

**TOWN OF ORCHARD PARK,
NEW YORK**

*Basic Financial Statements, Required
Supplementary Information and Supplementary
Information for the Year Ended December 31, 2016
and Independent Auditor's Reports*

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INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the Town Board
Town of Orchard Park, 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 Orchard Park, New York (the Town), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Town'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 Town'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 remaining aggregate fund information of the Town, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the 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 combining balance sheet - nonmajor governmental funds and the combining statement of revenues, expenditures and changes in fund balances - nonmajor governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet – nonmajor governmental funds and the combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet – nonmajor governmental funds and the combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds is 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 23, 2017 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 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 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.

Freed Maxick CPAs, P.C.

Buffalo, New York
June 23, 2017

TOWN OF ORCHARD PARK, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2016

As management of the Town of Orchard Park, 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, 2016. This document should be read in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$68,525,954 (*net position*). Of this amount, \$10,281,617 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$2,021,045 during the year ended December 31, 2016.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$28,544,191, an increase of \$4,502,398 in comparison with the prior year's fund balance of \$24,041,793. The increase was due primarily to proceeds from the issuance of bonds exceeding current year capital expenditures.
- At the end of the current fiscal year, *unassigned fund* balance for the General Fund was \$5,197,231, or 75.8 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the Town's discretion and constitutes approximately 56.2 percent of the General Fund's total fund balance of \$9,244,898 at December 31, 2016.
- The Town's total bonded indebtedness increased by \$8,725,000 during the current year as a result of scheduled principal payments of \$1,125,000 offset by the issuance of serial bonds of \$9,850,000.

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, similar in format to a financial statement of a private-sector business.

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

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will 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 include general government, education, public safety, health, transportation, economic development and opportunity, culture and recreation and home and community services. The Town does not engage in any business-type activities.

The government-wide financial statements can be found on pages 13-14 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 specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental 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 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 assessing 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 twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the General, Public Safety, Highway, Sewer Districts, Water Districts, Garbage and Refuse and Capital Projects Funds, all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 maintains one fiduciary fund, the Agency Fund.

The fiduciary fund statement can be found on page 19 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 20-45 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 budgetary comparison schedules for each major fund with legally adopted budget, the Town’s progress in funding its obligation to provide other postemployment benefits and the Town’s net pension liability. Required Supplementary Information and a related note to the required supplementary information can be found on pages 46-57 of this report.

Supplemental statements and schedules including the combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplementary information on pages 58-59.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the Town, assets exceeded liabilities by \$68,525,954 at the close of the 2016 fiscal year.

Table 1, as presented below, shows the net position as of December 31, 2016 and December 31, 2015.

Table 1—Condensed Statement of Net Position—Primary Government

	Governmental Activities	
	December 31,	
	2016	2015
Current assets	\$ 29,822,224	\$ 25,290,644
Noncurrent assets	67,747,881	63,632,166
Total assets	<u>97,570,105</u>	<u>88,922,810</u>
Deferred outflows of resources	6,836,288	1,624,627
Current liabilities	1,652,683	1,342,329
Noncurrent liabilities	33,417,601	18,658,109
Total liabilities	<u>35,070,284</u>	<u>20,000,438</u>
Deferred inflows of resources	810,155	-
Net position		
Net investment in capital assets	55,613,021	54,717,321
Restricted	2,631,316	2,453,860
Unrestricted	10,281,617	13,375,818
Total net position	<u>\$ 68,525,954</u>	<u>\$ 70,546,999</u>

The largest portion of the Town’s net position (81.2 percent) reflect its investment in capital assets (e.g. land, buildings, 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 its capital assets is

reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town’s net position (3.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (15.0 percent) may be used to meet the Town’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

Table 2, as presented below, shows the changes in net position for the years ended December 31, 2016 and December 31, 2015.

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

	<u>Governmental Activities</u>	
	<u>Year Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Program revenues:		
Charges for services	\$ 1,817,621	\$ 1,870,259
Operating grants and contributions	227,863	717,075
Capital grants and contributions	339,727	-
General revenues	<u>20,379,229</u>	<u>20,562,422</u>
Total revenues	<u>22,764,440</u>	<u>23,149,756</u>
Program expenses	24,785,485	21,939,724
Change in net position	(2,021,045)	1,210,032
Net position—beginning	<u>70,546,999</u>	<u>69,336,967</u>
Net position—ending	<u>\$ 68,525,954</u>	<u>\$ 70,546,999</u>

Overall revenues of the primary government decreased by 1.2 percent from the prior year, due primarily to a decrease in infrastructure assets dedicated to the Town from developers and a decrease in operating grants received. Total expenses increased by 13.0 percent compared to the year ended December 31, 2015, which is primarily attributed to an increase in the allocated cost of other postemployment benefits and contractual costs associated with garbage and refuse.

A summary of sources of revenues of the primary government for the years ended December 31, 2016 and December 31, 2015 is presented in Table 3 on the following page.

Table 3—Summary of Sources of Revenues—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2016	2015	Dollars	Percent (%)
Charges for services	\$ 1,817,621	\$ 1,870,259	\$ (52,638)	(2.8)
Operating grants and contributions	227,863	717,075	(489,212)	(68.2)
Capital grants and contributions	339,727	-	339,727	n/a
Property and other taxes	18,836,531	18,093,448	743,083	4.1
Use of money and property	67,375	56,577	10,798	19.1
Miscellaneous	504,087	1,319,618	(815,531)	(61.8)
State support (unrestricted)	971,236	1,092,779	(121,543)	(11.1)
Total general revenues, net	<u>\$ 22,764,440</u>	<u>\$ 23,149,756</u>	<u>\$ (385,316)</u>	(1.7)

The Town's largest sources of revenues were property and other taxes of \$18,836,531, or 82.7 percent of total revenues, and charges for services of \$1,817,621, or 8.0 percent of total revenues. For the year ended December 31, 2015, the Town's largest sources of revenues were property and other taxes of \$18,093,448, or 78.2 percent of total revenues, and charges for services of \$1,870,259, or 8.1 percent of total revenues.

A summary of program expenses of the primary government for the years ended December 31, 2016 and December 31, 2015 is presented below in Table 4.

Table 4—Summary of Program Expenses—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2016	2015	Dollars	Percent (%)
General government support	\$ 4,191,381	\$ 3,925,467	\$ 265,914	6.8
Education	12,983	9,349	3,634	38.9
Public safety	6,663,867	5,702,964	960,903	16.8
Health	5,575	5,339	236	4.4
Transportation	4,947,574	4,728,300	219,274	4.6
Economic assistance and opportunity	417	401	16	4.0
Culture and recreation	1,895,328	1,866,844	28,484	1.5
Home and community services	6,612,633	5,403,081	1,209,552	22.4
Interest and other fiscal charges	455,727	297,979	157,748	52.9
Total program expenses	<u>\$ 24,785,485</u>	<u>\$ 21,939,724</u>	<u>\$ 2,845,761</u>	13.0

The Town's most significant expense items for the year ended December 31, 2016 were public safety of \$6,663,867, or 26.9 percent of total expenses, and home and community services of \$6,612,633, or 26.7 percent of total expenses. For the year ended December 31, 2015, the most significant expense items were public safety of \$5,702,964, or 26.0 percent of total expenses, and home and community services of \$5,403,081, or 24.6 percent of total expenses.

Financial Analysis of Governmental 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 yet been limited to use for a particular purpose by either an external party, the Town itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town's Board.

At December 31, 2016, the Town's governmental funds reported combined fund balances of \$28,544,191, an increase of \$4,502,398 in comparison with the prior year. Approximately 18.2% of this amount \$5,197,231 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form—\$405,040, 2) restricted for particular purposes—\$2,762,938, 3) committed for particular purposes—\$10,607,645, or 4) assigned for particular purposes—\$9,571,337.

Table 5—Components of Fund Balance—Major Funds

	December 31,	
	2016	2015
General Fund		
Nonspendable	\$ 77,033	\$ 83,208
Restricted	1,474,515	1,420,182
Committed	871,058	881,026
Assigned	1,625,061	1,274,414
Unassigned	<u>5,197,231</u>	<u>5,470,452</u>
Total General Fund	<u>\$ 9,244,898</u>	<u>\$ 9,129,282</u>
Public Safety Fund		
Nonspendable	\$ 239,201	\$ 238,950
Restricted	360,236	330,157
Committed	41,716	103,702
Assigned	<u>392,295</u>	<u>288,994</u>
Total Public Safety Fund	<u>\$ 1,033,448</u>	<u>\$ 961,803</u>
Highway Fund		
Nonspendable	\$ 68,451	\$ 75,669
Restricted	683,477	636,603
Assigned	<u>343,791</u>	<u>605,576</u>
Total Highway Fund	<u>\$ 1,095,719</u>	<u>\$ 1,317,848</u>
Sewer Districts Fund		
Restricted	\$ 36,678	\$ -
Assigned	<u>3,143,610</u>	<u>3,179,146</u>
Total Sewer Districts Fund	<u>\$ 3,180,288</u>	<u>\$ 3,179,146</u>
Water Districts Fund		
Nonspendable	\$ 8,158	\$ 5,429
Restricted	58,994	49,502
Assigned	<u>1,511,992</u>	<u>1,623,238</u>
Total Water Districts Fund	<u>\$ 1,579,144</u>	<u>\$ 1,678,169</u>

(continued)

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
		(concluded)
Garbage and Refuse Fund		
Nonspendable	\$ 2,227	\$ 2,125
Restricted	17,416	17,416
Committed	102,818	82,818
Assigned	<u>615,805</u>	<u>1,093,621</u>
Total Garbage and Refuse Fund	<u>\$ 738,266</u>	<u>\$ 1,195,980</u>
Capital Projects Fund		
Committed	<u>\$ 9,592,053</u>	<u>\$ 4,702,426</u>
Total Capital Projects Fund	<u>\$ 9,592,053</u>	<u>\$ 4,702,426</u>

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,197,231, while total fund balance increased to \$9,244,898. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 75.8 percent of total General Fund expenditures and transfers out, while total fund balance represents 134.8 percent of that same amount.

The total fund balance of the Town's General Fund increased by \$115,616 during the current fiscal year. During the annual budget process, the Town anticipated utilizing \$1,270,000 of fund balance for 2016 operations.

The Town's Public Safety Fund ending fund balance was \$1,033,448. During the year ended December 31, 2016, the Public Safety Fund fund balance increased \$71,645 primarily due to the funding of restricted, committed and assigned purposes.

