

**TOWN OF THROOP,
NEW YORK**

*Financial Statements and Required
Supplementary Information for the
Year Ended December 31, 2019
and Independent Auditors' Reports*

TOWN OF THROOP, NEW YORK
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Year Ended December 31, 2019

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Town Board
Town of Throop, New York:

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Throop, New York (the "Town"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Town's 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Town's governmental activities has not been determined. Additionally, the scope of our audit was limited due to the inadequacy of accounting records. We were unable to confirm or verify, by performing other audit procedures, the opening fund balances for the year ended December 31, 2019, nor the revenue and expenditure activity for the year then ended. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary to beginning fund balance and the elements making up the statements of revenues, expenditures, and changes in fund balance for governmental funds.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Drescher & Malecki LLP

July 16, 2020

TOWN OF THROOP, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2019

As management of the Town of Throop, New York (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2019. Information provided for the year ended December 31, 2018 has not been audited. This document should be read in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$1,259,785, an increase of \$43,080 in comparison with the prior year's fund balance of \$1,216,705. The increase was primarily attributed to decreased spending within the General Fund and the Water District Fund.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$1,122,855, or approximately 252.6 percent of General Fund expenditures. This total amount is *available for spending* at the Town's discretion and constitutes approximately 99.9 percent of the General Fund's total fund balance of \$1,123,925 at December 31, 2019.
- The Town's total long-term indebtedness decreased by \$21,000 as a result of scheduled principal payments.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Town's financial statements. The Town's 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 financial statements themselves. As of and for the year ended December 31, 2019, the Town has not included the government-wide financial statements within its financial statements.

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 of the Town's assets, liabilities, and deferred outflows/inflows of resources, with the difference 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 Town'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 result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The Town does not engage in any business-type activities.

As previously stated, the government-wide financial statements have not been included in 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 are considered governmental 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 spendable resources*, as well as on *balances of spendable resources*, available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The Town maintains four 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 Fund, Highway Fund, Water District Fund, and Water District Extension Fund which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 9-10 of this report.

Notes to the financial statements—The notes 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 on pages 11-24 of this report.

Required Supplementary Information—In addition to the financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town's net pension liability and the Town's budgetary comparison schedules for the General Fund, Highway Fund, Water District Fund, and Water District Extension Fund. Required Supplementary Information and a related note to the required supplementary information can be found on pages 25-31 of this report.

Financial Analysis of Governmental Funds

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

Governmental funds—The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not been limited to use for a particular purpose by an external party, the Town itself, or a group of individuals that has been delegated authority to assign resources for use for particular purposes by the Town Board.

At December 31, 2019, the Town's governmental funds reported combined ending fund balances of \$1,259,785, an increase of \$43,080 from the prior year. Approximately 87.6 percent of this amount, \$1,103,276, constitutes *unassigned fund balance*, which is available for spending at the Town's discretion. The remainder of fund balance is *assigned* for particular purposes, \$156,509.

Overall revenues increased 56.2 percent from the prior year, primarily the result of increased New York State Department of Transportation aid received during the year ended December 31, 2019. Total expenditures increased 75.0 percent from the year ended December 31, 2018 due to spending related to the increased aid.

A summary of governmental fund revenues for the years ended December 31, 2019 and December 31, 2018 is presented below in Table 1.

Table 1—Summary of Governmental Fund Revenues

	Year Ended December 31,		Increase (Decrease)	
	2019	2018	Dollars	Percent (%)
Real property taxes	\$ 328,542	\$ 331,582	\$ (3,040)	(0.9)
Non-property tax items	445,305	456,709	(11,404)	(2.5)
Departmental income	102,123	101,961	162	0.2
Use of money and property	42,783	63,450	(20,667)	(32.6)
Licenses and permits	6,456	7,242	(786)	(10.9)
Fines and forfeitures	8,358	6,359	1,999	31.4
Sale of property and compensation for loss	13,909	16,228	(2,319)	(14.3)
Miscellaneous	4,329	2,857	1,472	51.5
State aid	818,185	147,056	671,129	456.4
Total revenues	<u>\$ 1,769,990</u>	<u>\$ 1,133,444</u>	<u>\$ 636,546</u>	56.2

The most significant source of revenues for the governmental funds is state aid, which accounts for \$818,185, or 46.2 percent of total revenues for the year ended December 31, 2019. The next largest source of revenue is non-property tax items, which accounts for \$445,305, or 25.2 percent of total revenues, for the year ended December 31, 2019.

The most significant source of revenues for the governmental funds for the year ended December 31, 2018 was non-property tax items, which accounted for \$456,709, or 40.3 percent of total revenues. The next largest source of revenue was real property taxes, which accounted for \$331,582, or 29.3 percent of total revenues for the year ended December 31, 2018.

A summary of governmental fund expenditures for the years ended December 31, 2019 and December 31, 2018 is presented in Table 2 on the following page.

Table 2—Summary of Governmental Fund Expenditures

	Year Ended December 31,		Increase (Decrease)	
	2019	2018	Dollars	Percent (%)
Current:				
General government support	\$ 224,912	\$ 206,359	18,553	9.0
Public Safety	20,693	18,570	2,123	11.4
Health	514	500	14	2.8
Transportation	1,111,599	351,336	760,263	216.4
Economic assistance and opportunity	1,905	1,058	847	80.1
Culture and recreation	38,553	92,859	(54,306)	(58.5)
Home and community services	176,394	166,712	9,682	5.8
Employee benefits	105,937	109,417	(3,480)	(3.2)
Debt Service:				
Principal	21,000	20,000	1,000	5.0
Interest and other fiscal charges	25,403	20,194	5,209	25.8
Total expenditures	<u>\$1,726,910</u>	<u>\$ 987,005</u>	<u>\$ 739,905</u>	75.0

The Town's governmental funds' significant expenditure items for the year ended December 31, 2019 included transportation of \$1,111,599, or 64.4 percent of total expenditures, general government support of \$224,912, or 13.0 percent of total expenditures, and home and community services of \$176,394, or 10.2 percent of total expenditures.

