

**TOWN OF TONAWANDA,
NEW YORK**

*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and Federal
Awards Information for the Year Ended
December 31, 2018 and Independent Auditors' Reports*

TOWN OF TONAWANDA, NEW YORK
Table of Contents
Year Ended December 31, 2018

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet—Governmental Funds	16
Reconciliation of the Balance Sheet—Governmental Funds to the Government-wide Statement of Net Position.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)—Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities	19
Statement of Net Position—Proprietary Funds.....	20
Statement of Revenues, Expenses and Changes in Net Position— Proprietary Funds	21
Statement of Cash Flows—Proprietary Funds.....	22
Statement of Net Position—Agency Fund.....	23
Notes to the Financial Statements	24
Required Supplementary Information:	
Schedule of the Town's Proportionate Share of the Net Pension Liability—Police and Fire Retirement System	56

(continued)

TOWN OF TONAWANDA, NEW YORK
Table of Contents
Year Ended December 31, 2018

Schedule of the Town’s Contributions—Police and Fire Retirement System	57
Schedule of the Town’s Proportionate Share of the Net Pension Liability—Employees’ Retirement System	58
Schedule of the Town’s Contributions—Employees’ Retirement System.....	59
Schedule of Changes in the Town’s Total OPEB Liability and Related Ratios	60
Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual—General Fund.....	61
Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual—General Fund—Town Outside Village	62
Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual—Highway Fund—Town Outside Village	63
Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual—Sewer District Fund	64
Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual—Water District Fund.....	65
Notes to the Required Supplementary Information.....	66
Supplementary Information:	
Combining Balance Sheet—Nonmajor Governmental Funds.....	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds	68
Combining Balance Sheet—Capital Projects Fund.....	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)—Capital Projects Fund	70
Federal Awards Information:	
Schedule of Expenditures of Federal Awards	71
Notes to the Schedule of Expenditures of Federal Awards	72

(continued)

TOWN OF TONAWANDA, NEW YORK
Table of Contents
Year Ended December 31, 2018

(concluded)

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	73
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	75
Schedule of Findings and Questioned Costs	77
Summary Schedule of Prior Audit Findings	79

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Town Board
Town of Tonawanda, 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 Tonawanda, New York (the "Town"), as of and for the year ended December 31, 2018, 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

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, the Town implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, 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.

Other 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 Supplementary Information, as listed in the table of contents, and Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards 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 Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Drescher & Malecki LLP

June 20, 2019

TOWN OF TONAWANDA, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2018

As management of the Town of Tonawanda, New York (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2018. This document should be read in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation.

Financial Highlights

- The liabilities and deferred inflows of resources of the Town exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$299,720,754 (*net position*). This consists of \$75,845,293 net investment in capital assets, \$23,997,203 restricted for specific purposes, offset by an unrestricted net position of \$(399,563,250).
- The Town's governmental activities net position decreased \$5,063,739 during the year ended December 31, 2018.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$43,674,512, an increase of \$4,388,496 in comparison with the prior year. Excluding the Capital Projects Fund fund balance deficit of \$18,254,337, the Town had unrestricted fund balances of \$40,823,914, which consist of assigned and unassigned fund balances; the remainder is subject to external restrictions (restricted) or is not available for spending (nonspendable).
- The General Fund reported an increase in fund balance this year of \$354,854. At December 31, 2018, unassigned fund balance for the General Fund was \$6,405,993, or 24.0 percent of total General Fund expenditures and transfers out.
- During the year ended December 31, 2018, the Town's total serial bonds outstanding decreased \$2,340,392 as a result of scheduled principal payments.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, and interest and fiscal charges. The Town does not engage in any business type activities.

The government-wide financial statements can be found on pages 14-15 of this report.

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

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

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

The Town maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, General—Town Outside Village, Highway—Town Outside Village, Special Grants, Sewer District, Water District, and Capital Projects funds, all of which are considered to be major funds. Data from the other four funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds—The town maintains one type of proprietary fund. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for its self-insurance and workers' compensation insurance programs. Because these insurance services predominantly benefit

governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Self Insurance Fund and Workers' Compensation Fund.

The proprietary fund financial statements can be found on pages 20-22 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources are *not* available to support the Town's own programs. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Town maintains one fiduciary fund, the Agency Fund.

The fiduciary fund financial statement can be found on page 23 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-55 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town's net pension liability, the Town's other postemployment benefits ("OPEB") liability, and the Town's budgetary comparison schedules for each major fund with a legally adopted budget. Required Supplementary Information and related notes can be found on pages 56-66 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and the Capital Projects Fund are presented as other supplementary information immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 67-70.

The Federal Awards Information can be found on pages 71-79 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as useful indicator of a government's financial position. In the case of the Town, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$299,720,754 at the close of the most recent year, as compared to \$294,657,015 at the close of the fiscal year ended December 31, 2017, as restated.

Table 1, as presented below, shows condensed statements of net position as of December 31, 2018 and December 31, 2017.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental Activities	
	December 31,	
	2018	2017 (as restated)
Current assets	\$ 78,920,544	\$ 75,809,420
Capital assets	144,149,374	147,283,228
Total assets	<u>223,069,918</u>	<u>223,092,648</u>
Deferred outflows of resources	<u>18,762,117</u>	<u>14,758,250</u>
Current liabilities	31,339,930	33,385,737
Noncurrent liabilities	447,248,200	495,113,996
Total liabilities	<u>478,588,130</u>	<u>528,499,733</u>
Deferred inflows of resources	<u>62,964,659</u>	<u>4,008,180</u>
Net position:		
Net investment in capital assets	75,845,293	76,653,833
Restricted	23,997,203	19,229,931
Unrestricted	<u>(399,563,250)</u>	<u>(390,540,779)</u>
Total net position	<u>\$ (299,720,754)</u>	<u>\$ (294,657,015)</u>

The largest portion of the Town's net position, \$75,845,293, reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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 themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$23,997,203, represents resources that are subject to external restrictions on how they may be used, while the last portion of net position is considered to be an unrestricted net position of \$(399,563,250). This demonstrates that future funding will be necessary to liquidate long-term obligations.

Table 2, presented on the following page, shows the changes in net position for the years ended December 31, 2018 and December 31, 2017.

Table 2—Condensed Statements of Changes in Net Position—Primary Government

	Governmental Activities	
	Year Ended December 31,	
	2018	2017 (as restated)
Program revenues:		
Charges for services	\$ 33,716,293	\$ 29,921,958
Operating grants and contributions	4,852,351	5,077,884
Capital grants and contributions	114,771	25,000
General revenues	<u>64,484,733</u>	<u>64,043,888</u>
Total revenues	<u>103,168,148</u>	<u>99,068,730</u>
 Program expenses	 <u>108,231,887</u>	 <u>123,925,294</u>
 Change in net position	 (5,063,739)	 (24,856,564)
 Net position—beginning	 (294,657,015)	 (805,613)
Restatement	<u>-</u>	<u>(268,994,838)</u>
Net position—ending	<u>\$ (299,720,754)</u>	<u>\$ (294,657,015)</u>

A summary of sources of revenues of the primary government for the years ended December 31, 2018 and December 31, 2017 is presented below in Table 3.

Table 3 – Summary of Sources of Revenues—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2018	2017	Dollars	Percent (%)
Charges for services	\$ 33,716,293	\$ 29,921,958	\$ 3,794,335	12.7
Operating grants and contributions	4,852,351	5,077,884	(225,533)	(4.4)
Capital grants and contributions	114,771	25,000	89,771	359.1
Property taxes and tax items	47,894,142	46,877,308	1,016,834	2.2
Sales tax	8,309,910	8,030,945	278,965	3.5
Mortgage tax	1,281,108	1,237,215	43,893	3.5
Franchise tax	1,120,948	1,107,843	13,105	1.2
Use of money and property	909,517	647,176	262,341	40.5
Sale of property and compensation for loss	244,841	353,422	(108,581)	(30.7)
Miscellaneous	886,725	2,283,824	(1,397,099)	(61.2)
Unrestricted state aid	<u>3,837,542</u>	<u>3,506,155</u>	<u>331,387</u>	9.5
Total revenues	<u>\$ 103,168,148</u>	<u>\$ 99,068,730</u>	<u>\$ 4,099,418</u>	4.1

Overall revenues increased \$4,099,418 from the prior year, primarily due to increased usage and rates within the Sewer and Water Districts.

The most significant source of revenues is property taxes and tax items, which accounts for \$47,894,142, or 46.4 percent of total revenues, for the year ended December 31, 2018, and \$46,877,308, or 47.3 percent of total revenues, for the year ended December 31, 2017. The next largest source of revenue is charges for services of \$33,716,293, or 32.7 percent of total revenues for the year ended December 31, 2018 and \$29,921,958, or 30.2 percent of total revenues for the years ended December 31, 2017, respectively.

A summary of program expenses for the years ended December 31, 2018 and December 31, 2017 is presented below in Table 4.

Table 4—Summary of Program Expenses—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2018	2017	Dollars	Percent (%)
General government support	\$ 11,688,488	\$ 10,113,991	\$ 1,574,497	15.6
Public safety	26,173,233	34,473,227	(8,299,994)	(24.1)
Health	2,211,122	2,872,080	(660,958)	(23.0)
Transportation	13,721,785	13,166,599	555,186	4.2
Economic assistance and opportunity	104,712	621,658	(516,946)	(83.2)
Culture and recreation	15,535,614	16,900,878	(1,365,264)	(8.1)
Home and community services	37,610,995	44,360,658	(6,749,663)	(15.2)
Interest and fiscal charges	1,185,938	1,416,203	(230,265)	(16.3)
Total	<u>\$ 108,231,887</u>	<u>\$ 123,925,294</u>	<u>\$ (15,693,407)</u>	(12.7)

Overall expenses decreased 12.7 percent from the prior year, primarily due to decreases of \$8,299,994 and \$6,749,663 in public safety and home and community services, respectively. These decreases are due primarily to the change in allocable employee benefits for the Town's other postemployment benefits as a result of the implementation of GASB 75.

The Town's significant program expense items for the year ended December 31, 2018 were home and community services of \$37,610,995 (primarily sewer, water, and sanitation services), or 34.8 percent of total expenses, public safety of \$26,173,233 (primarily police services), or 24.2 percent of total expenses, culture and recreation of \$15,535,614, or 14.4 percent of total expenses, and transportation of \$13,721,785, or 12.7 percent of total expenses. Similarly, for the year ended December 31, 2017, significant program expense items were home and community services of \$44,360,658, or 35.8 percent of total expenses, public safety of \$34,473,227, or 27.8 percent of total expenses, culture and recreation of \$16,900,878, or 13.6 percent of total expenses, and transportation of \$13,166,599, or 10.6 percent of total expenses.

Financial Analysis of the Town's Funds

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

At December 31, 2018, the Town's governmental funds reported combined ending fund balances of \$43,674,512, an increase of \$4,388,496 in comparison with the prior year, as restated. Excluding the Capital Projects Fund fund balance deficit of \$18,254,337, the Town reported total fund balances of \$61,928,849. Approximately 47.7 percent of this amount, \$29,554,379, constitutes *unassigned fund balance* for the General Fund and fund balance *assigned to specific use* for the special revenue funds which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable, restricted, committed, or assigned* for other purposes to indicate that it is: (1) not in spendable form, \$2,370,139, (2) restricted for particular purposes, \$18,734,796, (3) committed for capital improvements, \$2,562,317, or (4) assigned for encumbrances and subsequent year's expenditures, \$8,707,218.

A summary of the Town's major funds' fund balance, excluding the Special Grants Fund and Capital Projects Fund, is provided below in Table 5.

Table 5—Major Funds' Fund Balance

	General— Town Outside General	General— Town Outside Village	Highway— Town Outside Village	Sewer District	Water District
Net change in fund balances	\$ 354,854	\$ 3,575	\$ 713,624	\$ 2,574,895	\$ 703,987
Unassigned or assigned to the fund's specific use	6,405,993	3,066,705	2,105,499	9,962,802	4,379,853
Total fund balances	10,691,420	8,049,404	3,740,578	13,829,004	11,509,013
Percentage unassigned or assigned to specific use	59.9%	38.1%	56.3%	72.0%	38.1%

The General Fund is the chief operating fund of the Town. The Town's General Fund ending fund balance was \$10,691,420. Approximately 59.9 percent, \$6,405,993, of this amount is *unassigned fund balance*. Total fund balance increased by \$354,854 during 2018, as compared to an anticipated decrease of \$2,880,647 within the final budget. The variance from the final budget was primarily the result of spending under appropriation limits for the functions of employee benefits, general government support and culture and recreation, coupled with actual revenues exceeding budgeted amounts.

The Town's General Fund—Town Outside Village ending fund balance was \$8,049,404. Approximately 38.1 percent, \$3,066,705, of this amount is *fund balance assigned to specific use*. The total fund balance increased by \$3,575 during 2018, as compared to an anticipated decrease of \$3,850,146 within the final budget. The variance from the final budget was primarily the result of spending under appropriation limits for the functions of employee benefits and public safety and greater than anticipated sales tax.

The Town's Highway Fund—Town Outside Village ending fund balance was \$3,740,578. Approximately 56.3 percent, \$2,105,499, of this amount is *fund balance assigned to specific use*. The fund balance increased by \$713,624 during 2018, as compared to an anticipated decrease of \$410,227 within the final budget. The variance from the final budget was primarily the result of spending under appropriation limits for employee benefits coupled with unanticipated state aid revenues.

The Town's Special Grants Fund ending fund balance was \$9,613,503. The fund balance increased by \$216,508 during 2018. The appropriations of the Special Grants Fund are approved based on grants received and vary from year to year.

The Town’s Sewer District Fund ending fund balance was \$13,829,004. Approximately 72.0 percent, \$9,962,802, of this amount is *fund balance assigned to specific use*. The fund balance increased by \$2,574,895 during 2018, as compared to an anticipated decrease of \$2,441,546 within the final budget. The variance from the final budget was primarily the result of unanticipated increase in departmental income related to usage, as well as spending under appropriation limits for the function of home and community services.

The Town’s Water District Fund ending fund balance was \$11,509,013. Approximately 38.1 percent, \$4,379,853, of this amount is *fund balance assigned to specific use*. The fund balance increased by \$703,987 during 2018, as compared to an anticipated decrease of \$1,365,269 within the final budget. The variance from the final budget was primarily the result of additional transfers in for the establishment of the debt reserve and spending under appropriation limits for the function of home and community services and employee benefits.

The Town’s Capital Projects Fund reported an ending fund balance deficit of \$18,254,337. This deficit increased by \$159,406 during 2018 as a result of capital projects expenditures financed with bond anticipation notes (“BANS”), which do not qualify for treatment as proceeds of a long-term liability.