The Town's Highway Fund ending fund balance was \$1,095,719. Approximately 0.2 percent, \$1,911, of this amount is reported as fund balance assigned for specific (Highway Fund) use. During the year ended December 31, 2016, the Highway Fund fund balance decreased \$222,129 mainly due to budgeted use of fund balance.

The Town's Sewer Districts Fund ending fund balance was \$3,180,288. \$2,408,600 is reported as fund balance assigned for specific (Sewer Districts Fund) use and \$735,010 is assigned to funding next year's budget. During the year ended December 31, 2016, the Sewer Districts Fund fund balance increased \$1,142.

The Town's Water Districts Fund ending fund balance was \$1,579,144. \$1,312,499, of this amount is reported as fund balance assigned for specific (Water Districts Fund) use. During the year ended December 31, 2016, the Water Districts Fund fund balance decreased \$99,025 mainly due to budgeted use of fund balance.

The Town's Garbage and Refuse Fund ending fund balance was \$738,266. \$530,805, of this amount is reported as fund balance assigned for specific (Garbage and Refuse Fund) use and \$85,000 is assigned to funding next year's budget. During the year ended December 31, 2016, the Garbage and Refuse Fund

fund balance decreased \$457,714 mainly due to additional contractual expenditures incurred during the year.

The Town's Capital Projects Fund ending fund balance of \$9,592,053. During the year ended December 31, 2016, the Capital Projects Fund fund balance increased \$4,889,627 mainly due to proceeds from the issuance of long-term debt exceeding current year capital expenditures.

General Fund Budgetary Highlights

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

A summary of the General Fund results of operations for the year ended December 31, 2016 is presented in Table 6 below:

Table 6—General Fund Budget

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 6,684,213	6,703,185	\$ 6,976,156	\$ 272,971
Expenditures and other financing uses	<u>7,958,627</u>	<u>8,075,521</u>	<u>6,860,540</u>	<u>1,214,981</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (1,274,414)</u>	<u>\$ (1,372,336)</u>	<u>\$ 115,616</u>	<u>\$ 1,487,952</u>

Original budget compared to final budget—During the year there was a net increase in appropriations between the original and final amended budget due to supplemental appropriations for various unanticipated departmental expenditures. These amendments were supported by various revenues received in excess of expectations and an additional \$97,922 utilization of restricted fund balance.

Final budget compared to actual results—Budgeted revenues and appropriations varied from actual revenues, expenditures and other financing sources (uses) as follows:

Total revenues and other financing sources exceeded the final budget by \$272,971. The major contributors to this positive revenue variance were the portion of the premium on obligations and sales tax. The premium received on serial bonds is restricted for the repayment of debt. Sales tax revenues are based on a proportional share of taxable sales within Erie County.

Total expenditures and transfers out were less than the final budget by \$1,214,981. The most significant contributor was in general government support. General government savings were achieved in personnel costs along with less than anticipated unallocated insurances costs. Additionally, employee benefits were less than anticipated.

Capital Asset and Debt Administration

Capital assets—The Town’s investment in capital assets for its governmental activities as of December 31, 2016 amounted to \$67,747,881 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, works of art and historical treasures, infrastructure, buildings and building 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 for the years ended December 31, 2016 and December 31, 2015 is presented below in Table 7.

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

	December 31,	
	2016	2015
Land	\$ 5,664,812	\$ 5,664,812
Works of art and historical treasures	50,700	50,700
Construction in progress	5,599,862	1,224,260
Land improvements	1,399,015	1,510,951
Buildings	4,288,188	4,448,810
Building improvements	3,069,248	3,066,039
Machinery and equipment	4,168,935	3,954,632
Infrastructure	<u>43,507,121</u>	<u>43,711,962</u>
Total	<u>\$ 67,747,881</u>	<u>\$ 63,632,166</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 4 to the financial statements.

Long-term liabilities—At December 31, 2016, the Town had total bonded debt outstanding of \$19,875,000 as compared to \$11,150,000 in the prior year. This debt is backed by the full faith and credit of the government.

New York State statutes limit the amount of general obligation debt a governmental entity may issue up to 7% of its five year valuation. The current debt-limitation for the Town is \$189,461,227, which is significantly in excess of the Town’s outstanding general obligation debt.

The Town has a bond rating from Moody’s Investor Service of Aa2. Additional information on the Town’s long-term debt can be found in Note 10 of this report.

A summary of the Town’s long-term liabilities at December 31, 2016 and December 31, 2015 is presented on the following page in Table 8.

Table 8—Summary of Long-Term Liabilities

	December 31,	
	2016	2015
Serial bonds	\$ 19,875,000	\$ 11,150,000
Compensated absences	3,903,381	3,932,943
OPEB obligation	3,555,994	2,686,044
Net pension liability	5,858,137	889,122
Total	<u>\$ 33,192,512</u>	<u>\$ 18,658,109</u>

Economic Factors and Next Year’s Budgets and Rates

Key economic factors include:

- The unemployment rate, not seasonally adjusted, for the Town during December 2016 was 3.8 percent. This is favorable to New York’s unemployment rate of 4.5 and favorable to the national unemployment rate of 4.7 percent.
- Increases in healthcare and retirement costs.

These factors were considered in preparing the Town’s budget for 2017.

The Town’s 2017 budget includes the appropriation of \$1,615,000 of fund balance in the General Fund. The budget also includes a combined General Fund/Public Safety Fund tax rate of \$3.53 and Highway Fund tax rate of \$2.75 (per \$1,000 of assessed valuation), as compared to the 2016 tax rates of \$3.45 and \$2.74.

Requests for Information

This financial report is designed to provide a general overview of the Town’s finances for all those with interest in the Town’s finances. 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 Orchard Park, 4295 S. Buffalo Road, Orchard Park, New York 14127.

BASIC FINANCIAL STATEMENTS

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TOWN OF ORCHARD PARK, NEW YORK
Statement of Net Position
December 31, 2016

	<u>Primary Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 16,562,445
Restricted cash and cash equivalents	10,977,558
Receivables	204,479
Intergovernmental receivables	1,672,702
Prepaid items	405,040
Capital assets not being depreciated	11,315,374
Capital assets, net of accumulated depreciation	<u>56,432,507</u>
Total assets	<u>97,570,105</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pension plans	<u>6,836,288</u>
Total deferred outflows of resources	<u>6,836,288</u>
 LIABILITIES	
Accounts payable	592,285
Accrued liabilities	841,943
Retainages payable	218,455
Non-current liabilities:	
Due within one year	1,767,755
Due within more than one year	<u>31,649,846</u>
Total liabilities	<u>35,070,284</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pension plans	<u>810,155</u>
Total deferred inflows of resources	<u>810,155</u>
 NET POSITION	
Net investment in capital assets	55,613,021
Restricted for:	
Capital improvements	582,422
Tax stabilization	655,900
Debt	998,389
Other	394,605
Unrestricted	<u>10,281,617</u>
Total net position	<u>\$ 68,525,954</u>

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

TOWN OF ORCHARD PARK, NEW YORK
Statement of Activities
December 31, 2016

Function/Program	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Primary Government Governmental Activities
Primary Government:					
Governmental activities:					
General government support	\$ 4,191,381	\$ 150,340	\$ 1,929	\$ -	\$ (4,039,112)
Education	12,983	-	-	-	(12,983)
Public safety	6,663,867	798,687	35,833	-	(5,829,347)
Health	5,575	-	-	-	(5,575)
Transportation	4,947,574	89,719	190,101	139,727	(4,528,027)
Economic assistance and opportunity	417	-	-	-	(417)
Culture and recreation	1,895,328	508,025	-	-	(1,387,303)
Home and community services	6,612,633	270,850	-	200,000	(6,141,783)
Interest and other fiscal charges	455,727	-	-	-	(455,727)
Total primary government	<u>\$ 24,785,485</u>	<u>\$ 1,817,621</u>	<u>\$ 227,863</u>	<u>\$ 339,727</u>	<u>(22,400,274)</u>
General revenues:					
					14,019,842
					Real property taxes and tax items
					Other non-property taxes:
					Sales tax distribution
					Franchise fees
					Use of money and property
					Miscellaneous
					State support (unrestricted)
					<u>971,236</u>
					Total general revenues
					<u>20,379,229</u>
					Change in net position
					(2,021,045)
					Net position—beginning
					<u>70,546,999</u>
					Net position—ending
					<u>\$ 68,525,954</u>

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

TOWN OF ORCHARD PARK, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2016

	Special Revenue						Capital Projects	Total Nonmajor Funds	Total Governmental Funds
	General	Public Safety	Highway	Sewer Districts	Water Districts	Garbage and Refuse			
ASSETS									
Cash and cash equivalents	\$ 6,195,751	\$ 700,617	\$ 607,300	\$ 3,179,610	\$ 1,520,141	\$ 1,044,586	\$ 1,363,238	\$ 1,951,202	\$ 16,562,445
Restricted cash and cash equivalents	1,474,515	360,236	683,477	36,678	58,994	17,416	8,214,620	131,622	10,977,558
Receivables	82,566	84,351	4,141	-	6,228	2,047	-	25,146	204,479
Intergovernmental receivables	1,582,049	-	45,522	-	-	-	45,131	-	1,672,702
Prepaid items	77,033	239,201	68,451	-	8,158	2,227	-	9,970	405,040
Total assets	<u>\$ 9,411,914</u>	<u>\$ 1,384,405</u>	<u>\$ 1,408,891</u>	<u>\$ 3,216,288</u>	<u>\$ 1,593,521</u>	<u>\$ 1,066,276</u>	<u>\$ 9,622,989</u>	<u>\$ 2,117,940</u>	<u>\$ 29,822,224</u>
LIABILITIES									
Accounts payable	\$ 100,774	\$ 28,977	\$ 87,026	\$ 36,000	\$ 4,511	\$ 277,111	\$ 30,936	\$ 26,950	\$ 592,285
Accrued liabilities	66,242	321,980	226,146	-	9,866	50,899	-	10,615	685,748
Total liabilities	<u>167,016</u>	<u>350,957</u>	<u>313,172</u>	<u>36,000</u>	<u>14,377</u>	<u>328,010</u>	<u>30,936</u>	<u>37,565</u>	<u>1,278,033</u>
FUND BALANCES									
Nonspendable	77,033	239,201	68,451	-	8,158	2,227	-	9,970	405,040
Restricted	1,474,515	360,236	683,477	36,678	58,994	17,416	-	131,622	2,762,938
Committed	871,058	41,716	-	-	-	102,818	9,592,053	-	10,607,645
Assigned	1,625,061	392,295	343,791	3,143,610	1,511,992	615,805	-	1,938,783	9,571,337
Unassigned	5,197,231	-	-	-	-	-	-	-	5,197,231
Total fund balances	<u>9,244,898</u>	<u>1,033,448</u>	<u>1,095,719</u>	<u>3,180,288</u>	<u>1,579,144</u>	<u>738,266</u>	<u>9,592,053</u>	<u>2,080,375</u>	<u>28,544,191</u>
Total liabilities and fund balances	<u>\$ 9,411,914</u>	<u>\$ 1,384,405</u>	<u>\$ 1,408,891</u>	<u>\$ 3,216,288</u>	<u>\$ 1,593,521</u>	<u>\$ 1,066,276</u>	<u>\$ 9,622,989</u>	<u>\$ 2,117,940</u>	<u>\$ 29,822,224</u>

