

TOWN OF GRAND ISLAND, NEW YORK

**Financial Report for the Year Ended
December 31, 2017
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

TOWN OF GRAND ISLAND, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

June 26, 2018

To the Honorable Town Board of the
Town of Grand Island, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Grand Island, New York (the Town) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2017 the Town adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to this matter.

Report on Required Supplementary Information

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

TOWN OF GRAND ISLAND, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

INTRODUCTION

It is a privilege to present the financial picture of The Town of Grand Island, New York (the Town). This discussion and analysis includes an overall review of the Town's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the Town's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Town's financial position and results of activities.

Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in accounting principles generally accepted in the United States of America.

FINANCIAL HIGHLIGHTS

A major factor affecting the 2017 financial statements was the implementation of GASB Statement No. 75, which changed the accounting for Other Postemployment Benefits (OPEB), requiring recognition of the total projected liability of the Town's obligation. The total OPEB liability at January 1, 2017 was recognized as a prior period adjustment to reduce net position at January 1, 2017 by \$20,769,811. Additional costs were recognized during 2017 to adjust the OPEB obligation to its projected liability of \$28,141,813 at December 31, 2017.

Overall, net position decreased by \$1,901,486 (or 12.01%) during 2017. As revenues included grants and contributions for capital improvements totaling \$838,582, net position from operations decreased by \$2,740,068 for 2017, compared to a decrease in net position from operations of \$32,881 in 2016. The worsening in the results from operations can be principally attributed to an increase in the OPEB expense of \$2,179,879. Water and sewer fund rents were lower in 2017 than 2016 by \$227,793. 2016 was a drier summer, which tends to produce more water usage.

The total cost of all Town programs increased by \$2,500,987 (or 12.61%). Most areas of Town government saw an increase in program costs, mostly attributed to the OPEB liability mentioned above. Depreciation expense increased \$269,724 and sewer fund operations were up \$247,591, due predominately to an increase in debt service for repayment of borrowing for the DEC Consent Order improvements.

Total revenues, excluding grants and contributions for capital improvements, decreased by \$206,200. As mentioned above, water and sewer rents were lower in 2017 by \$227,793. Property tax revenue increased by \$150,872 or 1.6%, staying within the tax cap, as the Town used \$37,200 of its carryover funds in 2017. Sales and mortgage tax revenues remained steady in 2017. The Town participates in a worker's compensation consortium. Favorable safety records by the Town result directly in the form of rebates on the premium paid. 2017 rebates received of \$147,845 were \$130,221 lower than 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

Using this Annual Report

This annual report consists of a series of financial statements and the notes to those statements. The financial statements are organized so that the reader can understand the Town as a financial whole.

Two statements portray information about the Town as an entire operating entity with a broad overview of finances similar to a private sector business. The focus of these statements is a long-term view. Fund financial statements provide the next level of detail. These statements provide a detailed look at the most significant governmental activities at the fund level. The fund statements show how services were financed in the short-term as well as what remains for future spending. The remaining statement provides financial information about activities for which the Town acts solely as an agent for the benefit of those outside the government.

Reporting on the Town as a Whole (Town-Wide)

There are two statements that present an aggregate view of the Town: the Statement of Net Position and the Statement of Activities. Both of these town-wide financial statements distinguish functions of the Town defined as governmental activities. These are activities principally supported by property taxes, sales tax, capital grants and contributions, and other intergovernmental revenues such as state and federal grants, along with charges for services and sales.

Statement of Net Position - presents information on all of the Town's assets and liabilities using the accrual basis of accounting, with the difference reported as net position. The most important aspect of accrual accounting is that all of the year's revenues and expenses are reported regardless of when cash is received or paid. Increases or decreases in net position serve as a useful indicator of whether the financial position is improving or deteriorating.

Statement of Activities - presents information showing how net position changed during the 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 the cash flows. Thus, there may be revenues and expenses reported in this statement for items that will result in cash flows in future fiscal periods.

Reporting on the Town's Most Significant Funds (Fund Level)

Governmental Funds

The governmental funds financial statements provide detail at the fund level, which is in contrast to the previously described town-wide reporting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The Town uses fund accounting in its financial records to ensure and demonstrate compliance with finance-related legal requirements. All of the Town's funds are reported in the governmental funds.

Governmental funds are used to account for most of the same functions reported as governmental activities in the town-wide financial statements. However, the governmental funds financial statements focus on how money flows in and out of the funds and the balances remaining at the end of the fiscal year available for future spending. The funds are reported using the modified accrual basis of accounting that measures cash and all other financial assets that can be readily converted to cash. Therefore, these statements provide a detailed short-term view of Town operations and the services it can provide.

There are relationship differences between the governmental funds and governmental activities reported in the Statement of Net Position and the Statement of Activities. These differences are the result of two distinct basis of accounting (accrual versus modified accrual) and have been reconciled within the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The Town's financial statements provide detailed information about the funds. Under generally accepted accounting principles, definition of major versus nonmajor funds, the Town's major funds have been presented separately with the other funds grouped together as nonmajor and presented in total in one column.

Fiduciary Funds

The Town is an agent, or fiduciary, for assets that belong to others, such as performance deposits and payroll and other third party withholdings. The Town is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities have been excluded from the Town's other financial statements because the assets cannot be used to finance Town operations.

Notes to Financial Statements

The notes to the financial statements follow the town-wide and fund financial statements in the report. They complement the financial statements by describing pertinent details as of year-end and other changes that occurred during the fiscal year. The notes are essential to obtain a full understanding of the information provided in the financial statements.

Required Supplementary Information

This information further explains and supports the financial statements and includes budgetary comparison information and schedules of changes in total OPEB liability and related ratios, contributions-pension plans, and proportionate share of the net pension liability.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Town of Grand Island, New York - Net Position

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 24,587,086	\$ 19,779,902
Capital assets	<u>40,355,009</u>	<u>41,442,924</u>
Total assets	<u>64,942,095</u>	<u>61,222,826</u>
Deferred outflows – OPEB related	3,998,005	-
Deferred outflows - pension related	<u>1,706,413</u>	<u>3,208,347</u>
Total deferred outflows of resources	<u>5,704,418</u>	<u>3,208,347</u>
Long-term liabilities outstanding	33,562,978	8,786,091
Other liabilities	<u>22,194,298</u>	<u>18,689,543</u>
Total liabilities	<u>55,757,276</u>	<u>27,475,634</u>
Deferred inflows - OPEB related	678,565	-
Deferred inflows - pension related	<u>278,197</u>	<u>351,767</u>
Total deferred inflows of resources	<u>956,762</u>	<u>351,767</u>
Net position:		
Investment in capital assets, net of related debt	16,442,759	20,901,924
Restricted	192,216	47,842
Unrestricted	<u>(2,702,500)</u>	<u>15,654,006</u>
Total net position	<u>\$ 13,932,475</u>	<u>\$ 36,603,772</u>

The largest portion of the Town's total assets (62% at 2017 and 68% at 2016) represents its net investment in capital assets (land, buildings, improvements, machinery and equipment). Liabilities consist primarily of bond anticipation notes and bonds directly related to the Town's investments in these capital assets. The Town uses these capital assets to provide services and, as such, these assets are not available for future use. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position represents amounts required by law to be used for a specific purpose and include reserves for future capital projects and funds restricted for future debt service. These funds can only be used for expenditures for their respective purpose.

Unrestricted net position may be used to fund Town programs in the next fiscal year. However, this does not mean that the Town has significant surplus resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are less than currently available resources.

Long-term liabilities increased due primarily to the increase in the net pension liability related to the employees' retirement system and the increase in OPEB liability under GASB No. 75.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (Continued)

Town of Grand Island, New York - Change in Net Position:

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues -		
Charges for services and sales	\$ 4,762,197	\$ 4,947,392
Operating grants and contributions	342,538	273,745
Capital grants and contributions	838,582	496,288
General revenues -		
Taxes and related items	13,873,580	13,813,519
State aid not restricted to specific programs	91,734	91,734
Interest and other	<u>520,661</u>	<u>670,520</u>
Total revenue	<u>20,429,292</u>	<u>20,293,198</u>
Program expenses:		
General government	3,714,669	3,332,782
Public safety	2,464,424	2,171,994
Health	9,438	3,950
Transportation	4,393,167	4,142,247
Economic assistance and opportunity	551,908	424,498
Culture and recreation	1,956,890	1,578,987
Home and community service	8,901,235	7,942,185
Interest on long-term debt	<u>339,047</u>	<u>233,148</u>
Total expenses	<u>22,330,778</u>	<u>19,829,791</u>
Change in net position	(1,901,486)	463,407
Net position - beginning of year	36,603,772	36,140,365
Cumulative effect of change in accounting principle	<u>(20,769,811)</u>	-
Net position - end of year	<u>\$ 13,932,475</u>	<u>\$ 36,603,772</u>

The primary support for the Town's programs is local property taxes and sharing of sales tax from Erie County. Taxes and related items represent 68% of total revenues (68% in 2016). Charges for services and sales, approximating 22% of total revenues (23% in 2016), consist mainly of sanitary sewer use charges and the sale of water.

Program expenses include an allocable share of employee benefits, insurance, and depreciation on capital assets for each category presented. Only interest expense is not allocated. The most significant category of expense is home and community service at approximately 40% of total expenses in 2017 (40% in 2016), consisting principally of the Town's Sewer and Water Departments, along with its contract for garbage collection. Transportation, at approximately 20% of total expenses (21% in 2016), consists principally of the Town's Highway Department and street lighting. Total expenses increased by \$2,500,987 (or 12.6%).

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

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

General Fund

The General Fund is the Town's main operating fund. This fund is used to account for all Town operations that are not financed by a special revenue source. It includes all general Town offices, police, justice courts, recreation, safety inspection and other general services.

The General Fund experienced an increase in fund balance of \$576,746 for 2017. The original budgeted appropriated fund balance was \$1,704,752. Revenues were \$1,417,853 higher than expected due, in large part, to sales tax revenue (\$843,434) that continues to be strong in Western New York. There are several contributing factors to this steady sales tax revenue: increases in consumer spending (and influx of nearby Canadian customers), Erie County continuing to share a portion of its increase in the sales tax rate with towns, villages and schools and Grand Island saw a 9.4% increase in population recorded in the 2010 census, one of only three local communities with increases. Since some of these factors may change from one year to the next, the Town chooses to budget conservatively regarding sales tax and other volatile revenue sources. Mortgage tax and franchise fee revenue also exceeded expectation (\$203,661 and \$74,224 respectively). Departmental fees and earnings performed better than expected. Building department fees were again higher in 2017 (\$56,441 more than expected). The Town was also the recipient of \$40,414 in grants. As a rule, the Town does not budget for either the revenue or expenditures for grants until they are received/paid.

Expenditures on the budgetary basis in the General Fund were \$802,448 lower than expected. Employee benefits collectively were \$336,076 lower than expected and personal services expenses \$105,796 lower, in part due to attrition. The Town continues to explore cost saving changes to medical insurance, particularly for retiree plans. Staffing changes have continued to lower some personal services costs, and combining the zoning and safety inspection offices has helped to streamline services. As long time employees retire, the Town continues to look at how department staffing is distributed.

