

Town of Van Buren
Notes To Financial Statements
For Year Ended December 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Van Buren, New York have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Financial Reporting Entity

It's Charter, Town law, and other general laws of the State of New York and various local laws govern the Town of Van Buren. The Town Board is the legislative body, responsible for overall operations. The Supervisor serves as Treasurer and the Comptroller serves as chief accounting and auditing officer.

The following basic services are provided: public safety, culture and recreation, economic assistance, community services, general government support, highway administration and maintenance, sewer, water, sanitation, fire protection, and lighting services.

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

The financial reporting consists of (a) the primary government which is the Town of Van Buren, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement 14.

The decision to include a potential component unit in the Town's reporting entity is based upon several criteria set forth in GASB 14 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no component units included in the Town's reporting entity.

B. Fund Accounting

The Town uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The Town records its transactions in the fund types and account groups described below.

1. Fund Categories

a. Governmental Funds - Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources, and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. The following are the Town's governmental fund types:

General Fund - The principal operating fund which includes all operations not required to be recorded in other funds.

Special Revenue Funds - Funds used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are utilized: Community Development Grants, Lighting, Water, Fire Protection, Sewer, Drainage, and Highway.

Debt Service Fund - Fund used to account for current payments of principal and interest on general obligation long-term debt, and for financial resources accumulated in a reserve for payment of future principal and interest on long-term indebtedness.

Capital Projects Fund - Fund used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Trust and Agency Funds - Funds used to account for money (and/or property) received and held in the capacity of trustee, custodian, or agent. These include expendable trusts, non-expendable trusts, and agency funds.

2. Account Groups

Account groups are used to establish accounting control and accountability for general long-term debt. The account groups are not "funds." They are concerned with measurement of financial position and not results of operations.

The General Fixed Assets Account Group - Account group used to account for land, buildings,

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improvements other than buildings, and equipment utilized for general government purposes.

The General Long-Term Debt Account Group - Account group used to account for all long-term debt and retirement expense liability.

C. Basis of Accounting/Measurement Focus

Basis of Accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e., expenditures or expenses.

Modified Accrual Basis - All Governmental Funds and Expendable Trusts are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include real property taxes, sales tax, state and federal aid, and certain user charges.

Expenditures are recorded when incurred except that:

- a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase except for NYS Retirement and Workmen's Compensation Insurance which are deferred and expensed in the period the benefit is recognized.
- b. Principal and interest on indebtedness are not recognized as expenditure until due.
- c. Compensated absences for compensatory time are recognized as expenditure when incurred.

D. Property Taxes

County real property taxes are levied annually no later than December 15 and become a lien on January 1. Taxes are collected during the period January 1 to March 31. Taxes for county purposes are levied together with taxes for town and special district purposes as a single bill. The towns and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. The county assumes enforcement responsibility for all taxes levied in the towns.

E. Budgetary Data

1. Budget Policies - The budget policies are as follows:

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a. No later than September 30, the budget officer submits a tentative budget to the Town Clerk, who submits it to the Town Board no later than October 5, for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.

b. After public hearings are conducted to obtain taxpayer comments, no later than November 20, the governing board adopts the budget.

c. The governing board must approve all modifications of the budget.

2. Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the Governmental Type Funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

3. Budget Basis of Accounting - Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

F. Compensatory Absences

Town employees are granted vacation, sick leave, and compensatory time in varying amounts. A maximum of five vacation days can be carried over into the next year. Unpaid vacation days that could be used in the next year totaled \$16,104. Sick leave may accumulate. Upon retirement, employees can receive payment for unused sick days at \$10.00 per hour or use them in accordance with Section 41-J of New York State Retirement to gain additional service credit. The liability to the Town for unused sick time is \$91,386.

G. Post-Retirement Benefits

In addition to providing pension benefits, the Town provides health insurance coverage and survivor benefits for retired employees and their survivors. Non-union employees become eligible for these benefits if they reach normal retirement age and have ten (10) years of continual service with the Town. Union employees are eligible for continuing health insurance benefits in accordance with their contracts. Health care benefits and survivors benefits are provided through insurance companies whose premiums are based on the benefits paid during the year. The Town recognizes the cost of providing benefits by recording its share of insurance premiums as expenditure in the year paid. Survivors pay for these premiums, if coverage is elected.

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During the year, approximately \$258,976 was paid on behalf of fourteen (14) retirees and all other active employees and was recorded as expenditure in the general and highway funds. The cost of providing benefits for the retirees was approximately \$84,777.

The Town has elected not to conform to the reporting requirements of GASB 45, which would be effective for fiscal year 2009 and thereafter. Therefore, there is no determination of the present values of future payments of health insurance for retirees.