General Fund Budgetary Highlights

The Town’s General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward, increased, for prior year’s encumbrances since the funds were allocated under the previous year’s budget, and the Town has appropriately assigned an equal amount of fund balance at year-end for this purpose. Furthermore, the budget is allowed to be amended upward, increased, for additional current year appropriations supported by an increase in budgeted revenues. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget. A summary of the General Fund results of operations for the year ended December 31, 2018 is presented below in Table 6.

Table 6—General Fund Budget

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues	\$ 26,213,059	\$ 26,245,927	\$ 27,046,284	\$ 800,357
Expenditures and other financing uses	28,927,344	29,126,574	26,691,430	2,435,144
Excess (deficiency) of revenues over expenditures and other financing uses	<u>\$ (2,714,285)</u>	<u>\$ (2,880,647)</u>	<u>\$ 354,854</u>	<u>\$ 3,235,501</u>

Original budget compared to final budget—During the year, there was a \$199,230 difference between the original and final amended budgeted appropriations of the General Fund. This increase was due primarily to an increase in transfers out for capital purposes.

Final budget compared to actual results—A review of actual expenditures and transfers out and revenues and transfers in compared to appropriations and estimated revenues in the final budget yields certain variances within the General Fund. Expenditures and transfers out were \$2,435,144 less than corresponding final budgeted appropriations, while revenues were \$800,357 more than corresponding final budgeted estimated revenues. The main components of the variance of expenditures are presented on the following page.

- Employee benefits expenditures were \$1,094,386 less than budgeted largely due to fewer retirements than anticipated and less than expected hospital and medical insurance expenditures.
- General government support expenditures were \$415,307 less than budgeted due to several positions not being filled.
- Culture and recreation expenditures were \$403,041 less than budgeted largely due to vacant positions coupled with a decrease in the cost of utilities such as gasoline.

Capital Assets and Debt Administration

Capital assets—The Town’s investment in capital assets for its governmental activities as of December 31, 2018, amounted to \$144,149,374 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, construction in progress, infrastructure, buildings and improvements, vehicles and equipment.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the Town’s capital asset policy.

Capital assets net of depreciation for the governmental activities at December 31, 2018 and 2017 are presented below in Table 7.

Table 7—Summary of Capital Assets (Net of Depreciation)

	Governmental Activities	
	December 31,	
	2018	2017
Land	\$ 1,493,633	\$ 1,493,633
Construction in progress	7,524,641	4,557,211
Building and improvements	14,299,239	15,335,094
Transportation network	7,374,201	7,878,467
Sewer network	79,237,252	82,491,973
Water network	17,967,465	18,776,905
Drainage network	6,218,000	6,471,800
Improvements other than buildings	1,261,697	1,484,609
Machinery and equipment	8,773,246	8,793,536
Total	<u>\$ 144,149,374</u>	<u>\$ 147,283,228</u>

The Town’s infrastructure assets are recorded at historical cost or estimated historical cost in the government-wide financial statements. The Town has elected to depreciate their infrastructure assets. Additional information on the Town’s capital assets can be found in Note 5 of this report.

Long-term debt—At December 31, 2018, the Town’s governmental activities had serial bonds outstanding of \$48,592,000 as compared to \$50,932,392 in the prior year. New York State statutes limit the amount of general obligation debt a governmental entity may issue up to 7% of its five year valuation and the Town’s outstanding general obligation debt as of December 31, 2018 continues to be below the current debt limitations for the Town.

A summary of the Town’s long-term liabilities at December 31, 2018 and 2017 is presented below within Table 8.

Table 8—Summary of Long-Term Liabilities

	December 31,	
	2018	2017
	<u>2018</u>	<u>(as restated)</u>
Serial bonds	\$ 48,592,000	\$ 50,932,392
Landfill closure and post closure liability	5,308,095	5,317,837
Compensated absences	453,239	460,459
Other postemployment benefits	385,107,962	421,387,507
Capital lease	1,457,744	1,602,072
Net pension liability	<u>6,329,160</u>	<u>15,413,729</u>
Total	<u>\$ 447,248,200</u>	<u>\$ 495,113,996</u>

Additional information on the Town’s long-term liabilities can be found in Note 12 to the financial statements.

Economic Factors and Next Year’s Budget

The unemployment rate, not seasonally adjusted, for the Town during December 2018 was 3.6 percent. This is favorable when compared to both the New York State and the national unemployment rate of 3.9 percent. These factors are considered in preparing the Town’s budget.

The Town considered current year operational expenses and estimated increases based on economic factors when establishing the 2019 budget. The Town’s 2019 budget includes the appropriation of \$2,500,000 of fund balance in the General Fund and \$5,500,000 in other funds. Additional information on the Town’s budgeted appropriations of fund balance can be found in Note 13 to the financial statements.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Town’s finances and to show the Town’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Supervisor’s Office, Town of Tonawanda, 2919 Delaware Avenue, Kenmore, NY 14217.

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TOWN OF TONAWANDA, NEW YORK
Statement of Net Position
December 31, 2018

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 24,502,002
Investments	9,522,060
Restricted cash and cash equivalents	19,054,367
Receivables	7,152,925
Intergovernmental receivables	6,058,164
Due from Agency Fund	1,364,887
Inventories	847,681
Prepaid items	1,911,933
Rehabilitation loans receivable	8,506,525
Capital assets not being depreciated	9,018,274
Capital assets, net of accumulated depreciation	135,131,100
Total assets	223,069,918
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pensions	18,762,117
Total deferred outflows of resources	18,762,117
LIABILITIES	
Accounts payable	2,677,053
Retainage payable	47,331
Accrued liabilities	8,043,512
Intergovernmental payables	303,721
Due to Agency Fund	443,243
Bond anticipation notes payable	19,312,705
Unearned revenues	512,365
Noncurrent liabilities:	
Due within one year	2,325,279
Due within more than one year	444,922,921
Total liabilities	478,588,130
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pensions	17,298,414
Deferred inflows—relating to OPEB	45,666,245
Total deferred inflows of resources	62,964,659
NET POSITION	
Net investment in capital assets	75,845,293
Restricted for:	
Equipment and capital improvements	6,054,637
Repairs	3,033,797
Leachate	98,142
Public safety	718,121
Retirement	8,911
Community development	5,000
Rehabilitation loans	9,612,210
Debt	1,766,295
Workers compensation	2,700,090
Unrestricted	(399,563,250)
Total net position	\$ (299,720,754)

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

TOWN OF TONAWANDA, NEW YORK
Statement of Activities
Year Ended December 31, 2018

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and Changes</u> <u>in Net Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Primary</u> <u>Governmental</u> <u>Activities</u>
Primary government:					
Governmental activities:					
General government support	\$ 11,688,488	\$ 1,105,425	\$ -	\$ -	\$ (10,583,063)
Public safety	26,173,233	2,084,257	44,112	-	(24,044,864)
Health	2,211,122	54,674	-	-	(2,156,448)
Transportation	13,721,785	917,685	1,111,345	114,771	(11,577,984)
Economic assistance and opportunity	104,712	-	-	-	(104,712)
Culture and recreation	15,535,614	4,032,953	204,294	-	(11,298,367)
Home and community services	37,610,995	25,521,299	3,492,600	-	(8,597,096)
Interest and fiscal charges	1,185,938	-	-	-	(1,185,938)
Total primary government	<u>\$ 108,231,887</u>	<u>\$ 33,716,293</u>	<u>\$ 4,852,351</u>	<u>\$ 114,771</u>	<u>(69,548,472)</u>
General revenues:					
Real property taxes and tax items					47,894,142
Sales tax					8,309,910
Mortgage tax					1,281,108
Franchise tax					1,120,948
Use of money and property					909,517
Sale of property and compensation for loss					244,841
Miscellaneous					886,725
Unrestricted state aid					3,837,542
Total general revenues					<u>64,484,733</u>
Change in net position					(5,063,739)
Net position—beginning, as restated					<u>(294,657,015)</u>
Net position—ending					<u>\$ (299,720,754)</u>

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

TOWN OF TONAWANDA, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2018

	<u>Special Revenue</u>							Total Nonmajor Funds	Total Governmental Funds
	General	General— Town Outside Village	Highway— Town Outside Village	Special Grants	Sewer District	Water District	Capital Projects		
ASSETS									
Cash and cash equivalents	\$ 3,019,841	\$ 2,216,013	\$ 2,116,147	\$ -	\$ 6,827,457	\$ 4,646,408	\$ -	\$ 4,723,676	\$ 23,549,542
Investments	8,036,798	435,095	123,284	-	926,883	-	-	-	9,522,060
Restricted cash and cash equivalents	1,457,286	1,211,384	1,045,934	1,430,064	1,414,761	4,108,630	2,548,610	99,915	13,316,584
Receivables	152,099	471,597	310,663	-	3,288,509	2,875,212	20,836	33,068	7,151,984
Intergovernmental receivables	31,715	2,967,110	902,183	201,365	1,154,317	49,454	75,000	-	5,381,144
Due from other funds	550,353	1,160,523	188,913	207,529	1,373,813	130,278	310,937	117,963	4,040,309
Inventories	-	-	-	-	-	847,681	-	-	847,681
Rehabilitation loans receivable	-	-	-	8,506,525	-	-	-	-	8,506,525
Prepaid items	341,146	729,325	106,778	-	132,838	97,217	-	115,154	1,522,458
Total assets	<u>\$ 13,589,238</u>	<u>\$ 9,191,047</u>	<u>\$ 4,793,902</u>	<u>\$ 10,345,483</u>	<u>\$ 15,118,578</u>	<u>\$ 12,754,880</u>	<u>\$ 2,955,383</u>	<u>\$ 5,089,776</u>	<u>\$ 73,838,287</u>
LIABILITIES									
Accounts payable	\$ 516,573	\$ 272,307	\$ 165,547	\$ 157,618	\$ 481,904	\$ 331,325	\$ 383,571	\$ 308,512	\$ 2,617,357
Accrued liabilities	1,089,072	854,573	269,769	10,773	400,541	279,734	-	277,437	3,181,899
Intergovernmental payables	124,388	5,371	-	59,074	78,902	28,086	-	7,900	303,721
Due to other funds	961,853	-	338,008	207,474	227	74,902	1,513,444	-	3,095,908
Bond anticipation notes payable	-	-	-	-	-	-	19,312,705	-	19,312,705
Unearned revenue	205,932	9,392	-	297,041	-	-	-	-	512,365
Total liabilities	<u>2,897,818</u>	<u>1,141,643</u>	<u>773,324</u>	<u>731,980</u>	<u>961,574</u>	<u>714,047</u>	<u>21,209,720</u>	<u>593,849</u>	<u>29,023,955</u>
DEFERRED INFLOWS OF RESOURCES									
Special assessments	-	-	280,000	-	328,000	531,820	-	-	1,139,820
Total deferred inflows of resources	-	-	280,000	-	328,000	531,820	-	-	1,139,820
FUND BALANCES (DEFICIT)									
Nonspendable	341,146	729,325	106,778	-	132,838	944,898	-	115,154	2,370,139
Restricted	1,251,354	1,201,992	1,045,934	9,612,210	1,414,761	4,108,630	-	99,915	18,734,796
Committed	-	-	-	-	862,238	1,700,079	-	-	2,562,317
Assigned	2,692,927	6,118,087	2,587,866	1,293	11,419,167	4,755,406	-	4,280,858	31,855,604
Unassigned	6,405,993	-	-	-	-	-	(18,254,337)	-	(11,848,344)
Total fund balances (deficit)	<u>10,691,420</u>	<u>8,049,404</u>	<u>3,740,578</u>	<u>9,613,503</u>	<u>13,829,004</u>	<u>11,509,013</u>	<u>(18,254,337)</u>	<u>4,495,927</u>	<u>43,674,512</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,589,238</u>	<u>\$ 9,191,047</u>	<u>\$ 4,793,902</u>	<u>\$ 10,345,483</u>	<u>\$ 15,118,578</u>	<u>\$ 12,754,880</u>	<u>\$ 2,955,383</u>	<u>\$ 5,089,776</u>	<u>\$ 73,838,287</u>

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

TOWN OF TONAWANDA, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
December 31, 2018

Amounts reported for governmental activities in the statement of net position (page 14) are different because:

Total fund balances (deficit)—governmental funds (page 16)	\$	43,674,512
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of the assets is \$340,943,208 and the accumulated depreciation is \$196,793,834.		144,149,374
Intergovernmental receivables used in governmental activities are not an available financial resource and, therefore, are not reported in the funds.		677,020
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows related to employer contributions	\$	4,553,472
Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion		14,208,645
Deferred inflows of resources related to pensions	<u>(17,298,414)</u>	1,463,703
Deferred inflows of resources related to differences between expected and actual experience and changes of assumptions in other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the fund statements.		(45,666,245)
Retained percentages are not a current liability and, therefore, are not reported in the funds.		(47,331)
Net accrued interest expense on long-term debt is not reported in the funds.		(375,326)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:		
Serial bonds	\$	(48,592,000)
Landfill closure and post closure liability		(5,308,095)
Compensated absences		(453,239)
Other postemployment benefits		(385,107,962)
Capital lease		(1,457,744)
Net pension liability	<u>(6,329,160)</u>	(447,248,200)
Unavailable special assessments are reported as deferred inflows of resources in the governmental funds, as they are not current financial resources.		1,139,820
Internal service funds are used by management to charge the costs of health insurance and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		<u>2,511,919</u>
Net position of governmental activities	\$	<u><u>(299,720,754)</u></u>

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

TOWN OF TONAWANDA, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)—Governmental Funds
Year Ended December 31, 2018