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

TOWN OF ORCHARD PARK, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
December 31, 2016

Amounts reported for governmental activities in the statement of net position (page 13) are different because:

Total fund balances—governmental funds (page 15)	\$	28,544,191
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$126,382,493 and the accumulated depreciation is \$58,634,612.		67,747,881
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions	\$ 1,188,119	
Deferred outflows related to experience and investment earnings	5,648,169	
Deferred inflows of resources related to pensions	<u>(810,155)</u>	6,026,133
To recognize interest accrual on long-term debt. Net accrued interest for general obligation bonds are not reported in the funds.		(156,195)
To recognize retainage payable on outstanding capital projects not recorded in the fund financial statements.		(218,455)
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	\$ (19,875,000)	
Premium on serial bonds	(225,089)	
Compensated absences	(3,903,381)	
OPEB obligation	(3,555,994)	
Net pension liability	<u>(5,858,137)</u>	<u>(33,417,601)</u>
Net position of governmental activities	\$	<u>68,525,954</u>

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

TOWN OF ORCHARD PARK, NEW YORK
Statement of Revenues, Expenditures, and Changes in
Fund Balances—Governmental Funds
Year Ended December 31, 2016

	Special Revenue						Capital Projects	Total Nonmajor Funds	Total Governmental Funds
	General	Public Safety	Highway	Sewer Districts	Water Districts	Garbage and Refuse			
REVENUES									
Real property taxes	\$ 492,473	\$ 5,258,011	\$ 3,848,212	\$ 825,992	\$ 1,059,647	\$ 1,953,421	\$ -	\$ 340,416	\$ 13,778,172
Real property tax items	241,670	-	-	-	-	-	-	-	241,670
Non property tax items	4,370,360	-	50,000	-	-	-	-	396,329	4,816,689
Departmental income	503,303	153,100	-	30,704	13,161	96,248	-	313,992	1,110,508
Intergovernmental charges	75,600	-	89,719	-	-	-	-	-	165,319
Use of money and property	49,642	1,355	1,560	2,653	1,388	1,087	8,546	1,144	67,375
Licenses and permits	37,798	-	-	-	-	-	-	975	38,773
Fines and forfeitures	-	344,630	-	-	-	-	-	-	344,630
Miscellaneous	94,336	17,597	12,153	-	-	-	12,675	142,012	278,773
Interfund revenues	-	-	-	-	100	-	-	-	100
State aid	971,236	35,833	190,101	-	-	-	-	-	1,197,170
Federal aid	1,929	-	-	-	-	-	339,727	-	341,656
Total revenues	<u>6,838,347</u>	<u>5,810,526</u>	<u>4,191,745</u>	<u>859,349</u>	<u>1,074,296</u>	<u>2,050,756</u>	<u>360,948</u>	<u>1,194,868</u>	<u>22,380,835</u>
EXPENDITURES									
Current:									
General government support	2,695,758	185,483	37,631	-	-	-	-	164	2,919,036
Education	-	9,316	-	-	-	-	-	-	9,316
Public safety	40,623	4,447,773	-	-	-	-	-	349,477	4,837,873
Health	-	-	-	-	-	-	-	4,000	4,000
Transportation	116,964	-	2,766,850	-	-	-	-	307,166	3,190,980
Economic assistance and opportunity	300	-	-	-	-	-	-	-	300
Culture and recreation	1,245,835	-	-	-	-	-	-	-	1,245,835
Home and community services	94,549	-	-	712,820	469,608	2,367,573	-	186,921	3,831,471
Employee benefits	1,286,510	2,380,790	931,853	81,477	80,522	-	-	143,904	4,905,056
Debt service:									
Principal	-	-	-	-	-	-	-	1,125,000	1,125,000
Interest	-	-	-	-	-	-	-	353,758	353,758
Capital outlay	-	-	-	-	-	-	5,536,665	-	5,536,665
Total expenditures	<u>5,480,539</u>	<u>7,023,362</u>	<u>3,736,334</u>	<u>794,297</u>	<u>550,130</u>	<u>2,367,573</u>	<u>5,536,665</u>	<u>2,470,390</u>	<u>27,959,290</u>
Excess (deficiency) of revenues over expenditures	<u>1,357,808</u>	<u>(1,212,836)</u>	<u>455,411</u>	<u>65,052</u>	<u>524,166</u>	<u>(316,817)</u>	<u>(5,175,717)</u>	<u>(1,275,522)</u>	<u>(5,578,455)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	1,284,481	-	-	-	-	257,344	1,478,758	3,020,583
Transfers out	(1,380,001)	-	(724,414)	(100,588)	(632,683)	(140,897)	(42,000)	-	(3,020,583)
Premium on obligations	137,809	-	46,874	36,678	9,492	-	-	-	230,853
Serial bonds issued	-	-	-	-	-	-	9,850,000	-	9,850,000
Total other financing sources (uses)	<u>(1,242,192)</u>	<u>1,284,481</u>	<u>(677,540)</u>	<u>(63,910)</u>	<u>(623,191)</u>	<u>(140,897)</u>	<u>10,065,344</u>	<u>1,478,758</u>	<u>10,080,853</u>
Net change in fund balances (deficit)	115,616	71,645	(222,129)	1,142	(99,025)	(457,714)	4,889,627	203,236	4,502,398
Fund balances—beginning	<u>9,129,282</u>	<u>961,803</u>	<u>1,317,848</u>	<u>3,179,146</u>	<u>1,678,169</u>	<u>1,195,980</u>	<u>4,702,426</u>	<u>1,877,139</u>	<u>24,041,793</u>
Fund balances—ending	<u>\$ 9,244,898</u>	<u>\$ 1,033,448</u>	<u>\$ 1,095,719</u>	<u>\$ 3,180,288</u>	<u>\$ 1,579,144</u>	<u>\$ 738,266</u>	<u>\$ 9,592,053</u>	<u>\$ 2,080,375</u>	<u>\$ 28,544,191</u>

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

TOWN OF ORCHARD PARK, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances—Governmental Funds to the Government-wide Statement of Activities
December 31, 2016

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

Net change in fund balances (deficit)—total governmental funds (page 17) \$ 4,502,398

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital asset additions	\$ 7,910,344	
Loss on disposition of capital assets	(34,228)	
Depreciation expense	<u>(3,760,401)</u>	4,115,715

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

Town pension contributions	\$ 1,188,119	
Cost of benefits earned net of employee contributions	<u>(1,755,628)</u>	(567,509)

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 position. 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:

Proceeds of serial bonds	\$ (9,850,000)	
Repayment of serial bonds	1,125,000	
Premium on serial bonds	(230,853)	
Amortization of bond premium	5,764	
Change in accrued interest expense	(107,733)	
Change in retainages payable	(173,439)	
Change in compensated absences	29,562	
Change in OPEB obligation	<u>(869,950)</u>	<u>(10,071,649)</u>

Change in net position of governmental activities \$ (2,021,045)

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

TOWN OF ORCHARD PARK, NEW YORK
Statement of Net Position—Agency Fund
December 31, 2016

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 1,478,581
Accounts receivable	<u>3</u>
Total assets	<u>\$ 1,478,584</u>
LIABILITIES	
Agency liabilities	<u>\$ 1,478,584</u>
Total liabilities	<u>\$ 1,478,584</u>

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

TOWN OF ORCHARD PARK, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Orchard Park, New York (the “Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The 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 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 unit 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 three-member Town Board is the legislative body responsible for overall operations. The Supervisor serves as both Chief Executive Officer and Chief Fiscal Officer.

Independently elected officials of the Town include:

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

Units of local government which operate within the boundaries of the Town are the County of Erie, the Village of Orchard Park and the Orchard Park Fire Commission. Public education is provided by three 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. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are 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 government's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

- *General Fund*—this is the principal operating fund of the Town and accounts for all financial resources of the general government, except those accounted for in another fund. The principal source of revenue is non-property tax items.
- *Public Safety Fund*—this is used to record all revenues and expenditures related to public safety throughout the Town. Major revenue sources include real property taxes and fines and forfeitures.
- *Highway Fund*—this is used to record all revenues and expenditures related to road maintenance and construction throughout the Town. Major revenue sources include real property taxes and State aid.
- *Sewer Districts Fund*—this is used to record all revenues and expenditures related to operation and maintenance of the Town's sewer districts. Major revenue sources consist primarily of real property taxes.
- *Water Districts Fund*—this is used to record all revenues and expenditures related to operation and maintenance of the Town's water districts. Major revenue sources consist primarily of real property taxes.
- *Garbage and Refuse Fund*—this is used to record all activity related to the garbage pickup and recycling within the Town. The principal source of revenue for the Garbage and Refuse Fund is real property taxes.
- *Capital Projects Fund*—this 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 type:

- *Agency Fund*—This fund is used to account for assets held by the Town as an agent for individuals, private organizations, and/or other governmental units.

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 the 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, 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 (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

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. New York State law governs the Town’s investment policies. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. The Town had no investments at December 31, 2016; however, when the Town does have investments they are recorded at fair value based on quoted market value.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represents amounts to support fund balance restrictions and unspent proceeds of debt.

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

Capital Assets—Capital assets, which include property, buildings, building improvements, equipment and infrastructure assets (e.g. roads, bridges, drainage systems and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more 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. Major outlays for capital assets and improvements are capitalized as projects are completed.

Land, works of art and historical treasures and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated and intangible assets amortized using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	20
Land Improvements	20
Infrastructure:	
Dams and Drainage Systems	30
Water and Sewer Systems	50
Traffic Control Systems	30
Bridges and Culverts	30
Roads	10
Machinery and Equipment:	
Office Equipment and Furniture	10
Heavy Equipment	15
Other	5
Vehicles	10
Computers	5

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 police vehicle included as part of *expenditures—public safety*). The amount reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Retainages Payable—Represents expenditures incurred by the Town related to construction contracts that have not been paid as of December 31, 2016.