H. Departures from Generally Accepted Accounting Principles (GAAP)

General Fixed Assets Group of Accounts -The Town does not maintain a group of accounts for general fixed assets based on historical costs as required by generally accepted accounting principles. Fixed assets consisting of certain infrastructure type improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage and lighting systems have not been capitalized prior to fiscal year 2005. Such assets normally are immovable and of value only to the Town. Therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

Deferred Expenses - Deferred expenses reflect unpaid amounts for pump station operational and maintenance charges due the County of Onondaga. These charges are billed by Onondaga County in the year subsequent to the year incurred and are payable in the following year. The Town records these costs for budgetary purposes in the year payable rather than in the year incurred. If the sewer costs were accrued in accordance with generally accepted accounting principles, the fund balance of the Special Revenue Funds (Special Districts) would be reduced by approximately \$61,500:

GASB34- The Town has elected not to prepare financial statements in accordance with GASB 34. Instead, the Annual Update Document (AUD) submitted to New York State serves as the Financial Statements of the Town.

GASB 45- The Town has elected not to conform to the reporting requirements of GASB 45, which would be effective for fiscal year 2009 and thereafter. Therefore, there is no determination of the present values of future payments of health insurance for retirees

I Property, Plant and Equipment-General

Fixed assets purchased for general governmental purposes are recorded as expenditures in the governmental funds.

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J. Insurance

The Town's liability for most risk including, but not limited to, property damage and personal injury liability are covered under various insurance policies. Judgment's and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

Use of Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

1. Cash and Investments

Deposits at year-end were substantially covered by federal depository insurance of \$500,000 collateral held by the Town custodial bank in the Town's name, amounting to \$6,549,369.

Cash - Deposits at year-end consisted of the following:

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<u>Fund</u>	<u>Balance Sheet</u>	<u>Total</u>
General Fund-Petty Cash	\$ -	\$ -
		\$ -
Multi-Fund Check		
General	\$ 567,662	
Total Multi-Fund		\$ 567,662
Multi-Fund Savings		
General	\$ 1,169,543	
Community Development	\$ (85,017)	
Capital	\$ 1,546,469	
Special Revenue	\$ 2,654,478	
Trust and Agency	\$ 124,043	
Total Multi-Fund Savings		\$ 5,409,516
Other Cash Accounts		
General	\$ 482,934	\$ 482,934
Special Revenue	\$ 88,281	\$ 88,281
Total		\$ 6,548,393

2. Pension Plan

Plan Description - The Town of Van Buren participates in the New York State and Local Employees' Retirement System. This is a cost sharing multiple public employer retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany NY 12244.

Funding Policy - The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. As of October 1, 2000, employees who were in the systems for ten years are no longer required to contribute 3%. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed

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as proportions of payroll of members, which shall be used in computing the contributions, required to be made by employers to the pension accumulation fund.

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

	<u>Employees</u> <u>Retirement</u> <u>System</u>
2014	\$ 276,676
2015	\$ 254,798
2016	\$ 214,387

The Town's contributions made to the Systems were equal to 100 percent of the contributions required for each year. There was no unpaid liability at the end of the fiscal year.

Chapter 49 of the Laws of 2003 amended the retirement and social Security Law and the Local finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for the Retirement System. The reform program established a minimum contribution level for any local government equal to 4.5% of pensionable salaries for bills that were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% of less due to investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning the actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite Retirement System contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year will be based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in the budget.

On July 20, 2004 Chapter 260 of the Laws of 2004("Chapter 260") was enacted amending the New York State General Municipal law, Local finance Law and retirement and Social Security law. Chapter 260 changes the annual payment date for Retirement System Contribution from December 15th to February 1st. Chapter 260 also sets the maximum Retirement System payment that municipalities and school districts must make at 7% of payroll in 2004-05, 9.5% of payroll in 2005-06, and 10.5% of payroll in 2006-07. Under Chapter 260, municipalities and school districts will be allowed to amortize any contributions above those levels over 10 years at a rate established by the State Comptroller or by the direct issuance of serial bonds, the interest on which would be taxable for federal income tax purposes. Certain costs of early retirement incentive programs authorized in and prior to 2002 are also

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permitted to be amortized as part of this reform program. Should the Town choose to finance through the Office of the State Comptroller, the Comptroller has until September 1 of each year, 2004, 2005 and 2006 to determine whether the System's amortization rate will be a fixed rate of 8% or a fixed market rate based on comparable taxable fixed rate securities for the 2004-2005, 2005-2006, and 2006-2008 fiscal years respectively.

The Government Accounting Standards Board (GASB) has issued Technical Bulletin No. 2004-2 stating that municipalities who prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP) will be required to recognize expenditure for required contributions to the retirement system to the accounting period to which they relate to. For the amount due in February 2017, 9 months of the total was attributable to 2016.