The Town's governmental funds' significant expenditure items for the year ended December 31, 2018 included transportation of \$351,336, or 35.6 percent of total expenditures, general government support of \$206,359, or 20.9 percent of total expenditures, and home and community services of \$166,712, or 16.9 percent of total expenditures.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,122,855, while total fund balance increased to \$1,123,925, as a result of revenues and transfers in exceeding expenditures. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures and transfers out. Unassigned fund balance represents approximately 252.6 percent of General Fund expenditures, while total fund balance represents 252.9 percent of that same amount.

The Town's Highway Fund ending fund balance was \$120,587 and is reported as fund balance assigned for specific (Highway Fund) use. During the year ended December 31, 2019, the Highway Fund fund balance decreased \$117,992 mainly due to the balance of budgeted expenditures/transfers out exceeding the amount of revenue received during the year.

The Town's Water District Fund ending fund balance was a fund balance deficit of \$19,579. During the year ended December 31, 2019, the Water District Fund fund balance increased by \$55,080, due to revenues exceeding expenditures.

The Town's Water District Extension Fund ending fund balance was \$34,852. During the year ended December 31, 2019, the Water District Extension Fund fund balance increased by \$2,567, due to revenues exceeding expenditures.

General Fund Budgetary Highlights

The Town's General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year's encumbrances since the funds were allocated under the previous year's budget, and the Town has appropriately assigned an equal amount of fund balance at year-end for this purpose. Furthermore, the budget is allowed to be amended upward (increased) for additional current year appropriations supported by an increase in budgeted revenues. A budgetary comparison schedule within the Required Supplementary Information section of this report has been provided to demonstrate compliance with their budget.

A summary of the General Fund results of operations for the year ended December 31, 2019 is presented below in Table 5.

Table 5—General Fund Budget

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues and transfers in	\$ 493,460	\$ 494,775	\$ 547,934	\$ 53,159
Expenditures	493,460	494,775	444,509	50,266
Excess of revenues and transfers in over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,425</u>	<u>\$ 103,425</u>

Original budget compared to final budget—At the close of the fiscal year, the Town increased the overall budgeted appropriations by \$1,315.

Final budget compared to actual results—A review of actual revenues and expenditures compared to the estimated revenues and appropriations in the final budget yields no significant variances, with the exception of budgeted amounts exceeding actual spending in general government support expenditures by \$34,870 as a result of less than anticipated use of the Town's contingency account and actual revenue exceeding budgeted amounts for non-property tax items by \$21,330 from sales tax collected in excess of the budgeted expectation.

Long-term debt—At December 31, 2019, the Town had a long-term USDA note payable outstanding of \$1,036,000, as compared to \$1,057,000 in the prior year. During the year ended December 31, 2019, the Town made principal payments of \$21,000 on its USDA notes payable.

Additional information on the Town's long-term liabilities can be found in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate, not seasonally adjusted, for Cayuga County during December 2019 was 4.7 percent, as compared to New York State's unemployment rate of 3.7 percent. These factors are considered in preparing the Town's budget.

During the current fiscal year, the Town appropriated \$1,070 of the General Fund's fund balance for spending in the Town's 2020 fiscal year budget. The 2020 adopted budget appropriations total of \$495,940 is an approximate increase of 0.5 percent as compared to \$493,460 in 2019. The Townwide tax rate for 2020 is 1.47 percent as compared to 1.46 percent levied during the 2019 year.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Supervisor's Office, 7471 Robinson Road, Auburn, NY 13021.

FINANCIAL STATEMENTS

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TOWN OF THROOP, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2019

	Special Revenue				Total Governmental Funds
	General	Highway	Water District	Water District Extension	
ASSETS					
Cash and cash equivalents	\$ 1,077,033	\$ 132,600	\$ 116,490	\$ 38,758	\$ 1,364,881
Receivables	1,444	425	769	10	2,648
Intergovernmental receivables	87,611	-	-	-	87,611
Due from other funds	-	-	1,128	-	1,128
Total assets	<u>\$ 1,166,088</u>	<u>\$ 133,025</u>	<u>\$ 118,387</u>	<u>\$ 38,768</u>	<u>\$ 1,456,268</u>
LIABILITIES					
Accounts payable	\$ 5,684	\$ 923	\$ 2,006	\$ 696	\$ 9,309
Accrued liabilities	34,355	9,292	2,466	733	46,846
Intergovernmental payables	2,124	2,223	3,494	1,359	9,200
Due to other funds	-	-	-	1,128	1,128
Bond anticipation notes payable	-	-	130,000	-	130,000
Total liabilities	<u>42,163</u>	<u>12,438</u>	<u>137,966</u>	<u>3,916</u>	<u>196,483</u>
FUND BALANCES					
Assigned	1,070	120,587	-	34,852	156,509
Unassigned	<u>1,122,855</u>	<u>-</u>	<u>(19,579)</u>	<u>-</u>	<u>1,103,276</u>
Total fund balances	<u>1,123,925</u>	<u>120,587</u>	<u>(19,579)</u>	<u>34,852</u>	<u>1,259,785</u>
Total liabilities and fund balances	<u>\$ 1,166,088</u>	<u>\$ 133,025</u>	<u>\$ 118,387</u>	<u>\$ 38,768</u>	<u>\$ 1,456,268</u>

The notes to the financial statements are an integral part of this statement

TOWN OF THROOP, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—Governmental Funds
Year Ended December 31, 2019