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, 2016, 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 contributions 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, 2016, the Town has one item that qualifies for reporting in this category. This 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.

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 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 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 Expenditure/Expenses

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 the 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 as program revenues.

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 1st based on assessed property values as of that date.

For 2016, tax payments were due January 1st to February 16th without penalty; February 17th to February 29th a 1.5% penalty; March 1st to March 15th a 3.0% penalty; March 16th to March 31st a 4.5% penalty; April 1st to April 15th a 6.0% penalty; April 16th to May 2nd 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 30th at which time all unpaid taxes and penalties are payable to that office. The Town retains their full tax levies for all unpaid items that are returned to the County. Thus, the Town is assured of receiving 100% of its tax levy. The County enforces all liens.

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

Compensated Absences—The Town’s labor agreements and Town Board rules and regulations provide for sick leave, vacations, and other miscellaneous paid absences. Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

The compensated absences liability for the Town at December 31, 2016 totaled \$3,903,381 and is reported in the government-wide financial statements.

Payment of sick leave and compensatory time is dependent on many factors; therefore timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of sick leave and compensatory time when such payment becomes 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 6.

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 liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2016, the Town implemented GASB Statements No. 72, *Fair Value Measurement and Application*, No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 77, *Tax Abatement Disclosures*, No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes, as well as guidance on applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 73 establishes a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB Statement No. 77 requires the disclosure of information about the nature and magnitude of tax abatements and will make these transactions more transparent to financial statement users. GASB Statement No. 78 addresses a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at

amortized cost for financial reporting purposes. GASB Statements No. 72, 73, 76, 77, 78, and 79 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. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*; No. 81, *Irrevocable Split-Interest Agreements*; No. 82, *Pension Issues; an Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the fiscal year ending December 31, 2017; No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; No. 85, *Omnibus 2017*; No. 86, *Certain Debt Extinguishment Issues*, effective for the fiscal year ending December 31, 2018; No. 83, *Certain Asset Retirement Obligations*; and No. 84, *Fiduciary Activities*, effective for the fiscal year ending December 31, 2019. The Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 74, 75, 80, 81, 82, 83, 84, 85 and 86 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Deficit Fund Balances—Certain districts within the Sewer Districts and Water Districts funds are in a deficit position at December 31, 2016. It is anticipated that these deficits will be remedied through future real property taxes. Additionally, certain projects within the Capital Projects Fund are in a deficit position at December 31, 2016. It is anticipated that these deficits will be remedied through grant funding, interfund transfers and proceeds from future bond issuances.

Legal Compliance – Budgets

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

- Prior to September 30th, the Town Supervisor files a “tentative” budget with the Town Clerk for the following fiscal year to commence on January 1st. This budget, which includes appropriations and estimated revenues, is then presented to the full Town Board by October 5th.
- 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 October.
- Following the public hearing, revisions may again be made by the Town Board before filing an adopted budget with Erie County by November 20th.
- Formal annual budgetary accounts are employed as a management control device for the General, Special Revenue, and Debt Service 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.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Town's investment policies are governed by State statutes. Town monies must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The Town 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.

Total cash and cash equivalents at December 31, 2016 are shown below:

	Governmental Funds	Fiduciary Funds	Total
Petty Cash (uncollateralized)	\$ 1,025	\$ -	\$ 1,025
Deposits	<u>27,538,978</u>	<u>1,478,581</u>	<u>29,017,559</u>
Total	<u>\$ 27,540,003</u>	<u>\$ 1,478,581</u>	<u>\$ 29,018,584</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at December 31, 2016 are as follows:

	Bank Balance	Carrying Amount
Insured (FDIC)	\$ 496,856	\$ 496,856
Uninsured:		
Collateral held by bank's agent in the Town's name	<u>28,705,775</u>	<u>28,520,703</u>
Total	<u>\$ 29,202,631</u>	<u>\$ 29,017,559</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 State statute all deposits in excess of FDIC insurance coverage must be collateralized. At December 31, 2016, 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—The Town reports amounts to support restricted fund balance and unspent proceeds of debt as restricted cash and cash equivalents. At December 31, 2016, the Town reported \$10,977,558 of cash and cash equivalents as restricted.

Investments—The Town had no investments at December 31, 2016.

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

3. RECEIVABLES

Major revenues accrued by the Town at December 31, 2016 include:

Receivables—Primarily represents amounts due from other Town departments (e.g. Town Justice, Town Clerk and Receiver of Taxes) who are acting as intermediary collecting agents, collecting various fines, fees and other charges which are remitted to the Town in accordance with State statute. Other miscellaneous items are also included. Amounts due to the Town at December 31, 2016 are:

General Fund:		
Various Town departments	\$ 73,743	
Miscellaneous	<u>8,823</u>	\$ 82,566
Public Safety Fund:		
Various Town departments	\$ 62,047	
BOCES	<u>22,304</u>	84,351
Highway Fund:		
Fuel charges	\$ 4,041	
Various Town departments	<u>100</u>	4,141
Water Fund:		
Various Town departments	\$ 3,350	
Miscellaneous	<u>2,878</u>	6,228
Garbage and Refuse Fund:		
Compost sales		2,047
Other governmental funds:		
Town Outside Village Fund:		
Various Town departments	\$ 14,535	
Miscellaneous	9,941	
Lighting Fund:		
Miscellaneous	<u>670</u>	<u>25,146</u>
		<u>\$ 204,479</u>

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State, County of Erie or other local governments. Amounts due the Town at December 31, 2016 are:

General Fund:		
Erie County - sales tax	\$ 1,581,649	
Erie County - other	<u>400</u>	\$ 1,582,049
Highway Fund:		
Erie County - snow removal		45,522
Capital Projects Fund:		
Federal aid		<u>45,131</u>
Total governmental funds		<u>\$ 1,672,702</u>

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance 1/1/2016	Increases and Reclassifications	Decreases and Reclassifications	Balance 12/31/2016
Capital assets, not being depreciated:				
Land	\$ 5,664,812	\$ -	\$ -	\$ 5,664,812
Works of art and historical treasures	50,700	-	-	50,700
Construction in progress	<u>1,224,260</u>	<u>5,742,262</u>	<u>1,366,660</u>	<u>5,599,862</u>
Total capital assets, not being depreciated	<u>6,939,772</u>	<u>5,742,262</u>	<u>1,366,660</u>	<u>11,315,374</u>
Capital assets, being depreciated:				
Land improvements	2,797,005	-	-	2,797,005
Buildings	8,031,059	-	-	8,031,059
Building improvements	4,365,208	224,670	-	4,589,878
Machinery and equipment	9,208,406	877,742	293,920	9,792,228
Infrastructure	<u>87,424,619</u>	<u>2,432,330</u>	<u>-</u>	<u>89,856,949</u>
Total capital assets, being depreciated	<u>111,826,297</u>	<u>3,534,742</u>	<u>293,920</u>	<u>115,067,119</u>
Less accumulated depreciation for:				
Land improvements	1,286,054	111,936	-	1,397,990
Buildings	3,582,249	160,622	-	3,742,871
Building improvements	1,299,169	221,461	-	1,520,630
Machinery and equipment	5,253,774	629,211	259,692	5,623,293
Infrastructure	<u>43,712,657</u>	<u>2,637,171</u>	<u>-</u>	<u>46,349,828</u>
Total accumulated depreciation	<u>55,133,903</u>	<u>3,760,401</u>	<u>259,692</u>	<u>58,634,612</u>
Total capital assets, being depreciated, net	<u>56,692,394</u>	<u>(225,659)</u>	<u>34,228</u>	<u>56,432,507</u>
Governmental activities capital assets, net	<u>\$ 63,632,166</u>	<u>\$ 5,516,603</u>	<u>\$ 1,400,888</u>	<u>\$ 67,747,881</u>

Depreciation expense was charged to the functions of the governmental activities as follows:

Governmental activities:	
General support	\$ 295,211
Public safety	139,342
Transportation	1,760,538
Culture and recreation	227,596
Home and community services	<u>1,337,714</u>
Total depreciation expense, governmental activities	<u>\$ 3,760,401</u>

Capital outlay within the capital projects fund was charged to the following functions:

General support	\$ 418,000
Transportation	4,253,865
Culture and recreation	63,884
Home and community services	<u>800,916</u>
Total capital outlay	<u>\$ 5,536,665</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at Town as of December 31, 2016, were as follows:

	General Fund	Public Safety Fund	Highway Fund	Water Districts Fund	Garbage and Refuse Fund	Other Governmental Funds	Total Governmental Funds
Salary and employee benefits	\$ 66,242	\$ 312,485	\$ 220,151	\$ 9,866	\$ 2,322	\$ 10,615	\$ 621,681
Accrued workers compensation	<u>-</u>	<u>9,495</u>	<u>5,995</u>	<u>-</u>	<u>48,577</u>	<u>-</u>	<u>64,067</u>
Total	<u>\$ 66,242</u>	<u>\$ 321,980</u>	<u>\$ 226,146</u>	<u>\$ 9,866</u>	<u>\$ 50,899</u>	<u>\$ 10,615</u>	<u>\$ 685,748</u>

6. PENSION PLANS

Plan Descriptions and Benefits Provided

Police and Fire Retirement System (“PFRS”) and Employees’ Retirement System (“ERS”)—The Town participates in the New York State and Local Police and Fire Retirement System (“PFRS”) and the New York State and Local Employees’ Retirement System (“ERS”), which are collectively referred to as the New York State and Local Retirement System (the “System”). PFRS and ERS are cost-sharing, multiple-employer, defined benefit pension plans. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the “Fund”), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the 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 System is noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 (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 Inflows of Resources Related to Pensions—At December 31, 2016, 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, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2015, 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.

	<u>PFRS</u>	<u>ERS</u>
Measurement date	March 31, 2016	March 31, 2016
Net pension liability	\$ 3,047,576	\$ 2,810,561
Town's portion of the Plan's total net pension liability	0.1029313%	0.0175110%

For the year ended December 31, 2016, the Town recognized pension expenses of \$1,133,086 and \$1,035,358, respectively, for PFRS and ERS, a total of \$2,168,444. At December 31, 2016, the Town reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>
Differences between expected and actual experiences	\$ 27,334	\$ 14,202	\$ 460,757	\$ 333,145
Changes of assumptions	1,313,800	749,492	-	-
Net difference between projected and actual earnings on pension plan investments	1,707,920	1,667,379	-	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	59,080	108,962	-	16,253
Town contributions subsequent to the measurement date	652,175	535,944	-	-
Total	<u>\$ 3,760,309</u>	<u>\$ 3,075,979</u>	<u>\$ 460,757</u>	<u>\$ 349,398</u>

The Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>PFRS</u>	<u>ERS</u>
2017	\$ 622,394	\$ 563,381
2018	622,394	563,381
2019	622,394	563,381
2020	598,613	500,494
2021	181,582	-

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, 2016	March 31, 2016
Actuarial valuation date	April 1, 2015	April 1, 2015
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%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on the Society of Actuaries’ Scale MP-2014.