	Special Revenue							Total Nonmajor Funds	Total Governmental Funds
	General	General— Town Outside Village	Highway— Town Outside Village	Special Grants	Sewer District	Water District	Capital Projects		
REVENUES									
Real property taxes	\$ 14,418,258	\$ 12,797,153	\$ 5,961,943	\$ -	\$ 2,421,098	\$ -	\$ -	\$ 11,350,029	\$ 46,948,481
Other property tax items	508,413	300,650	136,598	-	-	-	-	-	945,661
Non-property tax items	-	8,530,263	900,595	-	-	-	-	-	9,430,858
Departmental income	4,376,226	70,511	-	471,343	12,016,538	10,378,331	148,990	47,674	27,509,613
Intergovernmental charges	1,025	269,239	184,722	-	2,075,917	5,520	16,863	-	2,553,286
Use of money and property	319,910	251,361	27,310	184	64,069	177,587	-	45,022	885,443
Licenses and permits	156,976	582,167	-	-	-	-	-	-	739,143
Fines and forfeitures	1,467,693	8,132	-	-	-	-	-	-	1,475,825
Sale of property and compensation for loss	1,232	114,550	65,459	-	34,017	29,583	-	-	244,841
Miscellaneous	22,336	53,452	-	-	-	-	810,937	-	886,725
Interfund revenue	3,716,861	235,000	717,713	-	-	-	-	-	4,669,574
State aid	2,057,354	1,473,531	1,111,345	150,000	151,960	201,414	114,771	-	5,260,375
Federal aid	-	112,192	-	1,531,215	-	-	-	-	1,643,407
Total revenues	<u>27,046,284</u>	<u>24,798,201</u>	<u>9,105,685</u>	<u>2,152,742</u>	<u>16,763,599</u>	<u>10,792,435</u>	<u>1,091,561</u>	<u>11,442,725</u>	<u>103,193,232</u>
EXPENDITURES									
Current:									
General government support	4,690,386	1,414,680	-	-	-	-	-	-	6,105,066
Public safety	997,737	13,804,921	-	-	-	-	-	803,093	15,605,751
Health	1,271,125	8,976	-	-	-	-	-	-	1,280,101
Transportation	929,647	-	5,167,912	-	-	-	-	1,613,417	7,710,976
Economic assistance and opportunity	63,624	-	-	-	-	-	-	-	63,624
Culture and recreation	8,946,892	-	-	-	-	-	-	-	8,946,892
Home and community services	903,796	362,533	-	1,752,837	7,825,582	6,552,007	-	5,435,147	22,831,902
Employee benefits	7,342,534	8,093,362	2,530,930	183,397	2,507,409	2,034,874	-	2,425,354	25,117,860
Debt service:									
Principal	284,831	6,018	150,000	-	1,798,871	170,000	-	75,000	2,484,720
Interest	67,528	5,769	51,600	-	916,511	216,736	-	73,529	1,331,673
Capital outlay	-	-	-	-	-	-	4,126,171	-	4,126,171
Total expenditures	<u>25,498,100</u>	<u>23,696,259</u>	<u>7,900,442</u>	<u>1,936,234</u>	<u>13,048,373</u>	<u>8,973,617</u>	<u>4,126,171</u>	<u>10,425,540</u>	<u>95,604,736</u>
Excess (deficiency) of revenues over expenditures	<u>1,548,184</u>	<u>1,101,942</u>	<u>1,205,243</u>	<u>216,508</u>	<u>3,715,226</u>	<u>1,818,818</u>	<u>(3,034,610)</u>	<u>1,017,185</u>	<u>7,588,496</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	21,578	483,139	-	518,493	1,566,577	5,380,183	15,197	7,985,167
Transfers out	(1,193,330)	(1,119,945)	(974,758)	-	(1,658,824)	(2,681,408)	(2,504,979)	(1,051,923)	(11,185,167)
Total other financing sources (uses)	<u>(1,193,330)</u>	<u>(1,098,367)</u>	<u>(491,619)</u>	<u>-</u>	<u>(1,140,331)</u>	<u>(1,114,831)</u>	<u>2,875,204</u>	<u>(1,036,726)</u>	<u>(3,200,000)</u>
Net change in fund balances (deficit)	354,854	3,575	713,624	216,508	2,574,895	703,987	(159,406)	(19,541)	4,388,496
Fund balances (deficit)—beginning, as restated	<u>10,336,566</u>	<u>8,045,829</u>	<u>3,026,954</u>	<u>9,396,995</u>	<u>11,254,109</u>	<u>10,805,026</u>	<u>(18,094,931)</u>	<u>4,515,468</u>	<u>39,286,016</u>
Fund balances (deficit)—ending	<u>\$ 10,691,420</u>	<u>\$ 8,049,404</u>	<u>\$ 3,740,578</u>	<u>\$ 9,613,503</u>	<u>\$ 13,829,004</u>	<u>\$ 11,509,013</u>	<u>\$ (18,254,337)</u>	<u>\$ 4,495,927</u>	<u>\$ 43,674,512</u>

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

TOWN OF TONAWANDA, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended December 31, 2018

Amounts reported for governmental activities in the statement of activities (page 15) are different because:

Net change in fund balances (deficit)—total governmental funds (page 18)		\$ 4,388,496
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays, loss on disposals and reclassifications in the current period.</p>		
Capital asset additions	\$ 4,942,421	
Loss on disposal and reclassifications of capital assets	(137,687)	
Depreciation expense	<u>(7,938,588)</u>	(3,133,854)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(49,158)
<p>Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:</p>		
Direct pension contributions	\$ 6,126,485	
Cost of benefits earned net of employee contributions	<u>(6,328,283)</u>	(201,798)
<p>Deferred inflows of resources relating to OPEB result from differences between expected and actual experience and changes of assumptions. These amounts are shown net of current year amortization.</p>		
		(45,666,245)
<p>Governmental funds report retained percentages expenditures on construction contracts when the retained percentage is paid. However, in the statement of activities retained percentages on construction contracts is reported as an expense as it accrues.</p>		
		(47,331)
<p>In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.</p>		
		145,735
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:</p>		
Repayment of serial bonds	\$ 2,340,392	
Change in landfill closure and post closure	9,742	
Change in compensated absences	7,220	
Change in other postemployment benefits	36,279,545	
Repayment of capital lease	<u>144,328</u>	38,781,227
<p>Internal service funds are used by management to charge the cost of insurance, judgements, claims and related administrative expenses to individual funds. The net excess of charges for such services is reported within governmental activities.</p>		
		<u>719,189</u>
Change in net position of governmental activities		<u>\$ (5,063,739)</u>

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

TOWN OF TONAWANDA, NEW YORK
Statement of Net Position—Proprietary Funds
December 31, 2018

	Governmental Activities		
	Self Insurance Fund	Workers Compensation Fund	Total Internal Service Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 952,460	\$ -	\$ 952,460
Restricted cash and cash equivalents	-	5,737,783	5,737,783
Receivables	-	941	941
Due from other funds	-	7,349	7,349
Prepaid items	389,475	-	389,475
Total current assets	1,341,935	5,746,073	7,088,008
LIABILITIES			
Current liabilities:			
Accounts payable	-	59,696	59,696
Accrued liabilities	1,500,000	2,986,287	4,486,287
Due to other funds	30,106	-	30,106
Total current liabilities	1,530,106	3,045,983	4,576,089
NET POSITION			
Restricted for workers compensation	-	2,700,090	2,700,090
Unrestricted	(188,171)	-	(188,171)
Total net position	\$ (188,171)	\$ 2,700,090	\$ 2,511,919

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

TOWN OF TONAWANDA, NEW YORK
Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds
Year Ended December 31, 2018

	Governmental Activities		
	Self Insurance Fund	Workers Compensation Fund	Total Internal Service Funds
Operating revenues:			
Charges for services	\$ 800,000	\$ 2,400,000	\$ 3,200,000
Operating expenses:			
Administrative expenses	82,384	765,177	847,561
Judgments and claim expenses	123,055	1,101,927	1,224,982
Excess insurance	432,342	-	432,342
Total operating expenses	637,781	1,867,104	2,504,885
Operating income	162,219	532,896	695,115
Nonoperating revenues:			
Interest income	5,176	18,898	24,074
Total nonoperating revenues	5,176	18,898	24,074
Change in net position	167,395	551,794	719,189
Net position—beginning	(355,566)	2,148,296	1,792,730
Net position—ending	\$ (188,171)	\$ 2,700,090	\$ 2,511,919

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

TOWN OF TONAWANDA, NEW YORK
Statement of Cash Flows—Proprietary Funds
Year Ended December 31, 2018

	Governmental Activities		
	Self Insurance Fund	Workers Compensation Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from participating funds and employees	\$ 307,491	\$ 2,379,296	\$ 2,686,787
Payments to suppliers	-	(88,189)	(88,189)
Payments for administrative and judgments and claims	(605,439)	(1,704,803)	(2,310,242)
Net cash (used for) provided by operating activities	<u>(297,948)</u>	<u>586,304</u>	<u>288,356</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	5,176	18,898	24,074
Net cash provided by investing activities	<u>5,176</u>	<u>18,898</u>	<u>24,074</u>
Net (decrease) increase in cash and cash equivalents	(292,772)	605,202	312,430
Cash and cash equivalents—beginning	1,245,232	5,132,581	6,377,813
Cash and cash equivalents—ending	<u>\$ 952,460</u>	<u>\$ 5,737,783</u>	<u>\$ 6,690,243</u>
Reconciliation of operating income to net cash (used for) provided by operating activities:			
Operating income	\$ 162,219	\$ 532,896	\$ 695,115
Adjustments to reconcile operating income to net cash (used for) provided by operating activities:			
Decrease in receivables	-	9,402	9,402
Decrease in prepaid items	3,880	115,000	118,880
(Decrease) in accounts payable	(94,153)	(203,189)	(297,342)
(Decrease) increase in accrued liabilities	(400,000)	162,301	(237,699)
Change in interfund loans	30,106	(30,106)	-
Net cash (used for) provided by operating activities	<u>\$ (297,948)</u>	<u>\$ 586,304</u>	<u>\$ 288,356</u>

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

TOWN OF TONAWANDA, NEW YORK
Statement of Net Position—Agency Fund
December 31, 2018

ASSETS

Restricted cash and cash equivalents	\$ 786,147
Receivables	234,414
Due from other funds	<u>443,243</u>
Total assets	<u>\$ 1,463,804</u>

LIABILITIES

Agency liabilities	\$ 98,917
Due to other funds	<u>1,364,887</u>
Total liabilities	<u>\$ 1,463,804</u>

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

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TOWN OF TONAWANDA, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Tonawanda, New York (the “Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town’s accounting policies are described below.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. The Town reports no business-type activities. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable. The Town reports no component units.

Reporting Entity

The Town is a unit of local government created by the State of New York. The Town operates under provisions of New York State law and various local laws. The five-member Town Board is the legislative body responsible for overall operations. The Supervisor serves as Chief Executive Officer. The Town’s Comptroller serves as Chief Fiscal Officer.

Independently elected officials of the Town include:

Supervisor	Town Clerk
Councilmembers (4)	Superintendent of Highways
Town Justices (2)	

Units of local government which operate within the boundaries of the Town are the County of Erie and the Village of Kenmore. The following basic services are provided: police, highway, sanitation, recreation, sewer service, drainage, street lighting, water service, fire protection through contracts with local volunteer companies and general administration. Public education is provided by two independent school districts within the Town.

Basis of Presentation—Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds and the fiduciary fund, even though the fiduciary fund is excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation—Fund Financial Statements

The fund financial statements provide information about the Town's funds. Separate statements for each fund category—governmental, proprietary and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and proprietary 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 General Fund constitutes the primary operating fund of the Town and includes all operations not required to be recorded in other funds. The principal source of revenue for this fund is real property taxes.
- *General—Town Outside Village Fund*—Located wholly within the Town is the Village of Kenmore, which is an independent governmental entity. The General—Town Outside Village Fund accounts for selected services which cannot be charged to taxable properties located in the Village by various New York State statutes. The major source of revenue for this fund is real property taxes.
- *Highway—Town Outside Village Fund*—The Highway—Town Outside Village Fund is used to record revenues and expenditures related to road maintenance and construction outside Village boundaries. The major source of revenue for this fund is real property taxes.
- *Special Grants Fund*—The Special Grants Fund is used to record all activity related to the Federal Housing and Urban Development Community Development program. The major source of revenue for this fund is federal aid.
- *Sewer District Fund*—The Sewer Fund is used to record all revenues and expenditures related to operation and maintenance of the sewer district. The major source of revenue for this fund is user fees through departmental income.
- *Water District Fund*—The Water District Fund is used to record all revenues and expenditures related to operation and maintenance of the water district. The major source of revenue for this fund is user fees through departmental income.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, the Town reports the following fund types:

Internal Service Funds—The Internal Service Funds are used to account for the Town's insurance program. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions.

- *Self-Insurance Fund*—This fund is used to account for outstanding and potential claims and judgements against the Town.
- *Workers' Compensation Fund*—This fund is used to account for the Town's self-insurance program for workers' compensation claims.

Fiduciary Fund—The Agency Fund is used to account for assets held by the Town as an agent for individuals, other governments, or other funds. The Agency Fund is custodial in nature and does not involve measurement of results of operations. The Agency Fund accounts, such as payroll withholdings, are reported as liabilities.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for *recognition* in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pensions, other post-employment benefits, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

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

Cash, Cash Equivalents and Investments—The Town’s cash, cash equivalents and investments consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. Permissible investments include obligations of the United States Treasury, United State Agencies, repurchase agreements, obligations of New York State or its localities, certificates of deposit and revenue anticipation notes. Investments maturing in more than one year are stated at fair value based on quoted market prices, while investments maturing in less than one year are stated at amortized cost in accordance with GASB.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent cash from unearned revenues, amounts to support fund balance restrictions, unspent proceeds of debt, advanced funds in the workers’ compensation fund to pay for future claims and amounts held on behalf of others.

Inventories—The Town accounts for inventory under the purchase method, whereby inventory purchases are recognized as expenditures regardless of the period used. All inventories are valued at cost using the first in / first out (FIFO) method. The Town considers inventory of the Water District Fund to be significant at year end. Accordingly, the Town has presented such inventory on the balance sheet at December 31, 2018. As a result, the Town has adjusted the prior year inventory balance to reflect actual amounts on hand at year end. This adjustment is presented as a direct adjustment of the beginning fund balance of the Water District Fund. As such, the Town’s beginning fund balance of the Water District Fund at January 1, 2018 of \$10,591,952 has been adjusted to \$10,805,026 to reflect the change in inventory.

Prepaid Items—Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets—Capital assets, which include property, plant, equipment, roads and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost equal to or greater than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value of the item at the date of its donation.

Land and construction in progress are not depreciated. The other capital assets of the Town are depreciated using the straight line method over the estimated useful lives presented on the following page.

Assets	Years
Buildings and building improvements	20-50
Transportation network	20
Sewer network	20-50
Water network	20-50
Drainage network	75
Improvements other than buildings	20
Machinery and equipment	5-15

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new highway vehicle included as part of *expenditures—transportation*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2018, the Town has one item that qualifies for reporting in this category. This item is related to pensions reported in the government-wide financial statements. This represents the effect of the net change in the Town’s proportion of the collective net pension asset or liability, and the difference during the measurement period between the Town’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense and any contributions to the pension systems made subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At December 31, 2018, the Town has three items which qualify for reporting in this category. The first item represents the effect of the net change in the Town’s proportion of the collective net pension liability and the difference during the measurement periods between the Town’s contributions and its proportionate share of total contributions to the pension systems not included in pension expense and it is reported on the government-wide statements. The second item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the Town’s proportion of the collective net OPEB liability and the difference during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability. The last item is unavailable revenue from special assessments, which arise only under a modified accrual basis of accounting. Accordingly, deferred inflows of resources for the special assessments are only reported on the governmental funds balance sheet.

Net Position Flow Assumption—Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

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

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

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

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

Revenues and Expenses/Expenditures

Program Revenues—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting those operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues.