	Special Revenue				Total Governmental Funds
	General	Highway	Water District	Water District Extension	
REVENUES					
Real property taxes	\$ 717	\$ 178,000	\$ 95,000	\$ 54,825	\$ 328,542
Non-property tax items	445,305	-	-	-	445,305
Departmental income	16,046	-	67,761	18,316	102,123
Use of money and property	5,410	36,983	390	-	42,783
Licenses and permits	6,456	-	-	-	6,456
Fines and forfeitures	8,358	-	-	-	8,358
Sale of property and compensation for loss	7,100	3,250	3,559	-	13,909
Miscellaneous	629	-	3,700	-	4,329
State aid	47,336	770,849	-	-	818,185
Total revenues	<u>537,357</u>	<u>989,082</u>	<u>170,410</u>	<u>73,141</u>	<u>1,769,990</u>
EXPENDITURES					
Current:					
General government support	224,912	-	-	-	224,912
Public safety	20,693	-	-	-	20,693
Health	514	-	-	-	514
Transportation	53,296	1,058,303	-	-	1,111,599
Economic assistance and opportunity	1,905	-	-	-	1,905
Culture and recreation	38,553	-	-	-	38,553
Home and community services	41,161	-	106,420	28,813	176,394
Employee benefits	63,475	38,194	3,326	942	105,937
Debt service:					
Principal	-	-	-	21,000	21,000
Interest and other fiscal charges	-	-	5,584	19,819	25,403
Total expenditures	<u>444,509</u>	<u>1,096,497</u>	<u>115,330</u>	<u>70,574</u>	<u>1,726,910</u>
Excess (deficiency) of revenues over expenditures	<u>92,848</u>	<u>(107,415)</u>	<u>55,080</u>	<u>2,567</u>	<u>43,080</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	10,577	-	-	-	10,577
Transfers out	-	(10,577)	-	-	(10,577)
Total other financing sources (uses)	<u>10,577</u>	<u>(10,577)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	103,425	(117,992)	55,080	2,567	43,080
Fund balances (deficit)—beginning	1,020,500	238,579	(74,659)	32,285	1,216,705
Fund balances (deficit)—ending	<u>\$ 1,123,925</u>	<u>\$ 120,587</u>	<u>\$ (19,579)</u>	<u>\$ 34,852</u>	<u>\$ 1,259,785</u>

The notes to the financial statements are an integral part of this statement.

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TOWN OF THROOP, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Throop, New York (the “Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, except management has not presented government-wide financial statements to display the statement of net position and the statement of activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Town’s governmental activities are not reasonably determinable. The Governmental Accounting Standards Board (the “GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town’s accounting policies are described below.

Reporting Entity

The Town, which was established in 1859, is located within the County of Cayuga, New York. The Town is governed by Town law and other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations and the Supervisor serves as chief fiscal officer.

Independently elected officials of the Town consist of the following:

Supervisor	Town Clerk
Town Justice (2)	Board Members (4)
Superintendent of Highways	

All governmental activities and functions performed for the Town are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Town’s funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Town reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the Town and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is sales tax.
- *Highway Fund*—The Highway Fund is used to record all revenues and expenditures related to road maintenance and construction. The principal sources of revenue for the Highway Fund are real property taxes and state aid.
- *Water District Fund*—The Water District Fund is used to record all revenues and expenditures related to the Town’s Water District. The principal sources of revenue for the Water District Fund are real property taxes and departmental income.

- *Water District Extension Fund*—The Water District Extension Fund is used to record all revenues and expenditures related to the Town’s extended Water District. The principal sources of revenue for the Water District Extension Fund are real property taxes and departmental income.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. These balances are reported in the fund financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out.

Measurement Focus and Basis of Accounting

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* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The governmental fund financial 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. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to pensions, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, sales taxes, charges for services provided, and state aid associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period of availability. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—The Town’s cash, cash equivalents and investments consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. The Town had no investments at December 31, 2019; however, when the Town does have investments they are recorded at fair value in accordance with GASB.

Intergovernmental Receivables—Receivables include amounts due from state and federal governments and represent amounts owed to the Town to reimburse it for expenditures incurred pursuant to state and federally funded programs. Receivables are recorded and revenues recognized as earned. Allowances are recorded when appropriate.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2019, in Note 5 of the financial statements, the Town discloses a deferred outflow related to pensions within its governmental activities. This item represents the effect of the net change in the Town's proportion of the collective net pension liability, the difference during the measurement period between the Town's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At December 31, 2019, in Note 5 of the financial statements, the Town discloses a deferred inflow representing the effect of the net change in the Town's proportion of the collective net pension liability and the difference during the measurement periods between the Town's contributions and its proportionate share of the total contributions to the pension systems not included in pension expense and it would be reported on the government-wide statements if they were presented.

Fund Balance Flow Assumption—Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Town Board is the highest level of decision-making authority for the Town that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes, but do not meet the criteria to be classified as committed. The Town Board has authorized the Supervisor to assign fund balance. The Town Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures

Property Taxes—The Cayuga County Legislature prepares the levy in late December of each year and jointly bills the Town levy and Cayuga County real property taxes. Property taxes are levied and become a lien as of January 1st based on assessed property values as of that date.

Tax payments are due January 1st to February 11th without penalty; February 12th to 28th a 1.0% penalty; March 1st to April 1st a 2.0% penalty; and 5.0% penalty is assessed and 1.0% interest is added each month thereafter.

The tax roll is returned to the Cayuga County Treasurer after April 1st, at which time all unpaid taxes and penalties are payable to that office. The Town retains their full tax levies for all unpaid items that are returned to the County. Thus, the Town is assured of receiving 100% of its tax levy. The County enforces all liens.

The Town also bills and collects taxes for various school districts within Town limits. Collections of the school district taxes and remittances of them are accounted for by the Town Clerk, independent of Town operations.

Pensions—The Town is mandated by New York State law to participate in the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 5.