Highway Fund

The Highway Fund is a special revenue fund supported by a separate tax levy, dedicated to the maintenance of Town roads, including snowplowing. The fund balance increased by \$71,250 in 2017.

Revenues were \$86,339 higher than expected. The Worker's Comp Consortium performance resulted in \$28,076 in 2017 rebates. Sale of used equipment at auction netted \$16,625, and PAVE NY grants brought in \$29,294 that was not budgeted. Erie County snowplowing represented \$16,627 of the favorable budget variance.

Expenditures on the budgetary basis were \$269,551 lower than originally expected. Employee benefit savings (\$110,195) were realized. The mix of winter weather kept overtime costs related to snowplowing down, the road salt spending was \$34,363 lower than expected. Even with rising fuel prices, the Town has been able to stay under budget. In 2016 the Town entered into an agreement with the School, to purchase diesel fuel directly from them, rather than our local gas station. Although the Town has always enjoyed tax exempt purchases, the school is merely passing on their cost, plus a minor administrative charge, resulting in a monthly savings of up to 14%. The school benefits by having the large Town plows remove the snow on their road to the pumps, allowing their buses to pass through more efficiently.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

Water District

The Water District is a special revenue fund supported by a separate tax levy and the proceeds from the sale of water, both of which are dedicated to the operation, maintenance and improvement of the Town's water system. The Town produces water in its own plant and distributes it to customers through its system of water lines. The Town purchases additional water from another municipality for distribution during peak periods. The fund balance increased by \$258,128 in 2017, the budgeted appropriated fund balance was \$207,029, so the fund performed better than expected. Overall, the water fund revenue was \$161,469 higher than expected. Although the Town has experienced a recent history of decreasing water usage and conservation, 2017 was better than average with regard to rent revenue (usage). The 2017 revenue was \$73,712 more than expected, but \$39,305 lower than 2016. The water fund share of the worker's comp consortium rebate was \$23,468. Expenditures were under budget by \$303,688. Low utility rates and continuing upgrades to the water plant have resulted in utility savings (\$37,500 less than budgeted). Some of these upgrades allow for greater flow control, helping to ease the wear and tear on old waterlines, in addition to replacement of some lines. Employee benefits also came in lower than expected (\$85,181) and overtime was \$42,500 lower.

Sewer District

The Sewer District is a special revenue fund supported by a separate tax levy and charges for services (sewer rents), both of which are dedicated to the operation, maintenance and improvement of the Town's sanitary sewer system. The Town has a system of sewer collection lines and performs sewage treatment at its own treatment plant. The fund balance decreased \$2,082 in 2017. The budgeted appropriated fund balance was \$526,913. Revenues from sewer rents were \$46,485 higher than expected. Sewer charges are billed by the 1,000 gallons of water used, and using a similar five to eight year average, so it would follow if the water usage is down, then sewer revenues will be impacted too. Sewer rent revenue (usage) was within .1% of projections. The sewer fund share of the consortium rebate was \$20,634. Expenditures were \$478,346 lower than expected due in great part to employee payroll and benefit costs being lower (\$101,259). Overtime costs were under budget, and a budgeted retirement buyout did not occur in 2017. Various plant efficiencies have shown reductions in utilities, chemicals and sludge hauling (\$184,189). Given the great expense any emergency sewer line repair could cause, having a healthy fund balance in this fund has been considered a necessity. The Town does not want to be forced into emergency borrowings.

Capital Project Funds

Used to account for financial resources to be used for the acquisition and construction of major capital facilities.

Other Governmental Funds

Nonmajor funds include the debt service fund, special grant fund, lighting districts, fire protection district, and garbage district.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were greater than budgeted by \$1,417,853. The largest variances relate to sales tax, mortgage tax and franchise fee revenue of \$4,071,319 being higher than expected by \$1,121,319.

Actual expenditures, on the budgetary basis, were lower than budgeted by \$802,448. Nearly 55% of these savings (\$441,900) were directly related to savings in employee benefits, overtime or attrition.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets, net of depreciation are as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,182,306	\$ 1,182,306
Buildings and improvements	2,460,426	2,940,863
Improvements other than to buildings	27,852,432	28,996,737
Machinery and equipment	3,201,694	3,421,167
Construction in progress	<u>5,658,151</u>	<u>4,901,851</u>
	<u>\$ 40,355,009</u>	<u>\$ 41,442,924</u>

Improvements other than to buildings include infrastructure assets which consist principally of sewer lines, water lines and roads.

Net capital assets decreased by \$1,087,915 during the current year. This reflects new improvement and infrastructure projects under construction of \$1,701,675, equipment acquisitions of \$335,198, and infrastructure assets built by subdivision developers and turned over to the Town in the amount of \$685,288, and reduced by current year depreciation expense of \$3,810,076.

Debt

A summary of the Town's outstanding obligations are:

	<u>2017</u>	<u>2016</u>
Debt to finance capital assets:		
Serial bonds	\$ 3,320,000	\$ 3,835,000
Bond anticipation notes	<u>20,592,250</u>	<u>16,706,000</u>
Total debt to finance capital assets	<u>\$ 23,912,250</u>	<u>\$ 20,541,000</u>

During 2017, new bond anticipation notes of \$675,000 were issued for highway reconstruction and maintenance, \$3,870,700 were issued for sewer improvements, and \$1,330,000 were issued for Staley Road water improvements.

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aa1" to the uninsured outstanding bonded indebtedness of the Town. In September 2016 Moody's reviewed the Town's General Obligation Limited Tax (GOLT) rating on \$4.5 million of outstanding GOLT debt. This review was not solicited by the Town, nor was the Town billed by Moody's for the review. The rating agency merely saw the continued strength of the Town's financial position, in an economy that makes it difficult to maintain, and conducted an interview and performed a detailed review. The result was an upgrade from Aa2 to Aa1.

Other long-term obligations include liability for compensated absences, net pension liability and other post-employment benefits.

FACTORS BEARING ON THE TOWN'S FUTURE

The Town has experienced steady growth in new housing starts. Grand Island added 23 new single family homes in 2017. We have become a desired location for some national pharmaceutical companies. Low cost, high quality water is in demand in that industry, and Grand Island delivers with the lowest cost water in all of Erie County.

There are millions of dollars of projects coming to Grand Island this year and next, but they are costing either nothing to the Town taxpayers, or pennies on the dollar. These projects include the West River Bike Path, a NYS sponsored Welcome Center, trails in Scenic Woods and handicap sidewalk access along Grand Island Blvd in the Town Center. We have also received funding to update/write three (3) important planning documents for the Town. (1) The Town's Comprehensive Plan, a guiding document for residents and government which should be complete early 2018. (2) The Local Waterfront Revitalization Plan (LWRP), a plan that develops and protects the shoreline as well as connecting trails and paths for public recreational use and (3) The Acs and Market Farmland Protection Plan, which emphasizes that Grand Island is a "right-to-farm" community. Additionally, outside funding has been made available to install an ADA-compliant elevator in Town Hall, and in the near future Nike Base facility improvements will be planned.

As with most government entities, aging capital assets present a challenge to the Town's financial situation as water lines, sewer lines and roads must be replaced. Also, in the case of the Town's wastewater treatment plant, replacement and upgrade of equipment and facilities are necessary to remain in compliance with EPA and NYS DEC regulations. During 2012, the Town submitted a plan (the Plan) to the New York State Department of Environmental Conservation (DEC) to perform an evaluation survey of the Town's sanitary sewer system to identify rehabilitation measures needed to correct identified sanitary sewer overflow violations. The Plan was accepted by the DEC during 2013. The Plan calls for a series of investigations of the Town's sanitary sewer system and capital projects to correct violations, to be performed over a period of years from 2013 to 2021, at a projected total cost of approximately \$12,400,000.

The Town has a five-year capital plan in place. The plan's goal is to stabilize the capital debt service at or near its current level. As the tax base grows, debt service will become a smaller percentage of revenues. The capital plan identifies needs, costs and priorities. Through this plan, we continue to improve our infrastructure. We have been able to commit additional resources to parks and recreation infrastructure by financing much of the increase through a variety of grants.

The Town's General Fund had a very healthy unrestricted fund balance at the end of 2017. This fund balance is available to offset any increased costs which may be incurred by the Town as a result of Erie County's or New York State's financial problems. This cushion continues to help mitigate the tax cap law passed by the State Legislature.

The Town faces increasing operating expenses for employee benefits, utility and ever fluctuating fuel costs. The Town has already negotiated changes in employee benefit plans, which will limit future increases. We have anticipated and budgeted for increases in State Retirement System contributions and utility/fuel costs.

CONTACT FOR TOWN'S FINANCIAL MANAGEMENT

This report is designed for those interested parties to provide a general overview of the Town's finances. Questions concerning any information within this report or requests for additional information should be addressed to the Office of the Town Supervisor, Town of Grand Island, 2255 Baseline Road, Grand Island, New York 14072.

TOWN OF GRAND ISLAND, NEW YORK

STATEMENT OF NET POSITION DECEMBER 31, 2017

	Governmental Activities
ASSETS	
Cash	\$ 21,933,373
Restricted cash	192,216
Accounts receivable	950,248
Due from fiduciary funds	6
Due from other governments	1,166,820
Inventory of supplies	27,630
Prepaid expenses	316,793
Capital assets, net	<u>40,355,009</u>
Total assets	<u>64,942,095</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	1,706,413
Other postemployment benefits related	<u>3,998,005</u>
Total deferred outflows of resources	<u>5,704,418</u>
LIABILITIES	
Accounts payable	392,446
Accrued liabilities	398,554
Unearned revenue	268,523
Bond anticipation notes	20,592,250
Long-term liabilities:	
Due within one year -	
Bonds	480,000
Compensated absences	62,525
Due beyond one year -	
Bonds	2,840,000
Other postemployment benefit obligations	28,141,813
Compensated absences	879,683
Net pension liability	<u>1,701,482</u>
Total liabilities	<u>55,757,276</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related	278,197
Other postemployment benefits related	<u>678,565</u>
Total deferred inflows of resources	<u>956,762</u>
NET POSITION	
Net investment in capital assets	16,442,759
Restricted for:	
Future capital projects	144,108
Debt service	48,108
Unrestricted	<u>(2,702,500)</u>
Total net position	<u>\$ 13,932,475</u>

The accompanying notes are an integral part of these statements.