The actuarial assumptions used in the April 1, 2015 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 below:

	Target Allocation	Long-Term Expected Real Rate of Return
	PFRS and ERS	
Measurement date	March 31, 2016	
Asset class:		
Domestic equities	38.0 %	7.3 %
International equities	13.0	8.6
Private equity	10.0	11.0
Real estate	8.0	8.3
Absolute return strategies	3.0	6.8
Opportunistic portfolio	3.0	8.6
Real assets	3.0	8.7
Bonds and mortgages	18.0	4.0
Cash	2.0	2.3
Inflation-indexed bonds	2.0	4.0
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 System’s fiduciary net

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

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the Town’s proportionate share of the net pension liabilities calculated using the discount rate of 7.0%, as well as what the Town’s proportionate share of the net pension liabilities would be if they 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	\$ 6,807,082	\$ 3,047,576	\$ (103,704)
Employer's proportionate share of the net pension liability/(asset)—ERS	6,337,611	2,810,561	(169,645)

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	March 31, 2016	March 31, 2016	
Employers' total pension liability	\$ 30,347,727	\$ 172,303,544	\$ 202,651,271
Plan fiduciary net position	27,386,940	156,253,265	183,640,205
Employers' net pension liability	<u>\$ 2,960,787</u>	<u>\$ 16,050,279</u>	<u>\$ 19,011,066</u>
System fiduciary net position as a percentage of total pension liability	90.2%	90.7%	90.6%

7. OTHER POSTEMPLOYMENT BENEFITS

Plan Description—In addition to providing pension benefits, the Town provides health insurance coverage and/or payment for fractional values of unused sick leave to eligible retired employees. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the Town may vary according to length of service. The cost of providing post-employment benefits is shared between the Town and the retired employee. Substantially all of the Town’s employees may become eligible for these benefits if they reach normal retirement age while working for the Town. The cost of retiree health care benefits is recognized as an expenditure/payable as claims are paid.

Funding Policy—The Town is obligated to pay such benefits as a result of union contracts and Town Board rules and regulation for nonunion employees. Health care benefits are provided through insurance companies whose premiums are based on the benefits paid during the year.

The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. Town governmental activities contributed \$648,966 for the fiscal year ended December 31, 2016.

The Town's annual postemployment benefit ("OPEB") cost is calculated based on the annual required contributions ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

The components of the Town's annual OPEB cost for the past two years, the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation is presented below:

	Year Ended December 31,		
	2016	2015	2014
Annual required contribution ("ARC")	\$ 1,566,810	\$ 971,282	\$ 892,886
Interest on net OPEB obligation	107,441	100,260	96,605
Adjustment to ARC	(155,335)	(144,949)	(139,666)
Annual OPEB costs (expense)	1,518,916	926,593	849,825
Contributions made	(648,966)	(747,031)	(758,443)
Increase in net OPEB obligation	869,950	179,562	91,382
Net OPEB obligation—beginning	2,686,044	2,506,482	2,415,100
Net OPEB obligation—ending	\$ 3,555,994	\$ 2,686,044	\$ 2,506,482
Percentage of ARC contributed	41.4%	76.9%	84.9%

As of December 31, 2016, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$16,088,570.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Funding Status and Funding Progress—As of December 31, 2016, calculations were based on plan data as of January 1, 2016 and financial data as of December 31, 2016. The accrued liability for benefits was \$16,088,570, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$8,822,270, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 182.36%. The total postemployment health insurance cost was \$648,966 for the year ended December 31, 2016.

The schedule of the Town's contributions is presented below:

Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage Contributed
2016	\$ 1,518,916	\$ 648,966	42.7%
2015	926,593	747,031	80.6%
2014	849,825	758,443	89.2%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the accrual value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions—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 employer 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 December 31, 2016 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a measurement date of December 31, 2016. The investment rate of return is 4.00% and the inflation rate is 2.25%. The healthcare cost trend rate assumed for the next fiscal year is 7.50%, 5.80% and 10.50% for pre-65 medical, post-65 medical and prescription drugs, respectively. The ultimate trend rate is 3.89% in which 2075 is the fiscal year in which the health care cost trend rate reaches the ultimate trend rate. The sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with scale MP-2014, and then adjusted for mortality improvements with the scale MP-2016 mortality improvement scale on a generational basis is used for mortality rates. The rates of decrement due to disability are assumed to be 0%. The rates of decrement due to turnover are based on the experience under the New York State ERS and the New York State PFRS April 1, 2010 to March 31, 2015 experience study. Upon retirement it is assumed that 100% of future retirees eligible for coverage will elect post-employment health care benefits. Current Elected retirees were assumed to continue participation in their current plans.

Current CSEA Blue Collar, Current CSEA White Collar, PBA and Non Union retirees were assumed to elect the LMHF Encompass 65 HMO plan upon reaching age 65. Actuarial assumptions do not anticipate post-retirement benefit increases. It is assumed that 75% of future retirees elect spousal coverage upon retirement with male spouses assumed to be three years older and female spouses assumed to be three years younger than the retiree. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar basis, therefore the remaining amortization period at December 31, 2016 was twenty-one years. The amortization period status is open.

8. RISK MANAGEMENT

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. From 2004 through May 2010, the Town was self-insured for risks relating to workers' compensations insurance. The Town currently utilizes the NYS Insurance Fund except for previous cases outstanding. Workers' compensation insurance coverage is limited to \$1 million per accident. The Town reports all of its workers compensation costs in the fund relative to the employee who incurs expenses. 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.

The Town purchases commercial insurance to cover other potential risks. Employee medical benefits are provided through the purchase of insurance. There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years.

The general liability insurance policies of the Town are limited to \$1 million per occurrence and \$3 million in the aggregate. The Town carries an umbrella liability policy that adds coverage of \$20 million per occurrence and an aggregate limit of \$20 million over the underlying primary policies.

The Town carries real and personal property insurance with a blanket limit of \$22,067,510 on a replacement cost basis. The deductibles applicable to the Town include \$500 for auto physical damage, \$10,000 for equipment, \$0 for general liability, \$25,000 for public officials, \$50,000 for law enforcement, and \$20,000 for property coverage.

At December 31, 2016, the amount of workers compensation liabilities relating to the period in which the Town was self-insured was \$64,067. Changes in the reported liability resulted from the following:

	Beginning Liability	Changes in Estimates	Claims Payments Net of Recoveries	Ending Liability
2016	\$ 37,856	\$ 56,494	\$ 30,283	\$ 64,067
2015	52,126	-	14,270	37,856
2014	80,191	-	28,065	52,126

9. 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 appropriation and expenditure of governmental fund financial resources.

The Town's outstanding long-term liabilities include serial bonds, compensated absences, other post-employment benefits plan 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 the Town's long term debt at December 31, 2016 follows:

	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Serial bonds	\$ 11,150,000	\$ 9,850,000	\$ 1,125,000	\$ 19,875,000	\$ 1,135,000
Premium on serial bonds	-	230,853	5,764	225,089	11,543
Net bonds payable	11,150,000	10,080,853	1,130,764	20,100,089	1,146,543
Compensated absences	3,932,943	715,788	745,350	3,903,381	621,212
OPEB obligation	2,686,044	1,518,916	648,966	3,555,994	-
Net pension liability*	889,122	4,969,015	-	5,858,137	-
Total	<u>\$ 18,658,109</u>	<u>\$ 17,284,572</u>	<u>\$ 2,525,080</u>	<u>\$ 33,417,601</u>	<u>\$ 1,767,755</u>

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

Serial Bonds—The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities of fifteen to twenty-seven years.

A summary of additions and reductions for the year ended December 31, 2016 is shown below:

Purpose	Original Issue	Interest Rate	Year of Issue/ Maturity	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016
General Fund Serial Bonds:							
Municipal renovations	\$ 640,000	2.0-3.0%	2015/2035	\$ 640,000	\$ -	\$ 25,000	\$ 615,000
Town-wide drainage	970,000	2.0-3.5%	2015/2042	970,000	-	25,000	945,000
Municipal buildings	460,000	2.0-2.5%	2016/2031	-	460,000	-	460,000
Green Lake	4,000,000	2.0-3.0%	2016/2036	-	4,000,000	-	4,000,000
Town wide drainage	1,420,000	2.0-3.0%	2016/2036	-	1,420,000	-	1,420,000
Total General Fund				<u>1,610,000</u>	<u>5,880,000</u>	<u>50,000</u>	<u>7,440,000</u>
Highway Fund Serial Bonds:							
Baker Road	2,600,000	3.6-3.9%	2005/2020	1,095,000	-	200,000	895,000
Baker Bridge	500,000	3.6-3.9%	2005/2020	210,000	-	40,000	170,000
South Lane	800,000	3.6-3.9%	2005/2020	335,000	-	60,000	275,000
2010 roadsproject	2,280,000	2.0-2.8%	2015/2025	2,280,000	-	215,000	2,065,000
2012 roads project	270,000	2.0-2.8%	2015/2027	270,000	-	20,000	250,000
Forest Ave bridge	930,000	2.0-3.0%	2015/2032	930,000	-	45,000	885,000
2015 roads and highways	2,000,000	2.0-2.5%	2016/2031	-	2,000,000	-	2,000,000
Total Highway Fund				<u>5,120,000</u>	<u>2,000,000</u>	<u>580,000</u>	<u>6,540,000</u>
Sewer Districts Fund Serial Bonds:							
Various sewer lines	1,565,000	2.0-3.0%	2016/2036	-	1,565,000	-	1,565,000
Total Garbage and Refuse Fund				<u>-</u>	<u>1,565,000</u>	<u>-</u>	<u>1,565,000</u>
Water Districts Fund Serial Bonds:							
District wide water improvements	3,695,280	3.5-4.0%	2007/2022	2,242,800	-	327,520	1,915,280
Waterline betterment	249,120	3.5-4.0%	2007/2022	151,200	-	22,080	129,120
Water distribution	1,270,000	2.0-3.5%	2015/2042	1,270,000	-	35,000	1,235,000
Various waterlines	405,000	2.0-2.5%	2016/2031	-	405,000	-	405,000
Total Water Districts Fund				<u>3,664,000</u>	<u>405,000</u>	<u>384,600</u>	<u>3,684,400</u>
Garbage and Refuse Fund Serial Bonds:							
Composting Facility Development	1,245,600	3.5-4.0%	2007/2022	756,000	-	110,400	645,600
Total Garbage and Refuse Fund				<u>756,000</u>	<u>-</u>	<u>110,400</u>	<u>645,600</u>
Total governmental activities				<u>\$ 11,150,000</u>	<u>\$ 9,850,000</u>	<u>\$ 1,125,000</u>	<u>\$ 19,875,000</u>