Other

Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2019, the Town implemented GASB Statements No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*; and No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations. GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing effective dates of certain provisions in Statements. GASB Statements No. 83, 84, 88, 90, and 95 did not have a material impact on the Town's financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Town has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending December 31, 2021, No. 87, *Leases*; No. 91, *Conduit Debt Obligations*; No. 92, *Omnibus 2020*; No. 93, *Replacement of Interbank Offered Rates*; and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for the year ending December 31, 2022, and No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending December 31, 2023. The Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 87, 89, 91, 92, 93, 94, 96, and 97 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets

Budgets and Budgetary Accounting—The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to September 30th, the Town Supervisor files a “tentative” budget with the Town Clerk for the following fiscal year to commence on January 1st. This budget, which includes appropriations and estimated revenues, is then presented to the full Town Board in the first October meeting.
- The full Town Board reviews the tentative budget and may adjust some before approving a “preliminary” budget and calling for a public hearing, which is generally held in November.
- Following the public hearing, revisions may again be made by the Town Board before filing an adopted budget with Cayuga County.
- During the fiscal year, the Town Board can legally amend the operating budgets and is empowered to implement supplemental appropriations. Budget amendments are required for the departmental budgetary control. Management may amend the budget within each function. All other budget amendments and budget transfers require Town Board approval.

Deficit Fund Balance—At December 31, 2019, the Water District Fund reported a deficit fund balance of \$19,579 at December 31, 2019. The deficit exists because the Town issued a bond anticipation note (“BAN”), which does not qualify for treatment as a long-term liability. Accordingly, the BAN is reported as a fund liability in the Water District Fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances). This deficit will be remedied by future tax revenues and proceeds from future bond issuances.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Town’s investment policies are governed by State statutes. Town monies must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The Supervisor is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

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 (FDIC). The Town has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash and cash equivalents at December 31, 2019, are as follows:

	Governmental Funds
Petty cash (uncollateralized)	\$ 100
Deposits	<u>1,364,781</u>
Total	<u>\$ 1,364,881</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2019 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 250,000	\$ 250,000
Uninsured:		
Collateral held by pledging bank's agent in the Town's name	<u>1,213,516</u>	<u>1,114,781</u>
Total	<u>\$ 1,463,516</u>	<u>\$ 1,364,781</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As noted above, by New York State statute all deposits in excess of FDIC insurance coverage must be collateralized. At December 31, 2019, the Town's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the Town's name.

Investments—The Town had no investments at December 31, 2019.

Interest Rate Risk—In accordance with its investment policy, the Town manages exposures by limiting investments to low risk type investments governed by New York State statute.

3. RECEIVABLES

Major revenues accrued by the Town at December 31, 2019 consisted of the following:

Receivables—Represents amounts due for various licensing and permit fees due from other Town departments (e.g. Town Justice, Town Clerk and Receiver of Taxes, etc.) who are acting as intermediary collecting agents, collecting various fines, fees and other charges which are remitted to the Town in accordance with State statute. Receivables at December 31, 2019 totaled \$2,648 for governmental funds.

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State, Cayuga County or other local governments. Intergovernmental receivables at December 31, 2019 totaled \$87,611 due from Cayuga County recorded within the General Fund.

4. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2019 were as follows:

	General Fund	Highway Fund	Water District Fund	Water District Extension Fund	Total Governmental Funds
Salaries and employee benefits	\$ 34,355	\$ 9,292	\$ 2,466	\$ 733	\$ 46,846
Total	<u>\$ 34,355</u>	<u>\$ 9,292</u>	<u>\$ 2,466</u>	<u>\$ 733</u>	<u>\$ 46,846</u>

5. PENSION PLANS

Employees' Retirement System—The Town participates in the New York State and Local Employees' Retirement System ("ERS"), a cost-sharing multiple-employer retirement system (the "System"). The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State's financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System is noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010, who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2019, the Town reported the following liability for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2019. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of April 1, 2018, with update procedures used to roll forward the total net pension liability to the measurement date. The Town's proportion of the net pension liability was based on projections of the Town's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the Town.

	ERS
Measurement date	March 31, 2019
Net pension liability	\$ 56,956
Town's portion of the Plan's total net pension liability	0.0008039%

For the year ended December 31, 2019, the Town recognized pension expense of \$39,598 for ERS. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 11,216	\$ 3,823
Changes in assumptions	14,316	-
Net difference between projected and actual earnings on pension plan investments	-	14,618
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	5,528	958
Town contributions subsequent to the measurement date	28,078	-
Total	<u>\$ 59,138</u>	<u>\$ 19,399</u>

The Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	ERS
2020	\$ 13,643
2021	(10,003)
2022	133
2023	7,888

Actuarial Assumptions—The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuation used the following actuarial assumptions:

	ERS
Measurement date	March 31, 2019
Actuarial valuation date	April 1, 2018
Interest rate	7.00%
Salary scale	4.20%
Decrement tables	April 1, 2010- March 31, 2015
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized in the table below.

Measurement date	ERS	
	Target Allocation	Long-Term Expected
		Real Rate of Return
	March 31, 2019	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.5
Real estate	10.0	5.6
Absolute return strategies	2.0	3.8
Opportunistic portfolio	3.0	5.7
Real assets	3.0	5.3
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.3
Total	100 %	

Discount Rate—The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below 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 proportionate share of the net pension liability would be if it was calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

ERS	1%	Current	1%
	Decrease (6.0%)	Assumption (7.0%)	Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	\$ 249,020	\$ 56,956	\$ (104,392)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liabilities of the employers as of the valuation dates, were as follows:

	(Dollars in Thousands)
	ERS
Valuation date	April 1, 2018
Employers' total pension liability	\$ 189,803,429
Plan fiduciary net position	182,718,124
Employers' net pension liability	<u>\$ 7,085,305</u>
System fiduciary net position as a percentage of total pension liability	96.3%

6. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance for: property coverage, general liability coverage, automobile coverage, inland marine coverage, umbrella coverage and crime coverage. There have been no significant reduction in the levels of this commercial insurance from the prior year, nor have there been any settlements which exceeded insurance coverage for each of the past three fiscal years.