TOWN OF GRAND ISLAND, NEW YORK

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functions / Programs	Expenses	Program Services			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES:					
General government	\$ 3,714,669	\$ 364,033	\$ 63,710	\$ -	\$ (3,286,926)
Public safety	2,464,424	21,600	-	-	(2,442,824)
Health	9,438	-	-	-	(9,438)
Transportation	4,393,167	-	277,627	613,694	(3,501,846)
Economic assistance and opportunity	551,908	-	1,201	-	(550,707)
Culture and recreation	1,956,890	53,086	-	-	(1,903,804)
Home and community service	8,901,235	4,323,478	-	224,888	(4,352,869)
Interest on long-term debt	339,047	-	-	-	(339,047)
	<u>\$ 22,330,778</u>	<u>\$ 4,762,197</u>	<u>\$ 342,538</u>	<u>\$ 838,582</u>	<u>(16,387,461)</u>
GENERAL REVENUES:					
					9,847,805
					4,025,775
					91,734
					48,124
					<u>472,537</u>
					<u>14,485,975</u>
					<u>(1,901,486)</u>
					36,603,772
					<u>(20,769,811)</u>
					<u>15,833,961</u>
					<u>\$ 13,932,475</u>

The accompanying notes are an integral part of these statements.

TOWN OF GRAND ISLAND, NEW YORK

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	Special Revenue Funds				Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Highway	Water District	Sewer District			
ASSETS							
Cash	\$ 8,376,923	\$ 1,388,999	\$ 1,024,992	\$ 1,780,846	\$ 8,631,059	\$ 730,554	\$ 21,933,373
Restricted cash	144,108	-	-	-	1,670	46,438	192,216
Accounts receivable	29,789	-	438,507	481,952	-	-	950,248
Due from other funds	3	1	1	1	-	1,670	1,676
Due from other governments	1,092,374	-	-	-	-	-	1,092,374
Inventory of supplies	27,630	-	-	-	-	-	27,630
Prepaid expenditures	172,696	48,148	49,988	45,961	-	-	316,793
Total assets	\$ 9,843,523	\$ 1,437,148	\$ 1,513,488	\$ 2,308,760	\$ 8,632,729	\$ 778,662	\$ 24,514,310
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	\$ 121,558	\$ 58,571	\$ 85,863	\$ 62,171	\$ 64,283	\$ -	\$ 392,446
Accrued liabilities	95,073	78,250	38,345	35,108	-	-	246,776
Due to other funds	-	-	-	-	1,670	-	1,670
Unearned revenue	-	-	-	-	268,523	-	268,523
Bond anticipation notes	-	-	-	-	20,592,250	-	20,592,250
Total liabilities	216,631	136,821	124,208	97,279	20,926,726	-	21,501,665
FUND BALANCES:							
Nonspendable	200,326	48,148	49,988	45,961	-	-	344,423
Restricted	144,108	-	-	-	-	48,108	192,216
Assigned	2,586,725	1,252,179	1,339,292	2,165,520	-	730,554	8,074,270
Unassigned	6,695,733	-	-	-	(12,293,997)	-	(5,598,264)
Total fund balances	9,626,892	1,300,327	1,389,280	2,211,481	(12,293,997)	778,662	3,012,645
Total liabilities and fund balances	\$ 9,843,523	\$ 1,437,148	\$ 1,513,488	\$ 2,308,760	\$ 8,632,729	\$ 778,662	\$ 24,514,310

The accompanying notes are an integral part of these statements.

TOWN OF GRAND ISLAND, NEW YORK

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 3,012,645
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$103,701,666 and accumulated depreciation is \$63,346,657.	40,355,009
Certain revenues are not available to provide current financial resources and therefore are not reported as due from other governments in governmental funds.	74,446
Deferred outflows/inflows of resources related to pensions and other postemployment benefits are applicable to future periods and; therefore are not reported in the funds.	
Deferred outflows - pension related	1,706,413
Deferred inflows - pension related	(278,197)
Deferred outflows - other postemployment benefits related	3,998,005
Deferred inflows - other postemployment benefits related	(678,565)
Long-term liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities consist of:	
Bonds	(3,320,000)
Accrued interest	(151,778)
Other postemployment benefit obligations	(28,141,813)
Compensated absences	(942,208)
Net pension liability	<u>(1,701,482)</u>
	<u>(34,257,281)</u>
NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 13,932,475</u>

The accompanying notes are an integral part of these statements.

TOWN OF GRAND ISLAND, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Special Revenue Funds				Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Highway	Water District	Sewer District			
REVENUES:							
Real property taxes	\$ 2,461,985	\$ 2,747,088	\$ 710,584	\$ 1,064,600	\$ -	\$ 2,863,548	\$ 9,847,805
Nonproperty tax items	3,510,198	-	-	-	-	-	3,510,198
Departmental income	111,309	-	2,061,804	2,252,175	-	-	4,425,288
Intergovernmental charges	-	277,627	-	-	-	-	277,627
Uses of money and property	22,389	4,730	1,913	3,224	-	15,868	48,124
Licenses and permits	151,415	-	-	-	-	-	151,415
Fines and forfeitures	185,495	-	-	-	-	-	185,495
Miscellaneous revenue	420,841	55,725	38,702	34,286	-	56,001	605,555
State aid	784,105	153,294	-	-	-	-	937,399
Total revenues	<u>7,647,737</u>	<u>3,238,464</u>	<u>2,813,003</u>	<u>3,354,285</u>	<u>-</u>	<u>2,935,417</u>	<u>19,988,906</u>
EXPENDITURES:							
General government	2,341,064	-	-	-	-	-	2,341,064
Public safety	656,298	-	-	-	40	1,186,641	1,842,979
Health	5,000	-	-	-	-	-	5,000
Transportation	263,028	1,880,805	-	-	423,061	190,237	2,757,131
Economic assistance and opportunity	319,960	-	-	-	-	-	319,960
Culture and recreation	1,222,770	-	-	-	52,530	-	1,275,300
Home and community service	22,498	-	1,539,042	1,737,438	1,013,340	1,426,510	5,738,828
Employee benefits	1,627,924	596,805	566,219	556,743	-	135,015	3,482,706
Debt service -							
Principal	474,250	667,850	328,200	519,150	-	515,000	2,504,450
Interest	16,149	25,144	33,404	100,549	-	139,157	314,403
Total expenditures	<u>6,948,941</u>	<u>3,170,604</u>	<u>2,466,865</u>	<u>2,913,880</u>	<u>1,488,971</u>	<u>3,592,560</u>	<u>20,581,821</u>
Excess (deficiency) of revenues over expenditures	<u>698,796</u>	<u>67,860</u>	<u>346,138</u>	<u>440,405</u>	<u>(1,488,971)</u>	<u>(657,143)</u>	<u>(592,915)</u>
OTHER FINANCING SOURCES (USES):							
Operating transfers - in	-	100,000	-	-	-	650,827	750,827
BANs redeemed from appropriations	-	-	-	-	1,989,450	-	1,989,450
Operating transfers - out	(122,050)	(96,610)	(88,010)	(442,487)	(1,670)	-	(750,827)
Total other financing sources (uses)	<u>(122,050)</u>	<u>3,390</u>	<u>(88,010)</u>	<u>(442,487)</u>	<u>1,987,780</u>	<u>650,827</u>	<u>1,989,450</u>
NET CHANGE IN FUND BALANCES	576,746	71,250	258,128	(2,082)	498,809	(6,316)	1,396,535
FUND BALANCES - JANUARY 1, 2017	9,050,146	1,229,077	1,131,152	2,213,563	(12,792,806)	784,978	1,616,110
FUND BALANCES - DECEMBER 31, 2017	<u>\$ 9,626,892</u>	<u>\$ 1,300,327</u>	<u>\$ 1,389,280</u>	<u>\$ 2,211,481</u>	<u>\$ (12,293,997)</u>	<u>\$ 778,662</u>	<u>\$ 3,012,645</u>

The accompanying notes are an integral part of these statements.

TOWN OF GRAND ISLAND, NEW YORK

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES AND
CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,396,535
<p>Amounts reported for governmental activities in the statement of activities and change in net position are different because:</p>	
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities and change in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$3,810,076) was more than the capital outlays (\$2,036,873).</p>	(1,773,203)
<p>Certain infrastructure capital assets are constructed by developers of subdivisions and turned over to the Town upon completion. In the Statement of Activities, Capital Contribution Revenue is recognized for such infrastructure assets turned over to the Town during 2017, consisting of \$224,888 for Home and Community Service activities and \$460,400 for Transportation activities. Such transactions are not included in governmental funds.</p>	685,288
<p>Revenues are recorded in the governmental funds when they become susceptible to accrual, that is when they are earned, measurable and available to provide current financial resources. In the statement of activities and change in net position, revenues are recognized when they are earned and measurable, regardless of when they become available. This is the amount by which current year earned revenues (\$74,446) not recognized as being available until next year is less than the amount of earned revenues for the prior year (\$187,530) recognized as being available in the current year.</p>	(113,084)
<p>Interest on long-term debt is reported as an expenditure in the governmental funds when it is paid and requires the use of current financial resources. In the statement of activities and change in net position, interest expense is recognized when it is incurred. This is the amount by which accrued interest in the prior year (\$127,134) was less than the amount of accrued interest for the current year (\$151,778).</p>	(24,644)
<p>Proceeds from obligations are shown as revenue in the governmental funds. These proceeds are shown in the statement of net position as an increase in the related liabilities, and not shown as revenues in the statement of activities and change in net position. This is the amount of proceeds for the current year.</p>	(1,989,450)
<p>Principal payments are shown as expenditures in the governmental funds. These payments are shown in the statement of net position as a reduction of the related liabilities, and not shown as expenses in the statement of activities and change in net position. This is the payment amount for the current year.</p>	2,504,450
<p>Other postemployment benefit obligations, net of payments made, is recorded in the statement of activities and change in net position, but not recorded in the fund balance of the governmental funds. The expense represents an actuarially determined amount.</p>	(2,400,225)
<p>Government funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employer contributions is reported as pension expense:</p>	
Pension contributions	771,730
Cost of benefits earned, net of employee contributions	(1,024,151)
<p>In the statement of activities and change in net position, certain operating expenses, compensated absences (sick pay and vacation), are measured by the amounts incurred during the year. In the governmental funds, these expenditures are reported in the amount of financial resources used (paid). In the current year, the amount incurred is less than the amount paid.</p>	<u>65,268</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ (1,901,486)</u>

The accompanying notes are an integral part of these statements.

TOWN OF GRAND ISLAND, NEW YORK

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017**

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 375,652
Service award program assets	1,076,953
Other	<u>2,328</u>
Total assets	<u>1,454,933</u>
LIABILITIES	
Accounts payable	650
Agency liabilities	377,324
Service awards	1,076,953
Due to other governmental funds	<u>6</u>
Total liabilities	<u>1,454,933</u>
NET POSITION	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these statements.

TOWN OF GRAND ISLAND, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Grand Island, New York (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Town's significant accounting policies are described below.

A. Financial Reporting Entity

The Town of Grand Island, which was established in 1852, is governed by the general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations. The Town Supervisor serves as Chief Executive Officer and Chief Fiscal Officer.

The following basic services are provided:

- Purification and Distribution of Water
- Street Lighting for portions of the Town within the Lighting Districts
- Sewage Treatment for portions of the Town within the Sewer District
- Fire Protection
- Garbage Removal
- Police Protection and Justice Courts
- Safety Inspection and Zoning
- Highway Maintenance, including Snow Removal
- Parks and Recreation

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.

