

Town of West Seneca, New York

*Basic Financial Statements, Required Supplementary
Information, and Supplemental Schedules
for the Year Ended December 31, 2016
and Independent Auditors' Report*

TOWN OF WEST SENECA, NEW YORK
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INDEPENDENT AUDITORS' REPORT

To the Honorable Town Board
 Town of West Seneca, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of West Seneca, 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information

of the Town, as of December 31, 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 the management's discussion and analysis, budgetary comparison, and other RSI on pages 6-13 and 49-56 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 and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 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

R.A. Mercer & Co., P.C.



West Seneca, New York
June 20, 2017

TOWN OF WEST SENECA, NEW YORK
Management's Discussion and Analysis
For the Year Ended December 31, 2016

As management of the Town of West Seneca, 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 \$3,675,767 (*net position*).
- The Town's total net position decreased by \$3,979,017. This decrease is primarily attributable to an overall increase in expenses paired with increases in various revenues which did not exceed the expenses. In addition, the Town's other post-employment benefits cost reduced net position by \$4.7 million.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of a deficit of \$8,995,475, a decrease of \$4,244,103 in comparison with the prior year due primarily to continued capital outlay funded by BANs in the Capital Projects Fund, the planned use of reserves of \$509,207 in the Highway Fund, and the rising costs of providing health insurance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,360,455, or approximately 13.2% of total General Fund expenditures.
- The Town's total bonded debt decreased by \$620,669 during the current fiscal year as a result of payments on the bonded debt of \$2,340,669 exceeding new issues of bonded debt of \$1,720,000. The Town also entered into an energy performance contract for \$5,313,003 which is payable over the next fifteen years.
- The Town retired \$43,180,000 of bond anticipation notes ("BANs") and issued new BANs totaling \$41,969,125 during the year ended December 31, 2016.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the 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 government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The Town does not have any business-type activities.

The government-wide financial statements can be found on pages immediately following this section as the first two pages of the basic financial statements.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town 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 financial statements focus on *near-term inflows and outflows of spendable resources*, as well as, on balances of *spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains six 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, Highway, Sewer, and Capital Projects Funds, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Town adopts an annual budget for all governmental funds, except Capital Projects and Special Purpose Funds. A budgetary comparison statement has been provided for all major governmental funds to demonstrate compliance with their budgets.

The financial statements for governmental funds can be found in the fund financial statements, following the government-wide financial statements.

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 of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found in the fund financial statements section of this report.

Notes to the Financial Statements. The financial statements also include notes that explain some of the information in the financial statements and provide detailed data. They are 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 following the fund financial statements section 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 funding its obligation to provide post-employment benefits to its employees, the Town's net pension liability, and the Town's budgetary comparison schedules for each major fund with a legally adopted budget. The required supplementary information can be found following the notes to the financial statements of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented along with other supplementary information immediately following the Required Supplementary Information in the Supplementary Information section of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred inflows of resources exceeded liabilities and deferred outflows of resources by \$3,675,767 at the close of the 2016 fiscal year.

Table 1 – Condensed Statement of Net Position

| | Governmental Activities | | Dollar Change |
|----------------------------------|--------------------------------|--------------|----------------------|
| | 2016 | 2015 | |
| Current Assets | \$ 38,335,249 | 43,546,064 | (5,210,815) |
| Capital Assets | 76,604,928 | 67,639,161 | 8,965,767 |
| Total Assets | 114,940,177 | 111,185,225 | 3,754,952 |
| Deferred Outflows of Resources | 14,347,381 | 503,959 | 13,843,422 |
| Current Liabilities | 52,113,717 | 52,407,804 | (294,087) |
| Long-Term Liabilities | 71,563,112 | 51,411,194 | 20,151,918 |
| Total Liabilities | 123,676,829 | 103,818,998 | 19,857,831 |
| Deferred Inflows of Resources | 1,934,962 | 215,402 | 1,719,560 |
| Net Position: | | | |
| Net Investment in Capital Assets | 25,345,081 | 23,488,060 | 1,857,021 |
| Restricted | 4,504,149 | 1,692,648 | 2,811,501 |
| Unrestricted | (26,173,463) | (17,525,924) | (8,647,539) |
| Total Net Position | \$ 3,675,767 | 7,654,784 | (3,979,017) |

At the end of the current fiscal year, the Town's governmental activities is able to report positive balances in two categories of net position. Both net investment in capital assets and restricted net position report positive balances. Unrestricted net position reports a deficit balance, which indicates its long term outlook relies on future revenue streams.

The largest portion of the Town's net position reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town's total net position decreased during 2016 by \$3,979,017. This is primarily due to a large increase in the Town's Other Post-Employment Benefits (OPEB) liability.

Governmental activities. Governmental activities decreased the Town's net position by \$3,979,017. Table 3 shows the changes in net position for the years ended December 31, 2016 and 2015.

Table 2 – Changes in Net Position

| | Governmental Activities | | Dollar Change |
|-------------------------------------|--------------------------------|--------------------|----------------------|
| | 2016 | 2015 | |
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for Services | \$ 5,760,411 | 4,727,689 | 1,032,722 |
| Operating Grants and Contributions | 112,552 | 1,062,341 | (949,789) |
| General Revenues: | | | - |
| Real Property Taxes and Tax Items | 31,747,238 | 30,237,838 | 1,509,400 |
| Non-Property Taxes | 6,941,662 | 6,751,175 | 190,487 |
| Use of Money and Property | 95,841 | 645,242 | (549,401) |
| Premium on Bonds and BANs | 780,748 | - | 780,748 |
| Federal and State Aid | <u>2,072,036</u> | <u>1,531,711</u> | <u>540,325</u> |
| Total Revenues | <u>47,510,488</u> | <u>44,955,996</u> | <u>2,554,492</u> |
| Expenses: | | | |
| General Government Support | 4,037,107 | 4,488,203 | (451,096) |
| Public Safety | 16,221,399 | 17,416,690 | (1,195,291) |
| Health | 5,723 | 5,723 | - |
| Transportation | 12,297,720 | 10,656,912 | 1,640,808 |
| Economic Assistance and Opportunity | 57,965 | 16,800 | 41,165 |
| Culture and Recreation | 4,395,734 | 3,430,085 | 965,649 |
| Home and Community Services | 12,505,227 | 11,651,629 | 853,598 |
| Loss on Disposal of Equipment | - | 73,704 | (73,704) |
| Amortization of Bond Premium | 108,816 | - | 108,816 |
| Interest and Fiscal Charges | <u>1,859,814</u> | <u>1,295,083</u> | <u>564,731</u> |
| Total Expenses | <u>51,489,505</u> | <u>49,034,829</u> | <u>2,454,676</u> |
| Change in Net Position | <u>(3,979,017)</u> | <u>(4,078,833)</u> | <u>99,816</u> |
| Net Position - Beginning of Year | 7,654,784 | 14,261,575 | |
| Change in Accounting Standards | - | (2,527,958) | |
| Net Position - End of Year | <u>\$ 3,675,767</u> | <u>7,654,784</u> | |

As previously noted, the change in the Town's net position for 2016 was a decrease of \$3,979,017. An analysis of revenues and expenses reveals the following:

- The most significant revenue sources are real property and other tax items, charges for services, and non-property taxes (which is largely an allocation of sales tax collected within the County of Erie) which account for 66.8%, 12.1% and 14.6% of revenues, respectively. Combined, these three revenue types make up 93.5% of all Town revenue.
- The most significant expense items include home and community services (services such as sanitary sewers, garbage and refuse), public safety (services such as police and safety inspection), and transportation (services such as road maintenance and repair and snow removal) which account for 24.3%, 31.6% and 23.9% of all expenses respectively. Combined, these three expense types make up 79.8% of all Town expenses.

- Large expense increases were noted in the transportation and home and community services categories while significant decreases were noted in the public safety and general government support categories.

Program revenues for 2016 and 2015 Governmental Activities were as follows:

Table 3 – Sources of Revenues – Primary Government

| | <u>2016</u> | | <u>2015</u> | | <u>Dollar</u> |
|------------------------------------|----------------------|-------|-------------------|-------|------------------|
| | <u>Amount</u> | | <u>Amount</u> | | <u>Change</u> |
| Charges for Services | \$ 5,760,411 | 12.1% | 4,727,689 | 10.5% | 1,032,722 |
| Operating Grants and Contributions | 112,552 | 0.3% | 1,062,341 | 2.4% | (949,789) |
| Real Property Taxes and Tax Items | 31,747,238 | 66.8% | 30,237,838 | 67.3% | 1,509,400 |
| Non-property Taxes | 6,941,662 | 14.6% | 6,751,175 | 15.0% | 190,487 |
| Use of Money and Property | 95,841 | 0.2% | 645,242 | 1.4% | (549,401) |
| Premium on Bonds and BANs | 780,748 | 1.6% | - | 0.0% | 780,748 |
| Federal and State Aid | 2,072,036 | 4.4% | 1,531,711 | 3.4% | 540,325 |
| Total General Revenues | <u>\$ 47,510,488</u> | | <u>44,955,996</u> | | <u>2,554,492</u> |

Program expenses for 2016 and 2015 Governmental Activities were as follows:

Table 4 – Expense by Function

| | <u>2016</u> | | <u>2015</u> | | <u>Dollar</u> |
|-------------------------------|----------------------|-------|-------------------|-------|------------------|
| | <u>Amount</u> | | <u>Amount</u> | | <u>Change</u> |
| General Government Support | \$ 4,037,107 | 7.8% | 4,488,203 | 9.2% | (451,096) |
| Public Safety | 16,221,399 | 31.6% | 17,416,690 | 35.5% | (1,195,291) |
| Health | 5,723 | 0.0% | 5,723 | 0.0% | - |
| Transportation | 12,297,720 | 23.9% | 10,656,912 | 21.7% | 1,640,808 |
| Economic Assistance | 57,965 | 0.1% | 16,800 | 0.0% | 41,165 |
| Culture and Recreation | 4,395,734 | 8.5% | 3,430,085 | 7.0% | 965,649 |
| Home and Community Services | 12,505,227 | 24.3% | 11,651,629 | 23.8% | 853,598 |
| Amortization of Bond Premiums | 108,816 | 0.2% | - | 0.0% | 108,816 |
| Loss on Disposal of Equipment | - | 0.0% | 73,704 | 0.2% | (73,704) |
| Interest and Fiscal Charges | 1,859,814 | 3.6% | 1,295,083 | 2.6% | 564,731 |
| Total General Expenses | <u>\$ 51,489,505</u> | | <u>49,034,829</u> | | <u>2,454,676</u> |