Proprietary Funds Operating and Nonoperating Revenues and Expenses—Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the internal service funds include interfund revenues reported as charges for services. Operating expenses for the internal service funds include administrative costs and expenses associated with insurance and judgments and claims. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

In 2018, tax payments were due January 1 to February 15 without penalty; February 16 to 28 a 1.5% penalty; March 1 to 15 a 3% penalty; March 16 to 31 a 4.5% penalty; April 1 to 17 a 6% penalty; April 18 to May 1 a 7.5% penalty; and 1.5% added each month thereafter.

The tax roll is returned to the Erie County Commissioner of Finance after June 30 at which time all unpaid taxes and penalties are payable to that office. The Town retains their full tax levies and all unpaid items are returned to the County. Thus, the Town is assured of receiving 100% of its tax levy. The County enforces all liens.

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

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At December 31, 2018, the Town reported unearned revenues within the General Fund, General—Town Outside Village Fund, and Special Grant Fund. The Town has received grant, rent, and other funds in advance but has not performed the services, and therefore recognizes a liability.

Compensated Absences—Most Town employees are granted vacation and sick leave and earn compensatory absences in varying amounts. Vacations and compensatory absences not taken may be carried over at the end of the fiscal year in which they are earned. Employees are not entitled to receive payment for unused sick leave in the event of termination or upon retirement. Vacations and compensatory absences carried over at the end of the fiscal year accumulated by governmental fund type employees is recorded as long-term liability as expendable available financial resources will not be used to liquidate these amounts. Instead, such amounts will be paid from subsequent years appropriations for personal services.

Payment of compensated absences recorded in the government-wide financial statements is dependent on many factors; therefore, the timing of future payments is not readily determinable. However, management believes that sufficient resources will be available for the payment of compensated absences when such payments become due.

Pensions—The Town is mandated by New York State law to participate in the New York State Local Employees' Retirement System ("ERS") and the New York State Police and Fire Retirement System ("PFRS"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 7.

Other Postemployment Benefits—In addition to providing pension benefits, the Town provides health insurance coverage and survivor benefits for retired employees and their survivors as discussed in Note 8.

Interfund Revenues—The Town allocates General Fund costs incurred in the general administration of the Town to other funds based on their proportionate benefit of the total costs allocated. In 2018, the Town has reported interfund revenues in the General Fund of \$3,716,861 representing an allocation of costs to various special revenue funds. The amounts are reported as general government support expenditures in the General Fund as well as in the benefitting funds.

Other

Estimates—The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2018, the Town implemented GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*. GASB Statement No. 75 replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, and requires more extensive note disclosures and required supplementary information about their OPEB liabilities. GASB Statement No. 85 enhances consistency in the application of accounting and financial reporting requirements. GASB Statement No. 86 improves 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—were 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. Other than the matter discussed in Note 2, the implementation of GASB Statements No. 75, 85, and 86 did not have a material impact on the Town’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Town has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; and No. 90, *Majority Equity Interests—an amendment of GSAB Statements No. 14 and No. 61*, effective for the year ending December 31, 2019, No. 87, *Leases*; and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending December 31, 2020, and No. 91, *Conduit Debt Obligations*, effective for the year ending December 31, 2021. The Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 83, 84, 87, 88, 89, 90 and 91 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets—The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to September 30, the Town Supervisor files a “tentative” budget with the Town Clerk for the following fiscal year to commence on January 1. This budget, which includes appropriations and estimated revenues, is then presented to the full Town Board by October 5.
- The full Town Board reviews the tentative budget and may adjust same before approving a “preliminary” budget and calling for a public hearing, which is generally held in November.
- Following the public hearing, revisions may again be made by the Town Board before filing an adopted budget with Erie County by November 20.
- Formal annual budgetary accounts are employed as a management control device for the General and all Special Revenue Funds, except the Special Grants and Capital Projects Funds.
- During the fiscal year, the Town Board can legally amend the operating budgets and is empowered to implement supplemental appropriations. Budget amendments are required for the departmental budgetary control. All budget amendments and budget transfers require Town Board approval.
- Annual budgets for governmental funds, except the Special Grants Fund and Capital Projects Fund, are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A form of encumbrance accounting is employed as an extension of

budgetary control in all governmental funds, under which certain contracts and other commitments outstanding at year-end for the expenditure of monies (encumbrances) are recorded as an assignment of fund balance. All unencumbered appropriations lapse at the end of the fiscal year. On January 1, encumbrance assignments outstanding at year-end are reappropriated to the ensuing year's original budget.

- The Special Grants Fund and the Capital Projects Fund appropriations are not included in the Town's annual budget. Instead appropriations are approved through a Town Board resolution at the grant/project's inception and lapse upon completion/termination of the grant/project.
- Total expenditures for each object classification within a department may not legally exceed the total appropriations for that object classification.

Deficit Fund Balance—At December 31, 2018, the Capital Projects Fund, a major fund, has a deficit fund balance of \$18,254,337. The primary reason for the deficit in this case is that the Town issued bond anticipation notes ("BANs"), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances). When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. Since the BANs are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs or retire the BANs.

Additionally, the Town's Self Insurance Fund had a net position of \$(188,171) at December 31, 2018, an increase of \$167,395 from the prior year net position of \$(355,566). The Town anticipates that this deficit will be remedied through future premiums from appropriated Town funds.

2. RESTATEMENT OF NET POSITION AND FUND BALANCE

During the year ended December 31, 2018, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of GASB Statement No. 75 requires the Town's net OPEB liability to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. As a result of the implementation, the OPEB liability was restated from \$152,179,595 to \$421,387,507 at December 31, 2017.

Additionally, during the year ended December 31, 2018, the Town has adjusted the prior year inventory balance to reflect amounts on hand at year end. As a result of this adjustment, the Town's beginning fund balance of the Water District Fund and net position of governmental activities increased \$213,074.

The effects of the aforementioned restatements to the Town's governmental activities and governmental funds are summarized on the following page.

	Governmental Activities
Net position—December 31, 2017, as previously stated	\$ (25,662,177)
GASB Statement No. 75 implementation:	
OPEB liability adjustment	(269,207,912)
Inventory adjustment	213,074
Net position—December 31, 2017, as restated	<u>\$ (294,657,015)</u>

	Governmental Funds
Fund balance—December 31, 2017, as previously stated	\$ 39,072,942
Inventory adjustment	213,074
Net position—December 31, 2017, as restated	<u>\$ 39,286,016</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Town's 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 New York State. The Supervisor is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Town has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash, cash equivalents and investments at December 31, 2018 are as follows:

	Governmental Funds	Proprietary Funds	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 8,944	\$ -	\$ -	\$ 8,944
Deposits	36,857,182	6,690,243	786,147	44,333,572
Investments	9,522,060	-	-	9,522,060
Total	<u>\$ 46,388,186</u>	<u>\$ 6,690,243</u>	<u>\$ 786,147</u>	<u>\$ 53,864,576</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2018 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 1,222,698	\$ 1,219,671
Uninsured:		
Collateral held by pledging bank's agent in the Town's name	<u>43,859,952</u>	<u>43,113,901</u>
Total	<u>\$ 45,082,650</u>	<u>\$ 44,333,572</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. As noted above, by New York State statute all deposits in excess of FDIC insurance coverage must be collateralized. At December 31, 2018 the Town’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the Town’s name.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent cash from unearned revenues, amounts to support fund balance restrictions, unspent proceeds of debt, advanced funds in the workers’ compensation fund to pay for future claims and amounts held on behalf of others. At December 31, 2018, the Town reported \$19,054,367 of restricted cash and cash equivalents within its governmental activities and \$786,147 within the Agency Fund.

Investments—At December 31, 2018, the Town reported \$9,522,060 in investments, which consists of treasury bills issued with six month maturities, as well as certificates of deposit and other U.S. treasuries with maturity dates ranging from two months to two years. Investments with maturities less than one year are measured at amortized cost, while all other investments are measured at fair value in accordance with GASB. All investments are collateralized at December 31, 2018.

Fair Value Measurements—Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

All investments reported by the Town are measured using level 1 inputs.

Custodial Credit Risk—Investments—For investments, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A margin of 2% or higher of the market value of purchased securities in repurchase transactions must be maintained and the securities must be held by a third party in the Town’s name.

Credit Risk—In compliance with the State law, Town investments are limited to obligations of the Federal government, obligations guaranteed by the Federal government where the payment of principal and interest are guaranteed by the Federal government, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and certain joint or cooperative investment programs.

Concentration of Credit Risk—To promote competition in rates and service cost, and to limit the risk of institutional failure, Town deposits and investments are placed with multiple institutions. The general rule is not to place more than \$100 million or 50% of the Town’s total investment portfolio, whichever is less, in overnight investments with any one institution.

Interest Rate Risk—The Town has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments are limited to a maximum of two years, however the Town generally limits its investments to 180 days or less.

4. RECEIVABLES

Major revenues accrued by the Town at December 31, 2018 consisted of the following:

Receivables—Represents amounts due from various sources. Also included are special assessment receivables from individual property owners. These amounts have been reported as deferred inflows of resources in the balance sheet of the governmental funds and are recognized as revenue when the amounts are both measurable and available. Amounts due to the Town at December 31, 2018 are:

Governmental funds:		
General Fund:		
Various fees and charges		\$ 152,099
General - Town Outside Village Fund:		
Various fees and charges	\$ 326,498	
Franchise fees	<u>145,099</u>	471,597
Highway - Town Outside Village Fund:		
Special assessments	280,000	
Various fees and charges	<u>30,663</u>	310,663
Sewer Fund:		
Sewer rents	2,940,142	
Various fees and charges	<u>348,367</u>	3,288,509
Water District Fund:		
Water rents	2,851,952	
Various fees and charges	<u>23,260</u>	2,875,212
Capital Projects Fund:		
Landfill royalties		20,836
Nonmajor governmental funds:		
Garbage and Refuse District Fund	30,944	
Drainage District Fund	<u>2,124</u>	<u>33,068</u>
Total governmental funds:		<u>\$ 7,151,984</u>
Proprietary Funds		<u>\$ 941</u>
Agency Fund		<u>\$ 234,414</u>

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State, County of Erie or other local governments. Intergovernmental receivables at December 31, 2018 are:

Governmental funds:		
General Fund:		
Due from local sources		\$ 31,715
General - Town Outside Village Fund:		
Due from Federal	\$ 5,778	
Due from Erie County	2,914,540	
Due from local sources	<u>46,792</u>	2,967,110
Highway - Town Outside Village Fund:		
Due from Erie County	353,248	
Due from New York State	<u>548,935</u>	902,183
Special Grants Fund:		
Due from Federal		201,365
Sewer District Fund:		
Due from local sources		1,154,317
Water District Fund:		
Due from local sources		49,454
Capital Projects Fund:		
Due from New York State		<u>75,000</u>
Total governmental funds:		<u>\$ 5,381,144</u>

Rehabilitation Loans Receivable—The Town established a home repair program to provide 0% interest, deferred payment loans to low and moderate-income persons for necessary rehabilitation improvements to housing units. Upon completion of a loan project, the disbursement of loan proceeds is recognized with a corresponding rehabilitation loans receivable within the Special Grants Fund. The loans are secured with a note and mortgage. Repayment is due upon the sale of the house, a change in ownership, the death of the mortgagor, a change in primary residence, or use of income property. The rehabilitation loans receivable is reduced upon repayment. Undisbursed funds associated with rehabilitation loans are maintained in a separate interest bearing bank account and reported as restricted cash within the Special Grants Fund.

Rehabilitation loans receivable are offset by restricted fund balance as they represent funds which are legally or contractually required to be maintained intact. The restricted cash balance of undisbursed rehabilitation loans is offset by restricted fund balance as it represents funds which are subject to externally enforceable legal restrictions.

At December 31, 2018 the Town reported rehabilitation loans receivable of \$8,506,525 and restricted cash of \$1,430,064 related to the home repair program.

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2018 was as follows:

	Balance 1/1/2018	Increases	Decreases	Balance 12/31/2018
Capital assets, not being depreciated:				
Land	\$ 1,493,633	\$ -	\$ -	\$ 1,493,633
Construction in progress	4,557,211	4,066,915	(1,099,485)	7,524,641
Total capital assets, not being depreciated	<u>6,050,844</u>	<u>4,066,915</u>	<u>(1,099,485)</u>	<u>9,018,274</u>
Capital assets, being depreciated:				
Buildings and improvements	38,597,590	5,036	-	38,602,626
Transportation network	28,464,255	174,561	-	28,638,816
Sewer network	158,203,119	-	-	158,203,119
Water network	49,339,264	-	-	49,339,264
Drainage network	19,713,737	-	-	19,713,737
Improvements other than buildings	7,139,932	-	-	7,139,932
Machinery and equipment	29,223,290	1,795,394	(731,244)	30,287,440
Total capital assets, being depreciated	<u>330,681,187</u>	<u>1,974,991</u>	<u>(731,244)</u>	<u>331,924,934</u>
Less accumulated depreciation for:				
Buildings and improvements	(23,262,496)	(1,040,891)	-	(24,303,387)
Transportation network	(20,585,788)	(678,827)	-	(21,264,615)
Sewer network	(75,711,146)	(3,254,721)	-	(78,965,867)
Water network	(30,562,359)	(809,440)	-	(31,371,799)
Drainage network	(13,241,937)	(253,800)	-	(13,495,737)
Improvements other than buildings	(5,655,323)	(222,912)	-	(5,878,235)
Machinery and equipment	(20,429,754)	(1,677,997)	593,557	(21,514,194)
Total accumulated depreciation	<u>(189,448,803)</u>	<u>(7,938,588)</u>	<u>593,557</u>	<u>(196,793,834)</u>
Total capital assets, being depreciated, net	<u>141,232,384</u>	<u>(5,963,597)</u>	<u>(137,687)</u>	<u>135,131,100</u>
Total capital assets, net	<u>\$ 147,283,228</u>	<u>\$ (1,896,682)</u>	<u>\$ (1,237,172)</u>	<u>\$ 144,149,374</u>

Depreciation expense was charged to functions of the governmental activities for the year ended December 31, 2018 as follows:

General government support	\$ 124,718
Public safety	193,679
Health	5,710
Transportation	1,002,120
Culture and recreation	810,941
Home and community services	<u>5,801,420</u>
Total	<u>\$ 7,938,588</u>

6. ACCRUED LIABILITIES

Accrued liabilities include salary and other related liabilities. Accrued liabilities of the Town's governmental funds at December 31, 2018 are:

General Fund	\$ 1,089,072
General—Town Outside Village Fund	854,573
Highway—Town Outside Village Fund	269,769
Special Grants Fund	10,773
Sewer District Fund	400,541
Water District Fund	279,734
Nonmajor funds	<u>277,437</u>
Total governmental funds	<u>\$ 3,181,899</u>

7. PENSION OBLIGATIONS

Plan Description and Benefits Provided

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

The Systems are noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the System’s fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2018, the Town reported the following liabilities for its proportionate share of the net pension liabilities for PFRS and ERS. The net pension liabilities were measured as of March 31, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2017, with update procedures used to roll forward the total net pension liabilities to the measurement date. The Town's proportion of the net pension liabilities were based on projections of the Town's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the Town.