A financial reporting entity consists of: (a) the primary government, which is the Town of Grand Island, (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.

The decision to include a potential component unit in the Town's reporting entity is based on several criteria set forth by the GASB, including legal standing, fiscal dependency, and financial accountability. A component unit is included in the Town's reporting entity if it is both fiscally dependent on the Town and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Based on the application of these criteria, the Town has determined there are no other organizations that meet the criteria for inclusion in the reporting entity of the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display financial activities of the overall Town, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town does not presently maintain any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities.

- Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function. Indirect expense consists of interest on long-term debt, which is not allocated to programs.
- Program revenues include: (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

- General Fund - The principal operating fund which includes all operations not required to be recorded in other funds.
- Special Revenue Funds - Used to account for the proceeds of specific revenue sources that are raised or received to fund expenditures for specified purposes.
 - Highway - Highway maintenance, including snow removal
 - Water District - Purification and distribution of water
 - Sewer District - Sewage treatment
- Capital Project Funds - Used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The Town reports the following nonmajor governmental funds:

- Debt Service Fund - Pays principal and interest on serial bonds with resources that are transferred from the other governmental funds. Also used to account for resources that are restricted for debt service.
- Special Revenue Funds - Used to account for taxes raised to provide special services for lighting, fire protection and garbage removal to areas that may or may not encompass the whole Town.

The Fiduciary Fund that the Town reports consists solely of the Agency Fund, which is used to account for money (and/or property) received and held in the capacity of custodian or agent.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town receives value directly without giving equal value in exchange, include property taxes, sales tax receipts, mortgage tax receipts, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities and acquisitions under capital leases are reported as other financing sources.

D. Estimates

The preparation of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

E. Property Taxes

Town real property taxes are levied annually no later than December 31st and become a lien on January 1st. Taxes are due on February 15th, and interest is charged after February 15th on unpaid bills. Taxes for county purposes are levied together with taxes for town and special district purposes as a single bill. The Town and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. The Town collects taxes through June 30th, when unpaid taxes are turned over to Erie County for collection. Erie County assumes enforcement responsibility for all taxes levied in the towns.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Policies

1) Budget Process - The budget policies are as follows:

- a) No later than October 5th, the budget officer submits a tentative budget for the general fund, all special revenue funds and the debt service fund to the Town Board for the fiscal year commencing the following January 1st. 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 the first Thursday in November, the governing board adopts the budget.
- c) All modifications of the budget must be approved by the governing board. However, the supervisor is authorized to transfer certain budgeted amounts within departments.

2) Encumbrances

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

G. Accounts Receivable

Accounts receivable are primarily from the billing of water sales and sewer rents. Any delinquent receivables are added to the subsequent year's tax levy, and are, therefore, always collected in full.

H. Due to/from Other Funds

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds."

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type.

I. Inventory

Inventory of office supplies is valued at the lower of cost or market, utilizing the first-in, first-out method.

J. Prepaid Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

In the government-wide financial statements, capital assets and capital leased assets, including infrastructure, are reported at actual cost, except for contributed assets which are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

<u>Assets</u>	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$10,000	10 - 50
Improvements other than to buildings	\$10,000	15 - 40
Machinery and equipment	\$10,000	5 - 25

Capital assets are not recorded in the governmental funds balance sheet.

L. Unearned Revenue

Unearned revenue arises when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the Town has legal claim to resources, the liability for unearned revenue is removed and revenues are recognized.

M. Insurance

The Town maintains insurance through common carriers, which is considered adequate to cover any loss including, but not limited to, property damage and personal injury liability; however, it does not include workers' compensation liabilities. The Town has elected to self-insure its workers' compensation program (see Note 15). Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of uninsured loss can be reasonably estimated.

N. Compensated Absences

Town employees are granted vacation and sick leave and earn such compensated absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensated absences at various rates subject to certain maximum limitations.

The government-wide financial statements reflect the entire liability, while in the governmental funds financial statements, only the amount of matured liabilities is accrued based on expendable available financial resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Other Postemployment Benefits

In addition to contributing to the New York State Employees' Retirement System and Police and Fire Retirement System on behalf of employees (see Note 9), the Town provides Other Postemployment Benefits (OPEB) in the form of health insurance and dental insurance coverage and survivor benefits for employees hired before October 1, 2002. A provision is in place for employees hired on or after October 1, 2002 for the use of unused sick credits to be applied to retiree premiums, provided a minimum of 60 days has accrued. Additionally, for that group, if the employee has accrued between 90 and 180 days of unused sick credits, the Town will supplement the credits to guarantee between 2 to 5 years of family health insurance coverage, or 4 to 10 years of single health insurance coverage depending on the level of the sick time accrual. In all cases, regardless of hire date, the employee must retire from the Town and collect their New York State Retirement and have had a minimum length of service ranging from 10 to 15 years. Additionally, at age 65, Medicare Part B is required, at the expense of the retiree, at which time the retiree is placed in appropriate Medicare supplemental plans. Health care benefits are provided through insurance companies whose premiums are community based, meaning premium rates are used as a proxy for claims without age adjustment.

The government-wide financial statements reflect the actuarial liability due for the current fiscal year. However, in the governmental funds financial statements, only the actual amount paid is recorded as an expenditure, as it requires the use of available financial resources.

P. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The separate financial statement element, deferred outflows of resources, represents a use of resources that applies to a future period and so will be recognized as an outflow (expense/expenditure) until then. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Q. Equity Classifications

Net Position - Government-Wide Financial Statements

The government-wide financial statements display net position in three components as follows:

- **Net Investment in Capital Assets**
This consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted Net Position**
This consists of resources with constraints placed on their use either by external groups such as creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position**
This consists of all other net position items that do not meet the definition of "restricted" or "net investment in capital assets."

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Equity Classifications (Continued)

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

Fund Balances - Fund Financial Statements

The governmental fund financial statements present fund balances according to classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable Fund Balances**
These are amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted Fund Balances**
These are amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- **Committed Fund Balances**
These are amounts that can be used only for specific purposes determined by a formal action of the Town Board. The Town Board is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Board. The Town currently has no fund balances in this classification.
- **Assigned Fund Balances**
These are amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Town does not have a formal policy regarding the assignment of fund balances; assignments are made at the discretion of the Town's Supervisor or by informal actions of the Town Board.
- **Unassigned Fund Balances**
These are all other spendable amounts.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town Board has provided otherwise in its commitment or assignment actions.

2. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to certain postemployment benefits. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accordingly, beginning net position, deferred outflows of resources, and other postemployment benefits on the Statement of Net Position were adjusted as noted in the following table:

2. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (Continued)

	<u>Town-Wide Statement of Net Position</u>		
	<u>Other Postemployment Benefits</u>	<u>Deferred Outflows</u>	<u>Net Position</u>
Balance at December 31, 2016, as previously reported	<u>\$ 1,652,337</u>	<u>\$ -</u>	<u>\$36,603,772</u>
Restatement of beginning balance - Adoption of GASB Statement No. 75:			
Contributions subsequent to measurement date	-	843,101	843,101
Increase liability	<u>21,612,912</u>	<u>-</u>	<u>(21,612,912)</u>
	<u>21,612,912</u>	<u>843,101</u>	<u>(20,769,811)</u>
Balance at December 31, 2016, as restated	<u>\$23,265,249</u>	<u>\$ 843,101</u>	<u>\$15,833,861</u>

3. CASH

Investment Policy

Town investment policies are governed by state statutes. In addition, the Town has its own written investment policy. Town monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Town 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 deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts. The written investment policy requires repurchase agreements to be purchased from banks located within the state and that underlying securities must be obligations of the federal government. All deposits, including certificates of deposit, are carried at cost.

3. CASH (Continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Town's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Obligations of the United States Government.
- Obligations of the State of New York.
- Time deposits and demand deposits in a commercial bank authorized to do business in New York State.
- Certificates of deposit placed in a commercial bank authorized to do business in New York State.
- Obligations of agencies of the United States Government if principal and interest are guaranteed by the Federal Government.
- Repurchase agreements involving obligations of the United States or its agencies.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover its deposits. Collateral is required for deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Governmental funds:		
General	\$ 8,540,229	\$ 8,521,031
Highway	1,408,290	1,388,999
Water	1,029,059	1,024,992
Sewer	1,788,886	1,780,846
Debt service	46,438	46,438
Capital projects	8,645,481	8,632,729
Lighting	56,198	39,797
Fire	431,618	431,618
Garbage	<u>259,303</u>	<u>259,139</u>
Total governmental funds	22,205,502	22,125,589
Fiduciary fund:		
Agency	<u>375,802</u>	<u>375,652</u>
Total cash balances	<u>\$ 22,581,304</u>	<u>\$ 22,501,241</u>

3. CASH (Continued)

Custodial Credit Risk (Continued)

Deposits at year-end, which were entirely covered by Federal Depository Insurance or by collateral, are as follows:

Insured (FDIC)	\$ 500,000
Collateral held by Town's custodial bank	19,716,877
Collateral held by pledging financial institution's trust department in Town's name	2,363,152
Cash on hand	<u>1,275</u>
	<u>\$ 22,581,304</u>

Restricted Cash

Certain of the Town's cash is restricted for future debt service payments (\$48,108) and capital projects (\$144,108).

4. RECEIVABLES

Receivables at December 31, 2017 for individual major and non-major funds consisted of the following which are stated at net realizable value. Town management has deemed the amounts to be fully collectible:

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Water District</u>	<u>Sewer District</u>	<u>Total</u>
Accounts receivable:					
Sewer rents	\$ -	\$ -	\$ -	\$ 481,952	\$ 481,952
Water billings	-	-	438,507	-	438,507
Other	<u>29,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,789</u>
Total	<u>\$ 29,789</u>	<u>\$ -</u>	<u>\$ 438,507</u>	<u>\$ 481,952</u>	<u>\$ 950,248</u>
Due from other governments:					
Erie County sales tax	<u>\$ 1,092,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,092,374</u>
Total government fund balance	1,092,374	-	-	-	1,092,374
Erie County accrued mortgage tax	<u>74,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,446</u>
Total statement of net position	<u>\$ 1,166,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,166,820</u>

5. INTERFUND TRANSACTIONS - FUND FINANCIAL STATEMENTS

Interfund receivables, payables, revenues and expenditures at December 31, 2017 were as follows:

Funds	Receivables	Payables	Transfers	
			In	Out
General	\$ 3	\$ -	\$ -	\$ 122,050
Highway	1	-	100,000	96,610
Water	1	-	-	88,010
Sewer	1	-	-	442,487
Debt service	1,670	-	650,827	-
Capital projects	-	1,670	-	1,670
Special grant	-	-	-	-
Fiduciary - agency	-	6	-	-
	<u>\$ 1,676</u>	<u>\$ 1,676</u>	<u>\$ 750,827</u>	<u>\$ 750,827</u>

Interfund Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The Town moves receipts collected for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and moves residual cash from closed capital projects to debt service to be used for debt payments at a later date. These transfers allow the Town to consolidate funding from multiple funds into the debt service fund for payment of debt service to bond issuers as they become due.