Financial Analysis of the Town's Funds

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

Governmental Funds – The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned and assigned fund balances* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of a deficit of \$8,995,475, a decrease of \$4,244,103, in comparison with the prior year. Note that the Capital Projects Fund fund deficit significantly impacts the Town's overall fund balance; whereas, excluding the effects of the Capital Projects Fund, the Town reports combined ending fund balance of

\$10,847,886, a decrease of \$1,053,636 from the prior year. *Unassigned fund balance* is in a deficit position of \$20,308,912. Additionally, the Town's *assigned fund balances* total \$5,818,192. Together, *unassigned* and *assigned fund balance* represents a negative \$14,490,720. Excluding the Capital Projects fund deficit, this amount is \$9,178,647. *Nonspendable* amounts, totaling \$991,096 at December 31, 2016, 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 balance* consists of \$991,096 for prepaid items. *Restricted* amounts, totaling \$4,504,149 at December 31, 2016, represent net current financial resources that are constrained to specific purposes by their providers.

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 \$3,360,455, while total fund balance amounted to \$5,615,703. 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. Unassigned fund balance represents approximately 13.2 percent of total General Fund expenditures, while total fund balance represents approximately 22.1 percent of total General Fund expenditures.

General Fund Budgetary Highlights

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

Table 5 – Summary of General Fund Results of Operations

| | <u>Budgeted Amount</u> | | <u>Budgetary</u> | <u>Actual</u> | <u>Variance with</u> |
|---------------------------------------|------------------------|--------------|------------------|---------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Variance</u> | | <u>Final Budget</u> |
| Revenues | \$ 24,505,223 | 24,557,129 | 51,906 | 25,168,159 | 611,030 |
| Expenditures and Other | | | | | |
| Financing Uses | \$ 25,255,224 | 25,920,239 | 665,015 | 25,832,590 | 87,649 |
| Excess (Deficiency) of Revenues over | | | | | |
| Expenditures and Other Financing Uses | \$ (750,001) | (1,363,110) | (613,109) | (664,431) | 698,679 |

Original budget compared to final budget. During the year, the Town increased the estimated original revenues by \$51,906 and the original budgeted appropriations by \$665,015.

Final budget compared to actual results. A review of actual revenues and expenditures compared to the estimated revenues and appropriations in the final budget yields no significant variances with the exception of favorable variances of \$491,662 within non-property tax revenues, \$161,305 within fines and forfeitures, and \$154,891 within state aid. The variance within non-property tax revenues was created through sales tax distributions from Erie County exceeding the estimated amount. The variance within general government support expenditures was caused by circumstances that occurred after the budget was adopted and budgetary adjustments were not made.

Capital Assets and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental activities as of December 31, 2016 amounted to \$76,604,928 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, infrastructure, buildings and improvements, machinery 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 are presented below:

| | Governmental Activities | |
|--------------------------|--------------------------------|-------------------|
| | 2016 | 2015 |
| Land | \$ 543,871 | 543,871 |
| Construction in Progress | 24,021,822 | 29,671,915 |
| Land Improvements | 1,819,219 | 1,724,263 |
| Buildings | 2,867,498 | 3,036,841 |
| Building Improvements | 4,304,078 | 1,188,214 |
| Machinery and Equipment | 5,588,730 | 6,089,012 |
| Infrastructure | 37,459,710 | 25,385,045 |
| Total | <u>\$ 76,604,928</u> | <u>67,639,161</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 the notes to the financial statements.

Debt - At December 31, 2016, the Town had total bonded debt outstanding of \$17,924,996 as compared to \$18,545,665 in the prior year as result from the Town's scheduled principal payments of \$2,340,669 and the issuance of \$1,720,000 of new term debt. The Town retired matured BANs and issued new BANs, to arrive at \$41,969,125 in BANs payable for the year ended December 31, 2016. The Town also incurred additional debt with a \$5,313,003 Energy Performance Contract. Additional information on the Town's long-term debt can be found in the notes to the financial statements.

Economic Factors

The unemployment rate, not seasonally adjusted, for the Buffalo-Niagara region is currently 5.2 percent. This compares to New York State's average unemployment rate of 4.3 and the national average rate of 4.4 percent.

While these factors were considered in preparing the Town's 2017 budget, the costs for employee health insurance and retirement costs mandated by the New York State and Local Employees Retirement System and the New York State Police and Fire Retirement System continue to rise and have significant influence on the Town's budget.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Supervisor's Office, Town of West Seneca, 1250 Union Road, West Seneca, New York 14224.

BASIC FINANCIAL STATEMENTS

TOWN OF WEST SENECA, NEW YORK
Statement of Net Position
December 31, 2016

| | <u>Primary Governmental Activities</u> |
|--|--|
| ASSETS | |
| Cash | \$ 10,991,709 |
| Restricted Cash | 23,697,917 |
| Accounts Receivable | 127,838 |
| Prepays | 241,445 |
| Due from other Government | 3,271,202 |
| Due from Agency Fund | 5,138 |
| Capital Assets not being Depreciated | 24,565,693 |
| Capital Assets net of Accumulated Depreciation | <u>52,039,235</u> |
| Total Assets | <u>114,940,177</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflows - ERS/PFRS | <u>14,347,381</u> |
| Total Deferred Outflows of Resources | <u>14,347,381</u> |
| LIABILITIES | |
| Accounts and Retention Payable | 5,164,242 |
| Accrued Liabilities | 1,478,901 |
| Due to Other Governments | 475 |
| Bond Anticipation Notes Payable | 41,969,125 |
| Noncurrent Liabilities: | |
| Due Within One Year | 3,500,974 |
| Due in More Than One Year | <u>71,563,112</u> |
| Total Liabilities | <u>123,676,829</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Inflows - ERS/PFRS | 1,890,479 |
| Unavailable Revenue - State Aid | <u>44,483</u> |
| Total Deferred Inflows of Resources | <u>1,934,962</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 25,345,081 |
| Restricted for: | |
| Capital Purchases | 4,421,224 |
| Grants | 31,711 |
| Debt Service | 51,214 |
| Unrestricted | <u>(26,173,463)</u> |
| Total Net Position | <u>\$ 3,675,767</u> |

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

TOWN OF WEST SENECA, NEW YORK
Statement of Activities
For the Year Ended December 31, 2016

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expenses)</u> |
|-------------------------------------|----------------------|-------------------------|----------------------|-----------------------|
| | | <u>Charges for</u> | <u>Operating</u> | <u>Revenue and</u> |
| | | <u>Services</u> | <u>Grants and</u> | <u>Changes in Net</u> |
| | | | <u>Contributions</u> | <u>Position</u> |
| | | | | <u>Primary</u> |
| | | | | <u>Government</u> |
| | | | | <u>Governmental</u> |
| | | | | <u>Activities</u> |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General Government Support | \$ 4,037,107 | 725,013 | 7,552 | (3,304,542) |
| Public Safety | 16,221,399 | 1,174,168 | - | (15,047,231) |
| Health | 5,723 | 18,911 | - | 13,188 |
| Transportation | 12,297,720 | 259,049 | - | (12,038,671) |
| Economic Assistance and Opportunity | 57,965 | - | - | (57,965) |
| Culture and Recreation | 4,395,734 | 480,359 | - | (3,915,375) |
| Home and Community Services | 12,505,227 | 3,102,911 | 105,000 | (9,297,316) |
| Amortization of Bond Premiums | 108,816 | - | - | (108,816) |
| Interest and Fiscal Charges | 1,859,814 | - | - | (1,859,814) |
| Total Primary Government | <u>\$ 51,489,505</u> | <u>5,760,411</u> | <u>112,552</u> | <u>(45,616,542)</u> |
| General Revenues: | | | | |
| | | | | 31,747,238 |
| Real Property Taxes and Tax Items | | | | 6,941,662 |
| Non-property Taxes | | | | 95,841 |
| Use of Money and Property | | | | 780,748 |
| Premium on Bonds and BANs | | | | <u>2,072,036</u> |
| Federal and State Aid | | | | 41,637,525 |
| Total General Revenues | | | | (3,979,017) |
| Change in Net Position | | | | <u>7,654,784</u> |
| Net Position - Beginning | | | | <u>\$ 3,675,767</u> |
| Net Position - Ending | | | | |