	PFRS	ERS
Measurement date	March 31, 2018	March 31, 2018
Net pension liability	\$ 3,220,400	\$ 3,108,760
Town's portion of the Plan's total net pension liability	0.3186127%	0.0963226%

For the year ended December 31, 2018, the Town recognized pension expenses of \$2,974,463 and \$3,353,820 respectively, for PFRS and ERS. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown below.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PFRS	ERS	PFRS	ERS
Differences between expected and actual experiences	\$ 1,325,484	\$ 1,108,794	\$ 855,734	\$ 916,266
Changes of assumptions	2,440,036	2,061,365	-	-
Net difference between projected and actual earnings on pension plan investments	2,606,536	4,515,228	5,249,422	8,912,606
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	151,202	-	426,125	938,261
Town contributions subsequent to the measurement date	2,014,608	2,538,864	-	-
Total	<u>\$ 8,537,866</u>	<u>\$ 10,224,251</u>	<u>\$ 6,531,281</u>	<u>\$ 10,767,133</u>

The Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	PFRS	ERS
2019	\$ 557,565	\$ 260,980
2020	483,954	232,140
2021	(732,397)	(2,451,629)
2022	(475,566)	(1,123,237)
2023	158,421	-

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

	PFRS	ERS
Measurement date	March 31, 2018	March 31, 2018
Actuarial valuation date	April 1, 2017	April 1, 2017
Interest rate	7.00%	7.00%
Salary scale	4.50%	3.80%
Decrement tables	April 1, 2010- March 31, 2015	April 1, 2010- March 31, 2015
Inflation rate	2.5%	2.5%
Cost-of-living adjustments	1.3%	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2014. The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

	PFRS and ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
	March 31, 2018	
Measurement date		
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.5
Real estate	10.0	5.6
Absolute return strategies	2.0	3.8
Opportunistic portfolio	3.0	5.7
Real assets	3.0	5.3
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.3
Total	100.0 %	

Discount Rate—The discount rate used to calculate the total pension liabilities 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 Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan

members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the Town’s proportionate share of the net pension liability/(asset) 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 one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)—PFRS	\$ 15,774,390	\$ 3,220,400	\$ (7,309,453)
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 23,521,716	\$ 3,108,760	\$ (14,159,785)

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

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2017	April 1, 2017	
Employers' total pension liability	\$ 32,914,423	\$ 183,400,590	\$ 216,315,013
Plan fiduciary net position	31,903,666	180,173,145	212,076,811
Employers' net pension liability	<u>\$ 1,010,757</u>	<u>\$ 3,227,445</u>	<u>\$ 4,238,202</u>
System fiduciary net position as a percentage of total pension liability	96.9%	98.2%	98.0%

8. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description and Benefits Provided—In addition to pension benefits, the Town administers a single-employer defined benefit medical plan (the “Plan”). The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the Town subject to applicable collective bargaining and employment agreements. Generally, the employees may retire with benefits when they reach the age of 55 and have 20 years of service with the Town. The Plan does not issue standalone publicly available financial reports since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Employees Covered by Benefit Terms—At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	451
Active employees	<u>482</u>
Total	<u>933</u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments, which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“AAL”) under GASB Statement No. 45.

Total OPEB Liability

The Town’s total OPEB liability of \$385,107,962 was measured as of January 1, 2018, and was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions and Other Inputs—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the January 1, 2018 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 3.31% effective January 1, 2018 to 3.71% effective December 31, 2018 based on a review of the Fidelity General Obligation 20-Year AA Municipal Bond Index. The salary scale is 2.00%. Adjusted RPH-2014, fully generational using scale MP-2018 was used for mortality rates. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 5.00%, while the ultimate healthcare cost trend rate is 3.78%.

Changes in the Total OPEB Liability—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability
Balance at December 31, 2017, as restated	\$ 421,387,507
Changes for the year:	
Service cost	11,355,069
Interest	14,197,397
Expected and actual experience	(189,182)
Changes of assumptions	(54,006,433)
Benefit payments	(7,636,396)
Net changes	(36,279,545)
Balance at December 31, 2018	\$ 385,107,962

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have a profound impact on total liabilities. The table below presents the effect of a 1% change in the discount rate assumption would have on the total OPEB liability.

	1% Decrease (2.71%)	Current Discount Rate (3.71%)	1% Increase (4.71%)
Total OPEB liability	\$ 465,979,602	\$ 385,107,962	\$ 322,738,883

Additionally, healthcare costs can be subject to considerable volatility over time. The table below presents the effect on the net OPEB liability of a 1% change in the initial (5.0%)/ultimate (3.78%) healthcare cost trend rates.

	1% Decrease <u>(4.0%/2.78%)</u>	Health Healthcare Cost Trend Rates <u>(5.0%/3.78%)</u>	1% Increase <u>(6.0%/4.78%)</u>
Total OPEB liability	\$ 305,441,271	\$ 385,107,962	\$ 492,380,198

Funding Policy—Authorization for the Town to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the Town Board. The Town recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. The Town’s contributions to the OPEB plan are based on negotiated contracts with three bargaining units, as discussed in Note 16. Any amendments to the employer’s contributions are subject to the collective bargaining agreements.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The Town reports deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability. The following table presents the Town’s deferred inflows of resources at December 31, 2018:

	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 159,408
Changes in assumptions	<u>45,506,837</u>
Total	<u>\$ 45,666,245</u>

The amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

<u>Year ending December 31,</u>	
2019	\$ (8,529,370)
2020	(8,529,370)
2021	(8,529,370)
2022	(8,529,370)
2023	(8,529,370)
Thereafter	(3,019,395)

9. RISK MANAGEMENT

The Town assumes the liability for most risk including, but not limited to workers' compensation, property damage, and personal injury liability. The insurance policies obtained at this time include: excess liability; building, contents and property; crime coverage; boiler and machinery; and liquor liability. For these insurance policies, no amount of settlements exceeded the insurance coverage during the past three years. The Town carries commercial excess liability insurance of \$10,000,000 per occurrence. The Town’s building, contents and property policy is limited to \$280,000,000 per occurrence. The Town is insured with commercial crime coverage limited to various amounts dependent on the type of claim.

Judgments and Claims—The Town is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Town reports all of its risk management activities in its Internal Service Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

At December 31, 2018, the judgments and claims liability and the workers' compensation liability are recorded within the Town's Internal Service Fund. The workers' compensation liability at December 31, 2018 reflects the actuarial analysis of the projected liability. Changes in the reported liabilities since January 1, 2018 are presented below.

	Liability at 1/1/2018	Adjustments and Claims	Adjustments and Payments	Liability at 12/31/2018
Judgments and claims	\$ 1,900,000	\$ -	\$ 400,000	\$ 1,500,000
Workers' compensation	2,823,986	200,779	38,478	2,986,287

	Liability at 1/1/2017	Adjustments and Claims	Adjustments and Payments	Liability at 12/31/2017
Judgments and claims	\$ 1,900,000	\$ 531,341	\$ 531,341	\$ 1,900,000
Workers' compensation	3,107,337	27,966	311,317	2,823,986

10. LEASE OBLIGATIONS

Capital Leases—The Town has entered into a lease agreement as a lessee to finance an energy performance project. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. Payments on the original lease commenced June 1, 2009 and are due every three months thereafter (payment dates are March 1, June 1, September 1, and December 1). Payments are each \$52,681 with final payment due March 1, 2027. Nominal annual rate is 4.29 percent. The obligation under the lease is summarized as follows:

Year Ending December 31,	Governmental Activities
2019	\$ 210,725
2020	210,725
2021	210,725
2022	210,725
2023	210,725
2024-2027	684,855
Total minimum lease payments	1,738,480
Less: amount representing interest	(280,736)
Present value of minimum lease payments	<u>\$ 1,457,744</u>

The assets acquired through the capital lease are as follows:

	Governmental Activities
Assets:	
Aquatic & Fitness Center improvements	\$ 2,555,953
Less: accumulated depreciation	(1,022,381)
Total	<u>\$ 1,533,572</u>

11. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs used for assessable improvement projects may be renewed for periods equivalent to the life of the permanent financing provided that annual reductions of principal are made. The Town’s short-term debt for the year ended December 31, 2018 is summarized as follows:

Description	Issue/ Maturity Date	Interest Rate	Balance 1/1/2018	Issues	Redemptions	Balance 12/31/2018
Recorded in the Capital Projects Fund for:						
General Fund:						
Townwide Telephone System	2018/2019	3.50%	-	75,000	-	75,000
Townwide Telephone System	2017/2018	2.00%	125,000	-	125,000	-
General—Town Outside Village Fund:						
Police Detective Vehicles	2018/2019	3.50%	-	78,422	-	78,422
Police Detective Vehicles	2017/2018	2.00%	150,000	-	150,000	-
Highway—Town Outside Village Fund:						
North Youngman Commerce Center	2018/2019	3.50%	-	1,516,863	-	1,516,863
North Youngman Commerce Center	2017/2018	2.00%	2,125,000	-	2,125,000	-
Sewer District:						
Creekside Station and Sanitary Sewer	2018/2019	3.50%	-	750,000	-	750,000
WWTF Sludge Management Improvement	2018/2019	3.50%	-	2,745,189	-	2,745,189
I&I Demonstration Project Construction	2018/2019	3.50%	-	2,400,000	-	2,400,000
High Voltage Substation Retrofit-WWTF	2018/2019	3.50%	-	550,000	-	550,000
Creekside Station and Sanitary Sewer	2017/2018	2.00%	825,000	-	825,000	-
WWTF Sludge Management Improvement	2017/2018	2.00%	2,895,189	-	2,895,189	-
I&I Demonstration Project Construction	2017/2018	2.00%	2,600,000	-	2,600,000	-
High Voltage Substation Retrofit-WWTF	2017/2018	2.00%	575,000	-	575,000	-
Water District:						
Parker Blvd and Water Treatment Plant	2018/2019	3.50%	-	815,278	-	815,278
Kenmore, Chelsea and Green Acres	2018/2019	3.50%	-	881,539	-	881,539
Delaware Road from Deerhurst Blvd to Brighton Rd.	2018/2019	3.50%	-	2,990,354	-	2,990,354
North Youngman Commerce Center	2018/2019	3.50%	-	450,000	-	450,000
Orchard and Cleveland Lines, Sheridan Tank	2018/2019	3.50%	-	1,650,000	-	1,650,000
Oakridge and Lowell and painting of Lincoln Tank	2018/2019	3.50%	-	1,871,257	-	1,871,257
Parker Blvd and Water Treatment Plant	2017/2018	2.00%	940,278	-	940,278	-
Kenmore, Chelsea and Green Acres	2017/2018	2.00%	981,539	-	981,539	-
Delaware Road from Deerhurst Blvd to Brighton Rd.	2017/2018	2.00%	3,275,000	-	3,275,000	-
North Youngman Commerce Center	2017/2018	2.00%	500,000	-	500,000	-
Orchard and Cleveland Lines, Sheridan Tank	2017/2018	2.00%	1,750,000	-	1,750,000	-
Oakridge and Lowell and painting of Lincoln Tank	2017/2018	2.00%	2,500,000	-	2,500,000	-
Drainage District:						
Dupont/Desmond Drainage Line	2018/2019	3.50%	-	825,000	-	825,000
Two Mile Creek Bank Stabilization Improvements	2018/2019	3.50%	-	500,000	-	500,000
Dupont/Desmond Drainage Line	2017/2018	2.00%	925,000	-	925,000	-
Two Mile Creek Bank Stabilization Improvements	2017/2018	2.00%	550,000	-	550,000	-
Garbage and Refuse District Fund:						
Recycling Totes	2018/2019	3.50%	-	1,213,803	-	1,213,803
Recycling Totes	2017/2018	2.00%	1,365,500	-	1,365,500	-
Total			<u>\$ 22,082,506</u>	<u>\$ 19,312,705</u>	<u>\$ 22,082,506</u>	<u>\$ 19,312,705</u>

12. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

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

The Town's outstanding long-term liabilities include serial bonds, landfill closure and post closure liability, compensated absences, OPEB obligation, capital lease, and net pension liability. The serial bonds of the Town are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in long-term debt for the year ended December 31, 2018 follows:

	Balance 1/1/2018 (as restated)	Additions	Reductions	Balance 12/31/2018	Due Within One Year
Serial bonds	\$ 50,932,392	\$ -	\$ 2,340,392	\$ 48,592,000	\$ 2,152,000
Landfill closure and post closure liability	5,317,837	-	9,742	5,308,095	-
Compensated absences	460,459	-	7,220	453,239	22,662
OPEB obligation	421,387,507	25,552,466	61,832,011	385,107,962	-
Capital lease	1,602,072	-	144,328	1,457,744	150,617
Net pension liability*	15,413,729	-	9,084,569	6,329,160	-
Totals	<u>\$ 495,113,996</u>	<u>\$ 25,552,466</u>	<u>\$ 73,418,262</u>	<u>\$ 447,248,200</u>	<u>\$ 2,325,279</u>

(*reductions to the net pension liability are shown net of additions)

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. The bonds are full faith and credit debt of the Town.

A summary of bonded indebtedness transactions for the year ended December 31, 2018 is presented on the following page.

Description	Year of Issue/ Maturity	Interest Rate (%)	Balance 1/1/2018	Additions	Reductions	Balance 12/31/2018
General Fund:						
General public improvements	2004/2018	3.47%	\$ 75,000	\$ -	\$ 75,000	\$ -
General public improvements	2010/2018	2.00-3.00%	75,000	-	75,000	-
Highway - Town Outside Village Fund:						
Various highway projects	2010/2025	2.00-3.00%	440,000	-	150,000	290,000
Sewer District Fund:						
Sewer improvements	2010/2025	2.00-3.00%	2,755,000	-	330,000	2,425,000
Sewer improvements	2012/2042	0.24-4.10%	18,140,000	-	615,000	17,525,000
Sewer improvements	2013/2042	0.36-4.76%	9,050,000	-	305,000	8,745,000
Sewer improvements	2015/2045	0.20-4.27%	10,438,525	-	308,525	10,130,000
Sewer improvements	2017/2046	0.00%	8,528,867	-	236,867	8,292,000
Water District:						
Waterline improvements	2004/2018	3.47%	75,000	-	75,000	-
Waterline improvements	2010/2025	2.00-3.00%	680,000	-	95,000	585,000
Drainage District:						
Improvements	2010/2025	2.00-3.00%	675,000	-	75,000	600,000
Total			<u>\$ 50,932,392</u>	<u>\$ -</u>	<u>\$ 2,340,392</u>	<u>\$ 48,592,000</u>

Landfill Closure and Post Closure Liability—State and federal laws and regulations require the Town to place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the site for 30 years after closure. Both closure and post-closure care costs will be paid in the future. However, accounting rules and regulations require the Town to report a portion of these closure and post-closure care costs as a long-term liability in each period based on landfill capacity used as of each balance sheet date. The \$5,308,095 reported as landfill closure and post-closure care liability at December 31, 2018 represents the cumulative amount reported to date based on 100% capacity of the landfill as the Town is not accepting additional solid waste. This amount is estimated based on what it would cost to perform all closure and post-closure care in 2018. The Town expended \$9,742 in the current year relating to closure and post-closure activities. As of December 31, 2018, the Town is still awaiting a decision from the Army Corps of Engineers to determine final closure procedures. Actual cost may vary due to inflation, changes in technology, or changes in regulations.