A transfer was also made to move \$100,000 from the general fund to the highway fund to subsidize highway expenditures.

Interfund Receivables and Payables

All interfund receivables and payables are short term in nature, and will be repaid in less than one year.

6. CAPITAL ASSETS - GOVERNMENT-WIDE FINANCIAL STATEMENTS

	Balance January 1, 2017	Increases	Decreases	Transfers	Balance December 31, 2017
Capital assets not being depreciated:					
Land	\$ 1,182,306	\$ -	\$ -	\$ -	\$ 1,182,306
Construction in progress	<u>4,901,851</u>	<u>1,489,670</u>	<u>-</u>	<u>(733,370)</u>	<u>5,658,151</u>
Total non-depreciable assets	<u>6,084,157</u>	<u>1,489,670</u>	<u>-</u>	<u>(733,370)</u>	<u>6,840,457</u>
Capital assets being depreciated:					
Buildings and improvements	18,442,631	-	-	-	18,442,631
Improvements other than to buildings	66,988,398	897,293	-	733,370	68,619,061
Machinery and equipment	<u>9,464,319</u>	<u>335,198</u>	<u>-</u>	<u>-</u>	<u>9,799,517</u>
Total depreciated assets	<u>94,895,348</u>	<u>1,232,491</u>	<u>-</u>	<u>733,370</u>	<u>96,861,209</u>
Total capital assets	<u>100,979,505</u>	<u>2,722,161</u>	<u>-</u>	<u>-</u>	<u>103,701,666</u>
Less: Accumulated depreciation:					
Buildings and improvements	15,501,768	480,437	-	-	15,982,205
Improvements other than to buildings	37,991,661	2,774,968	-	-	40,766,629
Machinery and equipment	<u>6,043,152</u>	<u>554,671</u>	<u>-</u>	<u>-</u>	<u>6,597,823</u>
Total accumulated depreciation	<u>59,536,581</u>	<u>3,810,076</u>	<u>-</u>	<u>-</u>	<u>63,346,657</u>
Total capital assets, net	<u>\$ 41,442,924</u>	<u>\$ 1,087,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,355,009</u>

Depreciation expense was charged to functions of the following governmental activities:

General government	\$ 183,636
Public safety	72,552
Transportation	1,225,969
Economic assistance and opportunity	23,058
Culture and recreation	323,919
Home and community service	<u>1,980,942</u>
	<u>\$ 3,810,076</u>

7. SHORT-TERM DEBT

Liabilities for bond anticipation notes (BANs) are accounted for in the capital projects funds. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12-month period thereafter.

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 issued for assessable improvement projects may be renewed for periods equivalent to the maximum term of the permanent financing, provided that stipulated annual reductions of principal are made. The maturity dates of the BANs listed below are in consideration of anticipated renewals.

7. SHORT-TERM DEBT (Continued)

The following is an analysis of BAN's recorded as short-term that are outstanding at December 31, 2017:

Description	Amount	Maturity Date	Interest Rate	To Be Redeemed in 2018	
				Budget Appropriations	Bonds
General - Town Hall Parking Lot Improvements	\$ 37,500	10/11/18	2.50%	\$ 37,500	\$ -
General - Scenic Woods/ Bicentennial Park	100,000	10/11/18	2.50%	100,000	-
General - Safe Routes to School	36,750	10/11/18	2.50%	36,750	-
General - Vet's Park Building	890,950	10/11/18	2.50%	300,000	-
Sewer - WW Ragging Elimination	980,851	10/11/18	2.50%	81,750	-
Sewer - WW PSA System Upgrade	141,000	10/11/18	2.50%	11,750	-
Sewer - WW Plant Improvement	81,700	10/11/18	2.50%	6,900	-
Sewer - WW Pump Station 6	97,000	10/11/18	2.50%	7,000	-
Sewer - Whitehaven Sewer Project	188,800	10/11/18	2.50%	13,500	-
Sewer - SCADA System	89,929	10/11/18	2.50%	9,000	-
Sewer - SSES Project Y1 & Y2	807,500	10/11/18	2.50%	50,500	-
Sewer - ORF Improvements	455,500	10/11/18	2.50%	28,500	-
Sewer - Emergency Repair 2014	420,270	10/11/18	2.50%	24,750	-
Sewer - WWTP Parking Lot	250,000	10/11/18	2.50%	-	-
Sewer - Emergency Repair 2017	300,000	10/11/18	2.50%	-	-
Sewer - SSES Project Y3	2,594,250	10/11/18	2.50%	152,750	-
Sewer - SSES Project Y4	2,368,250	10/11/18	2.50%	131,600	-
Sewer - SSES Project Y5	841,000	10/11/18	2.50%	45,000	-
Sewer - SSES Project Y6	3,320,700	10/11/18	2.50%	-	-
Water - District Improvements	1,396,500	10/11/18	2.50%	116,375	-
Water - Whitehaven Road Tank Painting	135,000	10/11/18	2.50%	27,000	-
Water - Williams Road	86,500	10/11/18	2.50%	14,500	-
Water - Filter Media Replacement	133,200	10/11/18	2.50%	22,200	-
Water - Lagoon	545,000	10/11/18	2.50%	78,000	-
Water - Ferry Road	560,000	10/11/18	2.50%	70,000	-
Water - Staley Road	1,330,000	10/11/18	2.50%	-	-
Highway - Road Construction - 2013	163,250	10/11/18	2.50%	163,250	-
Highway - Road Construction - 2014	337,500	10/11/18	2.50%	168,750	-
Highway - Street Sweeper	47,100	10/11/18	2.50%	47,100	-
Highway - Road Construction - 2015	506,250	10/11/18	2.50%	168,750	-
Highway - Road Construction - 2016	675,000	10/11/18	2.50%	168,750	-
Highway - Road Construction - 2017	675,000	10/11/18	2.50%	-	-
	<u>\$ 20,592,250</u>			<u>\$ 2,081,925</u>	<u>\$ -</u>

The following is a summary of changes in short-term debt for the year ended December 31, 2017 as reported in the government-wide statement of net position:

	January 1, 2017	Issued	Redeemed	December 31, 2017
Bond Anticipation Notes	<u>\$ 16,706,000</u>	<u>\$ 5,875,700</u>	<u>\$ 1,989,450</u>	<u>\$ 20,592,250</u>

Redemptions included \$1,989,450 in expenditures by various funds.

8. LONG-TERM DEBT

A. At December 31, 2017, the outstanding indebtedness of the Town totaled \$23,912,250. Of this amount, \$17,157,200 was subject to the constitutional debt limit and represented approximately 15% of its statutory debt limit.

8. LONG-TERM DEBT (Continued)

B. Serial Bonds - The Town borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the Town, are recognized in the government-wide financial statements on the statement of net assets.

C. Other Long-Term Debt - In addition to the above long-term debt, the Town had the following non-current liabilities:

- **Compensated Absences** - Represents the value of earned and unused portion of the liability for compensated absences.
- **Other Postemployment Benefit Obligations** - Represents the actuarial present value of the Town's postemployment medical and dental benefits.

D. The following is a summary of changes in long-term liabilities for the year ended December 31, 2017 as reported in the government-wide statement of net position:

<u>Governmental Activities</u>	<u>January 1, 2017</u> (restated)	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2017</u>	<u>Amount Due in</u> <u>One Year</u>
Serial bonds	\$ 3,835,000	\$ -	\$ 515,000	\$ 3,320,000	\$ 480,000
Other postemployment benefit obligations-restated	23,265,249	4,876,564	-	28,141,813	-
Compensated absences (A)	1,007,475	-	65,267	942,208	62,525
Net pension liability (A)	<u>2,877,428</u>	<u>-</u>	<u>1,175,946</u>	<u>1,701,482</u>	<u>-</u>
	<u>\$ 30,985,152</u>	<u>\$ 4,876,564</u>	<u>\$ 1,756,213</u>	<u>\$ 34,105,503</u>	<u>\$ 542,525</u>

(A) Increases and decreases in compensated absences and net pension liability are shown net, since it is impractical to determine these amounts separately.

Long-term debt is not recorded in the governmental funds balance sheet.

E. The following summarizes serial bond obligations outstanding at December 31, 2017 by serial bond issue:

	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rate %</u>	<u>Amount Outstanding</u>
Special revenue funds:					
Various improvements	2004	\$ 764,871	2023	2.71	\$ 250,000
Various improvements	2005	\$ 438,840	2024	2.86	175,000
Various improvements	2008	\$ 3,650,000	2027	3.50	1,135,000
Various improvements	2014	\$ 2,330,000	2025	3.68	<u>1,760,000</u>
					<u>\$ 3,320,000</u>

8. LONG-TERM DEBT (Continued)

F. The following tables summarize the Town's future debt service requirements for serial bond obligations as of December 31, 2017:

Year Ending <u>December 31</u>	<u>Serial Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 480,000	\$ 117,695
2019	415,000	98,472
2020	415,000	85,361
2021	430,000	70,072
2022	395,000	54,731
2023 - 2027	<u>1,185,000</u>	<u>94,937</u>
	<u>\$ 3,320,000</u>	<u>\$ 521,268</u>

G. Interest expense on long-term debt was \$339,047 in 2017. In 2017, cash paid for interest was \$314,403.

H. Defeasance of Debt - In 2014, the Town defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At December 31, 2017, a total amount of \$1,825,000 of bonds outstanding is considered defeased.

9. PENSION PLANS

A. Plan Description

The Town participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (collectively the Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide 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, New York 12244.

9. PENSION PLANS (Continued)

B. Funding Policy

The Systems are noncontributory for employees who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, employees in the Systems contribute 3% of their salary throughout their active membership. Employees who join on or after April 1, 2012 will contribute 3% of their reportable salary. Beginning April 1, 2013, the contribution rate for Tier 6 members varied based on each member's annual compensation, between 3% and 6%. Under the authority of the NYSRSSL, the Comptroller annually determines and certifies the employer contribution rates expressed as proportions of payroll of members, which rate is used in computing the contributions required to be made by employers to the pension accumulation fund.

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

	<u>ERS</u>	<u>PFRS</u>
2017	\$ 758,149	\$ 13,581
2016	\$ 781,613	\$ 12,342
2015	\$ 863,804	\$ 13,647

The Town's contributions made to the Systems were equal to 100 percent of the contributions required for each year.

C. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At December 31, 2017, the Town reported a net pension liability of \$1,638,535 and \$62,947 for its proportionate share of the NYSERS and NYSPFRS net pension liability, respectively. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of The Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2017, The Town's proportion was .0174382% and .0030370% for NYSERS and PFRS, respectively, compared to .0174689% and .0024864%, respectively, its proportionate shares measured at December 31, 2016.