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

TOWN OF WEST SENECA, NEW YORK
Balance Sheet - Governmental Funds
December 31, 2016

| | <u>Special Revenue</u> | | | <u>Capital Projects</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|------------------------|------------------|------------------|-----------------------------|---|---|
| | <u>General</u> | <u>Highway</u> | <u>Sewer</u> | | | |
| ASSETS | | | | | | |
| Cash | \$ 3,442,654 | 390,140 | 5,820,433 | - | 1,338,482 | 10,991,709 |
| Restricted Cash | 76,194 | 646,432 | - | 22,975,291 | - | 23,697,917 |
| Accounts Receivable | 99,143 | 28,695 | - | - | - | 127,838 |
| Prepaid Items | 823,537 | 149,734 | 17,825 | - | - | 991,096 |
| Due from Other Governments | 2,512,461 | 298,671 | 460,070 | - | - | 3,271,202 |
| Due from Other Funds | 274,598 | 35,929 | - | - | 14,347 | 324,874 |
| Total Assets | <u>7,228,587</u> | <u>1,549,601</u> | <u>6,298,328</u> | <u>22,975,291</u> | <u>1,352,829</u> | <u>39,404,636</u> |
| LIABILITIES | | | | | | |
| Accounts and Retention Payable | 717,294 | 318,848 | 3,199,513 | 928,027 | 560 | 5,164,242 |
| Accrued Liabilities | 706,136 | 173,985 | 21,929 | - | - | 902,050 |
| Due to Other Funds | 64,496 | 193,740 | 60,000 | 1,500 | - | 319,736 |
| Due to Other Governments | 475 | - | - | - | - | 475 |
| Bond Anticipation Notes Payable | 80,000 | - | - | 41,889,125 | - | 41,969,125 |
| Total Liabilities | <u>1,568,401</u> | <u>686,573</u> | <u>3,281,442</u> | <u>42,818,652</u> | <u>560</u> | <u>48,355,628</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable Revenue - State Aid | 44,483 | - | - | - | - | 44,483 |
| FUND BALANCES (DEFICITS) | | | | | | |
| Nonspendable | 823,537 | 149,734 | 17,825 | - | - | 991,096 |
| Restricted | 31,711 | 646,432 | - | 3,826,006 | - | 4,504,149 |
| Assigned | 1,400,000 | 66,862 | 2,999,061 | - | 1,352,269 | 5,818,192 |
| Unassigned | 3,360,455 | - | - | (23,669,367) | - | (20,308,912) |
| Total Fund Balances (Deficits) | <u>5,615,703</u> | <u>863,028</u> | <u>3,016,886</u> | <u>(19,843,361)</u> | <u>1,352,269</u> | <u>(8,995,475)</u> |
| Total Liabilities, Deferred Inflows or Resources, and Fund Balances (Deficits) | <u>\$ 7,228,587</u> | <u>1,549,601</u> | <u>6,298,328</u> | <u>22,975,291</u> | <u>1,352,829</u> | <u>39,404,636</u> |

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

TOWN OF WEST SENECA, NEW YORK
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2016

Amounts reported for Governmental Activities in the Statement of Net Position (page 15) are different because:

| | |
|---|--|
| Total fund balances (deficits) - governmental funds (page 17) | \$ (8,995,475) |
| Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$123,891,954 and the accumulated depreciation is \$47,287,026. | 76,604,928 |
| To recognize interest accrual on long term debt. | (576,851) |
| To recognize the net pension liability. | (12,171,485) |
| To recognize the deferred outflows related to the net pension liability. | 14,347,381 |
| To recognize the deferred inflows related to the net pension liability. | (1,890,479) |
| To eliminate the prepaid amount to NYS pension expense. | (749,651) |
| To record the premium on the issuance of bonds. | (1,582,431) |
| Long-term liabilities, including leases payable, bonds payable and compensated absences, are not due and payable in the current period, and therefore are not reported in the funds: | |
| Serial bonds payable | (17,924,996) |
| Energy Performance Contract | (12,758,586) |
| Other post-employment benefits payable | (24,792,103) |
| Judgments and claims payable | (2,019,391) |
| Compensated absences payable | <u>(3,815,094)</u> <u>(61,310,170)</u> |
| Net position of governmental activities | <u>\$ 3,675,767</u> |

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

TOWN OF WEST SENECA, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2016

| | <u>Special Revenue</u> | | | | Other | Total |
|--|------------------------|--------------------|-------------------|---------------------|-----------------------|-----------------------|
| | General | Highway | Sewer | Capital Projects | Governmental Funds | Governmental Funds |
| REVENUES | | | | | | |
| Real Property Taxes | \$ 12,507,951 | 9,319,572 | 9,084,721 | - | 394,836 | 31,307,080 |
| Other Property Tax Items | 440,158 | - | - | - | - | 440,158 |
| Non-property Tax Items | 6,941,662 | - | - | - | - | 6,941,662 |
| Departmental Income | 740,465 | 163,274 | - | - | 130,185 | 1,033,924 |
| Intergovernmental Charges | - | 94,275 | 325,501 | - | - | 419,776 |
| Use of Money and Property | 76,708 | 2,530 | - | 16,454 | 149 | 95,841 |
| Sale of Property and Compensation for Loss | 34,668 | 21,617 | - | - | - | 56,285 |
| Licenses and Permits | 404,357 | - | - | - | - | 404,357 |
| Fines and Forfeitures | 911,305 | - | - | - | - | 911,305 |
| Miscellaneous | 20,656 | 1,500 | - | 54,487 | 5,585 | 82,228 |
| Interdistrict Revenues | - | - | 2,771,825 | - | - | 2,771,825 |
| Interfund Revenues | 1,819,234 | 1,346,399 | - | - | - | 3,165,633 |
| State Aid | 1,263,443 | 369,726 | - | 438,867 | - | 2,072,036 |
| Federal Aid | 7,552 | - | - | 105,000 | - | 112,552 |
| Total Revenues | <u>25,168,159</u> | <u>11,318,893</u> | <u>12,182,047</u> | <u>614,808</u> | <u>530,755</u> | <u>49,814,662</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General Government Support | 2,891,654 | - | - | 35,427 | 130,007 | 3,057,088 |
| Public Safety | 8,750,544 | - | - | - | - | 8,750,544 |
| Health | 5,723 | - | - | - | - | 5,723 |
| Transportation | 426,708 | 6,887,922 | - | - | - | 7,314,630 |
| Economic Assistance and Opportunity | 57,965 | - | - | - | - | 57,965 |
| Culture and Recreation | 2,280,906 | - | - | - | 19,676 | 2,300,582 |
| Home and Community Services | 2,555,468 | - | 10,366,035 | - | 82,347 | 13,003,850 |
| Employee Benefits | 7,473,776 | 3,563,084 | - | - | - | 11,036,860 |
| Debt Service: | | | | | | |
| Principal | 759,219 | 1,653,085 | 350,946 | 4,895,000 | 134,540 | 7,792,790 |
| Interest | 230,627 | 569,162 | 309,701 | 665,573 | 59,395 | 1,834,458 |
| Capital Outlay | - | - | - | 11,613,026 | - | 11,613,026 |
| Total Expenditures | <u>25,432,590</u> | <u>12,673,253</u> | <u>11,026,682</u> | <u>17,209,026</u> | <u>425,965</u> | <u>66,767,516</u> |
| Excess (deficiency) of Revenues Over Expenditures | <u>(264,431)</u> | <u>(1,354,360)</u> | <u>1,155,365</u> | <u>(16,594,218)</u> | <u>104,790</u> | <u>(16,952,854)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers In | - | 400,000 | - | 695,000 | - | 1,095,000 |
| Transfers Out | (400,000) | (160,000) | (535,000) | - | - | (1,095,000) |
| Installment Purchase Debt | - | - | - | 5,313,003 | - | 5,313,003 |
| BANs Redeemed From Appropriations | - | - | - | 4,895,000 | - | 4,895,000 |
| Serial Bonds Issued | - | - | - | 1,720,000 | - | 1,720,000 |
| Premium on Bonds and BANs | - | - | - | 780,748 | - | 780,748 |
| Total Other Financing Sources and Uses | <u>(400,000)</u> | <u>240,000</u> | <u>(535,000)</u> | <u>13,403,751</u> | <u>-</u> | <u>12,708,751</u> |
| Net Change in Fund Balance | <u>(664,431)</u> | <u>(1,114,360)</u> | <u>620,365</u> | <u>(3,190,467)</u> | <u>104,790</u> | <u>(4,244,103)</u> |
| Fund Balances (Deficit) - Beginning | <u>6,280,134</u> | <u>1,977,388</u> | <u>2,396,521</u> | <u>(16,652,894)</u> | <u>1,247,479</u> | <u>(4,751,372)</u> |
| Fund Balances (Deficit) - Ending | <u>\$ 5,615,703</u> | <u>863,028</u> | <u>3,016,886</u> | <u>(19,843,361)</u> | <u>1,352,269</u> | <u>(8,995,475)</u> |

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

TOWN OF WEST SENECA, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016

Amounts reported for governmental activities in the statement of activities (page 16) are different because:

Net change in fund balances (deficit) - total governmental funds (page 19) \$ (4,244,103)

Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and disposals. 8,965,767

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 resources. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:

| | | |
|---|----------------|-------------|
| Proceeds from serial bonds | (1,720,000) | |
| Repayment of serial bonds | 2,340,669 | |
| Issuance of installment purchase debt | (5,313,003) | |
| Repayment of installment purchase debt | 557,116 | |
| Net change in accrued interest - serial bonds | (25,356) | |
| Recording of premium on issuance of bonds | (234,929) | |
| Amortization of bond premium | <u>126,113</u> | (4,269,390) |

(Increases) decreases in the proportionate share of the net pension liability reported in the Statement of Activities do not provide for or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds. 1,049,833

Some expenses reported in the statement of activities (i.e. compensated absences, judgments and claims, and other post-employment benefits) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The net effect of these differences is as follows:

| | | |
|----------------------------------|--------------------|--------------------|
| Compensated absences | (174,542) | |
| Increase in judgments and claims | (522,345) | |
| Other post-employment benefits | <u>(4,784,237)</u> | <u>(5,481,124)</u> |

Change in net position of governmental activities \$ (3,979,017)

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

TOWN OF WEST SENECA, NEW YORK
Statement of Net Position
Fiduciary Fund
December 31, 2016

ASSETS

| | |
|--------------|----------------|
| Cash | \$ 162,679 |
| Total Assets | <u>162,679</u> |

LIABILITIES

| | |
|--------------------|-------------------|
| Agency Liabilities | 157,541 |
| Due to Other Funds | <u>5,138</u> |
| Total Liabilities | <u>\$ 162,679</u> |

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

TOWN OF WEST SENECA, NEW YORK
Notes to the Financial Statements
December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of West Seneca, New York (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America 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* are supported by taxes and intergovernmental revenues. The Town reports no business-type activities or component units.