Property insurance is limited based on scheduled locations. The general liability insurance is limited to \$1 million per occurrence, with a \$2 million annual aggregate limit. Automobile insurance is limited to \$1 million per accident. Inland marine coverage is limited to \$832,601. Public official's liability is limited to \$1 million per occurrence with a \$2 million annual aggregate limit. The crime insurance is limited to \$51,000.

The Town participates in the New York State Municipal Workers' Compensation Alliance (the "Alliance"), a risk-sharing pool, to insure workers' compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to workers' compensation claims. The Alliance is considered a self-sustaining risk pool that will provide coverage for its members up to \$750,000 (\$1,250,000 for police, fire, ambulance drivers and electricians) per event. The Alliance maintains independent coverage for events in excess of \$750,000 (\$1,250,000 for police, fire, ambulance drivers and electricians). At December 31, 2019, management believes that there are no material outstanding liabilities for workers' compensation.

7. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Water District Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs used for assessable improvement projects may be renewed for periods equivalent to the life of the permanent financing provided that annual reductions of principal are made. The following is a summary of the Town’s short-term debt for the year ended December 31, 2019:

Description	Interest Rate	Maturity Date	Balance 1/1/2019	Issues	Redemptions	Balance 12/31/2019
Water District Fund:						
Water District Improvements	2.00%	6/19/2019	\$ 280,000	\$ -	\$ 280,000	\$ -
Water District Improvements	2.00%	7/12/2020	-	230,000	100,000	130,000
Total			<u>\$ 280,000</u>	<u>\$ 230,000</u>	<u>\$ 380,000</u>	<u>\$ 130,000</u>

8. LONG-TERM LIABILITIES

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The Town’s outstanding long-term liabilities include the notes payable and net pension liability.

A summary of changes in the Town’s long-term debt at December 31, 2019 follows:

	Balance 1/1/2019	Additions	Reductions	Balance 12/31/2019	Due Within One Year
Governmental activities:					
USDA note payable	\$ 1,057,000	\$ -	\$ 21,000	\$ 1,036,000	\$ 21,000
Net pension liability *	<u>25,703</u>	<u>31,253</u>	<u>-</u>	<u>56,956</u>	<u>-</u>
Total governmental activities	<u>\$ 1,082,703</u>	<u>\$ 31,253</u>	<u>\$ 21,000</u>	<u>\$ 1,092,956</u>	<u>\$ 21,000</u>

*Additions to the net pension liability are shown net of reductions.

United States Department of Agriculture (“USDA”) Notes Payable—USDA notes payable represents proceeds from USDA Rural Development loan agreements entered into by the Town during 2015. During the year ended December 31, 2019, the USDA note payable was reduced by a payment made to USDA in the amount of \$21,000. The loan is scheduled for final payment made in fiscal year 2054.

Net Pension Liability—The Town reported a liability, \$56,956, for its proportionate share of the net pension liability for the New York State Employees’ Retirement System. Typically, the General Fund and Highway Fund have been used to liquidate this liability within the governmental funds. Refer to Note 5 for additional information related to the Town’s net pension liability.

The following is a maturity schedule of the Town's indebtedness:

Year ending December 31,	USDA Notes Payable	Net Pension Liability	Total
2020	\$ 21,000	\$ -	\$ 21,000
2021	22,000	-	22,000
2022	22,000	-	22,000
2023	22,000	-	22,000
2024	23,000	-	23,000
2025-2029	121,000	-	121,000
2030-2034	131,000	-	131,000
2035-2039	146,000	-	146,000
2040-2044	160,000	-	160,000
2045 and thereafter	368,000	56,956	424,956
Total	<u>\$ 1,036,000</u>	<u>\$ 56,956</u>	<u>\$ 1,092,956</u>

Interest requirements on notes are as follows:

Year ending December 31,	Interest
2020	\$ 19,228
2021	18,824
2022	18,412
2023	17,999
2024	17,578
2025-2029	81,231
2030-2034	69,419
2035-2039	56,434
2040-2044	42,108
2045 and thereafter	35,578
Total	<u>\$ 376,811</u>

9. FUND BALANCES

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. As of December 31, 2019, the Town has no nonspendable fund balance.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. At December 31, 2019, the Town has no restricted fund balance.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Town's highest level of decision-making authority. As of December 31, 2019, the Town has no committed fund balance.

In the fund financial statements, assignments are not legally required segregations, but are subject to a purpose constraint that represents an intended use established by the Town Board. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. At December 31, 2018, the Town reported the following fund balance assignments:

	Subsequent Year's Expenditures	Specific Use	Total Assigned
General Fund	\$ 1,070	\$ -	\$ 1,070
Highway Fund	-	120,587	120,587
Water District Extension Fund	-	34,852	34,852
Total	<u>\$ 1,070</u>	<u>\$ 155,439</u>	<u>\$ 156,509</u>

- ***Assigned to Subsequent Year's Expenditures***—Represents available fund balance being appropriated to meet expenditure requirements in the 2020 fiscal year. Although, the 2020 budget within the Water District Fund has appropriated fund balance of \$55,000, total fund balance available at December 31, 2019 is in a deficit position of \$19,579.
- ***Assigned to Specific Use***—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment's purpose relates to each fund's operations and represents amounts within funds that are not restricted or committed.

If the Town must use funds for emergency expenditures the Town Board shall authorize the Supervisor to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the Town will use unassigned fund balance.

10. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. All interfund balances are expected to be collected/paid within the subsequent year. Interfund transfers are routine annual events for both the budget and accounting process and are necessary for proper fund classification.