9. PENSION PLANS (Continued)

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

For the year ended December 31, 2017, The Town recognized pension expense of \$1,024,151. At December 31, 2017, The Town reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
ERS		
Differences between expected and actual experience	\$ 41,060	\$ 248,821
Changes in assumptions	559,783	-
Net difference between projected and actual earnings on pension plan investments	327,282	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	150,113	1,000
Contributions subsequent to the measurement date	<u>566,694</u>	<u>-</u>
Total	<u>\$ 1,644,932</u>	<u>\$ 249,821</u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PFRS		
Differences between expected and actual experience	\$ 8,258	\$ 10,876
Changes in assumptions	31,011	-
Net difference between projected and actual earnings on pension plan investments	9,401	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	2,291	17,500
Contributions subsequent to the measurement date	<u>10,520</u>	<u>-</u>
Total	<u>\$ 61,481</u>	<u>\$ 28,376</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for ERS and PFRS, respectively:

Plan's Year Ended March 31:	
2018	\$ 361,976
2019	361,976
2020	309,471
2021	<u>(205,006)</u>
	<u>\$ 828,417</u>

9. PENSION PLANS (Continued)

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

Plan's Year Ended March 31:		
2018	\$	8,980
2019		8,980
2020		8,278
2020		(3,395)
2021		<u>(258)</u>
	\$	<u>22,585</u>

D. Actuarial Assumptions

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016.

The actuarial valuation used the following actuarial assumptions for both the NYSERS and PFRS:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8% in ERS, 4.5% in PFRS, indexed by service
Projected COLAs	1.3% compounded annually
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

E. Long-term Rate of Return

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

9. PENSION PLANS (Continued)

E. Long-term Rate of Return (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term Expected Real Rate of Return in %</u>
Domestic Equity	36	4.55
International Equity	14	6.35
Private Equity	10	7.75
Real Estate	10	5.80
Absolute Return	2	4.00
Opportunistic Portfolio	3	5.89
Real Asset	3	5.54
Bonds & Mortgages	17	1.31
Cash	1	-0.25
Inflation-Indexed Bonds	4	1.50
	100%	

F. 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 Plan'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.

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

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

	<u>1% Decrease 6.00%</u>	<u>Current Discount 7.00%</u>	<u>1% Increase 8.00%</u>
NYSERS proportionate share of net pension liability (asset)	\$ 5,233,155	\$ 1,638,535	\$ (1,400,710)
NYSPPFRS proportionate share of net pension liability (asset)	\$ 178,451	\$ 62,947	\$ (33,933)

9. PENSION PLANS (Continued)

H. Pension Plan Fiduciary Net Position (000's)

The components of the current-year net pension liability of the employers as of March 31, 2017 for ERS and PFRS respectively follow:

Total pension liability	\$ 177,400,586
Net position	<u>(168,004,363)</u>
Net pension liability (asset)	<u>\$ 9,396,223</u>
ERS net position as a percentage of total pension liability	94.7%
Total pension liability	\$ 31,670,483
Net position	<u>(29,597,831)</u>
Net pension liability (asset)	<u>\$ 2,072,652</u>
PFRS net position as a percentage of total pension liability	93.5%

10. LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)

The Town established a defined contribution Service Award Program (referred to as a "LOSAP" - Length Of Service Award Program - under Section 457(e)(11) of the Internal Revenue Code) effective January 1, 1991 for the active volunteer firefighter members of the Grand Island Fire Company. The Program was established pursuant to Article 11-A of the New York State General Municipal Law. The Program provides municipally-funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The Town is the Sponsor of the Program.

Program Description

Participation, Vesting and Service Credit

In a defined contribution LOSAP, each Participant has an individual Program account. An eligible Program Participant is defined by the Program Sponsor to be an active volunteer firefighter who has earned one (1) year of Service Award Program Service Credit. Each Participant's individual Program account is credited with a service award contribution as of the end of each year during which the volunteer met the requirements to earn a year Service Award Program Service Credit. The Participant is paid his or her account balance upon attainment of the Entitlement Age. The Program's Entitlement Age is age 62. The amount paid will vary depending upon the number of years of Service Credit earned by the Participant and the investment income (less administrative and/or investment expenses not paid by the Program Sponsor) earned by the Program assets and allocated to the Participant's Program account.

Participants acquire a non-forfeitable right to be paid their Program account balance after earning credit for five (5) years of service, attaining the Program's Entitlement Age while an active volunteer, becoming totally and permanently disabled or dying while an active volunteer firefighter. An active volunteer firefighter earns a year of Service Award Program Service Credit for each calendar year after the establishment of the Program in which he or she accumulates fifty or more points. Points are granted for the performance of certain firefighter activities in accordance with a system established by the Sponsor on the basis of a statutory list of activities and point values. A Participant may also receive Service Award Program credit for five (5) years of active volunteer firefighting service rendered prior to the establishment of the Program as an active volunteer firefighter member of the Grand Island Fire Company.

10. LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) (Continued)

Benefits

A Participant's benefit under the Program is his or her Program account balance paid upon attainment of the Entitlement Age in a lump sum or in the form of five (5) annual installments. The annual contribution paid by the Town and credited to the account of a Participant who earned fifty points during a calendar year is currently \$700. Except in the case of Pre-Entitlement Age death or total and permanent disablement, a Participant's account balance will not be paid until a Participant attains the Entitlement Age. However, a Participant does have the ability to defer payment for a minimum of three years, if this election is made timely and properly by completing the necessary forms. Volunteers who continue to be active after attaining the Entitlement Age continue to have the opportunity to earn Program credit and to thereby be paid additional service awards. The Pre-Entitlement Age death and disability benefit is equal to the Participant's Program account balance as of the December 31st following the date of death or disablement. The Program does not provide extra line-of-duty death or disability benefits. All death and disability benefits are self-insured and are paid from the Program trust fund.

For a complete explanation of the Program, see the Program Document a copy of which is available from the Town Clerk.

Fiduciary Investment and Control

After the end of each calendar year, the fire company prepares and certifies a list of names of all persons who were active volunteer members of the fire company during the year indicating which volunteers earned fifty points. The certified list is delivered to the Town Board for the Board's review and approval. The fire company must maintain the point system records to verify each volunteer's points.

The Program has retained Lincoln Retirement Services Company (Lincoln) to assist in the administration of the Program. The services provided by Lincoln are described in the agreement between Lincoln and the Program.

Program assets are required to be held in trust by Article 11-A, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the Program. The Program created a Service Award Program Trust Fund. The trust is not a trust that meets the criteria in GASB Statement No.73, paragraph 4, in that the funds in the trust remain the property of the Sponsor and are subject to claims of the general creditors of the Sponsor.

Authority to invest the Program assets is vested in the Program Trustee. Program assets are invested in accordance with a statutory prudent person rule.

Program Financial Condition

Assets and Liabilities

Assets Available for Benefits		\$ 1,076,953
Collective Investment Trust	186,408	
Mutual Funds	<u>890,545</u>	
Total Net Assets Available for Benefits		<u>1,076,953</u>
Unfunded Liability for Prior Service		<u>\$ _____</u>

10. LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) (Continued)

Program Financial Condition (Continued)

Prior Service Costs

Program has no prior service costs.

Receipts and Disbursements

Plan Net Assets, beginning of year \$1,033,802

Changes during the year:

Plan contributions	30,800
Changes in fair market value of investments	88,793
Investment income earned	21,912
Distributions	(79,766)
Investment fees	<u>(18,588)</u>

Plan Net Assets, end of year \$1,076,953

Contributions

Contribution recommended by actuary:	\$ 30,800
Actual contribution made by the Sponsor:	\$ 30,800

Administration Fees

Fees paid for investment management \$ 18,588

11. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

In addition to contributing to the New York State Employees' Retirement System and Police and Fire Retirement System on behalf of employees, the Town provides Other Postemployment Benefits (OPEB) in the form of health insurance and dental insurance coverage and survivor benefits for employees hired before October 1, 2002. A provision is in place for employees hired on or after October 1, 2002 for the use of unused sick credits to be applied to retiree premiums, provided a minimum of 60 days has accrued. Additionally, for that group, if the employee has accrued between 90 and 180 days of unused sick credits, the Town will supplement the credits to guarantee between 2 to 5 years of family health insurance coverage, or 4 to 10 years of single health insurance coverage depending on the level of the sick time accrual. In all cases, regardless of hire date, the employee must retire from the Town and collect their New York State Retirement and have had a minimum length of service ranging from 10 to 15 years. Additionally, at age 65, Medicare Part B is required, at the expense of the retiree, at which time the retiree is placed in appropriate Medicare supplemental plans. Health care benefits are provided through insurance companies whose premiums are community based, meaning premium rates are used as a proxy for claims without age adjustment.

The OPEB Plan does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy

The obligations of the Retiree Medical and Dental Plan (the Plan) are established by action of the Town pursuant to applicable collective bargaining and employment agreements. The required premium contribution rates of retirees vary depending on the applicable agreement. The costs of administering the Plan are paid by the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums. In 2017, premiums totaling \$754,788 were paid on behalf of 78 former employees.

Employees Covered by Benefit Terms

At December 31, 2017, the following employees were covered by the benefit terms:

Actives not eligible to retire	61
Actives eligible to retire	23
Inactives employees entitled to but not yet receiving benefits	-
Retired and surviving spouses	81
Retiree spouses covered	<u>35</u>
Total participants	<u>200</u>

Total OPEB Liability

The Town's total OPEB liability of \$28,141,813 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Changes in the Total OPEB Liability

Balance at December 31, 2016, as restated	<u>\$ 23,265,249</u>
Changes for the Year-	
Service cost	124,563
Interest	698,948
Changes of benefit terms	-
Changes in assumptions	(1,295,442)
Differences between expected and actual experience	6,191,596
Benefit payments	<u>(843,101)</u>
Net changes	<u>4,876,564</u>
Balance at December 31, 2017	<u>\$ 28,141,813</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.10% in 2016 to 3.50% in 2017.

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Long-Term Bond Rate:	Based on the Fidelity Municipal Go AA 20 Year Bond rate as of the measurement date (or nearest business day thereto). Fiscal Year Beginning 2017 3.10% Fiscal Year Ending 2017 3.50%														
Single Discount Rate:	Reflects a blending of the investment rate of return and the long-term bond rate using expected plan benefit payments. Fiscal Year Beginning 2017 3.10% Fiscal Year Ending 2017 3.50%														
Salary Scale:	Reflects the rate at which payroll amounts are expected to increase over time for purposes of attributing liabilities under the Entry Age Normal, Level Percent of Pay actuarial cost method. Fiscal Year Beginning 2017 3.00% Fiscal Year Ending 2017 3.00%														
Mortality Rates:	Mortality rate updated to Adjusted RP-2014 combined mortality, fully generational using scale MP-2017.														
Termination Rates:	2003 Society of Actuaries small plan withdrawal.														
Retirement Rates:	<table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Age</th> <th style="text-align: center; border-bottom: 1px solid black;">Retirement Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">55</td> <td style="text-align: center;">25%</td> </tr> <tr> <td style="text-align: center;">56-61</td> <td style="text-align: center;">10%</td> </tr> <tr> <td style="text-align: center;">62</td> <td style="text-align: center;">30%</td> </tr> <tr> <td style="text-align: center;">63-64</td> <td style="text-align: center;">10%</td> </tr> <tr> <td style="text-align: center;">65-69</td> <td style="text-align: center;">30%</td> </tr> <tr> <td style="text-align: center;">70</td> <td style="text-align: center;">100%</td> </tr> </tbody> </table>	Age	Retirement Rate	55	25%	56-61	10%	62	30%	63-64	10%	65-69	30%	70	100%
Age	Retirement Rate														
55	25%														
56-61	10%														
62	30%														
63-64	10%														
65-69	30%														
70	100%														
Marital Assumption:	70% of both male and female employees are assumed to be married at retirement and elect coverage for a spouse.														
Spousal Ages:	Actual age, if reported, for retirees. Otherwise males are assumed to be three years older than females.														
Participation Rate:	100% of all active employees currently enrolled in the OPEB plan are assumed to continue coverage into retirement. Employees who currently have waived coverage are assumed not to re-enter the plan prior to retirement														

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Health Care Cost Trends: The short-term trend rates were based on the National Health Expenditure Projections 2009-2025 and reflect the impact of legislative changes in 2017.