Financial 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 with authority vested by those statutes provides services and facilities in the areas of police, highway, sanitation, parks, recreation, sanitary and storm sewerage and general administration. 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 consist of the following:

| | |
|--------------------|-----------------------------------|
| Supervisor | Town Clerk |
| Councilmembers (2) | Receiver of Taxes and Assessments |
| Town Justices (2) | Superintendent of Highways |

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

The County of Erie is a unit of local government, which operates within the boundaries of the Town. 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 a fiduciary fund, even though the latter is excluded from the government-wide financial statements.

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

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Town's funds, 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.

The Town considers the following governmental funds as major funds:

- General Fund – is the Town's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- Highway Fund – this fund is used to record all revenues and expenditures related to road maintenance and construction throughout the Town.
- Sewer Fund – this fund is used to record all revenues and expenditures related to operation and maintenance of the sewer districts.
- Capital Projects Fund – this fund accounts for the acquisition and construction of the Town's major capital facilities.

Additionally, the Town reports the following fund type:

The Agency Fund – used to account for employee payroll tax withholdings and for other money (and/or property) received and held in the capacity of trustee, custodian or agent.

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. 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

Budgetary Information

Budgetary Basis of Accounting – Annual budgets for all governmental funds, except the Capital Projects and Special Purpose Funds, are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A form of encumbrance accounting is employed as an extension of budgetary control in all governmental funds, under which purchase orders, certain contracts and other commitments outstanding at year-end for the expenditure of monies (encumbrances) are recorded as an assignment of fund balance. All unencumbered appropriations lapse at the end of the fiscal year. On January 1st, encumbrance assignments outstanding at year-end are reappropriated to the ensuing year's original budget.

The Capital Projects Fund appropriations are not included in the Town's annual budget. Instead, appropriations are approved through a Town Board resolution at the project's inception and lapse upon completion of the project.

The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. The Town reports encumbrances of \$516 in the Sewer Fund for the year ended December 31, 2016.

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

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have a maturity date within 90 days of the Town's original acquisition date.

Restricted Cash and Cash Equivalents – Represents (1) unspent proceeds from debt within the Capital Projects Fund. The proceeds of debt can only be used for the stated purpose of the borrowing. (2) Money received for grants that remains unspent.

Prepaids – Certain retirement 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 expenditures/expenses when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, buildings, equipment and infrastructure assets (e.g. roads, bridges, drainage systems and similar items) are reported in the appropriate governmental column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost equal to or greater than \$20,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the Town are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|---------------------------------|--------------|
| Buildings | 40 |
| Buildings and Land Improvements | 20 |
| Infrastructure: | |
| Dams and Drainage Systems | 100 |
| Water and Sewer Systems | 50 |
| Traffic Control Systems | 40 |
| Bridges and Culverts | 30 |
| Roads | 10 |
| Machinery and Equipment: | |
| Office Equipment and Furniture | 7 |
| Heavy Equipment | 15 |
| Other | 5 |
| Vehicles | 8 |
| Computers | 3 |

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. The Town does not have any items that qualify for reporting in this category.

In addition to assets, the Statement of Net 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two items that qualify for reporting in this category. The first item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the Town’s proportion of the collective net pension asset or liability and difference during the measurement period between the Town’s contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the Town’s contributions to the pension system (ERS Systems) subsequent to the measurement date.

In addition to liabilities, the statement of net 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. The Town has one item that qualifies for reporting in this category. The item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the Town's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the Town's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The Town also reported \$44,483 of deferred state aid revenue at December 31, 2016. This state funding is not qualified to be currently recognized as revenue under the revenue recognition rules so the Town is showing it a deferred inflow of resources.

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 government'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 adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) 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 Expenditures/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.

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

Estimated sick leave and compensatory time accumulated by governmental fund type employees is reported on the entity-wide financial statements. Payment of sick leave and compensatory time is budgeted and recorded as expenditure in the governmental funds on an annual basis as amounts are paid. Management believes that sufficient resources will be made available for the payments of sick leave and compensatory time when such payments become due.

Stewardship, Compliance and Accountability

Deficit Fund Balances – At December 31, 2016, the Capital Projects Fund, a major fund, has a deficit unassigned fund balance of \$23,669,367. The primary reason for the deficit in this case is that the government issued bond anticipation notes (BANs), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the capital projects fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances). When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. Because the BANs are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs or retire the BANs.

Adoption of New Accounting Pronouncements – During the year ended December 31, 2016, the Town adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending December 31, 2016, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements Nos. 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, effective for the year ending December 31, 2016

Future Impacts of Accounting Pronouncements – The Town has not completed the process of evaluating the impact that will result from adopting the provisions, GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending December 31, 2017, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending December 31, 2017, GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, effective for the year ending December 31, 2017, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for the year ending December 31, 2017, GASB

Statement No. 82, *Pension Issues – an amendment of GASB Statement No. 67, No. 68, and No. 73*, effective for the year ended December 31, 2017, GASB Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending December 31, 2019, Statement no. 84, *Fiduciary Activities*, effective for the year ended December 31, 2019, Statement No. 85, *Omnibus*, effective for the year ended December 31, 2018, and Statement No. 86, *Certain Debt Extinguishment Issues*, effective for the year ended December 31, 2018. The Town is, therefore, unable to disclose the impact that adopting GASB Statements Nos. 74, 75, 80, 81, 82, 83, 84, 85, and 86 will have on its financial position and results of operations.

2. LEGAL COMPLIANCE – BUDGETS

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

1. Prior to September 30, 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.
2. 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.
3. Following the public hearing, revisions may again be made by the Town Board before filing an adopted budget with Erie County by November 20th.
4. Formal annual budgetary accounts are employed as a management control device for the General, Highway, Sewer and Special District Funds.
5. 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.
6. Annual budgets for governmental funds, except the Capital Projects Fund and Special Purpose Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A form of encumbrance accounting is employed as an extension of budgetary control in all governmental funds, under which purchase orders, certain contracts and other commitments outstanding at year-end for the expenditure of monies (encumbrances) are recorded as an assignment of fund balance. All unencumbered appropriations lapse at the end of the fiscal year. On January 1st, encumbrance assignments outstanding at year-end are reappropriated to the ensuing year's original budget.
7. The Capital Projects Fund appropriations are not included in the Town's annual budget. Instead appropriations are approved through a Town Board resolution at the project's inception and lapse upon termination of the project.
8. Total expenditures for each object classification within a department may not legally exceed the total appropriations for that object classification. During the year ended December 31, 2016, the Town's Highway Funds overspent their budget in total due to circumstances that occurred after the budget was adopted and budgetary adjustments were not made.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

Collateral is required for demand deposits and certificates of deposits in an amount equal to or greater than the amount of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal government. The Town had no investments at December 31, 2016.

Cash at year-end consisted of:

| | Governmental | | |
|-------------------------------|----------------------|------------------------|-------------------|
| | Funds | Fiduciary Funds | Balance |
| Petty Cash (Uncollateralized) | \$ 3,850 | - | 3,850 |
| Deposits | 34,685,776 | 162,679 | 34,848,455 |
| Total | <u>\$ 34,689,626</u> | <u>162,679</u> | <u>34,852,305</u> |

Deposits – All deposits are carried at fair value. The following is a summary of deposits:

| | Carrying | Bank Balance |
|---|----------------------|---------------------|
| | Balance | |
| Insured (FDIC) | \$ 1,000,000 | 1,000,000 |
| Uninsured: | | |
| Collateral held by bank's agent in the Town's name | <u>33,848,455</u> | <u>34,238,162</u> |
| Total | <u>\$ 34,848,455</u> | <u>35,238,162</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. As of December 31, 2016, the Town's deposits were FDIC insured or collateralized.

Restricted Cash—The Town reports restricted cash of \$76,194 within the General Fund and \$646,432 within the Highway Fund. The Town also reports restricted cash of \$22,975,291 within the Capital Projects Fund for amounts representing nonoperating cash that has been raised through borrowings. The use of these proceeds is limited to the specific purpose of the issue.

4. PROPERTY TAX

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

Tax payments are due January 1 to February 15 without penalty; February 16 to 28 a 1.5% penalty; March 1 to 15 a 3% penalty; March 16 to 31 a 4.5% penalty; April 1 to 15 a 6% penalty; April 16 to 30 a 7.5% penalty; and 1.5% added each month thereafter.

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

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

5. RECEIVABLES

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

Accounts Receivable—Represents amount due to the Town from outside parties for various purposes.

| | | | |
|---------------------------|----|---------------|--------------------------|
| General Fund: | | | |
| Special Assessments | \$ | 83,133 | |
| Miscellaneous | | <u>16,010</u> | <u>\$ 99,143</u> |
| Highway Fund: | | | |
| Miscellaneous | | | <u>\$ 28,695</u> |
| Total Accounts Receivable | | | <u><u>\$ 127,838</u></u> |

Due from Other Governments - 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 | \$ | 2,271,478 | |
| Justice Fees | | 115,788 | |
| Town Clerk Fees | | 37,088 | |
| Miscellaneous | | <u>88,107</u> | <u>\$ 2,512,461</u> |
| Highway Fund: | | | |
| Miscellaneous | | | <u>\$ 298,671</u> |
| Sewer Fund: | | | |
| Erie County - Sewer Charges | | | <u>\$ 460,070</u> |
| Total Due from Other Governments | | | <u><u>\$ 3,271,202</u></u> |