The annual requirements to amortize all bonded debt outstanding (by fund responsible for repayment of such debt) as of December 31, 2016 are as follows:

Year Ending December 31,	Principal					
	General Fund	Highway Fund	Sewer Districts	Water Districts	Refuse and Garbage District	Total
2017	\$ 50,000	\$ 595,000	\$ -	\$ 380,800	\$ 109,200	\$ 1,135,000
2018	320,000	735,000	70,000	402,000	108,000	1,635,000
2019	320,000	760,000	70,000	402,000	108,000	1,660,000
2020	325,000	780,000	70,000	402,000	108,000	1,685,000
2021	335,000	425,000	70,000	398,200	106,800	1,335,000
2022-2026	1,765,000	2,055,000	380,000	669,400	105,600	4,975,000
2027-2031	1,985,000	1,125,000	420,000	380,000	-	3,910,000
2032-2036	2,045,000	65,000	485,000	265,000	-	2,860,000
2037-2041	240,000	-	-	315,000	-	555,000
2042	55,000	-	-	70,000	-	125,000
Total	<u>\$ 7,440,000</u>	<u>\$ 6,540,000</u>	<u>\$ 1,565,000</u>	<u>\$ 3,684,400</u>	<u>\$ 645,600</u>	<u>\$ 19,875,000</u>

Year Ending December 31,	Interest					
	General Fund	Highway Fund	Sewer Districts	Water Districts	Refuse and Garbage District	Total
2016	\$ 242,221	\$ 189,111	\$ 52,883	\$ 132,817	\$ 26,494	\$ 643,526
2017	176,116	150,838	35,425	115,454	22,536	500,369
2018	169,716	129,706	34,025	100,574	18,216	452,237
2019	163,016	106,391	32,625	82,099	12,816	396,947
2020	156,216	89,538	31,225	67,044	8,496	352,519
2021-2025	671,069	279,737	133,825	190,926	4,224	1,279,781
2026-2030	469,887	84,450	93,581	133,594	-	781,512
2031-2035	206,750	1,950	36,844	88,750	-	334,294
2036-2040	33,938	-	-	44,363	-	78,301
2041-2042	1,898	-	-	2,415	-	4,313
Total	<u>\$ 2,290,827</u>	<u>\$ 1,031,721</u>	<u>\$ 450,433</u>	<u>\$ 958,036</u>	<u>\$ 92,782</u>	<u>\$ 4,823,799</u>

As of December 31, 2016, the Town has \$16,450,000 of serial bonds authorized but unissued. \$16,000,000 has been authorized for the construction of a Multi-Generational Community Activity Center and \$450,000 for the reconstruction and resurfacing of various highways and roads.

Compensated Absences—As explained in Note 1, the Town records the value of governmental fund type compensated absences. The annual budgets of the respective funds of which the employees' payroll is recorded provide funding for these benefits as they become payable throughout the year. Payments by the Town to liquidate compensated absences are typically from the funds in which the individuals are employed. These operating funds include General, Public Safety, Highway, Sewer, Water, Town Outside Village and Garbage and Refuse funds. Since the payment of compensated

absences is dependent upon many factors, the timing of future payments is not readily determinable. The value recorded at December 31, 2016, for governmental activities is \$3,903,381. While the payments of compensated absences are dependent upon many factors, the Town has estimated that \$621,212 will become due within one year.

OPEB Obligation—As explained in Note 7, the Town records the value of other postemployment benefits. Payments by the Town to liquidate other postemployment benefits are typically from the funds in which the individuals are employed. These operating funds include General, Public Safety, Highway, Sewer Districts, Water Districts, Town Outside Village and Garbage and Refuse funds.

Net Pension Liability—The Town reported a liability of \$5,858,137 for the year ended December 31, 2016 for its proportionate share of the net pension liability for the Police and Fire Retirement System and the Employee Retirement System. Refer to Note 6 for additional information related to the Town’s net pension liability.

There is a statutory debt limit applicable to towns within New York State. The Town is in compliance with this debt limit.

10. 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 assets. 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. The following presents a reconciliation of capital assets (net of accumulated depreciation), net of total indebtedness to net investment in capital assets:

Capital assets, net of accumulated depreciation	\$	67,747,881
Related debt:		
Serial bonds issued	(19,875,000)	
Unamortized bond issue premium	(225,089)	
Unspent proceeds from debt	<u>8,214,620</u>	
Debt issued and used for capital assets		(11,885,469)
Retainages and accounts payable		<u>(249,391)</u>
Net investment in capital assets	\$	<u>55,613,021</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. Restricted net position are consistent with restricted fund balance balances at December 31, 2016, with the exception of amounts representing unspent debt proceeds included in net investment in capital assets, and are disclosed on the following page.
- **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 Town at December 31, 2016 include:

- **Prepaid items**—Represents amounts prepaid to the retirement system and other miscellaneous items that are applicable to future accounting periods. This balance is nonspendable as the asset does not represent an available resource.

In the fund financial statements, restricted fund balances have constraints placed on the use of resources and are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Restricted fund balance maintained by the Town at December 31, 2016 include:

	General Fund	Public Safety Fund	Highway Fund	Sewer Districts Fund	Water Districts Fund	Garbage and Refuse Fund	Other Governmental Funds	Total Governmental Funds
Cemetery	\$ 18,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,332
Senior center	1,272	-	-	-	-	-	-	1,272
Tax stabilization	655,900	-	-	-	-	-	-	655,900
Capital improvements	582,422	-	-	-	-	-	-	582,422
Town historian	5,931	-	-	-	-	-	-	5,931
Historic survey	8,834	-	-	-	-	-	-	8,834
DWI program	-	180,370	-	-	-	-	-	180,370
D.A.R.E. program	-	48,631	-	-	-	-	-	48,631
Equipment	-	62,670	-	-	-	-	-	62,670
Vehicles	-	68,565	-	-	-	-	-	68,565
Debt service	201,824	-	683,477	36,678	58,994	17,416	131,622	1,130,011
Total restricted fund balance	<u>\$ 1,474,515</u>	<u>\$ 360,236</u>	<u>\$ 683,477</u>	<u>\$ 36,678</u>	<u>\$ 58,994</u>	<u>\$ 17,416</u>	<u>\$ 131,622</u>	<u>\$ 2,762,938</u>

- **Restricted for cemetery**—Represents funds restricted for maintenance of the Town’s cemetery.
- **Restricted for senior center**—Represents donated funds to be used for projects at the senior center.
- **Restricted for tax stabilization**—Represents funds restricted by the Town Board in accordance with general municipal law section 6-e to be used for future unanticipated events.
- **Restricted capital improvements**—Represents funds to be used for the construction, reconstruction and or acquisition of buildings.
- **Restricted for town historian**—Represents donated funds collected to be used for town historian and related projects.
- **Restricted for historic survey**—Represents the unspent proceeds of a grant, which are restricted to purposes allowable under grant guidelines.

- **Restricted for DWI program**—Represents State funding to be used for the Town’s DWI program.
- **Restricted for D.A.R.E. program**—Represents donated funds to be used for the Town’s drug awareness program.
- **Restricted for equipment**—Represents funds accumulated to be used towards the purchase of police department equipment.
- **Restricted for vehicles**—Represents funds accumulated to be used towards the purchase of police department vehicles.
- **Restricted for debt service**—Represents unspent debt proceeds, premiums on debt and interest earned on investment of idle funds during the project construction period which and amounts approved by Town Board resolution restricted for the reduction of future debt service requirements in the Highway Fund.

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, 2016, the Town has committed the following:

	General Fund	Public Safety Fund	Garbage and Refuse Fund	Capital Projects Fund	Total
Capital improvements	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
Insurance deductibles	371,058	-	-	-	371,058
Equipment	-	41,716	102,818	-	144,534
Capital projects	-	-	-	9,592,053	9,592,053
Total committed					
fund balance	<u>\$ 871,058</u>	<u>\$ 41,716</u>	<u>\$ 102,818</u>	<u>\$ 9,592,053</u>	<u>\$ 10,607,645</u>

- **Committed for capital improvements and capital projects**—Represents funds that the Town Board has authorized to be used for future capital projects.
- **Committed for insurance deductibles**—Represents funds to be used for insurance deductibles. The Town is insured for risk of loss; however, these funds are to cover deductibles required in certain policies.
- **Committed for equipment**—Represents accumulated to be used towards the purchase of police and refuse department equipment.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the Town at December 31, 2016 and include:

	Subsequent Year's Expenditures	Encumbrances	Retirement Costing	Specific Use	Total Governmental Funds
General Fund	\$ 1,615,000	\$ 10,061	\$ -	\$ -	\$ 1,625,061
Public Safety Fund	-	57,863	334,432	-	392,295
Highway Fund	340,000	1,880	-	1,911	343,791
Sewer Districts Fund	735,010	-	-	2,408,600	3,143,610
Water Districts Fund	199,493	-	-	1,312,499	1,511,992
Garbage and Refuse fund	85,000	-	-	530,805	615,805
Other Governmental Funds	86,054	817	-	1,851,912	1,938,783
Total	<u>\$ 3,060,557</u>	<u>\$ 70,621</u>	<u>\$ 334,432</u>	<u>\$ 6,105,727</u>	<u>\$ 9,571,337</u>

- **Assigned to subsequent year's expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2017 fiscal year.
- **Assigned to encumbrances**—Represents funds set aside for future purchases.
- **Assigned to retirement costing**—Represents funds set aside for future police retirement buyouts.
- **Assigned to specific use**—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment's purpose relates to each fund's operations and represents amounts within funds that are not restricted or committed.

Unassigned fund balance represents the residual classification of the government's General Fund surplus.