Compensated Absences—As explained in Note 1, the Town records the value of compensated absences. The annual budgets of the general and special revenue funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at December 31, 2018, for governmental activities is \$453,239. This amount has been recorded as a noncurrent liability since payment of compensated absences is dependent upon many factors, therefore, timing of future payments is not readily determinable.

Other Postemployment Benefits (“OPEB”) Obligation—As explained in Note 8, the Town provides medical and prescription drug insurance benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee’s total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The Town’s annual postemployment benefit (“OPEB”) cost is measured as the portion of the present value of projected benefit payments

to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability). The long-term OPEB liability is estimated to be \$385,107,962 at December 31, 2018.

Capital Lease—The outstanding balance at December 31, 2018 for the energy performance project was \$1,457,744. Refer to Note 10 for additional information related to the Town's capital lease.

Net Pension Liability—The Town reports a liability for its proportionate share of the net pension liability for the Police and Fire Retirement System and Employee's Retirement System. The net pension liability is estimated to be \$6,329,160 in the governmental activities. Refer to Note 7 for additional information related to the Town's net pension liability.

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

Year Ending December 31,	Serial Bonds	Landfill Closure and Post Closure Liability	Compensated Absences	OPEB Obligation	Capital Lease	Net Pension Liability	Total
2019	\$ 2,152,000	\$ -	\$ 22,662	\$ -	\$ 150,617	\$ -	\$ 2,325,279
2020	2,150,000	-	-	-	157,180	-	2,307,180
2021	2,025,000	-	-	-	164,029	-	2,189,029
2022	2,048,000	-	-	-	171,177	-	2,219,177
2023	2,098,000	-	-	-	178,636	-	2,276,636
2024-2028	9,272,000	-	-	-	636,105	-	9,908,105
2029-2033	8,803,000	-	-	-	-	-	8,803,000
2034-2038	9,402,000	-	-	-	-	-	9,402,000
2039-2043	8,728,000	-	-	-	-	-	8,728,000
2044 and thereafter	1,914,000	5,308,095	430,577	385,107,962	-	6,329,160	399,089,794
Total	<u>\$ 48,592,000</u>	<u>\$ 5,308,095</u>	<u>\$ 453,239</u>	<u>\$ 385,107,962</u>	<u>\$ 1,457,744</u>	<u>\$ 6,329,160</u>	<u>\$ 447,248,200</u>

Interest requirements for the Town's outstanding serial bonds and capital lease are as follows:

Year Ending December 31,	Serial Bonds	Capital Lease
2019	\$ 706,963	\$ 60,108
2020	684,420	53,545
2021	658,863	46,696
2022	634,160	39,548
2023	606,834	32,089
2024-2028	2,575,092	48,750
2029-2033	1,924,927	-
2034-2038	1,213,397	-
2039-2043	428,751	-
2044-2045	18,722	-
Total	<u>\$ 9,452,129</u>	<u>\$ 280,736</u>

13. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. A reconciliation of the Town’s governmental activities net investment in capital assets is presented below:

Capital assets, net of accumulated depreciation		\$ 144,149,374
Related debt:		
Serial bonds issued	\$ (48,592,000)	
Bond anticipation notes issued for capital assets	(19,312,705)	
Unspent proceeds from debt	1,058,368	
Capital lease	<u>(1,457,744)</u>	<u>(68,304,081)</u>
Net investment in capital assets		<u>\$ 75,845,293</u>

- **Restricted Net Position**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position**—This category represents net position of the Town not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by the Town at December 31, 2018 include:

- **Inventory**—Represents the portion of fund balance composed of inventory. This balance is nonspendable as the inventory does not represent an available resource. At December 31, 2018 the Water District Fund reported inventory amounts of \$847,681.
- **Prepaid Items**— Represents amounts prepaid to the retirement systems and vendors that are applicable to future accounting periods. At December 31, 2018 the General Fund, General—Town Outside Village Fund, Highway—Town Outside Village Fund, Sewer District Fund, Water District Fund, and nonmajor funds reported prepaid items amounts of \$341,146, \$729,325, \$106,778, \$132,838, \$97,217, and \$115,154, respectively.

In the fund financial statements, restricted fund balances are amounts with external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions and enabling legislation. Restricted fund balances maintained by the Town at December 31, 2018 are shown on the following page.

	Equipment and Capital Improvements	Repairs	Leachate	Public Safety	Retirement	Community Development	Rehabilitation Loans	Debt	Total
General Fund	\$ 1,241,896	\$ -	\$ -	\$ -	\$ 4,458	\$ 5,000	\$ -	\$ -	\$ 1,251,354
General—Town Outside									
Village Fund	458,837	-	-	718,121	3,456	-	-	21,578	1,201,992
Highway—Town Outside									
Village Fund	561,800	-	-	-	997	-	-	483,137	1,045,934
Special Grants Fund	-	-	-	-	-	-	9,612,210	-	9,612,210
Sewer District Fund	789,133	522,675	98,142	-	-	-	-	4,811	1,414,761
Water District Fund	355,936	2,511,122	-	-	-	-	-	1,241,572	4,108,630
Total Nonmajor Funds	84,718	-	-	-	-	-	-	15,197	99,915
Total restricted fund balance	<u>\$ 3,492,320</u>	<u>\$ 3,033,797</u>	<u>\$ 98,142</u>	<u>\$ 718,121</u>	<u>\$ 8,911</u>	<u>\$ 5,000</u>	<u>\$ 9,612,210</u>	<u>\$ 1,766,295</u>	<u>\$ 18,734,796</u>

- **Equipment and Capital Improvements**—Represents funds accumulated to finance all or part of the cost of construction, reconstruction or acquisition of specific items or types of capital improvements or acquisition of specific items or types of equipment.
- **Repairs**—Represents funds accumulated to pay the cost of certain repairs of capital improvements or equipment. The repairs must be of a type not recurring annually or at shorter intervals.
- **Leachate**—Represents funds to be used for payment of unexpected sewer problems at the landfill.
- **Public Safety**—Represents funds to be used for police and public safety expenditures.
- **Retirement**—Represents funds to be used for the payment of retirement contributions.
- **Community Development**—Represents funds to be used for legal settlements and grant award programs.
- **Rehabilitation Loans**—Represents funds to be used for the home repair program.
- **Debt**—Represents unspent debt proceeds which is restricted for the reduction of future debt service requirements.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Town’s highest level of decision-making authority. As of December 31, 2018, the Town has the following commitments:

	Capital Projects
Sewer District Fund	\$ 862,238
Water District Fund	1,700,079
Total committed fund balance	<u>2,562,317</u>

In the fund financial statements, assigned amounts are subject to a purpose constraint that represents an intended use established by the Town Board, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balances maintained by the Town at December 31, 2018 are shown as follows:

	Subsequent		Specific	Total
	Year's	Encumbrances		
	Expenditures			
General Fund	\$ 2,500,000	\$ 192,927	\$ -	\$ 2,692,927
General—Town Outside Village Fund	3,000,000	51,382	3,066,705	6,118,087
Highway—Town Outside Village Fund	400,000	82,367	2,105,499	2,587,866
Special Grants Fund	-	1,293	-	1,293
Sewer District Fund	1,175,000	281,365	9,962,802	11,419,167
Water District Fund	300,000	75,553	4,379,853	4,755,406
Nonmajor funds	625,000	22,331	3,633,527	4,280,858
Total assigned fund balance	<u>\$ 8,000,000</u>	<u>\$ 707,218</u>	<u>\$ 23,148,386</u>	<u>\$ 31,855,604</u>

- **Assigned to Subsequent Year's Expenditures**—Represents funds to be used to assist in supporting the subsequent year authorized appropriations.
- **Assigned to Encumbrances**—Represents funds accumulated for commitments related to unperformed contracts or purchase orders for goods or services.
- **Assigned to Specific Use**—Represents remaining fund balance of the special revenue funds.

Unassigned fund balance represents the residual classification of the government's General Fund surplus and Capital Projects Fund deficit. As of December 31, 2018, the unassigned General Fund balance is \$6,405,993 and the unassigned Capital Projects Fund deficit is \$18,254,337.

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

14. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of December 31, 2018 is as follows:

Fund	Interfund	
	Receivables	Payables
Governmental Funds:		
General Fund	\$ 550,353	\$ 961,853
General - Town Outside Village Fund	1,160,523	-
Highway - Town Outside Village Fund	188,913	338,008
Special Grants Fund	207,529	207,474
Sewer District Fund	1,373,813	227
Water District Fund	130,278	74,902
Capital Projects Fund	310,937	1,513,444
Nonmajor governmental funds	117,963	-
Proprietary Funds:		
Self Insurance Fund	-	30,106
Workers Compensation Fund	7,349	-
Fiduciary Funds:		
Agency Fund	443,243	1,364,887
Total	<u>\$ 4,490,901</u>	<u>\$ 4,490,901</u>

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

The Town made the following interfund transfers during 2018:

Fund	Transfers	Transfers
	In	Out
Governmental Funds:		
General Fund	\$ -	\$ 1,193,330
General - Town Outside Village Fund	21,578	1,119,945
Highway - Town Outside Village Fund	483,139	974,758
Sewer District Fund	518,493	1,658,824
Water District Fund	1,566,577	2,681,408
Capital Projects Fund	5,380,183	2,504,979
Nonmajor governmental funds	15,197	1,051,923
Proprietary Funds:		
Self Insurance Fund	800,000	-
Workers Compensation Fund	2,400,000	-
Total	<u>\$ 11,185,167</u>	<u>\$ 11,185,167</u>

Transfers are used to move various fund revenues among funds in accordance with budgetary authorizations. Interfund transfers are used primarily to support capital project expenditures, the Self Insurance Fund and the Workers Compensation Fund. Transfers in from governmental funds are classified as charges for services within the Self Insurance Fund and the Workers Compensation Fund.

15. AGENCY FUND

An agency fund exists for employee withholding and temporary deposit funds. The following is a summary of the Agency Fund for the year ended December 31, 2018:

	Balance 1/1/2018	Additions	Deductions	Balance 12/31/2018
Assets:				
Restricted cash and cash equivalents	\$ 862,548	\$ 147,372,798	\$ 147,449,199	\$ 786,147
Receivables	106,133	29,221,191	29,092,910	234,414
Due from other funds	28,476	99,097,296	98,682,529	443,243
Total assets	<u>\$ 997,157</u>	<u>\$ 275,691,285</u>	<u>\$ 275,224,638</u>	<u>\$ 1,463,804</u>
Liabilities:				
Agency liabilities	\$ 108,703	\$ 38,748,493	\$ 38,758,279	\$ 98,917
Due to other funds	888,454	26,186,627	25,710,194	1,364,887
Total liabilities	<u>\$ 997,157</u>	<u>\$ 64,935,120</u>	<u>\$ 64,468,473</u>	<u>\$ 1,463,804</u>

16. LABOR RELATIONS

The majority of Town employees are represented by three bargaining units. The Salaried Workers Association (“SWA”) had a contract in place through December 31, 2011. The Tonawanda Police Club and the Hourly Employees’ Association (“HEA”) have contracts in place through December 31, 2019 and 2024, respectively. During 2018, the Board approved salaries and rates of pay for employees temporarily not covered by a collective bargaining agreement. The remaining employees are governed by Town Board policies.

17. COMMITMENTS

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

The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$100,000. No significant encumbrances were reported as of December 31, 2018. However, the Capital Projects Fund has commitments totaling \$4,784,084 for various projects.

18. TAX ABATEMENTS

The Town is subject to tax abatements granted by the Erie County Industrial Development Agency (“ECIDA”) and the Town of Tonawanda under New York State private housing finance law. These programs have the stated purpose of increasing business activity and employment in the region and providing housing for senior citizens and disabled citizens with low to moderate income. Economic development agreements entered into by the ECIDA includes the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the Town the abatements have resulted in reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by the ECIDA and the Town, the Town collected \$726,500 during 2018 in payments in lieu of taxes (“PILOT”); these collections were made in lieu of \$1,648,277 in property taxes.