6. CAPITAL ASSETS

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

| | Balance 1/1/2016 | Additions | Disposals | Balance 12/31/2016 |
|---|-----------------------------|-------------------|---------------------|-------------------------------|
| Capital Assets, not being Depreciated: | | | | |
| Land | \$ 543,871 | - | - | 543,871 |
| Construction in Progress | 29,671,914 | 11,613,026 | (17,263,118) | 24,021,822 |
| Total Capital Assets, not being Depreciated | 30,215,785 | 11,613,026 | (17,263,118) | 24,565,693 |
| Capital Assets, being Depreciated | | | | |
| Land Improvements | 7,639,759 | 466,622 | (165,922) | 7,940,459 |
| Buildings | 8,041,755 | - | (31,297) | 8,010,458 |
| Building Improvements | 1,917,887 | 3,273,981 | (124,202) | 5,067,666 |
| Machinery and Equipment | 16,818,817 | 379,850 | (1,497,564) | 15,701,103 |
| Infrastructure | 48,772,488 | 13,839,397 | (5,310) | 62,606,575 |
| Total Capital Assets, being Depreciated | 83,190,706 | 17,959,850 | (1,824,295) | 99,326,261 |
| Less Accumulated Depreciation for: | | | | |
| Land Improvements | 5,915,496 | 357,166 | (151,422) | 6,121,240 |
| Buildings | 5,004,914 | 156,346 | (18,300) | 5,142,960 |
| Building Improvements | 729,673 | 81,740 | (47,825) | 763,588 |
| Machinery and Equipment | 10,729,806 | 1,065,312 | (1,682,744) | 10,112,374 |
| Infrastructure | 23,387,441 | 1,764,137 | (4,714) | 25,146,864 |
| Total Accumulated Depreciation | 45,767,330 | 3,424,701 | (1,905,005) | 47,287,026 |
| Total Capital Assets, being Depreciated, net | 37,423,376 | 14,535,149 | 80,710 | 52,039,235 |
| Total Capital Assets, Net | \$ 67,639,161 | 26,148,175 | (17,182,408) | 76,604,928 |

Depreciation expense was charged to functions/programs of the governmental activities for the year ended December 31, 2016 as follows:

| <u>Function / Program</u> | <u>Allocated Depreciation</u> |
|-----------------------------|-----------------------------------|
| General government support | \$ 20,030 |
| Public safety | 105,813 |
| Transportation | 1,475,645 |
| Culture and recreation | 548,337 |
| Home and community services | 1,274,876 |
| | <u>\$ 3,424,701</u> |

7. ACCRUED LIABILITIES

Accrued liabilities reported by governmental activities at December 31, 2016 were as follows:

| | General Fund | Highway Fund | Sewer Fund | Total Governmental Funds |
|------------------------------|---------------------|---------------------|-------------------|---------------------------------|
| Accrued Interest | \$ 449,809 | 125,941 | 1,101 | 576,851 |
| Salary and Employee Benefits | 706,136 | 173,985 | 21,929 | 902,050 |
| Total Accrued Liabilities | <u>\$ 1,155,945</u> | <u>299,926</u> | <u>23,030</u> | <u>1,478,901</u> |

8. PENSION PLANS

The Town participates in the New York State and Local Employees' Retirement System (ERS/PFRS). This is cost-sharing, multiple employer retirement system. ERS/PFRS is included in the State's financial report as a pension trust fund.

a) Plan Description

The Town participates in the New York State and Local Employees' Retirement System ("ERS"), the New York State and Local Police and Fire Retirement System ("PFRS"), and the Public Employees' Group Life Insurance Plan ("Systems"). These are cost-sharing, multiple-employer retirement systems. The net position of the Systems is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in fiduciary net position allocated to the Systems. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). As set forth in the NYSRSSL, the Comptroller of the State of New York ("Comptroller") serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for custody and control of their funds. The Systems issue a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

b) Funding Policies

The System is non-contributory, except for employees who joined the New York State and Local Employees Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 who generally contribute three percent (3%) of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to

contribute a percentage ranging from three percent (3%) to six percent (6%) based on salary. Under the County of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employers' contributions based on salaries paid during the New York State Local Retirement Systems fiscal year ending March 31.

The Town is required to contribute at an actuarially determined rate. The required contribution per the New York State and Local Retirement Systems invoices for the current year and the two preceding years were:

| | <u>ERS</u> | <u>PFRS</u> |
|------|--------------|-------------|
| 2016 | \$ 1,426,037 | 1,572,569 |
| 2015 | \$ 1,666,916 | 1,482,515 |
| 2014 | \$ 1,779,337 | 1,654,760 |

Legislation requires participating employers to make payments on a current basis. The Town's contributions made to the Systems were equal to 100 percent of the contributions required for each year, and the Town has not bonded or amortized any of the excess amounts.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources

At December 31, 2016, the Town reported the following liability for its proportionate share of the net pension liability for the ERS/PFRS System. The net pension liability was measured as of March 31, 2016 for ERS/PFRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS/PFRS System in a report provided to the County.

| | <u>ERS</u> | <u>PFRS</u> |
|------------------------------------|----------------|----------------|
| Measurement date | March 31, 2016 | March 31, 2016 |
| Net pension liability | \$ 6,313,719 | \$ 5,857,766 |
| Town's portion of the Plan's total | | |
| Net pension liability | 0.0393371% | 0.1978449% |

For the year ended December 31, 2016, the Town's recognized pension expense of \$2,221,042 for ERS and \$2,127,514 for PFRS. At December 31, 2016, the Town's reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown on the following page.

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|--|-----------------------------------|------------------|----------------------------------|------------------|
| | ERS | PFRS | ERS | PFRS |
| Differences between expected and actual experience | \$ 31,905 | 52,539 | 748,386 | 885,624 |
| Change of assumptions | 1,683,678 | 2,525,264 | - | - |
| Net difference between projected and actual earnings on pension plan investment | 3,745,645 | 3,282,804 | - | - |
| Changes in proportion and differences between the Authority's contributions and proportionate share of contributions | 13,504 | 13,436 | 122,329 | 134,140 |
| Town's contributions subsequent to the measurement date | 1,426,037 | 1,572,569 | - | - |
| Total | \$ 6,900,769 | 7,446,612 | 870,715 | 1,019,764 |

Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | ERS | PFRS |
|-------------|-----------|-----------|
| Year Ended: | | |
| 2017 | 1,160,782 | 1,145,909 |
| 2018 | 1,160,782 | 1,145,909 |
| 2019 | 1,160,782 | 1,145,909 |
| 2020 | 1,121,671 | 1,100,200 |
| 2021 | | 316,352 |
| Thereafter | - | - |

Actuarial assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as shown in the table on the following page, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

| | <u>ERS</u> | <u>PFRS</u> |
|--------------------------|------------------------------------|-----------------------------------|
| Measurement Date | March 31, 2016 | March 31, 2016 |
| Actuarial Valuation Date | April 1, 2015 | April 1, 2015 |
| Interest Rate | 7.0% | 7.0% |
| Salary Scale | 3.8% | 4.5% |
| Decrement Tables | April 1, 20010 - March 31, 2015 | April 1, 2010 - March 31, 2015 |
| | Systems's experience | Systems's experience |
| Inflation Rate | 2.5% | 2.5% |

The annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on 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.

Measurement Date - March 31, 2016

| <u>Asset type</u> | <u>Percentage</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------|-------------------|---|
| Domestic equity | 38.00% | 7.30% |
| International equity | 13.00% | 8.55% |
| Private equity | 10.00% | 11.00% |
| Real estate | 8.00% | 8.25% |
| Absolute return strategies | 3.00% | 6.75% |
| Opportunistic portfolio | 3.00% | 8.60% |
| Real assets | 3.00% | 8.65% |
| Bonds and mortgages | 18.00% | 4.00% |
| Cash | 2.00% | 2.25% |
| Inflation indexed bonds | <u>2.00%</u> | 4.00% |
| | <u>100.00%</u> | |

Discount rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems’ fiduciary net position was projected to be available to make all

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

Sensitivity of the proportionate share of the net pension liability to the discount rate assumption

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

| | 1% Decrease (6.0%) | Current Assumption (7.0%) | 1% Increase (8.0%) |
|---|-----------------------|---------------------------------|-----------------------|
| ERS | | | |
| Employer's proportionate share of the net pension (asset) liability | 14,236,978 | 6,313,719 | (381,096) |
| PFRS | | | |
| Employer's proportionate share of the net pension (asset) liability | 13,083,937 | 5,857,766 | (199,331) |

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued ERS financial report.

Prepaid expense to the pension plan

The employer contributions are paid annually based on the System’s fiscal year which ends on March 31st. Prepaid retirement contributions as of December 31, 2016 represent the projected employer contribution for the period of January 1, 2016 through March 31, 2016 based on paid ERS/PFRS wages multiplied by the employer’s contribution rate, by tier. Prepaid retirement contributions as of December 31, 2016 amounted to \$356,509 for ERS and \$393,142 for PFRS.

c) Tiers

Membership Tiers-Pension legislation enacted in 1973, 1976, 1983, 2010, and 2012 established distinct classes of membership. The tier status of a member determines eligibility for benefits, formula used in the calculation of benefits, death benefit coverage, service crediting, whether or not a member has required contributions, and member loan provisions. Listed below are the tiers for ERS members:

- Tier 1 – Members who enrolled before July 1, 1973
- Tier 2 – July 1, 1973 through July 26, 1976
- Tier 3 – July 27, 1976 through August 31, 1983
- Tier 4 – September 1, 1983 through December 31, 2009
- Tier 5 – January 1, 2010 through March 31, 2012
- Tier 6 – April 1, 2012 and after

d) Vesting

Members who joined ERS prior to January 1, 2010 need five years of service to be 100% vested. Members who joined on or after January 1, 2010 require 10 years of service credit to be 100% vested.

e) Benefits

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than twenty years. If the member retires with more than twenty years of service, the benefit is 2% of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with thirty or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of twenty-four additional months. Final average salary is the average of wages earned in the three highest consecutive years. For Tier 1 members who joined on or after September 17, 1971, each year of final average salary is limited to no more than 20% of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% of the average of the previous two years.

Tiers 3, 4 and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than twenty years. If the member retires with between twenty and thirty years of service, the benefit is 2% of final average salary for each year of service. If a member retires with more than thirty years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over thirty years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55, with reduced benefits. Tier 3 and 4 members age 55 or older with thirty or more years of service can retire with no reduction in benefits. Final average salary is the average of the wages of earned in the highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10% of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with twenty years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than twenty years of service, an additional benefit of 2% of final average salary is applied for each year of service over twenty years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits. Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10% of the average of the previous four years.