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

11. INTERFUND TRANSFERS

The transfers were made by the Town to provide funding for bond principal and interest payments, for public safety operations and for specific capital projects. Interfund transfers as of the year ended December 31, 2016 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 1,380,001
Public Safety	1,284,481	-
Highway	-	724,414
Sewer Districts	-	100,588
Water Districts	-	632,683
Garbage and Refuse	-	140,897
Capital Projects	257,344	42,000
Other governmental funds	<u>1,478,758</u>	-
Total	<u>\$ 3,020,583</u>	<u>\$ 3,020,583</u>

12. AGENCY FUND

An agency fund exists for employee withholding and temporary deposit funds. The following is a summary of changes in assets and liabilities for the year ended December 31, 2016:

	<u>Balance 1/1/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/2016</u>
ASSETS				
Cash and cash equivalents	\$ 1,434,344	\$ 12,214,129	\$ 12,169,892	\$ 1,478,581
Accounts receivable	365	3	365	3
Total assets	<u>\$ 1,434,709</u>	<u>\$ 12,214,132</u>	<u>\$ 12,170,257</u>	<u>\$ 1,478,584</u>
LIABILITIES				
Agency liabilities	<u>\$ 1,434,709</u>	<u>\$ 12,214,132</u>	<u>\$ 12,170,257</u>	<u>\$ 1,478,584</u>
Total liabilities	<u>\$ 1,434,709</u>	<u>\$ 12,214,132</u>	<u>\$ 12,170,257</u>	<u>\$ 1,478,584</u>

13. LABOR RELATIONS

Town employees are represented by four bargaining units with the balance governed by Town Board rules and regulations. The CSEA Blue Collar contract expired December 31, 2014 and the Police Benevolent Association contract and Police Command Officers contract expired December 31, 2015. These contracts were in negotiations as of December 31, 2016. The CSEA White Collar contract is settled through December 31, 2019.

14. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract

is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. As of December 31, 2016, there were no significant encumbrances. The Town recorded encumbrances of \$10,061, \$57,863, \$1,880 and \$817 in the General Fund, Public Safety Fund, Highway Fund and Other Governmental Funds, respectively.

15. CONTINGENCIES

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 various factors including market values and appraised amounts. Management believes that the level of potential losses on these cases, 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 expenditures which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Other—The Town is also involved in litigation arising in the ordinary course of its operations. The Town believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the Town's financial condition or results of operations.

16. TAX ABATEMENTS

The Town is subject to tax abatements granted by the Erie County Industrial Development Agency ("ECIDA"). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements entered into by the ECIDA can include 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 agreements for payments in lieu of taxes ("PILOT"), which the Town administers as a temporary reduction in the assessed value of the property involved. For the fiscal year ended December 31, 2016, real property taxes in the amount of \$177,794 were abated; however, the Town received \$115,575 of PILOT payments during the year related to those abatements.

17. SUBSEQUENT EVENTS

On May 3, 2017, the Town authorized the issuance of \$3,750,000 of serial bonds for various capital projects.

Management has evaluated subsequent events through June 23, 2017, which is the date the financial statements are available for issuance, and have determined, except as disclosed above, there are no subsequent events that require disclosure under generally accepted accounting principles.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ORCHARD PARK, NEW YORK
Schedule of Funding Progress—Other Postemployment Benefits Plan
Year Ended December 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ("AAL") (b)	Unfunded AAL ("UAAL") (b-a)	Funded Ratio (a/b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
December 31, 2016	\$ -	\$ 16,088,570	\$ 16,088,570	0.0%	\$ 8,822,270	182.4%
December 31, 2015	-	11,399,659	11,399,659	0.0%	8,236,764	138.4%
December 31, 2014	-	10,434,917	10,434,917	0.0%	8,600,767	121.3%

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

	Year Ended December 31,		
	2016	2015	2014
Measurement date	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability (asset)	0.1029313%	0.098809%	0.098809%
Town's proportionate share of the net pension liability (asset)	<u>\$ 3,047,576</u>	<u>\$ 271,981</u>	<u>\$ 411,351</u>
Town's covered-employee payroll	\$ 3,083,220	\$ 2,879,532	\$ 2,847,272
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	98.84%	9.45%	14.45%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	99.0%	98.5%

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

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

	Year Ended December 31,		
	2016	2015	2014
Contractually required contribution	\$ 875,486	\$ 900,488	\$ 908,666
Contributions in relation to the contractually required contribution	(875,486)	(900,488)	(908,666)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 3,141,823	\$ 3,096,631	\$ 2,966,263
Contributions as a percentage of covered-employee payroll	27.9%	29.1%	30.6%

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

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

	Year Ended December 31,		
	2016	2015	2014
Measurement date	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability (asset)	0.0175110%	0.0182681%	0.0182681%
Town's proportionate share of the net pension liability (asset)	<u>\$ 2,810,561</u>	<u>\$ 617,141</u>	<u>\$ 825,509</u>
Town's covered-employee payroll	\$ 5,097,843	\$ 5,096,005	\$ 5,204,918
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	55.13%	12.11%	15.86%
Plan fiduciary net position as a percentage of the total pension liability	90.7%	97.9%	97.2%

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

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

	Year Ended December 31,		
	2016	2015	2014
Contractually required contribution	\$ 775,770	\$ 1,056,156	\$ 1,065,746
Contributions in relation to the contractually required contribution	<u>(775,770)</u>	<u>(1,056,156)</u>	<u>(1,065,746)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 5,027,730	\$ 4,933,261	\$ 5,037,632
Contributions as a percentage of covered-employee payroll	15.4%	21.4%	21.2%

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

TOWN OF ORCHARD PARK, NEW YORK
Schedule of Revenues, Expenditures and Changes in
Fund Balances—Budget and Actual—General Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 492,473	\$ 492,473	\$ 492,473	\$ -
Real property tax items	219,445	219,445	241,670	22,225
Non property tax items	4,273,671	4,273,671	4,370,360	96,689
Departmental income	560,000	560,000	503,303	(56,697)
Intergovernmental charges	75,000	75,000	75,600	600
Use of money and property	39,500	39,500	49,642	10,142
Licenses and permits	35,100	35,100	37,798	2,698
Miscellaneous	60,500	79,472	94,336	14,864
State aid	927,524	927,524	971,236	43,712
Federal aid	1,000	1,000	1,929	929
Total revenues	<u>6,684,213</u>	<u>6,703,185</u>	<u>6,838,347</u>	<u>135,162</u>
EXPENDITURES				
Current:				
General government support	3,009,938	3,088,469	2,695,758	392,711
Public safety	41,169	41,289	40,623	666
Transportation	133,205	133,250	116,964	16,286
Economic assistance and opportunity	300	300	300	-
Culture and recreation	1,420,141	1,449,646	1,245,835	203,811
Home and community services	110,398	113,691	94,549	19,142
Employee benefits	1,622,346	1,627,746	1,286,510	341,236
Debt service:				
Interest	35,830	35,830	-	35,830
Total expenditures	<u>6,373,327</u>	<u>6,490,221</u>	<u>5,480,539</u>	<u>1,009,682</u>
Excess of revenues over expenditures	<u>310,886</u>	<u>212,964</u>	<u>1,357,808</u>	<u>1,144,844</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,585,300)	(1,585,300)	(1,380,001)	205,299
Premium on obligations	-	-	137,809	137,809
Total other financing sources (uses)	<u>(1,585,300)</u>	<u>(1,585,300)</u>	<u>(1,242,192)</u>	<u>343,108</u>
Net change in fund balances*	(1,274,414)	(1,372,336)	115,616	1,487,952
Fund balances - beginning	<u>9,129,282</u>	<u>9,129,282</u>	<u>9,129,282</u>	<u>-</u>
Fund balances - ending	<u>\$ 7,854,868</u>	<u>\$ 7,756,946</u>	<u>\$ 9,244,898</u>	<u>\$ 1,487,952</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 note to the required supplementary information is an integral part of this schedule.

TOWN OF ORCHARD PARK, NEW YORK
Schedule of Revenues, Expenditures and Changes in
Fund Balances—Budget and Actual—Public Safety Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 5,258,011	\$ 5,258,011	\$ 5,258,011	\$ -
Departmental income	209,700	209,700	153,100	(56,600)
Use of money and property	-	-	1,355	1,355
Fines and forfeitures	300,000	338,360	344,630	6,270
Miscellaneous	-	-	17,597	17,597
State aid	28,250	28,250	35,833	7,583
Total revenues	<u>5,795,961</u>	<u>5,834,321</u>	<u>5,810,526</u>	<u>(23,795)</u>
EXPENDITURES				
Current:				
General government support	187,918	187,918	185,483	2,435
Education	2,000	13,248	9,316	3,932
Public safety	4,564,276	4,734,807	4,447,773	287,034
Employee benefits	2,436,796	2,406,272	2,380,790	25,482
Total expenditures	<u>7,190,990</u>	<u>7,342,245</u>	<u>7,023,362</u>	<u>318,883</u>
Deficiency of revenues over expenditures	<u>(1,395,029)</u>	<u>(1,507,924)</u>	<u>(1,212,836)</u>	<u>295,088</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,349,780	1,349,780	1,284,481	(65,299)
Transfers out	(43,745)	(43,745)	-	43,745
Total other financing sources (uses)	<u>1,306,035</u>	<u>1,306,035</u>	<u>1,284,481</u>	<u>(21,554)</u>
Net change in fund balances*	(88,994)	(201,889)	71,645	273,534
Fund balances - beginning	<u>961,803</u>	<u>961,803</u>	<u>961,803</u>	<u>-</u>
Fund balances - ending	<u>\$ 872,809</u>	<u>\$ 759,914</u>	<u>\$ 1,033,448</u>	<u>\$ 273,534</u>

* The net change in fund balances was a re-appropriation of prior year encumbrances.

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

TOWN OF ORCHARD PARK, NEW YORK
Schedule of Revenues, Expenditures and Changes in
Fund Balances—Budget and Actual—Highway Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 3,848,212	\$ 3,848,212	\$ 3,848,212	\$ -
Non property tax items	-	-	50,000	50,000
Intergovernmental charges	99,402	99,402	89,719	(9,683)
Use of money and property	2,000	2,000	1,560	(440)
Miscellaneous	5,000	5,000	12,153	7,153
State aid	154,529	189,857	190,101	244
Total revenues	<u>4,109,143</u>	<u>4,144,471</u>	<u>4,191,745</u>	<u>47,274</u>
EXPENDITURES				
Current:				
General government support	57,136	57,143	37,631	19,512
Transportation	2,719,384	2,774,331	2,766,850	7,481
Employee benefits	1,005,684	986,058	931,853	54,205
Total expenditures	<u>3,782,204</u>	<u>3,817,532</u>	<u>3,736,334</u>	<u>81,198</u>
Excess of revenues over expenditures	<u>326,939</u>	<u>326,939</u>	<u>455,411</u>	<u>128,472</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(724,415)	(724,415)	(724,414)	1
Premium on obligations	-	-	46,874	46,874
Total other financing sources (uses)	<u>(724,415)</u>	<u>(724,415)</u>	<u>(677,540)</u>	<u>46,875</u>
Net change in fund balances*	(397,476)	(397,476)	(222,129)	175,347
Fund balances - beginning	1,317,848	1,317,848	1,317,848	-
Fund balances - ending	<u>\$ 920,372</u>	<u>\$ 920,372</u>	<u>\$ 1,095,719</u>	<u>\$ 175,347</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 note to the required supplementary information is an integral part of this schedule.