Long-term trend rates were developed using the Society of Actuaries Getzen Long-Term Healthcare Cost Trend Resource Model.

Dental Cost Trend Rate: 5%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current discount rate:

	1% Decrease <u>(2.50%)</u>	Current Discount <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Total OPEB Liability	<u>\$ 33,033,780</u>	<u>\$ 28,141,813</u>	<u>\$ 24,286,137</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease <u>(4.30% to 3.17%)</u>	Current Discount <u>(5.30% to 4.17%)</u>	1% Increase <u>(6.30% to 5.17%)</u>
Total OPEB Liability	<u>\$ 23,705,567</u>	<u>\$ 28,141,813</u>	<u>\$ 33,967,417</u>

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2017, the Town recognized OPEB expense of \$3,155,013. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 3,243,217	\$ -
Changes of assumptions	-	678,565
Benefit payments subsequent to measurement date	<u>754,788</u>	<u>-</u>
Total	<u>\$ 3,998,005</u>	<u>\$ 678,565</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June</u>	<u>Amount</u>
2018	\$ 2,331,502
2019	<u>233,150</u>
	<u>\$ 2,564,652</u>

The Town recognized \$754,788 as a deferred outflow of resources resulting from the benefit payments made subsequent to the measurement date of January 1, 2017 which will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2018.

12. FUND BALANCE

As of December 31, 2017, fund balances are composed of the following:

	General Fund	Highway Fund	Water Fund	Sewer Fund	Capital Projects Fund	Nonmajor Governmental Funds
Nonspendable:						
Prepaid expenditures	\$ 172,696	\$ 48,148	\$ 49,988	\$ 45,961	\$ -	\$ -
Inventory	<u>27,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>200,326</u>	<u>48,148</u>	<u>49,988</u>	<u>45,961</u>	<u>-</u>	<u>-</u>
Restricted:						
Capital reserve	144,108	-	-	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,108</u>
	<u>144,108</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,108</u>
Assigned:						
Future appropriations	2,217,408	320,577	474,435	468,570	-	104,761
Future workers' compensation	154,395	189,780	187,750	150,418	-	378,253
General government	111,131	-	-	-	-	-
Transportation	-	35,293	-	-	-	-
Economic assistance	9,200	-	-	-	-	-
Culture and recreation	39,591	-	-	-	-	-
Home and community	55,000	-	-	-	-	-
Other spendable amounts	<u>-</u>	<u>706,529</u>	<u>677,107</u>	<u>1,546,532</u>	<u>-</u>	<u>247,540</u>
	<u>2,586,725</u>	<u>1,252,179</u>	<u>1,339,292</u>	<u>2,165,520</u>	<u>-</u>	<u>730,554</u>
Unassigned	<u>6,695,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,293,997)</u>	<u>-</u>
	<u>\$ 9,626,892</u>	<u>\$ 1,300,327</u>	<u>\$ 1,389,280</u>	<u>\$ 2,211,481</u>	<u>\$ (12,293,997)</u>	<u>\$ 778,662</u>

Deficit Fund Balances - Governmental Funds Financial Statements

The Capital Projects Fund has a deficit fund balance of \$12,293,997 because there are several projects which have been financed through temporary borrowings in the form of Bond Anticipation Notes. The proceeds of such borrowings are not recorded as revenue. Revenue will be recognized when permanent financing is obtained.

13. CONTINGENT LIABILITIES

The Town is a defendant in various lawsuits and claims. These lawsuits and claims are being handled by the Town's insurance carriers and/or the attorneys for the Town, and the outcome of the lawsuits and amount of damages, if any, are not presently determinable.

DEC Consent Order

As of December 31, 2017, the Town has submitted a plan (the Plan) to the New York State Department of Environmental Conservation (DEC) to perform an evaluation survey of the Town's sanitary sewer system to identify rehabilitation measures needed to correct identified sanitary sewer overflow violations. The Plan has been accepted by the DEC. The Plan calls for a series of investigations of the Town's sanitary sewer system and capital projects to correct violations to be performed over a period of years from 2013 through 2021 at a projected total cost of approximately \$12,400,000. Under GASB Cod. Sec. P40.120, "Pollution Remediation Obligations," because the expenditures will be capitalized and used in normal operations, no accrued liability is required to be recorded.

14. COMMITMENTS

At year end, the Town had commitments outstanding, in the form of contracts and purchase orders, of approximately \$2,526,000, primarily for construction projects.

15. WORKERS' COMPENSATION

The Town is a member of the Upstate New York Municipal Workers' Compensation Program (the Program). The members of this Program are independent municipal corporations under New York State law. Each member of the Program has been approved under Workers' Compensation Law (WCL) as an individual self-insured. These members have entered into a municipal cooperation agreement pursuant to Article 5-G of the New York General Municipal Law to work cooperatively in order to assist each member in satisfying the members' independent obligations under WCL. Through the implementation of effective risk management techniques, the promotion of safety, and the proactive administration of claims, the Program will assist its members in meeting their individual obligations under WCL by contracting for claims administration and payment services and excess claims coverage.

The Program's Intermunicipal Agreement (the Agreement) states that the members agree to cooperate and work together as individually self-insured employers. There is no joint and several liability. The Agreement specifically addresses the standards and requirements for membership. The financial condition, safety program, experience rating and frequency of claims relative to the peer group and standing with Federal and State regulatory agencies are reviewed for any prospective member.

Premiums, which are based upon members' payroll and experience factors, and administrative costs, are subject to retrospective adjustment. The Town records the expense for workers' compensation in the period the payments to the Program are due. The Town has not recorded any additional accrual for workers' compensation expense due to the fact that the estimation of unpaid claims incurred but not reported is built into the annual premium payments to the Program. Historical experience has shown that the Program's calculation of premiums has been adequate to cover claims incurred but not reported. Through December 31, 2016, the Town had received surplus cash refunds totaling \$993,951 from the Program for excess contributions made in prior years. During 2017, the Town received an additional net refund of \$66,645. These amounts have been assigned by the Town for Future Workers' Compensation and are included in assigned fund balance, totaling \$1,060,596 to help fund future unanticipated workers' compensation costs.

16. BUDGET RECONCILIATION

The Town reports its budgetary status with the actual data, including outstanding encumbrances as charges against budget appropriations. This results in the following reconciliation of fund balances computed on GAAP basis and budgetary basis:

	<u>General Fund</u>	<u>Highway Fund</u>
GAAP basis fund balance at December 31, 2017	\$ 9,626,892	\$ 1,300,327
Less: Outstanding encumbrances	<u>(214,922)</u>	<u>(35,293)</u>
Budgetary basis fund balance at December 31, 2017	<u>\$ 9,411,970</u>	<u>\$ 1,265,034</u>

17. TAX ABATEMENT

The Town has multiple real property tax abatement agreements entered into by the Erie County IDA under Article 18-A of the real property tax law. These agreements provide for abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT).

The following information summarizes the PILOT agreements entered into by the Erie County IDA relating to the Town:

<u>Start Date</u>	<u>Agreement/Property</u>	<u>Taxable Assessed Value</u>	<u>Tax Rate</u>	<u>Tax Value</u>	<u>Pilot Received</u>	<u>Taxes Abated</u>
2005	Starline USA, Inc.	\$ 1,125,000	3.03096	\$ 582,900	\$ 1,767	\$ 1,643
2005	Life Technologies Corporation D	\$ 2,844,000	3.03096	\$ 1,445,500	\$ 4,381	\$ 4,239
2005	Andryx Acquisition Corp.	\$ 530,000	3.03096	\$ 390,150	\$ 1,183	\$ 424
2007	Fresenius Kabi USA, LLC - A	\$ 1,200,000	3.03096	\$ 610,300	\$ 1,850	\$ 1,787
2007	Fresenius Kabi USA, LLC - B	\$ 100,000	3.03096	\$ 52,100	\$ 158	\$ 145
2011	Life Technologies Corporation E	\$ 613,000	3.03096	\$ 256,300	\$ 777	\$ 1,081
2014	Life Technologies Corporation F	\$ 743,900	3.03096	\$ 223,170	\$ 902	\$ 1,353

The Town did not participate in Mortgage and Sales tax abatements granted by the Erie County IDA.

18. FUTURE GASB PRONOUNCEMENTS

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefore. The Town is required to adopt the provisions of this Statement for the year ending December 31, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement apply to the financial statements of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Town is required to adopt the provisions of this Statement for the year ending December 31, 2019.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement establishes consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Town is required to adopt the provisions of this Statement for the year ending December 31, 2019.

18. FUTURE GASB PRONOUNCEMENTS (Continued)

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement establishes accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Town is required to adopt the provisions of this Statement for the year ending December 31, 2021.

The Town has not assessed the impact of these statements on its future financial statements.

TOWN OF GRAND ISLAND, NEW YORK

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
GENERAL FUND				
RESOURCES:				
Real property taxes	\$ 2,385,302	\$ 2,385,302	\$ 2,461,985	\$ 76,683
Nonproperty tax items	2,525,000	2,599,000	3,510,198	911,198
Departmental income	75,000	75,000	111,309	36,309
Uses of money and property	6,000	6,000	22,389	16,389
Licenses and permits	67,940	67,940	151,415	83,475
Fines and forfeitures	175,750	175,750	185,495	9,745
Miscellaneous revenue	209,215	256,330	298,265	41,935
State aid	515,000	541,986	784,105	242,119
Interfund revenues	122,576	122,576	122,576	-
Amount available for appropriation	<u>6,081,783</u>	<u>6,229,884</u>	<u>7,647,737</u>	<u>1,417,853</u>
CHARGES TO APPROPRIATIONS:				
General government	2,747,823	2,720,064	2,452,195	(267,869)
Public safety	669,474	695,014	656,298	(38,716)
Health	5,000	5,000	5,000	-
Transportation	276,517	279,877	263,028	(16,849)
Economic assistance and opportunity	321,660	332,405	329,160	(3,245)
Culture and recreation	1,119,984	1,322,924	1,262,361	(60,563)
Home and community service	69,627	82,627	77,498	(5,129)
Employee benefits	1,964,000	1,964,000	1,627,924	(336,076)
Debt service	490,400	490,400	490,399	(1)
Transfers to other funds	122,050	196,050	122,050	(74,000)
Total charges to appropriations	<u>7,786,535</u>	<u>8,088,361</u>	<u>7,285,913</u>	<u>(802,448)</u>
NET CHANGE IN FUND BALANCE	(1,704,752)	(1,858,477)	361,824	2,220,301
FUND BALANCE - beginning of year	<u>9,050,146</u>	<u>9,050,146</u>	<u>9,050,146</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 7,345,394</u>	<u>\$ 7,191,669</u>	<u>\$ 9,411,970</u>	<u>\$ 2,220,301</u>

The accompanying notes are an integral part of these schedules.