The Town elected to pay the entire amount of the Retirement System amount due in December 2010 to take advantage of a reduced cost. The payment was charged to expense and not allocated between expense and prepaid. .

	<u>Amount Expenses</u>		<u>Prepaid Amount d</u>
12/31/2014	\$ 278,519	\$	66,578
12/31/2015	\$ 258,196	\$	63,180
12/31/2016	\$ 226,097	\$	51,470

3. Short-Term Debt

Liabilities for bond anticipation notes (BAN'S) are generally accounted for in the capital projects funds. Principal payments must be made annually. State law requires the BAN's issued for capital purposes are converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The Town has \$2,462,400 of short term BAN's outstanding in the Capital Fund as of December 31, 2016.

4. Long-Term Debt

At December 31, 2016 the total outstanding indebtedness of the Town aggregated \$455,540.

Serial Bonds (and Capital Notes) - The Town borrows money in order to acquire land or equipment or construct buildings and improvements, and to repay tax certiorari judgment's. This

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enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities which are full faith and credit debt of the local government are recorded in the General Long-Term Debt Account Group. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

General Long-Term Debt - The changes in the Town's General Long-Term Debt Group of Accounts for the year ended December 31, 2016 is summarized as follows:

	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Payments on</u> <u>Principal</u>	<u>Balance</u> <u>12/31/2016</u>
Bond Anticipation				
Notes (BAN)	\$ 51,082		\$ 25,541	\$ 25,541
Bonds Payable	\$ 555,000	\$ -	\$ 125,000	\$ 430,000
Total	<u>\$ 606,082</u>	<u>\$ -</u>	<u>\$ 150,541</u>	<u>\$ 455,541</u>

	<u>Year issued</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Amount</u> <u>Included in</u> <u>2017 Budget</u>
BAN					
Harbour Heights					
Drainage	2012	12/16/2017	2.10%	\$ 25,541	\$ 25,541
Total				<u>\$ 25,541</u>	<u>\$ 25,541</u>

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<u>Serial Bonds</u>	<u>Year issued</u>	<u>Maturity date</u>	<u>Interest Rate</u>	<u>Balance at 12/31/2016</u>
Seneca Water	1998	12/15/2017	4.9%	\$ 35,000
Seneca Sewer	1999	7/15/2017	5.2%	\$ 15,000
Floral Park Sewer	2000	12/1/2019	6.0%	\$ 115,000
Village Green #4	2003	12/15/2023	5.0%	\$ 235,000
Interstate Island Se	2005	10/15/2019	5.0%	\$ 30,000
Total				<u>\$ 430,000</u>

The following table summarizes the Town's future long-term debt service requirements as of December 31, 2016:

<u>Year Ending</u>	<u>BONDS</u>		<u>BANS</u>		
	<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 125,000	\$ 22,680	\$ 25,541	\$ 1,073	
2018	\$ 80,000	\$ 16,050			
2019	\$ 80,000	\$ 10,450			
2020	\$ 35,000	\$ 7,250	\$ -	\$ -	
2019	\$ 35,000	\$ 5,500	\$ -	\$ -	
5 Year Total	\$ 355,000	\$ 61,930	\$ 25,541	\$ 1,073	
2020-2022	\$ 75,000	\$ 3,750	\$ -	\$ -	
Total	<u>\$ 430,000</u>	<u>\$ 65,680</u>	<u>\$ 25,541</u>	<u>\$ 1,073</u>	

6. Fund Equity

Allocation of Fund Balance - Certain funds of the Governmental Fund Type apply to areas less than the entire Town. The fund equity at balance sheet date is allocated as follows:

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	<u>Total</u>	<u>Non- spendable/ Restricted</u>	<u>Appropriated in 2017 Budget</u>
General Funds			
Government Wide	\$1,375,797	\$ 127,039	\$ 246,500
Part Town	\$ 812,856	\$ 37,243	\$ 5,466
Capital Projects	\$ (939,595)	\$(939,595)	
Special Revenues			
Special Districts	\$2,730,947	\$ 108,767	\$ 113,500
Special Grants	\$ (25,467)	\$ (25,467)	

D.W.I. Reserve - The Town has a D.W.I. reserve of \$3,023 for future equipment purchases for the Justice Court.

Capital Equipment- the Town has an equipment reserve of \$39,853 in the General Fund(Whole-Town), \$33,424 in the General fund (Part-Town) and \$76,206 in the Special Revenue Fund for future equipment acquisitions.

8. Contingencies

The Town has been named in various lawsuits. The Town has sufficient insurance coverage to pay any claims that could be awarded. In addition, the Town has several tax certiorari proceedings pending and, in the opinion of legal counsel, it is too early to determine the outcome.

The Town has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds to the federal and state governments.