9. OTHER POSTEMPLOYMENT BENEFIT ("OPEB") OBLIGATIONS

Plan Description – The Town pays for a portion of eligible retirees' health insurance, depending on the type of health plan provided. Eligibility for postretirement benefits is based on age, years of service, accumulated sick leave and depends upon associated group or union as follows: (1) *The West Seneca Police Benevolent Association*, (2) *Town of West Seneca Blue Collar Unit (CSEA, Local 1000 AFSCME, AFL-CIO)*, (3) *Town of West Seneca White Collar Unit (CSEA, Local 1000 AFSCME, AFL-CIO)* and (5) *those covered under administrative rules and regulations*.

Funding Policy – Authorization for the Town to pay a portion of retiree health insurance premiums was enacted through various contracts, which were ratified by the Town Board. Upon retirement, the Town generally pays a portion of the cost of the employee's current coverage at the time of retirement for a period of time as outlined in the various contracts.

The Town recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. Town governmental activities contributed \$2,818,925 for the fiscal year ended December 31, 2016.

The Town's annual other postemployment benefit ("OPEB") cost is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The table on the following page shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation:

| | Year Ended | Year Ended |
|---|-----------------------------|--------------------------|
| | December 31, 2016 | December 31, 2015 |
| Annual Required Contribution | \$ 7,404,522 | 5,919,849 |
| Interest on Net OPEB Obligation | 1,000,393 | 800,024 |
| Adjustment to Annual Required Contributuon | (801,753) | (641,169) |
| Annual OPEB Costs (Expense) | <u>7,603,162</u> | <u>6,078,704</u> |
| Contributions Made | (2,818,925) | (2,071,294) |
| Increase in net OPEB Obligation | 4,784,237 | 4,007,410 |
| Net OPEB Obligation - beginning of the Year | <u>20,007,866</u> | <u>16,000,456</u> |
| Net OPEB Obligation - end of the Year | <u><u>\$ 24,792,103</u></u> | <u><u>20,007,866</u></u> |

Funding Status and Funding Progress – The plan was unfunded as of December 31, 2016, and the actuarial accrued liability for benefits for governmental activities was \$110,993,072.

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 health care costs 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.

The Schedule of the Town's Contributions is shown below:

| Year Ended | Annual | Annual OPEB | Contributions |
|---------------------|---------------------|--------------------|----------------------|
| December 31, | Required | Cost | Made |
| 2016 | \$ 7,404,522 | \$ 603,162 | \$ 2,818,925 |
| 2015 | 5,919,849 | 6,078,704 | 2,071,294 |
| 2014 | 4,588,682 | 4,716,790 | 1,619,982 |

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time 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 employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility. Methods and assumptions include:

- Valuation Method - the method used is the *Entry Age Normal Method*.
- Valuation of Assets – no assets have been set aside to fund the liabilities. The plan is funded on a pay-as-you-go basis.
- Eligible Plan Participants – all active and retired employees who are participants in the medical plan as of the date the valuation was performed are included in the liability.
- Amortization Method – *Level Percent of Pay, Open Group*

- Amortization Period for Actuarial Accrued Liability (AAL) – thirty years
- Valuation Date – January 1, 2016
- Claims Rate – combination of community rated and experience rated plans. For community rated plans premium rates are used as a proxy for claims, without age adjustment.

10. 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. The Town carries commercial insurance for coverage with respect to Town buildings, equipment, and employee theft. The Town self-insures for risks relating to workers' compensation insurance and general liability. The Town currently reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Total expenditures for claims, judgments and workers compensation recorded in the Town's governmental funds for the year ended December 31, 2016 were \$1,018,562.

Additionally, at December 31, 2016, the amount of the Government Funds long-term liabilities totaled \$2,019,391, which was recorded net of accrued liabilities in the General Fund, Highway Fund and Sewer Fund. This liability is the Town's best estimate based on available information. Changes in the reported liability since January 1, 2016 resulted from the following:

| | | Beginning of Year Balance | Claims Additions | Claims Payments | End of Year Balance |
|------|----------------|--------------------------------------|-----------------------------|----------------------------|--------------------------------|
| 2016 | Workers' Comp. | \$ 1,497,046 | 1,540,907 | (1,018,562) | 2,019,391 |
| 2015 | Workers' Comp. | \$ 1,009,685 | 1,428,052 | (940,691) | 1,497,046 |

Pollution Remediation—In 2004 the New York State Department of Environmental Conservation ("NYSDEC") issued the Town a notice of consent relating to the abatement of overflow sanitary sewer discharges. The notice of consent was amended in 2008 and the Town has responded and continues to study and plan for remedial actions. As of December 31, 2016, the Town has issued BAN's to remediate the notice of consent and any additional liabilities will be financed by future BAN financing.

11. SHORT-TERM DEBT

Short-term debt of the Town represents bond anticipation notes. These notes are reported as a fund liability in the fund receiving the proceeds in accordance with certain criteria. The purpose of all of the short-time borrowings was to provide resources for various capital acquisition, construction or improvement projects. The form of financing used in all cases was bond anticipation notes. State law requires that bond anticipation notes issued for capital purposes be converted to long-term obligations within five years after the original issue date, if not completely repaid. However, bond anticipation notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. The summary on the following page show the changes in short-term debt for the year ended December 31, 2016.

| Description | Rate | Date | Balance | | Balance | |
|-------------------------------|-------|-----------|----------------------|-------------------|-------------------|-------------------|
| | | | 1/1/2016 | Issued | Payments | 12/31/2016 |
| Capital Projects Fund: | | | | | | |
| Various Capital Projects | 2.00% | 7/15/2015 | 20,000,000 | - | 20,000,000 | - |
| Various Capital Projects | 2.00% | 7/15/2015 | 23,180,000 | - | 23,180,000 | - |
| Various Capital Projects | 2.00% | 7/15/2016 | - | 41,969,125 | - | 41,969,125 |
| | | | <u>\$ 43,180,000</u> | <u>41,969,125</u> | <u>43,180,000</u> | <u>41,969,125</u> |

The rate of return on the BANs issued for Various Capital Projects is 0.68% net of the BAN premiums of \$550,215.

12. LONG-TERM LIABILITIES

Summary of Changes in Indebtedness – The following is a summary of changes in long-term debt for the year ended December 31, 2016:

| | Balance at 1/1/2016 | Increases | Decreases | Balance at 12/31/2016 | Due Within One Year |
|--------------------------------|------------------------|-------------------|------------------|--------------------------|------------------------|
| Serial Bonds | \$ 18,545,665 | 1,720,000 | 2,340,669 | 17,924,996 | 2,090,000 |
| Bond Premium | 1,473,615 | 234,929 | 126,113 | 1,582,431 | - |
| Energy Performance Contract | 8,002,699 | 5,313,003 | 557,116 | 12,758,586 | 721,204 |
| OPEB Obligation | 20,007,866 | 7,603,162 | 2,818,925 | 24,792,103 | - |
| Judgements & Claims | 1,497,046 | 1,540,907 | 1,018,562 | 2,019,391 | 499,015 |
| Net Pension Liability - ERS * | 1,307,653 | 5,006,066 | - | 6,313,719 | - |
| Net Pension Liability - PFRS * | 514,932 | 5,342,834 | - | 5,857,766 | - |
| Compensated Absences | 3,640,552 | 244,059 | 69,517 | 3,815,094 | 190,755 |
| Total | <u>\$ 54,990,028</u> | <u>27,004,960</u> | <u>6,930,902</u> | <u>75,064,086</u> | <u>3,500,974</u> |

*: Increases to the net pension liabilities are shown net of decreases

Serial Bonds - The Town issues serial bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 40 years. The summary on following page shows changes in bonded debt for the year ended December 31, 2016:

| | Year of Issue/ Maturity | Amount of Original Issue | Interest Rate | Balance at 1/1/2016 | New Debt Issued | Payments Principal | Balance at 12/31/16 |
|-----------------------------------|----------------------------|--------------------------------|------------------|------------------------|--------------------|-----------------------|------------------------|
| General Fund | | | | | | | |
| Machinery and Equipment | 2006/2021 | 319,085 | 3.8 - 3.85 | \$ 157,714 | - | 23,846 | 133,868 |
| Radio System Upgrades & Various | 2010/2025 | 47,413 | 2.0 - 4.0 | 439,237 | - | 39,552 | 399,685 |
| Various Purpose Refunding Bonds | 2014/2020 | 459,403 | 2.000 | 265,955 | - | 182,449 | 83,506 |
| Various Purpose Refunding Bonds | 2016/2028 | 2,255,669 | 3.0 - 5.0 | 2,255,669 | - | 335,669 | 1,920,000 |
| Burchfield, Metz, Town Recreation | 2016/2028 | 200,000 | 2.0-5.0 | - | 200,000 | - | 200,000 |
| Addition to Police Headquarters | 2016/2028 | 1,520,000 | 2.0-5.0 | - | 1,520,000 | - | 1,520,000 |
| | | | | <u>3,118,575</u> | <u>1,720,000</u> | <u>581,516</u> | <u>4,257,059</u> |
| Highway Fund | | | | | | | |
| Road Reconstruction | 2006/2021 | 3,384,650 | 3.8 - 3.85 | 1,672,911 | - | 252,924 | 1,419,987 |
| Highway Equipment and Paving | 2010/2025 | 4,013,452 | 2.0 - 4.0 | 2,394,862 | - | 215,652 | 2,179,210 |
| Various Purpose Refunding Bonds | 2014/2020 | 2,353,488 | 2.000 | 1,800,040 | - | 559,510 | 1,240,530 |
| Various Purpose Refunding Bonds | 2015/2028 | 8,735,000 | 3.0 - 5.0 | 8,735,000 | - | 625,000 | 8,110,000 |
| | | | | <u>14,602,813</u> | <u>-</u> | <u>1,653,086</u> | <u>12,949,727</u> |
| Special Districts Fund | | | | | | | |
| Water District No. 1 Improvement | 2006/2021 | 700,000 | 3.8 - 3.85 | 345,982 | - | 52,307 | 293,675 |
| Water District No. 13 | 2006/2021 | 280,000 | 3.8 - 3.85 | 138,393 | - | 20,923 | 117,470 |
| Water District No. 3 | 2010/2025 | 474,135 | 2.0 - 4.0 | 330,901 | - | 29,796 | 301,105 |
| Various Purpose Refunding Bonds | 2014/2020 | 12,109 | 2.000 | 9,001 | - | 3,041 | 5,960 |
| | | | | <u>824,277</u> | <u>-</u> | <u>106,067</u> | <u>718,210</u> |
| | | | | <u>\$ 18,545,665</u> | <u>1,720,000</u> | <u>2,340,669</u> | <u>17,924,996</u> |