Interfund receivables, payables, and transfers for the year ended December 31, 2019 are presented below:

Fund	Interfund		Interfund	
	Receivable	Payable	Transfers in	Transfers out
General Fund	\$ -	\$ -	\$ 10,577	\$ -
Highway Fund	-	-	-	10,577
Water District Fund	1,128	-	-	-
Water District Extension Fund	-	1,128	-	-
Total	<u>\$ 1,128</u>	<u>\$ 1,128</u>	<u>\$ 10,577</u>	<u>\$ 10,577</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year. Transfers are used primarily to move amounts to fulfill commitments.

11. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. As of December 31, 2019, the Town reported no encumbrances.

12. CONTINGENCIES

Litigation—The Town is involved in litigation in the ordinary course of its operations. Various legal actions are pending against the Town. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the Town.

Assessments—The Town is a defendant in litigation under Article 7 of the Real Property Tax Law of the State of New York to review tax assessments. While the Town vigorously defends assessments, the likelihood of success is on a case by case basis, and is dependent upon various factors including market values and appraised amounts. No potential amount or potential range of loss is determinable. However, management believes that level of such potential loss, if any, would be immaterial and no provisions have been made within the financial statements.

Grants—In the normal course of operations, the Town receives grant funds from various federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions that are specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the Town. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

13. SUBSEQUENT EVENTS

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and resulted in a severe disruption of operations for organizations. The extent of the impact of COVID-19 on the Town's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, impact on patients, employees and vendors all of which cannot be predicted.

Management has evaluated subsequent events through July 16, 2020, which is the date the financial statements are available for issuance, and have determined, with the exception of the matter disclosed above, there are no subsequent events that require disclosure under generally accepted accounting principles.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF THROOP, NEW YORK
Schedule of the Town's Proportionate Share of the
Net Pension Liability—Employees' Retirement System
Last Six Fiscal Years*

	Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability	0.0008039%	0.0007964%	0.0007731%	0.0008221%	0.0008520%	0.0008520%
Town's proportionate share of the net pension liability	<u>\$ 56,956</u>	<u>\$ 25,703</u>	<u>\$ 72,642</u>	<u>\$ 131,946</u>	<u>\$ 28,782</u>	<u>\$ 38,500</u>
Town's covered payroll	\$ 219,964	\$ 222,285	\$ 233,838	\$ 211,670	\$ 212,473	\$ 209,224
Town's proportionate share of the net pension liability as a percentage of its covered payroll	25.9%	11.6%	31.1%	62.3%	13.5%	18.4%
Plan fiduciary net position as a percentage of the total pension liability	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%

*Information prior to the year ended December 31, 2014 is not available.

TOWN OF THROOP, NEW YORK
Schedule of the Town's Contributions—
Employees' Retirement System
Last Six Fiscal Years*

	Year Ended December 31,					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 37,437	\$ 28,467	\$ 34,351	\$ 36,116	\$ 36,001	\$ 42,336
Contributions in relation to the contractually required contribution	<u>(37,437)</u>	<u>(28,467)</u>	<u>(34,351)</u>	<u>(36,116)</u>	<u>(36,001)</u>	<u>(42,336)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 229,762	\$ 220,197	\$ 223,701	\$ 225,668	\$ 215,208	\$ 209,262
Contributions as a percentage of covered payroll	16.3%	12.9%	15.4%	16.0%	16.7%	20.2%

*Information prior to the year ended December 31, 2014 is not available.

TOWN OF THROOP, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Real property taxes	\$ 500	\$ 1,000	\$ 717	\$ (283)
Non-property tax items	417,860	423,975	445,305	21,330
Departmental income	15,500	12,500	16,046	3,546
Use of money and property	4,000	3,000	5,410	2,410
Licenses and permits	4,000	4,200	6,456	2,256
Fines and forfeitures	7,500	6,500	8,358	1,858
Sale of property and compensation for loss	100	100	7,100	7,000
Miscellaneous	500	-	629	629
State aid	43,500	43,500	47,336	3,836
Total revenues	<u>493,460</u>	<u>494,775</u>	<u>537,357</u>	<u>42,582</u>
EXPENDITURES				
Current:				
General government support	265,100	259,782	224,912	34,870
Public safety	24,500	23,018	20,693	2,325
Health	500	500	514	(14)
Transportation	54,960	54,425	53,296	1,129
Economic assistance and opportunity	2,000	2,000	1,905	95
Culture and recreation	33,500	39,193	38,553	640
Home and community services	40,900	42,857	41,161	1,696
Employee benefits	72,000	73,000	63,475	9,525
Total expenditures	<u>493,460</u>	<u>494,775</u>	<u>444,509</u>	<u>50,266</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>92,848</u>	<u>92,848</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>10,577</u>	<u>10,577</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>10,577</u>	<u>10,577</u>
Net change in fund balances	-	-	103,425	103,425
Fund balances—beginning	<u>1,020,500</u>	<u>1,020,500</u>	<u>1,020,500</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,020,500</u>	<u>\$ 1,020,500</u>	<u>\$ 1,123,925</u>	<u>\$ 103,425</u>

The note to the required supplementary information is an integral part of this schedule.