19. CONTINGENCIES

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

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

Grants—In the normal course of operations, the Town receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of any expenditure that may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Pollution Remediation Obligations—On July 3, 2000, the Town was issued notice of intent to modify State pollutant discharge elimination system permit, Town of Tonawanda WWTP (T) Tonawanda, Erie County DEC No. 9-1464-00116/00004 SPDES No. NY-002 6395, by the New York State Department of Environmental Conservation (“NYSDEC”). As part of the notice, the Town submitted a plan for the abatement of the overflow of sanitary sewer discharge and received a response from the NYSDEC in November 2010. The NYSDEC has restarted the process, requiring additional information from the Town. The Town therefore submitted a four year plan. During 2011, the NYSDEC issued an order on consent whereby the Town shall continue to implement a demonstration project. As of December 31, 2018 the Town is unable to determine the range or the likelihood of any potential liability.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 20, 2019, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF TONAWANDA, NEW YORK
Schedule of the Town's Proportionate Share of the Net Pension Liability—
Police and Fire Retirement System
Last Five Fiscal Years*

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Measurement date	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability	0.3186127%	0.3025546%	0.3342019%	0.3370935%	0.3370935%
Town's proportionate share of the net pension liability	<u>\$ 3,220,400</u>	<u>\$ 6,270,903</u>	<u>\$ 9,895,006</u>	<u>\$ 927,882</u>	<u>\$ 1,403,352</u>
Town's covered payroll	\$ 10,148,311	\$ 10,254,625	\$ 9,026,602	\$ 9,065,423	\$ 9,257,908
Town's proportionate share of the net pension liability as a percentage of its covered payroll	31.7%	61.2%	109.6%	10.2%	15.2%
Plan fiduciary net position as a percentage of the total pension liability	96.9%	93.5%	90.2%	99.0%	98.5%

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

TOWN OF TONAWANDA, NEW YORK
Schedule of the Town's Contributions—
Police and Fire Retirement System
Last Five Fiscal Years*

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,722,438	\$ 2,831,322	\$ 2,451,139	\$ 2,457,639	\$ 2,696,301
Contributions in relation to the contractually required contribution	<u>(2,722,438)</u>	<u>(2,831,322)</u>	<u>(2,451,139)</u>	<u>(2,457,639)</u>	<u>(2,696,301)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 10,278,258	\$ 10,090,271	\$ 10,028,356	\$ 9,065,423	\$ 9,257,908
Contributions as a percentage of covered payroll	26.5%	28.1%	24.5%	29.7%	31.2%

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

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

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Measurement date	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability	0.0963226%	0.0973032%	0.1025239%	0.1039606%	0.1039606%
Town's proportionate share of the net pension liability	<u>\$ 3,108,760</u>	<u>\$ 9,142,826</u>	<u>\$ 16,455,374</u>	<u>\$ 3,512,044</u>	<u>\$ 4,697,835</u>
Town's covered payroll	\$ 22,743,918	\$ 22,741,388	\$ 22,584,704	\$ 22,775,802	\$ 24,054,578
Town's proportionate share of the net pension liability as a percentage of its covered payroll	13.7%	40.2%	72.9%	15.4%	19.5%
Plan fiduciary net position as a percentage of the total pension liability	98.2%	94.7%	90.7%	97.9%	97.2%

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

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

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 3,404,047	\$ 3,476,448	\$ 3,489,345	\$ 4,117,163	\$ 4,394,165
Contributions in relation to the contractually required contribution	<u>(3,404,047)</u>	<u>(3,476,448)</u>	<u>(3,489,345)</u>	<u>(4,117,163)</u>	<u>(4,394,165)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 23,267,024	\$ 22,684,149	\$ 22,728,406	\$ 22,775,802	\$ 24,054,578
Contributions as a percentage of covered payroll	14.6%	15.3%	18.1%	19.3%	19.4%

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

TOWN OF TONAWANDA, NEW YORK
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios
Last Fiscal Year*

Total OPEB Liability	<u>2018</u>
Service cost	\$ 11,355,069
Interest	14,197,397
Differences between expected and actual experience	(189,182)
Changes of assumptions or other inputs	(54,006,433)
Benefit payments	<u>(7,636,396)</u>
Net changes in total OPEB liability	<u>(36,279,545)</u>
Total OPEB liability—beginning, as restated	<u>421,387,507</u>
Total OPEB liability—ending	<u><u>\$ 385,107,962</u></u>
Plan Fiduciary Net Position	
Contributions—employer	\$ 7,636,396
Benefit payments	(7,636,396)
Net change in plan fiduciary net position	-
Plan fiduciary net position—beginning	<u>-</u>
Plan fiduciary net position—ending	<u><u>\$ -</u></u>
Town's net OPEB liability—ending	<u><u>\$ 385,107,962</u></u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%
Covered-employee payroll	\$ 33,172,961
Town's net OPEB liability as a percentage of covered-employee payroll	1160.9%

*Information prior to the year ended December 31, 2018 is not available.

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 14,376,618	\$ 14,376,618	\$ 14,418,258	\$ 41,640
Other property tax items	413,000	413,000	508,413	95,413
Departmental income	4,478,900	4,479,679	4,376,226	(103,453)
Intergovernmental charges	-	-	1,025	1,025
Use of money and property	241,100	241,100	319,910	78,810
Licenses and permits	122,200	122,200	156,976	34,776
Fines and forfeitures	1,450,000	1,450,000	1,467,693	17,693
Sale of property and compensation for loss	-	-	1,232	1,232
Miscellaneous	10,377	13,351	22,336	8,985
Interfund revenue	3,651,350	3,651,350	3,716,861	65,511
State aid	1,469,514	1,498,629	2,057,354	558,725
Total revenues	<u>26,213,059</u>	<u>26,245,927</u>	<u>27,046,284</u>	<u>800,357</u>
EXPENDITURES				
Current:				
General government support	5,074,115	5,105,693	4,690,386	415,307
Public safety	1,145,672	1,139,102	997,737	141,365
Health	1,284,424	1,289,382	1,271,125	18,257
Transportation	1,121,197	1,118,958	929,647	189,311
Economic assistance and opportunity	172,667	176,404	63,624	112,780
Culture and recreation	9,130,869	9,349,933	8,946,892	403,041
Home and community services	777,621	924,195	903,796	20,399
Employee benefits	8,846,200	8,436,920	7,342,534	1,094,386
Debt service:				
Principal	284,831	284,831	284,831	-
Interest	71,748	71,748	67,528	4,220
Total expenditures	<u>27,909,344</u>	<u>27,897,166</u>	<u>25,498,100</u>	<u>2,399,066</u>
Excess (deficiency) of revenues over expenditures	<u>(1,696,285)</u>	<u>(1,651,239)</u>	<u>1,548,184</u>	<u>3,199,423</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,018,000)</u>	<u>(1,229,408)</u>	<u>(1,193,330)</u>	<u>36,078</u>
Total other financing sources (uses)	<u>(1,018,000)</u>	<u>(1,229,408)</u>	<u>(1,193,330)</u>	<u>36,078</u>
Net change in fund balances*	(2,714,285)	(2,880,647)	354,854	3,235,501
Fund balances—beginning	<u>10,336,566</u>	<u>10,336,566</u>	<u>10,336,566</u>	<u>-</u>
Fund balances—ending	<u>\$ 7,622,281</u>	<u>\$ 7,455,919</u>	<u>\$ 10,691,420</u>	<u>\$ 3,235,501</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance, and re-appropriation of prior year encumbrances.

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—General Fund—Town Outside Village
Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 12,753,872	\$ 12,753,872	\$ 12,797,153	\$ 43,281
Other property tax items	243,000	243,000	300,650	57,650
Non-property tax items	7,700,000	7,700,000	8,530,263	830,263
Departmental income	66,050	66,050	70,511	4,461
Intergovernmental charges	249,500	249,500	269,239	19,739
Use of money and property	178,800	178,800	251,361	72,561
Licenses and permits	557,100	557,100	582,167	25,067
Fines and forfeitures	-	-	8,132	8,132
Sale of property and compensation for loss	-	113,000	114,550	1,550
Miscellaneous	-	7,459	53,452	45,993
Interfund revenue	236,000	236,000	235,000	(1,000)
State aid	1,118,348	1,133,345	1,473,531	340,186
Federal aid	-	47,542	112,192	64,650
Total revenues	<u>23,102,670</u>	<u>23,285,668</u>	<u>24,798,201</u>	<u>1,512,533</u>
EXPENDITURES				
Current:				
General government support	1,502,044	1,483,322	1,414,680	68,642
Public safety	14,523,623	14,698,844	13,804,921	893,923
Health	8,941	9,162	8,976	186
Home and community services	56,588	390,070	362,533	27,537
Employee benefits	9,372,700	9,265,473	8,093,362	1,172,111
Debt service:				
Principal	6,018	6,018	6,018	-
Interest	8,769	8,769	5,769	3,000
Total expenditures	<u>25,478,683</u>	<u>25,861,658</u>	<u>23,696,259</u>	<u>2,165,399</u>
Excess (deficiency) of revenues over expenditures	<u>(2,376,013)</u>	<u>(2,575,990)</u>	<u>1,101,942</u>	<u>3,677,932</u>
OTHER FINANCING USES				
Transfers in	-	-	21,578	-
Transfers out	(951,000)	(1,274,156)	(1,119,945)	154,211
Total other financing uses	<u>(951,000)</u>	<u>(1,274,156)</u>	<u>(1,098,367)</u>	<u>154,211</u>
Net change in fund balances*	(3,327,013)	(3,850,146)	3,575	3,832,143
Fund balances—beginning	8,045,829	8,045,829	8,045,829	-
Fund balances—ending	<u>\$ 4,718,816</u>	<u>\$ 4,195,683</u>	<u>\$ 8,049,404</u>	<u>\$ 3,832,143</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance, and re-appropriation of prior year encumbrances.

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—Highway Fund—Town Outside Village
Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 5,942,279	\$ 5,942,279	\$ 5,961,943	\$ 19,664
Other property tax items	115,000	115,000	136,598	21,598
Non-property tax items	800,000	800,000	900,595	100,595
Intergovernmental charges	115,000	168,416	184,722	16,306
Use of money and property	2,700	2,700	27,310	24,610
Sale of property and compensation for loss	5,000	57,843	65,459	7,616
Interfund revenue	684,000	684,000	717,713	33,713
State aid	648,699	648,699	1,111,345	462,646
Total revenues	<u>8,312,678</u>	<u>8,418,937</u>	<u>9,105,685</u>	<u>686,748</u>
EXPENDITURES				
Current:				
Transportation	4,892,825	5,220,025	5,167,912	52,113
Employee benefits	3,131,050	2,873,418	2,530,930	342,488
Debt service:				
Principal	150,000	150,000	150,000	-
Interest	94,100	94,100	51,600	42,500
Total expenditures	<u>8,267,975</u>	<u>8,337,543</u>	<u>7,900,442</u>	<u>437,101</u>
Excess of revenues over expenditures	<u>44,703</u>	<u>81,394</u>	<u>1,205,243</u>	<u>1,123,849</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	483,137	483,137	483,139	2
Transfers out	(974,137)	(974,758)	(974,758)	-
Total other financing sources (uses)	<u>(491,000)</u>	<u>(491,621)</u>	<u>(491,619)</u>	<u>2</u>
Net change in fund balances*	(446,297)	(410,227)	713,624	1,123,851
Fund balances—beginning	<u>3,026,954</u>	<u>3,026,954</u>	<u>3,026,954</u>	<u>-</u>
Fund balances—ending	<u>\$ 2,580,657</u>	<u>\$ 2,616,727</u>	<u>\$ 3,740,578</u>	<u>\$ 1,123,851</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance, and re-appropriation of prior year encumbrances.

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—Sewer District Fund
Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 2,421,098	\$ 2,421,098	\$ 2,421,098	\$ -
Departmental income	9,980,000	9,980,000	12,016,538	2,036,538
Intergovernmental charges	1,700,000	1,700,000	2,075,917	375,917
Use of money and property	16,700	16,700	64,069	47,369
Sale of property and compensation for loss	-	-	34,017	34,017
State aid	-	-	151,960	151,960
Total revenues	<u>14,117,798</u>	<u>14,117,798</u>	<u>16,763,599</u>	<u>2,645,801</u>
EXPENDITURES				
Current:				
Home and community services	8,739,930	8,882,976	7,825,582	1,057,394
Employee benefits	3,037,900	2,850,265	2,507,409	342,856
Debt service:				
Principal	1,791,192	1,798,870	1,798,870	-
Interest	1,054,608	1,049,797	916,512	133,285
Total expenditures	<u>14,623,630</u>	<u>14,581,908</u>	<u>13,048,373</u>	<u>1,533,535</u>
Excess (deficiency) of revenues over expenditures	<u>(505,832)</u>	<u>(464,110)</u>	<u>3,715,226</u>	<u>4,179,336</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	518,493	518,493
Transfers out	<u>(908,811)</u>	<u>(1,977,436)</u>	<u>(1,658,824)</u>	<u>318,612</u>
Total other financing sources (uses)	<u>(908,811)</u>	<u>(1,977,436)</u>	<u>(1,140,331)</u>	<u>837,105</u>
Net change in fund balances*	(1,414,643)	(2,441,546)	2,574,895	5,016,441
Fund balances—beginning	<u>11,254,109</u>	<u>11,254,109</u>	<u>11,254,109</u>	<u>-</u>
Fund balances—ending	<u>\$ 9,839,466</u>	<u>\$ 8,812,563</u>	<u>\$ 13,829,004</u>	<u>\$ 5,016,441</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—Water District Fund
Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Departmental income	\$ 10,859,793	\$ 10,859,793	\$ 10,378,331	\$ (481,462)
Intergovernmental charges	-	-	5,520	5,520
Use of money and property	115,400	115,400	177,587	62,187
Sale of property and compensation for loss	-	-	29,583	29,583
State aid	-	-	201,414	201,414
Total revenues	<u>10,975,193</u>	<u>10,975,193</u>	<u>10,792,435</u>	<u>(182,758)</u>
EXPENDITURES				
Current:				
Home and community services	6,992,934	7,037,395	6,552,007	485,388
Employee benefits	2,471,600	2,053,148	2,034,874	18,274
Debt service:				
Principal	170,000	170,000	170,000	-
Interest	411,673	216,736	216,736	-
Total expenditures	<u>10,046,207</u>	<u>9,477,279</u>	<u>8,973,617</u>	<u>503,662</u>
Excess of revenues over expenditures	<u>928,986</u>	<u>1,497,914</u>	<u>1,818,818</u>	<u>320,904</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	1,566,577	1,466,577
Transfers out	(1,449,000)	(2,963,183)	(2,681,408)	281,775
Total other financing sources (uses)	<u>(1,349,000)</u>	<u>(2,863,183)</u>	<u>(1,114,831)</u>	<u>1,748,352</u>
Net change in fund balances*	(420,014)	(1,365,269)	703,987	2,069,256
Fund balances—beginning, as restated	<u>10,805,026</u>	<u>10,805,026</u>	<u>10,805,026</u>	<u>-</u>
Fund balances—ending	<u>\$ 10,385,012</u>	<u>\$ 9,439,757</u>	<u>\$ 11,509,013</u>	<u>\$ 2,069,256</u>

* The net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance and a re-appropriation of prior year encumbrances.

The notes to the required supplementary information are an integral part of this schedule.

TOWN OF TONAWANDA, NEW YORK
Note to the Required Supplementary Information
Year Ended December 31, 2018

1. OPEB LIABILITY

Changes of Assumptions—The actuarial cost method used as of January 1, 2018 was the Entry Age Normal Level Percent of Pay method as prescribed under GASB 75. Previously, when the plan was subject to GASB 45, the Projected Unit Credit cost method was utilized.

The rate used to discount future plan cash flows increased from 3.31% as of January 1, 2018 to 3.71% as of December 31, 2018 based on a review of a Fidelity General Obligation 20-Year AA Municipal Bond Index. Previously, the discount rate had been based on the expected rate of return on the employer's general assets under GASB 45.

The Adjusted RPH-2014, fully generational using scale MP-2018 was used for mortality rates. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 5.00%, while the ultimate healthcare cost trend rate is 3.78%.

2. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Special Grants Fund and the Capital Projects Fund, are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The Special Grants Fund and the Capital Projects Fund appropriations are not included in the Town's annual budget. Instead appropriations are approved through a Town Board resolution at the grant/project's inception and lapse upon completion/termination of the grant/project.

The appropriated budget is prepared by fund, function, and department. The Town's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

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

Actual results of operations presented in accordance with GAAP and the Town's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances, if any, are disclosed in the notes to the financial statements.