The following schedule sets forth the remaining annual maturities and annual interest payments on serial bonds at December 31, 2016:

| | Principal | Interest | Total |
|-----------|----------------------|------------------|-------------------|
| 2017 | \$ 2,090,000 | 733,866 | 2,823,866 |
| 2018 | 2,140,000 | 668,963 | 2,808,963 |
| 2019 | 2,035,000 | 588,163 | 2,623,163 |
| 2020 | 2,100,000 | 504,493 | 2,604,493 |
| 2021 | 1,935,000 | 420,213 | 2,355,213 |
| 2022-2026 | 6,755,000 | 928,700 | 7,683,700 |
| 2027-2028 | 869,996 | 36,150 | 906,146 |
| Total | <u>\$ 17,924,996</u> | <u>3,880,548</u> | <u>21,805,544</u> |

Energy Performance Contract - Installment Purchase Debt – The Town has entered into energy performance contracts for modifications to various facilities. The modifications were made to improve energy efficiency. Principal and interest payments are made quarterly. The summary on the following page shows lease purchase transactions of the Town for the year ended December 31, 2016:

| Year of Issue/ Maturity | Amount of Original Issue | Interest Rate | Payment | | | | Payment Range |
|----------------------------|--------------------------|---------------|---------------------|--------------------|----------------|-----------------------|-------------------------|
| | | | Balance at 1/1/2016 | Issued During 2016 | During 2016 | Balance at 12/31/2016 | |
| 2006/2016 | \$ 919,405 | 1.39% | \$ 49,388 | - | 49,388 | - | \$ 24,314 - \$ 24,569 |
| 2012/2028 | \$ 9,474,049 | 3.39% | 7,953,311 | - | 507,728 | 7,445,583 | \$ 118,556 - \$ 125,294 |
| 2016/2032 | \$ 5,313,003 | 2.37% | - | 5,313,003 | - | 5,313,003 | \$ 65,000 - \$150,000 |
| Total | | | <u>\$ 8,002,699</u> | <u>5,313,003</u> | <u>557,116</u> | <u>12,758,586</u> | |

The following is a maturity schedule of installment purchase debt:

| | Principal | Interest | Total |
|-------------|----------------------|------------------|-------------------|
| 2017 | \$ 721,204 | 451,396 | 1,172,600 |
| 2018 | 863,402 | 346,598 | 1,210,000 |
| 2019 | 889,531 | 320,969 | 1,210,500 |
| 2020 | 961,411 | 293,323 | 1,254,734 |
| 2021 | 1,002,346 | 263,565 | 1,265,911 |
| 2022 - 2026 | 5,852,026 | 823,629 | 6,675,655 |
| 2026 - 2031 | 2,390,187 | 121,937 | 2,512,124 |
| 2032 | 78,479 | 465 | 78,944 |
| | <u>\$ 12,758,586</u> | <u>2,621,882</u> | <u>15,380,468</u> |

Other Postemployment Benefits ("OPEB") Obligation – As explained in Note 9, the Town provides a portion of health care benefits for retirees. The Town's annual OPEB cost is calculated based on the annual required contributions of the employer, an amount determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*. The Town's long-term OPEB obligation is estimated to be \$24,792,103 at December 31, 2016.

Net Pension Liability – The Town reports a liability for its proportionate share of the net pension liability for the Employees' Retirement System and the Police and Fire Retirement System. The net pension liability is estimated to be \$12,171,485 as of December 31, 2016. Refer to Note 8 for additional information related to the Town's net pension liability.

Judgments and Claims – As explained in Note 10, the Town's judgments and claims obligation represents liabilities relating to self-insured workers compensation and other judgments and claims.

Compensated Absences – As explained in Note 1, the Town reports the value of governmental fund type compensated absences as a long term liability. The annual budgets of the operating funds provide funding for these benefits as they become payable.

13. NET POSITION AND FUND BALANCE

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

- **Net Investment in Capital Assets** – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the

outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

The following is a reconciliation of the Town's net investment in capital assets—governmental activities.

| | | |
|--|-------------------|----------------------|
| Capital Assets, Net of Depreciation | | \$ 76,604,928 |
| Debt Issued to Acquire Capital Assets: | | |
| Serial Bonds | (17,924,996) | |
| Unamortized Bond Issue Premium | (1,582,431) | |
| Installment Purchase Debt | (12,758,586) | |
| Bond Anticipation Notes Payable | (41,969,125) | |
| Unexpended Debt Proceeds | <u>22,975,291</u> | <u>(51,259,847)</u> |
| Net Investment in Capital Assets | | <u>\$ 25,345,081</u> |

- **Restricted Component of Net Position** – This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Component of 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 balance maintained by the Town at December 31, 2016 includes:

- **Prepays**— Represents amounts paid that are applicable to future accounting periods. The total amount of \$991,096 includes \$749,651 which is prepaid to the New York State retirement system that are applicable to future accounting periods.

Restrictions represent amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Restricted fund balance maintained by the Town at December 31, 2016 included the following:

| | Capital | | | Total |
|-----------------------|---------------------|---------------|---------------|------------------|
| | Equipment Purchases | Debt Service | Grants | Restricted |
| General Fund | \$ - | - | 31,711 | 31,711 |
| Highway Fund | 595,218 | 51,214 | - | 646,432 |
| Capital Projects Fund | 3,826,006 | - | - | 3,826,006 |
| | <u>\$ 4,421,224</u> | <u>51,214</u> | <u>31,711</u> | <u>4,504,149</u> |

- **Capital Equipment Purchases** – Represents amounts of \$595,218 in the Highway Fund and \$3,826,006 in the Capital Projects Fund, reserved for future purchases of capital equipment and debt service.

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. The Town reported no commitments of fund balance as of December 31, 2016.

- **Debt Service** – Represents amounts of \$51,214 in the Highway Fund, generated from premiums on issued debt, reserved for future debt payments.
- **Grants** – Represents amounts of \$31,711 in the General Fund to be spent under the terms of an environmental commission grant.

Assignments represent amounts that are intended to be used by the Town for specific purposes. Assignments of fund balance at December 31, 2016 include:

| | Subsequent Year's Expenditures | Casualty and liability | Special Revenue Funds | Encumbrances | Total Assigned |
|--------------------------|---|-----------------------------------|--------------------------------------|---------------------|---------------------------|
| General Fund | \$ 900,000 | 500,000 | - | - | 1,400,000 |
| Highway Fund | 66,862 | - | - | - | 66,862 |
| Sewer Fund | 222,500 | - | 2,776,045 | 516 | 2,999,061 |
| Other Governmental Funds | 52,255 | - | 1,300,014 | - | 1,352,269 |
| | <u>\$ 1,241,617</u> | <u>500,000</u> | <u>4,076,059</u> | <u>516</u> | <u>5,818,192</u> |

- **Subsequent Year's Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2017 fiscal year.
- **Encumbrances**—Represents amounts which have been committed through purchase orders or contracts. The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. As of December 31, 2016, the Town had \$516 of encumbrances outstanding.
- **Casualty and Liability**— Represents funds accumulated for non-insured liability and casualty losses, for worker's compensation claims, and uncollectible receivable amounts.
- **Special Revenue Funds**— Represents fund balance within the special revenue funds that is assigned for a specific purpose.

If the Town must use funds for emergency expenditures the Town Board shall authorize the Supervisor to expend funds first from funds classified under GASB 54 as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB 54 will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available the Town will use unassigned fund balance.

14. INTERFUND BALANCES AND ACTIVITY

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. These balances are expected to be collected/paid within the subsequent year. Interfund transfers are used primarily to support capital project expenditures. Interfund receivables, payables, and transfers of the Town as of, and for the year ended December 31, 2016 are shown on the following page.

| <u>Fund</u> | <u>Interfund Receivables</u> | <u>Interfund Payables</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|---------------------------|----------------------------------|-------------------------------|---------------------|----------------------|
| General Fund | \$ 274,598 | 64,496 | - | 400,000 |
| Highway Fund | 35,929 | 193,740 | 400,000 | 160,000 |
| Sewer Fund | - | 60,000 | - | 535,000 |
| Capital Projects Fund | - | 1,500 | 695,000 | - |
| Other Governmental Funds: | | | | |
| Special Purpose | 14,347 | - | - | - |
| Agency Fund | - | 5,138 | - | - |
| Total | <u>\$ 324,874</u> | <u>324,874</u> | <u>1,095,000</u> | <u>1,095,000</u> |

15. 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 | \$ 127,293 | 24,723,042 | 24,687,656 | 162,679 |
| Total Assets | <u>127,293</u> | <u>24,723,042</u> | <u>24,687,656</u> | <u>162,679</u> |
| LIABILITIES | | | | |
| Other Agency Liabilities | 122,154 | 24,723,042 | 24,687,655 | 157,541 |
| Due to Other Funds | <u>5,135</u> | <u>3</u> | <u>-</u> | <u>5,138</u> |
| Total Liabilities | <u>\$ 127,289</u> | <u>24,723,045</u> | <u>24,687,655</u> | <u>162,679</u> |

16. LABOR RELATIONS

The majority of Town employees are represented by three bargaining units, White Collar, Police Benevolent Association ("PBA") and Blue Collar. Some department heads and most part-time employees are governed by Town Board policies. The Town finalized negotiations with the PBA and the White Collar employees for contracts that extend through December 31, 2020 and December 31, 2021 respectively. The Town is still in the process of negotiating a contract with the Blue Collar employees.