TOWN OF THROOP, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Highway Fund
Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 184,000	\$ 178,000	\$ 178,000	\$ -
Use of money and property	55,000	54,500	36,983	(17,517)
Sale of property and compensation for loss	-	-	3,250	3,250
State aid	<u>45,000</u>	<u>70,000</u>	<u>770,849</u>	<u>700,849</u>
Total revenues	<u>284,000</u>	<u>302,500</u>	<u>989,082</u>	<u>686,582</u>
EXPENDITURES				
Current:				
Transportation	231,000	1,053,862	1,058,303	(4,441)
Employee benefits	<u>61,000</u>	<u>40,051</u>	<u>38,194</u>	<u>1,857</u>
Total expenditures	<u>292,000</u>	<u>1,093,913</u>	<u>1,096,497</u>	<u>(2,584)</u>
Deficiency of revenues over expenditures	(8,000)	(791,413)	(107,415)	683,998
OTHER FINANCING USES				
Transfers out	<u>(8,000)</u>	<u>-</u>	<u>(10,577)</u>	<u>(10,577)</u>
Total other financing uses	<u>(8,000)</u>	<u>-</u>	<u>(10,577)</u>	<u>(10,577)</u>
Net change in fund balances*	(16,000)	(791,413)	(117,992)	673,421
Fund balances—beginning	<u>238,579</u>	<u>238,579</u>	<u>238,579</u>	<u>-</u>
Fund balances—ending	<u>\$ 222,579</u>	<u>\$ (552,834)</u>	<u>\$ 120,587</u>	<u>\$ 673,421</u>

*The net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance.

The note to the required supplementary information is an integral part of this schedule.

TOWN OF THROOP, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—
Budget and Actual—Water District Fund
Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 118,200	\$ 95,000	\$ 95,000	\$ -
Departmental income	79,000	82,900	67,761	(15,139)
Use of money and property	300	300	390	90
Sale of property and compensation for loss	-	-	3,559	3,559
Miscellaneous	-	-	3,700	3,700
Total revenues	<u>197,500</u>	<u>178,200</u>	<u>170,410</u>	<u>(7,790)</u>
EXPENDITURES				
Current:				
Home and community services	190,500	169,616	106,420	63,196
Employee benefits	7,000	7,000	3,326	3,674
Debt service:				
Principal	-	150,000	-	150,000
Interest and other fiscal charges	-	5,584	5,584	-
Total expenditures	<u>197,500</u>	<u>332,200</u>	<u>115,330</u>	<u>216,870</u>
Net change in fund balances	-	(154,000)	55,080	209,080
Fund balances (deficit)—beginning	<u>(74,659)</u>	<u>(74,659)</u>	<u>(74,659)</u>	<u>-</u>
Fund balances (deficit)—ending	<u>\$ (74,659)</u>	<u>\$ (228,659)</u>	<u>\$ (19,579)</u>	<u>\$ 209,080</u>

The note to the required supplementary information is an integral part of this schedule.

TOWN OF THROOP, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Water District Extension Fund
Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Real property taxes	\$ -	\$ 54,825	\$ 54,825	\$ -
Departmental income	-	28,400	18,316	(10,084)
Total revenues	-	83,225	73,141	(10,084)
EXPENDITURES				
Current:				
Home and community services	-	31,500	28,813	2,687
Employee benefits	-	1,223	942	281
Debt service:				
Principal	-	21,000	21,000	-
Interest and other fiscal charges	-	29,502	19,819	9,683
Total expenditures	-	83,225	70,574	12,651
Net change in fund balances	-	-	2,567	2,567
Fund balances—beginning	32,285	32,285	32,285	-
Fund balances—ending	<u>\$ 32,285</u>	<u>\$ 32,285</u>	<u>\$ 34,852</u>	<u>\$ 2,567</u>

The note to the required supplementary information is an integral part of this schedule.

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TOWN OF THROOP, NEW YORK
Note to the Required Supplementary Information
Year Ended December 31, 2019

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for all governmental funds.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations require the approval of the Town Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the functional classification.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

Actual results of operations presented in accordance with GAAP and the Town's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. There were no outstanding encumbrances at December 31, 2019.

Excess of Expenditures over Appropriations—The Town's appropriations for the year ended December 31, 2019 exceeded the adjusted budget as follows:

- General Fund health expenditures exceeded the adjusted budget primarily due to accrued payroll expenses not accounted for in the budget.
- Highway Fund transportation expenditures exceeded the adjusted budget primarily due to accrued payroll expenses not accounted for in the budget.
- Highway Fund transfers out exceeded the adjusted budget primarily due to budget transfers not accounted for in the final budget.

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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Town Board
Town of Throop, New York:

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Throop, New York (the "Town") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated July 16, 2020. Our report disclaims an opinion on such financial statements because of a lack of supporting documentation available.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the Town, we considered the Town's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompany schedule of findings as 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, and 2019-006 to be material weaknesses.

A *significant deficiency* is a deficiency, or combination or deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings as 2019-007 to be a significant deficiency.

Compliance and Other Matters

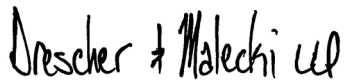
In connection with our engagement to audit the financial statements of the Town, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town's Responses to Findings

The Town's responses to the findings identified in our engagement are described in the accompanying schedule of findings. The Town's responses were not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "Drescher & Malecki LLP".

July 16, 2020

TOWN OF THROOP, NEW YORK
Schedule of Findings
Year Ended December 31, 2019

We consider the deficiencies identified below to be material weaknesses in internal control.

Finding 2019-001—Governmental Accounting Standards Board Compliance

Criteria: Governmental Accounting Standards Board (“GASB”) standards require that the Town present government-wide financial statements and appropriately account for its capital assets and the related depreciation on those assets.

Condition and Context: The Town does not present the government-wide financial statements on its governmental activities. Additionally, while conducting our audit we found that the Town does not track capital asset additions, deletions or depreciation. The Town has not performed, or have had performed, an inventory of capital assets that meets the recognition criteria under GASB standards.

Cause: The Town has elected to omit its government-wide financial statements and does not keep a comprehensive inventory of capital assets.

Effect or Potential Effect: The Town’s financial statements do not present the financial position, and the changes in financial position, of the Town’s governmental activities, fairly, in conformity with accounting principles generally accepted in the United States of America.

Recommendation: We recommend that the Town performs an inventory of capital assets that meet the recognition criteria of GASB and present government-wide financial statements.