SUPPLEMENTARY INFORMATION

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TOWN OF TONAWANDA, NEW YORK
Combining Balance Sheet—Nonmajor Governmental Funds
December 31, 2018

	<u>Special Revenue</u>				Total Nonmajor Governmental Funds
	Garbage and Refuse District	Street Lighting District	Fire Protection	Drainage District	
ASSETS					
Cash and cash equivalents	\$ 3,396,181	\$ 733,315	\$ 24,271	\$ 569,909	\$ 4,723,676
Restricted cash and cash equivalents	99,915	-	-	-	99,915
Receivables	30,944	-	-	2,124	33,068
Due from other funds	80,748	-	-	37,215	117,963
Prepaid items	106,778	-	-	8,376	115,154
Total assets	<u>3,714,566</u>	<u>733,315</u>	<u>24,271</u>	<u>617,624</u>	<u>5,089,776</u>
LIABILITIES					
Accounts payable	173,046	131,706	-	3,760	308,512
Accrued liabilities	255,630	-	-	21,807	277,437
Intergovernmental payables	157	7,743	-	-	7,900
Total liabilities	<u>428,833</u>	<u>139,449</u>	<u>-</u>	<u>25,567</u>	<u>593,849</u>
FUND BALANCES					
Nonspendable	106,778	-	-	8,376	115,154
Restricted	99,915	-	-	-	99,915
Assigned	3,079,040	593,866	24,271	583,681	4,280,858
Total fund balances	<u>3,285,733</u>	<u>593,866</u>	<u>24,271</u>	<u>592,057</u>	<u>4,495,927</u>
 Total liabilities and fund balances	 <u>\$ 3,714,566</u>	 <u>\$ 733,315</u>	 <u>\$ 24,271</u>	 <u>\$ 617,624</u>	 <u>\$ 5,089,776</u>

TOWN OF TONAWANDA, NEW YORK
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended December 31, 2018

	<u>Special Revenue</u>				Total Nonmajor Governmental Funds
	Garbage and Refuse District	Street Lighting District	Fire Protection	Drainage District	
REVENUES					
Real property taxes	\$ 8,000,723	\$ 1,795,000	\$ 803,092	\$ 751,214	\$ 11,350,029
Departmental income	47,674	-	-	-	47,674
Use of money and property	34,155	5,945	683	4,239	45,022
Total revenues	<u>8,082,552</u>	<u>1,800,945</u>	<u>803,775</u>	<u>755,453</u>	<u>11,442,725</u>
EXPENDITURES					
Current:					
Public safety	-	-	803,093	-	803,093
Transportation	-	1,613,417	-	-	1,613,417
Home and community services	5,160,124	-	-	275,023	5,435,147
Employee benefits	2,246,540	-	-	178,814	2,425,354
Debt service:					
Principal	-	-	-	75,000	75,000
Interest	27,310	-	-	46,219	73,529
Total expenditures	<u>7,433,974</u>	<u>1,613,417</u>	<u>803,093</u>	<u>575,056</u>	<u>10,425,540</u>
Excess of revenues over expenditures	<u>648,578</u>	<u>187,528</u>	<u>682</u>	<u>180,397</u>	<u>1,017,185</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	15,197	-	-	-	15,197
Transfers out	(880,923)	-	-	(171,000)	(1,051,923)
Total other financing sources and (uses)	<u>(865,726)</u>	<u>-</u>	<u>-</u>	<u>(171,000)</u>	<u>(1,036,726)</u>
Net change in fund balances	(217,148)	187,528	682	9,397	(19,541)
Fund balances—beginning	<u>3,502,881</u>	<u>406,338</u>	<u>23,589</u>	<u>582,660</u>	<u>4,515,468</u>
Fund balances—ending	<u>\$ 3,285,733</u>	<u>\$ 593,866</u>	<u>\$ 24,271</u>	<u>\$ 592,057</u>	<u>\$ 4,495,927</u>

TOWN OF TONAWANDA, NEW YORK
Combining Balance Sheet—Capital Projects Fund
December 31, 2018

Project	Assets				Liabilities			Fund Balance (Deficit)
	Restricted Cash	Receivables	Inter- governmental Receivables	Due from Other Funds	Accounts Payable	Due to Other Funds	BANs Payable	
303 Libraries improvements	\$ 19,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,125
311 Police building	38,200	-	-	-	-	-	-	38,200
331 Water and sewer equipment	95,799	-	-	-	95,799	-	-	-
362 Landfill closure	410,928	20,836	-	-	2,673	-	-	429,091
410 Energy project	-	-	-	1,208	-	313	75,000	(74,105)
411 DASNY Grant \$500	-	-	-	-	114,088	-	-	(114,088)
413 Municipal stair replacement	-	-	-	-	8,250	3,000	-	(11,250)
415 NYSDCJ equipment Paramedic	-	-	-	-	-	18,958	-	(18,958)
416 ASNY-Sheridan Park restrooms	-	-	-	-	366	114,648	-	(115,014)
440 Police vehicles	-	-	-	1,263	-	-	78,422	(77,159)
442 Mill/Pave Lincoln Park	-	-	-	-	-	167,500	-	(167,500)
452 NYCC Road construction	16,863	-	-	24,422	-	154,027	1,516,863	(1,629,605)
454 DASNY Highway Sidewalks	-	-	-	-	-	34,886	-	(34,886)
501 Water improvements	-	-	-	13,126	-	9,067	815,278	(811,220)
502 Water line/storage improvements	-	-	-	14,193	-	6,488	881,539	(873,833)
503 Water line Delaware Road	-	-	-	48,145	-	-	2,990,354	(2,942,209)
504 Water line NYCC Road	-	-	-	7,245	-	1,911	450,000	(444,666)
505 Lines & Sheridan Tank	-	-	-	26,565	-	5,757	1,650,000	(1,629,192)
506 Waterlines	7,668	-	-	30,127	-	32,056	1,871,257	(1,865,518)
507 Paramount/Rochelle Eng fee	-	-	-	-	4,185	-	-	(4,185)
509 Industrial Raw Water Supply	-	-	75,000	-	-	75,000	-	-
553 Inflow/infiltration demo project	184,305	-	-	-	-	-	-	184,305
554 Creekside/cleve/orch sewer line	-	-	-	12,075	-	3,060	750,000	(740,985)
556 WWTF sludge management	-	-	-	44,198	-	9,392	2,745,189	(2,710,383)
557 WWTF high voltage substation	-	-	-	8,855	-	1,794	550,000	(542,939)
558 Inflow/infiltration demo project	381,736	-	-	38,640	-	-	2,400,000	(1,979,624)
559 Parker/Fries interceptor phase 3	1,362,208	-	-	-	-	-	-	1,362,208
560 Parker/Fries interceptor phase 4	31,778	-	-	-	-	-	-	31,778
561 SPDES permit	-	-	-	-	-	122,683	-	(122,683)
562 Bio-Clarifier rehabilitation	-	-	-	-	158,210	747,235	-	(905,445)
602 Dupont/Desmond line	-	-	-	13,283	-	3,629	825,000	(815,346)
603 Two Mile Creek bank stabilization	-	-	-	8,050	-	2,040	500,000	(493,990)
650 WWTF solids handling	-	-	-	19,542	-	-	1,213,803	(1,194,261)
Total	\$ 2,548,610	\$ 20,836	\$ 75,000	\$ 310,937	\$ 383,571	\$ 1,513,444	\$ 19,312,705	\$ (18,254,337)

TOWN OF TONAWANDA, NEW YORK
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)—
Capital Projects Fund
Year Ended December 31, 2018

Project	Fund Balances (Deficits) Beginning	Revenues				State Aid	Other Financing	Expenditures Capital Outlay	Other Financing	Fund Balances (Deficits) Ending
		Departmental Income	Inter- governmental Charges	Miscellaneous	Sources		Uses			
					Transfers In		Transfers Out			
301 General equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,922	\$ 108,922	\$ -	\$ -	
303 Libraries improvements	(47,283)	-	-	-	-	66,408	-	-	19,125	
311 Police building	38,200	-	-	-	-	97,367	97,367	-	38,200	
312 Public Safety Equipment	-	-	-	-	-	50,000	50,000	-	-	
331 Water and sewer equipment	-	-	-	-	-	412,773	412,773	-	-	
361 Res recycling equipment	-	-	-	-	-	353,226	353,226	-	-	
362 Landfill closure	289,844	148,990	-	-	-	-	9,743	-	429,091	
410 Energy project	(125,313)	-	-	1,208	-	50,000	-	-	(74,105)	
411 DASNY Grant \$500,000	-	-	-	-	-	-	114,088	-	(114,088)	
413 Municipal stair replacement	-	-	-	-	-	-	11,250	-	(11,250)	
415 NYSDCJ equipment Paramedic	-	-	-	-	-	-	18,958	-	(18,958)	
416 DASNY-Sheridan Park restrooms	-	-	-	-	-	-	115,014	-	(115,014)	
440 Police vehicles	(128,422)	-	-	1,263	-	71,578	-	21,578	(77,159)	
442 Mill/Pave Lincoln Park	-	-	-	-	39,771	-	207,271	-	(167,500)	
450 Highway cold milling machine	2	-	-	-	-	-	-	2	-	
451 NYCC Road design	(621)	-	-	-	-	621	-	-	-	
452 NYCC Road construction	(2,279,027)	-	16,863	524,422	-	608,133	16,859	483,137	(1,629,605)	
454 DASNY Highway Sidewalks	-	-	-	-	-	-	34,886	-	(34,886)	
501 Water improvements	(414,624)	-	-	13,126	-	125,000	-	534,722	(811,220)	
502 Water line/storage improvements	(669,565)	-	-	14,193	-	100,000	-	318,461	(873,833)	
503 Water line Delaware Road	(3,165,354)	-	-	48,145	-	284,646	-	109,646	(2,942,209)	
504 Water line NYCC Road	(501,911)	-	-	7,245	-	50,000	-	-	(444,666)	
505 Lines & Sheridan Tank	(1,755,757)	-	-	26,565	-	100,000	-	-	(1,629,192)	
506 Waterlines	(1,987,989)	-	-	30,127	-	628,743	32,656	503,743	(1,865,518)	
507 Paramount/Rochelle Eng fee	-	-	-	-	-	96,580	100,765	-	(4,185)	
508 Paramount/Rochelle water line	-	-	-	-	-	816,052	816,052	-	-	
509 Industrial Raw Water Supply	-	-	-	-	75,000	-	75,000	-	-	
553 Inflow/infiltration demo project	184,305	-	-	-	-	-	-	-	184,305	
554 Creekside/cleve/orch sewer line	(828,060)	-	-	12,075	-	75,000	-	-	(740,985)	
555 Parker/fries interceptor phase 2	55,157	-	-	-	-	-	-	55,157	-	
556 WWTF sludge management	(2,749,770)	-	-	44,198	-	150,000	-	154,811	(2,710,383)	
557 WWTF high voltage substation	(576,794)	-	-	8,855	-	25,000	-	-	(542,939)	
558 Inflow/infiltration demo project	(2,177,255)	-	-	38,640	-	200,000	41,009	-	(1,979,624)	
559 Parker/Fries interceptor phase 3	1,667,183	-	-	-	-	3,550	-	308,525	1,362,208	
560 Parker/Fries interceptor phase 4	31,778	-	-	-	-	-	-	-	31,778	
561 SPDES permit	(122,683)	-	-	-	-	-	-	-	(122,683)	
562 Bio-clarifier rehabilitation	-	-	-	-	-	-	905,445	-	(905,445)	
563 Sliplining sewers	-	-	-	-	-	604,887	604,887	-	-	
602 Dupont/Desmond line	(928,629)	-	-	13,283	-	100,000	-	-	(815,346)	
603 Two Mile Creek bank stabilization	(552,040)	-	-	8,050	-	50,000	-	-	(493,990)	
650 WWTF solids handling	(1,350,303)	-	-	19,542	-	151,697	-	15,197	(1,194,261)	
Total	\$ (18,094,931)	\$ 148,990	\$ 16,863	\$ 810,937	\$ 114,771	\$ 5,380,183	\$ 4,126,171	\$ 2,504,979	\$ (18,254,337)	

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FEDERAL AWARDS INFORMATION

TOWN OF TONAWANDA, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

<u>Federal Grantor/Pass-Through Grantor/ Program Title (1a)</u>	<u>Federal CFDA Number (1b)</u>	<u>Pass-Through Grantor Number</u>	<u>Passed-Through to Sub- Receipients (1c)</u>	<u>Federal Expenditures (1d)</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Direct programs:				
Community Development Block Grants—Entitlement Grants	14.218	n/a	\$ 185,691	\$ 1,530,507
Emergency Solutions Grant Program	14.231	n/a	-	708
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>185,691</u>	<u>1,531,215</u>
U.S. DEPARTMENT OF JUSTICE:				
Passed through NYS Department of Justice:				
Bulletproof Vest Partnership Program	16.607	n/a	-	2,250
Equitable Sharing Program	16.922	n/a	-	55,137
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>-</u>	<u>57,387</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)			<u>\$ 185,691</u>	<u>\$ 1,588,602</u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

TOWN OF TONAWANDA, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Town under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town. The following notes were identified on the schedule of expenditures of federal awards:

- a) Includes all federal award programs of the Town of Tonawanda, New York.
- b) Source: Catalog of Federal Domestic Assistance.
- c) Pass-through entity identifying numbers are presented where available.
- d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- e) A reconciliation to the financial statements is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principle contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Town has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

3. MATCHING COSTS

Matching costs, i.e., the Town’s share of certain program costs, are not included in the reported expenditures.

4. AMOUNTS TO SUBRECEIPIENTS

Certain program funds are passed through the Town to subrecipient organizations. The Town identifies, to the extent practical, the total amount provided to subrecipients from each federal program, however, the Schedule does not contain separate schedules disclosing how the subrecipients outside of the Town’s control utilize the funds. The Town requires subrecipients receiving funds to submit separate audit reports disclosing the use of the program funds.

Certified Public Accountants

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

Honorable Town Board
Town of Tonawanda, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Tonawanda, New York (the "Town") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 20, 2019 (which report includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 75).

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Drescher & Malecki LLP

June 20, 2019

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Honorable Town Board
Town of Tonawanda, New York

Report on Compliance for Each Major Federal Program

We have audited Town of Tonawanda, New York's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2018. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

The Town's management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Drescher & Malecki LLP

June 20, 2019

TOWN OF TONAWANDA, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified*
 (*which report includes an emphasis of matter paragraph regarding the
 implementation of GASB Statement No. 75)

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiency(ies) identified? _____ Yes ✓ None reported

Noncompliance material to the financial statements noted? _____ Yes ✓ No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiency(ies) identified? _____ Yes ✓ None reported

Type of report the auditor issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported
 in accordance with 2 CFR 200.516(a)? _____ Yes ✓ No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants-Entitlement Grants

Dollar threshold used to distinguish between Type A and Type B programs? \$ 750,000

Auditee qualified as low-risk auditee? ✓ Yes _____ No

TOWN OF TONAWANDA, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Section II. FINANCIAL STATEMENT FINDINGS SECTION

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

TOWN OF TONAWANDA, NEW YORK
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2018
(Follow-up of December 31, 2017 findings)

No findings were reported.

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