TOWN OF GRAND ISLAND, NEW YORK

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
HIGHWAY FUND				
RESOURCES:				
Real property taxes	\$ 2,744,000	\$ 2,744,000	\$ 2,747,088	\$ 3,088
Intergovernmental charges	261,000	261,000	277,627	16,627
Uses of money and property	2,000	2,000	4,730	2,730
Miscellaneous revenue	4,500	21,125	55,725	34,600
State aid	124,000	124,000	153,294	29,294
Interfund Transfers	100,000	100,000	100,000	-
Amount available for appropriation	<u>3,235,500</u>	<u>3,252,125</u>	<u>3,338,464</u>	<u>86,339</u>
CHARGES TO APPROPRIATIONS:				
Transportation	1,985,708	2,075,453	1,916,098	(159,355)
Employee benefits	707,000	707,000	596,805	(110,195)
Debt service	692,995	692,995	692,994	(1)
Transfers to other funds	96,610	96,610	96,610	-
Total charges to appropriations	<u>3,482,313</u>	<u>3,572,058</u>	<u>3,302,507</u>	<u>(269,551)</u>
NET CHANGE IN FUND BALANCE	(246,813)	(319,933)	35,957	355,890
FUND BALANCE - beginning of year	<u>1,229,077</u>	<u>1,229,077</u>	<u>1,229,077</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 982,264</u>	<u>\$ 909,144</u>	<u>\$ 1,265,034</u>	<u>\$ 355,890</u>

The accompanying notes are an integral part of these schedules.

TOWN OF GRAND ISLAND, NEW YORK

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
WATER DISTRICT				
RESOURCES:				
Real property taxes	\$ 710,584	\$ 710,584	\$ 710,584	\$ -
Departmental income	1,932,750	1,932,750	2,061,804	129,054
Uses of money and property	1,200	1,200	1,913	713
Miscellaneous revenue	7,000	7,000	38,702	31,702
Amount available for appropriation	<u>2,651,534</u>	<u>2,651,534</u>	<u>2,813,003</u>	<u>161,469</u>
CHARGES TO APPROPRIATIONS:				
Home and community service	1,733,048	1,757,548	1,539,042	(218,506)
Employee benefits	675,900	651,400	566,219	(85,181)
Debt service	361,605	361,605	361,604	(1)
Transfers to other funds	88,010	88,010	88,010	-
Total charges to appropriations	<u>2,858,563</u>	<u>2,858,563</u>	<u>2,554,875</u>	<u>(303,688)</u>
NET CHANGE IN FUND BALANCE	(207,029)	(207,029)	258,128	465,157
FUND BALANCE - beginning of year	<u>1,131,152</u>	<u>1,131,152</u>	<u>1,131,152</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 924,123</u>	<u>\$ 924,123</u>	<u>\$ 1,389,280</u>	<u>\$ 465,157</u>
SEWER DISTRICT				
RESOURCES:				
Real property taxes	\$ 1,064,600	\$ 1,064,600	\$ 1,064,600	\$ -
Departmental income	2,235,000	2,235,000	2,252,175	17,175
Uses of money and property	1,200	1,200	3,224	2,024
Miscellaneous revenue	7,000	7,000	34,286	27,286
Amount available for appropriation	<u>3,307,800</u>	<u>3,307,800</u>	<u>3,354,285</u>	<u>46,485</u>
CHARGES TO APPROPRIATIONS:				
Home and community service	2,112,143	2,118,453	1,737,438	(381,015)
Employee benefits	658,000	651,690	556,743	(94,947)
Debt service	619,700	619,700	619,699	(1)
Transfers to other funds	444,870	444,870	442,487	(2,383)
Total charges to appropriations	<u>3,834,713</u>	<u>3,834,713</u>	<u>3,356,367</u>	<u>(478,346)</u>
NET CHANGE IN FUND BALANCE	(526,913)	(526,913)	(2,082)	524,831
FUND BALANCE - beginning of year	<u>2,213,563</u>	<u>2,213,563</u>	<u>2,213,563</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 1,686,650</u>	<u>\$ 1,686,650</u>	<u>\$ 2,211,481</u>	<u>\$ 524,831</u>

The accompanying notes are an integral part of these schedules.

TOWN OF GRAND ISLAND, NEW YORK

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
TOTAL OPEB LIABILITY										
Service cost	\$ 124									
Interest	699									
Changes of benefit terms	-									
Differences between expected and actual experience	6,192									
Changes in assumptions	(1,295)									
Benefit payments	(843)									
Total change in total OPEB liability	<u>4,877</u>									
Total OPEB liability - beginning	<u>23,265</u>									
Total OPEB liability - ending (a)	<u>\$ 28,142</u>									
Covered-employee payroll	\$ 4,648									
Total OPEB liability as a percentage of covered-employee payroll	605.49%									

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Notes to schedule:

Changes in assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period

Discount rate: 3.50% 3.10%

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Changes of Assumptions

The healthcare trend cost rates have been reset to an initial rate of 5.30%, increasing to a range of 6.20% to 6.10% for the years 2018 through 2021, then gradually decreasing between 2022 through 2070 to a rate of 4.58%, which caused an increase in liabilities.

Plan Assets. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

TOWN OF GRAND ISLAND, NEW YORK

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN - ERS										
Proportion of the net pension liability (asset)	0.02%	0.02%	0.02%							
Proportionate share of the net pension liability (asset)	\$ 1,639	\$ 2,804	\$ 587							
Covered-employee payroll	\$ 5,151	\$ 5,124	\$ 4,748							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.82%	54.72%	12.36%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.70%	90.70%	97.90%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN - PFRS										
Proportion of the net pension liability (asset)	0.00%	0.00%	0.00%							
Proportionate share of the net pension liability (asset)	\$ 63	\$ 74	\$ 6							
Covered-employee payroll	\$ 102	\$ 90	\$ 81							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	61.76%	82.22%	7.41%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	93.50%	90.20%	99.00%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

TOWN OF GRAND ISLAND, NEW YORK

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN - ERS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 765	\$ 831	\$ 961							
Contributions in relation to the contractually required contribution	<u>765</u>	<u>831</u>	<u>961</u>							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 5,151	\$ 5,124	\$ 4,748							
Contributions as a percentage of covered-employee payroll	14.85%	16.22%	20.24%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN - PFRS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 12	\$ 13	\$ 17							
Contributions in relation to the contractually required contribution	<u>12</u>	<u>13</u>	<u>17</u>							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 102	\$ 90	\$ 81							
Contributions as a percentage of covered-employee payroll	11.76%	14.44%	20.99%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

TOWN OF GRAND ISLAND, NEW YORK

**SUPPLEMENTAL SCHEDULE
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	<u>Special Revenue Funds</u>					Total Nonmajor Governmental Funds
	<u>Debt Service</u>	<u>Special Grant</u>	<u>Lighting Districts</u>	<u>Fire Protection District</u>	<u>Garbage District</u>	
ASSETS						
Cash	\$ -	\$ -	\$ 39,797	\$ 431,618	\$ 259,139	\$ 730,554
Restricted cash	46,438	-	-	-	-	46,438
Due from other funds	<u>1,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,670</u>
Total assets	<u>\$ 48,108</u>	<u>\$ -</u>	<u>\$ 39,797</u>	<u>\$ 431,618</u>	<u>\$ 259,139</u>	<u>\$ 778,662</u>
LIABILITIES AND FUND BALANCES						
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES:						
Restricted	48,108	-	-	-	-	48,108
Assigned	<u>-</u>	<u>-</u>	<u>39,797</u>	<u>431,618</u>	<u>259,139</u>	<u>730,554</u>
Total fund balances	<u>48,108</u>	<u>-</u>	<u>39,797</u>	<u>431,618</u>	<u>259,139</u>	<u>778,662</u>
Total liabilities and fund balances	<u>\$ 48,108</u>	<u>\$ -</u>	<u>\$ 39,797</u>	<u>\$ 431,618</u>	<u>\$ 259,139</u>	<u>\$ 778,662</u>

The accompanying notes are an integral part of these schedules.

TOWN OF GRAND ISLAND, NEW YORK

**SUPPLEMENTAL SCHEDULE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Debt Service	Special Grant	Lighting Districts	Fire Protection District	Garbage District	
REVENUES:						
Real property taxes	\$ -	\$ -	\$ 187,023	\$ 1,290,855	\$ 1,385,670	\$ 2,863,548
Uses of money and property	14,664	-	-	602	602	15,868
Miscellaneous revenue	-	-	-	56,001	-	56,001
Total revenues	<u>14,664</u>	<u>-</u>	<u>187,023</u>	<u>1,347,458</u>	<u>1,386,272</u>	<u>2,935,417</u>
EXPENDITURES:						
Public safety	-	-	-	1,186,641	-	1,186,641
Transportation	-	-	190,237	-	-	190,237
Home and community service	-	-	-	-	1,426,510	1,426,510
Employee benefits	-	-	-	135,015	-	135,015
Debt service -						
Principal	515,000	-	-	-	-	515,000
Interest	<u>139,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,157</u>
Total expenditures	<u>654,157</u>	<u>-</u>	<u>190,237</u>	<u>1,321,656</u>	<u>1,426,510</u>	<u>3,592,560</u>
Excess (deficiency) of revenues over expenditures	<u>(639,493)</u>	<u>-</u>	<u>(3,214)</u>	<u>25,802</u>	<u>(40,238)</u>	<u>(657,143)</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers - in	<u>650,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>650,827</u>
Total other financing sources (uses)	<u>650,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>650,827</u>
NET CHANGE IN FUND BALANCES	11,334	-	(3,214)	25,802	(40,238)	(6,316)
FUND BALANCES - JANUARY 1, 2017	<u>36,774</u>	<u>-</u>	<u>43,011</u>	<u>405,816</u>	<u>299,377</u>	<u>784,978</u>
FUND BALANCES - DECEMBER 31, 2017	<u>\$ 48,108</u>	<u>\$ -</u>	<u>\$ 39,797</u>	<u>\$ 431,618</u>	<u>\$ 259,139</u>	<u>\$ 778,662</u>

The accompanying notes are an integral part of these schedules.