER FINANCIAL SOURCES (USES):			
Interfund transfers - In	-	-	-
Interfund transfers - Out	-	-	-
Total other financing sources (uses)	-	-	-
Excess revenues and other sources (uses) over (under) expenditures	\$ (497,890)	\$ (165,136)	\$ 332,754

See auditors' report

TOWN OF OWASCO
COMBINED STATEMENT OF REVENUES AND EXPENDITURES
 Budget to Actual - Highway Fund
 For the Year Ended December 31, 2017

	HIGHWAY FUND		
	Modified Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES			
Real property taxes, penalties and interest	\$ 61,062	\$ 61,062	\$ -
Non-property taxes	675,000	747,795	72,795
Charges for service	5,000	6,602	1,602
Interest earnings	900	394	(506)
Sale of property and compensation of loss	5,000	-	(5,000)
Miscellaneous	-	22,959	22,959
Federal Aid	-	-	-
State Aid	52,500	75,993	23,493
Total revenues	799,462	914,805	115,343
EXPENDITURES			
Current:			
General government	15,678	15,678	-
Transportation	774,438	638,610	135,828
Employee benefits	217,704	202,591	15,113
Debt service:			
Principal retirement	33,978	33,975	3
Interest	1,328	1,328	-
Total expenditures	1,043,126	892,182	150,944
Excess revenues over (under) expenditures	(243,664)	22,623	266,287
OTHER FINANCIAL SOURCES (USES):			
Interfund transfers - In	-	-	-
Interfund transfers - Out	-	-	-
Total other financial sources (uses)	-	-	-
Excess revenues and other sources (uses) over (under) expenditures	\$ (243,664)	\$ 22,623	\$ 266,287

See auditors' report

TOWN OF OWASCO
COMBINED STATEMENT OF REVENUES AND EXPENDITURES
 Budget to Actual - Water Fund
 For the Year Ended December 31, 2017

	WATER FUND		
	Modified Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES			
Real property taxes, penalties and interest	\$ 328,861	\$ 328,861	\$ -
Water charges, penalties and interest	404,000	466,296	62,296
Interest earnings	6,590	6,512	(78)
Sale of property and compensation of loss	-	614	614
Miscellaneous	-	29	29
State Aid	-	-	-
Total revenues	739,451	802,312	62,861
EXPENDITURES			
Current:			
General government	4,753	4,752	1
Home and community services	350,811	298,662	52,149
Employee benefits	67,714	67,714	-
Debt service:			
Principal retirement	247,698	247,697	1
Interest	85,033	85,032	1
Total expenditures	756,009	703,857	52,152
Excess revenues over (under) expenditures	(16,558)	98,455	115,013
OTHER FINANCIAL SOURCES (USES):			
Interfund transfers - In	-	29,655	29,655
Interfund transfers - Out	(200,000)	(200,000)	-
Total other financing sources (uses)	(200,000)	(170,345)	29,655
Excess revenues and other sources (uses) over (under) expenditures	\$ (216,558)	\$ (71,890)	\$ 144,668

See auditors' report

TOWN OF OWASCO
COMBINED STATEMENT OF REVENUES AND EXPENDITURES
 Budget to Actual - Sewer Fund
 For the Year Ended December 31, 2017

	SEWER FUND		
	Modified Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES			
Real property taxes, penalties and interest	\$ 627,257	\$ 627,257	\$ -
Sewer charges, penalties and interest	386,975	397,681	10,706
Interest earnings	2,700	2,787	87
Sale of property and compensation of loss	-	-	-
Miscellaneous	10,200	109	(10,091)
Total revenues	1,027,132	1,027,834	702
EXPENDITURES			
Current:			
General government	9,382	9,380	2
Home and community services	898,641	832,383	66,258
Employee benefits	10,912	10,107	805
Debt service:			
Principal retirement	127,287	127,287	-
Interest	65,639	51,283	14,356
Total expenditures	1,111,861	1,030,440	81,421
Excess revenues over (under) expenditures	(84,729)	(2,606)	82,123
OTHER FINANCIAL SOURCES (USES):			
Interfund transfers - In	-	-	-
Interfund transfers - Out	-	-	-
Total other financing sources (uses)	-	-	-
Excess revenues and other sources (uses) over (under) expenditures	\$ (84,729)	\$ (2,606)	\$ 82,123

See auditors' report.