Management’s Response: The Town plans to perform an inventory of capital assets to meet the GASB requirements in order to present government-wide financial statements.

Finding 2019-002—Procurement

Criteria: A formal policy should be established and followed to clearly identify the procurement guidelines, requirements, and procedures to be followed by all Departments of the Town.

Condition and Context: The Town does not follow a uniform procurement process including appropriate bidding procedures or utilize purchase orders prior to making purchases. Purchase orders should be reviewed and approved by appropriate personnel prior to initiating the purchase from the vendor.

Effect or Potential Effect: Formal procurement policies and procedures ensure that competition is sought in a reasonable and cost effective manner and ensures that uniform procedures are followed to minimize exposure to potential fraud.

Cause: Currently there is no formal policy for procurement including appropriate bidding procedures.

Recommendation: We recommend that the Town formulate and establish a formal written procurement policy which includes procedures to be followed in order to purchase goods or services for the Town, competitive bidding thresholds as outlined by General Municipal Law, and individuals responsible for creating, reviewing, and approving purchases.

Management’s Response: The Town plans to establish a formal written procurement policy covering the items described above.

Finding 2019-003—Journal Entries

Criteria: A formal policy should be established and followed to clearly identify the procedures necessary to record and independently review a journal entry. This policy should require adequate supporting documentation and an understanding of each entry that is recorded. Each journal entry should be reviewed by a person independent of the preparer.

Condition and Context: A formal journal entry policy will allow for consistent accounting treatment and ensures appropriate controls support the posting of entries to the general ledger.

Effect or Potential Effect: There is the potential the Town's financial statements will not present the financial position and the changes in financial position in conformity with accounting principles generally accepted in the United States of America.

Cause: Currently there is no formal policy for preparation, posting and review/approval of journal entries.

Recommendation: We recommend that the Town formulate and establish a formal written journal entry policy which includes a policy that would require formal documentation of review/approval of entries through a sign-off.

Management's Response: The Town plans to establish a formal written journal entry policy covering the items described above.

Finding 2019-004—Bank Reconciliations

Criteria: A formal policy should be established and followed regarding the preparation and review of bank reconciliations. This policy should include the preparer signing off and dating the bank reconciliation as completed, and the reviewer signing off and dating the bank reconciliation as reviewed.

Condition and Context: The person who prepares the reconciliations does not initial and date the reconciliation as prepared. Additionally, while the Town has initiated a formal review process of bank reconciliations, the reviewer does not include the date the review was performed. As such, we were unable to determine if the bank reconciliation performance or review process was performed in a timely manner.

Effect or Potential Effect: The Town is at risk of misstated general ledger account balances and exposed to increased risk of errors in reporting and the opportunity for fraud.

Cause: Currently there is no policy for the preparation of bank reconciliations.

Recommendation: We recommend that the Town adopt a policy regarding the preparation of bank reconciliations, which includes the preparer signing off and dating the bank reconciliation as completed and the reviewer signing off and dating the bank reconciliation as reviewed.

Management's Response: The Town plans to establish a formal written bank reconciliation policy covering the items described above.

Finding 2019-005—Cash Collection Procedures

Criteria: Key cash functions including receiving deposits, recording cash receipts and preparing and making deposits should be appropriately segregated.

Condition and Context: Due to Town staffing, when an individual is not available, whether out sick or on vacation, there is only one individual available to collect cash and prepare the daily cash reconciliation. Further, at these times, there is no individual performing a review on the cash receipt reconciliations.

Effect or Potential Effect: The absence of a segregated control system presents the opportunity for the misappropriation of assets and the potential misstatement of the financial statements.

Cause: There are currently no procedures in place to ensure adequate segregation of duties in the event of an employee's absence.

Recommendation: We recommend that the key cash functions including receiving deposits, recording cash receipts and preparing and making deposits should be appropriately segregated including alternative procedures in place to follow in the case of the absence of a key employee.

Management's Response: The Town intends to evaluate the key cash functions and update procedures to encourage proper segregation of duties.

Finding 2019-006—Information Technology ("IT") Policies and Procedures

Criteria: A formal policy should be established and followed regarding the Town's IT procedures.

Condition and Context: During our audit we found that Town employees maintained Town documentation and information on personal computers.

Effect or Potential Effect: The absence of a formal IT policy outlining proper controls and procedures to be utilized can result in Town information being accessed by unauthorized users. A risk also results in losing financial data if information is maintained on personal computers.

Cause: There are currently no procedures in place regarding IT policies and procedures.

Recommendation: We recommend that the Town implement a formal IT policy outlining proper controls and procedures to maintain the Town's financial data and information in a safe and secure manner.

Management's Response: The Town plans to implement a formal IT policy and has taken steps to ensure IT procedures exist to protect the Town's financial data information.

We consider the deficiency presented below to be a significant deficiency in internal control.

Finding 2019-007—Budget Monitoring

Criteria: A formal policy should be established and followed regarding the budget process and budget monitoring.

Condition and Context: The Town does not routinely monitor the budget throughout the year or have policies in place establishing procedures to perform budget amendments and transfers.

Effect or Potential Effect: The absence of budget monitoring policies and procedures can result in overspending when there are budget shortfalls. Additionally, budget amendments and transfers can be utilized to aid in the potential of budget shortfalls to ensure the budget is appropriate given current Town spending.

Cause: There are currently no procedures in place to ensure that the Town budget levels are appropriate given current needs of the Town.

Recommendation: We recommend that the Town formalize its policy to ensure budget monitoring is being performed continuously throughout the fiscal year. Additionally, budget amendments and transfers should be reviewed and approved on a more frequent basis to ensure that transfers are appropriate and no budget issues arise.

Management's Response: The Town plans to formalize a policy regarding budget monitoring to include items as described above.

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