TOWN OF ORCHARD PARK, NEW YORK
Schedule of Revenues, Expenditures and Changes in
Fund Balances—Budget and Actual—Sewer Districts Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 825,992	\$ 825,992	\$ 825,992	\$ -
Departmental income	8,253	8,253	30,704	22,451
Use of money and property	-	-	2,653	2,653
Miscellaneous	-	-	36,678	36,678
Total revenues	<u>834,245</u>	<u>834,245</u>	<u>896,027</u>	<u>61,782</u>
EXPENDITURES				
Current:				
Home and community services	1,365,696	1,365,696	712,820	652,876
Employee benefits	<u>107,817</u>	<u>107,817</u>	<u>81,477</u>	<u>26,340</u>
Total expenditures	<u>1,473,513</u>	<u>1,473,513</u>	<u>794,297</u>	<u>679,216</u>
Excess (deficiency) of revenues over expenditures	<u>(639,268)</u>	<u>(639,268)</u>	<u>101,730</u>	<u>740,998</u>
OTHER FINANCING USES				
Transfers out	<u>(100,588)</u>	<u>(100,588)</u>	<u>(100,588)</u>	<u>-</u>
Total other financing uses	<u>(100,588)</u>	<u>(100,588)</u>	<u>(100,588)</u>	<u>-</u>
Net change in fund balances*	(739,856)	(739,856)	1,142	740,998
Fund balances - beginning	<u>3,179,146</u>	<u>3,179,146</u>	<u>3,179,146</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,439,290</u>	<u>\$ 2,439,290</u>	<u>\$ 3,180,288</u>	<u>\$ 740,998</u>

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

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

TOWN OF ORCHARD PARK, NEW YORK
Schedule of Revenues, Expenditures and Changes in
Fund Balances—Budget and Actual—Water Districts Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 1,059,647	\$ 1,059,647	\$ 1,059,647	\$ -
Departmental income	6,268	6,268	13,161	6,893
Use of money and property	-	-	1,388	1,388
Miscellaneous	-	-	9,492	9,492
Interfund revenues	-	-	100	100
Total revenues	<u>1,065,915</u>	<u>1,065,915</u>	<u>1,083,788</u>	<u>17,873</u>
EXPENDITURES				
Current:				
Home and community services	530,558	517,436	469,608	47,828
Employee benefits	106,554	106,554	80,522	26,032
Debt service:				
Interest	-	13,122	-	13,122
Total expenditures	<u>637,112</u>	<u>637,112</u>	<u>550,130</u>	<u>86,982</u>
Excess of revenues over expenditures	<u>428,803</u>	<u>428,803</u>	<u>533,658</u>	<u>104,855</u>
OTHER FINANCING USES				
Transfers out	(632,683)	(632,683)	(632,683)	-
Total other financing uses	<u>(632,683)</u>	<u>(632,683)</u>	<u>(632,683)</u>	<u>-</u>
Net change in fund balances*	(203,880)	(203,880)	(99,025)	104,855
Fund balances - beginning	<u>1,678,169</u>	<u>1,678,169</u>	<u>1,678,169</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,474,289</u>	<u>\$ 1,474,289</u>	<u>\$ 1,579,144</u>	<u>\$ 104,855</u>

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

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

TOWN OF ORCHARD PARK, NEW YORK
Schedule of Revenues, Expenditures and Changes in
Fund Balances—Budget and Actual—Garbage and Refuse Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 1,953,421	\$ 1,953,421	\$ 1,953,421	\$ -
Departmental income	95,000	95,000	96,248	1,248
Use of money and property	5,000	5,000	1,087	(3,913)
Total revenues	<u>2,053,421</u>	<u>2,053,421</u>	<u>2,050,756</u>	<u>(2,665)</u>
EXPENDITURES				
Current:				
Home and community services	1,977,524	2,407,462	2,367,573	39,889
Total expenditures	<u>1,977,524</u>	<u>2,407,462</u>	<u>2,367,573</u>	<u>39,889</u>
Excess of revenues over expenditures	<u>75,897</u>	<u>(354,041)</u>	<u>(316,817)</u>	<u>37,224</u>
OTHER FINANCING USES				
Transfers out	(160,897)	(160,897)	(140,897)	20,000
Total other financing uses	<u>(160,897)</u>	<u>(160,897)</u>	<u>(140,897)</u>	<u>20,000</u>
Net change in fund balances*	(85,000)	(514,938)	(457,714)	57,224
Fund balances - beginning	<u>1,195,980</u>	<u>1,195,980</u>	<u>1,195,980</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,110,980</u>	<u>\$ 681,042</u>	<u>\$ 738,266</u>	<u>\$ 57,224</u>

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

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

TOWN OF ORCHARD PARK, NEW YORK
Note to the Required Supplementary Information
Year Ended December 31, 2016

1. 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 Capital Project Fund and the Miscellaneous Special Revenue Fund. The Capital Projects Fund is appropriated on a project-length basis; appropriations are approved through Town Board resolution at the project's inception and lapse upon termination of the project. The Miscellaneous Special Revenue Fund does not have an appropriated budget since there are other means to control the use of these resources (e.g., grant awards).

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations require approval of the Town Board. Any modifications to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations require a majority vote by the Town Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

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

Actual results of operations presented in accordance with GAAP and the Town's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. As of December 31, 2016, there were no significant encumbrances.

SUPPLEMENTARY INFORMATION

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TOWN OF ORCHARD PARK, NEW YORK
Combining Balance Sheet—Nonmajor Governmental Funds
December 31, 2016

	Special Revenue					Total Nonmajor Funds
	Town Outside Village	Lighting	Drainage	Miscellaneous Special Revenue	Debt Service	
ASSETS						
Cash and cash equivalents	\$ 510,718	\$ 512,205	\$ 74,596	\$ 853,683	\$ -	\$ 1,951,202
Restricted cash and cash equivalents	-	-	-	-	131,622	131,622
Receivables	24,476	670	-	-	-	25,146
Prepaid items	9,970	-	-	-	-	9,970
Total assets	<u>\$ 545,164</u>	<u>\$ 512,875</u>	<u>\$ 74,596</u>	<u>\$ 853,683</u>	<u>\$ 131,622</u>	<u>\$ 2,117,940</u>
LIABILITIES						
Accounts payable	\$ 103	\$ 26,767	\$ -	\$ 80	\$ -	\$ 26,950
Accrued liabilities	10,615	-	-	-	-	10,615
Total liabilities	<u>10,718</u>	<u>26,767</u>	<u>-</u>	<u>80</u>	<u>-</u>	<u>37,565</u>
FUND BALANCES						
Nonspendable	9,970	-	-	-	-	9,970
Restricted	-	-	-	-	131,622	131,622
Assigned	524,476	486,108	74,596	853,603	-	1,938,783
Total fund balances	<u>534,446</u>	<u>486,108</u>	<u>74,596</u>	<u>853,603</u>	<u>131,622</u>	<u>2,080,375</u>
Total liabilities and fund balances	<u>\$ 545,164</u>	<u>\$ 512,875</u>	<u>\$ 74,596</u>	<u>\$ 853,683</u>	<u>\$ 131,622</u>	<u>\$ 2,117,940</u>

TOWN OF ORCHARD PARK, NEW YORK
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2016

	Special Revenue					Total Nonmajor Funds
	Town Outside Village			Miscellaneous Special Revenue	Debt Service	
		Lighting	Drainage			
REVENUES						
Real property taxes	\$ -	\$ 314,891	\$ 25,525	\$ -	\$ -	\$ 340,416
Non property tax items	396,329	-	-	-	-	396,329
Departmental income	313,992	-	-	-	-	313,992
Use of money and property	614	402	-	-	128	1,144
Licenses and permits	975	-	-	-	-	975
Miscellaneous	<u>26,930</u>	<u>12,232</u>	<u>-</u>	<u>102,850</u>	<u>-</u>	<u>142,012</u>
Total revenues	<u>738,840</u>	<u>327,525</u>	<u>25,525</u>	<u>102,850</u>	<u>128</u>	<u>1,194,868</u>
EXPENDITURES						
Current:						
General government support	164	-	-	-	-	164
Public safety	349,477	-	-	-	-	349,477
Health	4,000	-	-	-	-	4,000
Transportation	-	307,166	-	-	-	307,166
Home and community services	96,277	-	939	89,705	-	186,921
Employee benefits	143,904	-	-	-	-	143,904
Debt Service:						
Principal	-	-	-	-	1,125,000	1,125,000
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>353,758</u>	<u>353,758</u>
Total expenditures	<u>593,822</u>	<u>307,166</u>	<u>939</u>	<u>89,705</u>	<u>1,478,758</u>	<u>2,470,390</u>
Excess (deficiency) of revenues over expenditures	<u>145,018</u>	<u>20,359</u>	<u>24,586</u>	<u>13,145</u>	<u>(1,478,630)</u>	<u>(1,275,522)</u>
OTHER FINANCING SOURCES						
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,478,758</u>	<u>1,478,758</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,478,758</u>	<u>1,478,758</u>
Net change in fund balances	145,018	20,359	24,586	13,145	128	203,236
Fund balances - beginning	<u>389,428</u>	<u>465,749</u>	<u>50,010</u>	<u>840,458</u>	<u>131,494</u>	<u>1,877,139</u>
Fund balances - ending	<u>\$ 534,446</u>	<u>\$ 486,108</u>	<u>\$ 74,596</u>	<u>\$ 853,603</u>	<u>\$ 131,622</u>	<u>\$ 2,080,375</u>

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**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**

INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the Town Board
Town of Orchard Park, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Orchard Park, New York (the Town), as of and for the year ended December 31, 2016, 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 23, 2017.

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 of 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 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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Batavia, New York
June 23, 2017

TOWN OF ORCHARD PARK, NEW YORK
Schedule of Findings
Year Ended December 31, 2016

No findings were reported.

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