17. CONTINGENCIES

Assessments—The Town is a defendant in litigation under Article 7 of the Real Property Tax Law of the State of New York to review tax assessments. While the Town vigorously defends assessments, the likelihood of success is on a case by case basis, and is dependent upon various factors including market values and appraised amounts. No potential amount or potential range of loss is determinable. However, management believes that level of such potential loss, if any, would be immaterial and no provisions have been made with 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 expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Litigation- The Town is subject to a number of lawsuits in the ordinary course of its affairs. Town Management, after considering all relevant facts, including the opinion of the Town attorney and outside counsel in certain instances, is of the opinion that such litigation will not, in the aggregate, have a material adverse effect on the Town's financial position.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 20, 2017, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

19. TAX ABATEMENTS

The Town enters into property tax abatement agreements with local businesses through the Erie County Industrial Development Agency for the purpose of attracting or retaining businesses within the Town's jurisdiction in an effort to provide a solid start-up base for new commercial development to ensure growth within the Town.

For the year ended December 31, 2016, the Town abated property taxes totaling \$147,605 under this program.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WEST SENECA, NEW YORK
Schedule of Funding Progress - Other Post-Employment Benefits Plan
For the Year Ended December 31, 2016

| Year | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability ("AAL") | Unfunded AAL ("UAAL") | Funded Ratio | Covered Payroll | Ratio of UAAL to Budget Covered Payroll |
|-------------|---|--|--|----------------------------------|-------------------------|----------------------------|--|
| 2016 | 12/31/2016 | \$ - | \$ 117,419,415 | 117,419,415 | 0% | 16,738,030 | 701.51% |
| 2015 | 12/31/2015 | - | 98,864,465 | 98,864,465 | 0% | 16,826,168 | 587.56% |
| 2014 | 12/31/2014 | - | 87,845,969 | 87,845,969 | 0% | 17,130,806 | 512.80% |

TOWN OF WEST SENECA, NEW YORK
Schedule of the Town's Proportionate Share
of the Net Pension Liability - Employees' Retirement System
Last Three Years *

| | <u>Year Ended December 31,</u> | | |
|---|--------------------------------|------------------|------------------|
| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Measurement date | March 31, 2016 | March 31, 2015 | March 31, 2014 |
| Town's proportion of the net pension liability | 0.0393371% | 0.0387080% | 0.0387080% |
| Town's proportionate share of the net pension liability | <u>\$ 6,313,719</u> | <u>1,307,653</u> | <u>1,749,162</u> |
| Town's covered-employee payroll | \$ 9,355,036 | 9,015,252 | 9,072,777 |
| Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 67.5% | 14.5% | 0.0% |
| Plan fiduciary net position as a percentage of the total pension liability | 90.7% | 97.9% | 98.5% |

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

TOWN OF WEST SENECA, NEW YORK
Schedule of the Town's Contributions -
Employees' Retirement System
Last Three Years *

| | Year Ended December 31, | | |
|--|--------------------------------|--------------------|--------------------|
| | 2016 | 2015 | 2014 |
| Contractually required contributions | \$ 1,426,037 | \$ 1,666,916 | \$ 1,779,337 |
| Contributions in relation to the contractually required contribution | <u>(1,426,037)</u> | <u>(1,666,916)</u> | <u>(1,779,337)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered-employee payroll | 9,354,997 | 9,424,813 | 9,862,173 |
| Contributions as a percentage of covered-employee payroll | 15.2% | 17.7% | 18.0% |

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

TOWN OF WEST SENECA, NEW YORK
Schedule of the Town's Proportionate Share
of the Net Pension Liability - Police and Fire Retirement System
Last Three Years *

| | <u>Year Ended December 31,</u> | | |
|---|--------------------------------|----------------|----------------|
| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Measurement date | March 31, 2016 | March 31, 2015 | March 31, 2014 |
| Town's proportion of the net pension liability | 0.1978449% | 0.1870713% | 0.1870713% |
| Town's proportionate share of the net pension liability | <u>\$ 5,857,766</u> | <u>514,932</u> | <u>778,796</u> |
| Town's covered-employee payroll | \$ 6,589,174 | 6,133,266 | 6,080,305 |
| Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 88.9% | 8.4% | 0.0% |
| 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 WEST SENECA, NEW YORK
Schedule of the Town's Contributions -
Police and Fire Retirement System
Last Three Years *

| | Year Ended December 31, | | |
|--|--------------------------------|--------------------|--------------------|
| | 2016 | 2015 | 2014 |
| Contractually required contributions | \$ 1,572,569 | \$ 1,482,515 | \$ 1,654,760 |
| Contributions in relation to the contractually required contribution | <u>(1,572,569)</u> | <u>(1,482,515)</u> | <u>(1,654,760)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered-employee payroll | 6,722,152 | 6,553,620 | 6,446,544 |
| Contributions as a percentage of covered-employee payroll | 23.4% | 22.6% | 25.7% |

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

TOWN OF WEST SENECA, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended December 31, 2016

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget |
|--|-------------------------|--------------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Real Property Taxes | \$ 12,507,951 | 12,507,951 | 12,507,951 | - |
| Other Property Tax Items | 391,000 | 391,000 | 440,158 | 49,158 |
| Non-property Tax Items | 6,450,000 | 6,450,000 | 6,941,662 | 491,662 |
| Departmental Income | 837,100 | 874,537 | 740,465 | (134,072) |
| Use of Money and Property | 76,000 | 76,000 | 76,708 | 708 |
| Sale of Property and Compensation for Loss | 41,000 | 41,000 | 34,668 | (6,332) |
| Licenses and Permits | 409,700 | 409,700 | 404,357 | (5,343) |
| Fines and Forfeitures | 750,000 | 750,000 | 911,305 | 161,305 |
| Miscellaneous | 15,000 | 29,469 | 20,656 | (8,813) |
| Interfund Revenues | 1,819,234 | 1,819,234 | 1,819,234 | - |
| State Aid | 1,108,552 | 1,108,552 | 1,263,443 | 154,891 |
| Federal Aid | - | - | 7,552 | 7,552 |
| Total Revenues | <u>24,405,537</u> | <u>24,457,443</u> | <u>25,168,159</u> | <u>710,716</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government Support | 2,829,220 | 2,934,658 | 2,891,654 | 43,004 |
| Public Safety | 8,425,063 | 8,760,214 | 8,750,544 | 9,670 |
| Health | 5,723 | 5,723 | 5,723 | - |
| Transportation | 576,669 | 381,040 | 426,708 | (45,668) |
| Economic Assistance and Opportunity | 2,500 | 58,365 | 57,965 | 400 |
| Culture and Recreation | 2,175,810 | 2,334,669 | 2,280,906 | 53,763 |
| Home and Community Services | 2,525,116 | 2,581,919 | 2,555,468 | 26,451 |
| Employee Benefits | 7,595,248 | 7,473,776 | 7,473,776 | - |
| Debt Service: | | | | |
| Principal | 889,221 | 759,221 | 759,219 | 2 |
| Interest | 230,654 | 230,654 | 230,627 | 27 |
| Total Expenditures | <u>25,255,224</u> | <u>25,520,239</u> | <u>25,432,590</u> | <u>87,649</u> |
| Excess (deficiency) of Revenues Over Expenditures | <u>(849,687)</u> | <u>(1,062,796)</u> | <u>(264,431)</u> | <u>798,365</u> |
| OTHER FINANCING USES | | | | |
| Transfers In | 99,686 | 99,686 | - | (99,686) |
| Transfers Out | - | (400,000) | (400,000) | - |
| Total Other Financing Uses | <u>99,686</u> | <u>(300,314)</u> | <u>(400,000)</u> | <u>(99,686)</u> |
| Net Change in Fund Balances | <u>(750,001)</u> | <u>(1,363,110)</u> | <u>(664,431)</u> | <u>698,679</u> |
| Fund Balances - Beginning | 6,280,134 | 6,280,134 | 6,280,134 | - |
| Fund Balances - Ending | <u>\$ 5,530,133</u> | <u>4,917,024</u> | <u>5,615,703</u> | <u>698,679</u> |

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

TOWN OF WEST SENECA, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Highway Fund
For the Year Ended December 31, 2016

| | <u>Budgeted Amounts</u> | | | Varaince with Final Budget |
|--|-------------------------|--------------------|--------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Real Property Taxes | \$ 9,319,572 | 9,319,572 | 9,319,572 | - |
| Departmental Income | - | - | 163,274 | 163,274 |
| Intergovernmental Charges | 144,000 | 144,000 | 94,275 | (49,725) |
| Use of Money and Property | 12,000 | 12,000 | 2,530 | (9,470) |
| Sale of Property and | | | | - |
| Compensation for Loss | - | - | 21,617 | 21,617 |
| Miscellaneous | - | - | 1,500 | 1,500 |
| Interfund Revenues | 1,346,399 | 1,346,399 | 1,346,399 | - |
| State Aid | 240,920 | 379,920 | 369,726 | (10,194) |
| Federal Aid | - | 100,000 | - | (100,000) |
| Total Revenues | <u>11,062,891</u> | <u>11,301,891</u> | <u>11,318,893</u> | <u>17,002</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | 6,402,555 | 6,987,214 | 6,887,922 | 99,292 |
| Employee Benefits | 3,001,908 | 3,292,673 | 3,563,084 | (270,411) |
| Debt Service: | | | | - |
| Principal | 1,868,085 | 1,653,085 | 1,653,085 | - |
| Interest | 569,212 | 587,788 | 569,162 | 18,626 |
| Total Expenditures | <u>11,841,760</u> | <u>12,520,760</u> | <u>12,673,253</u> | <u>(152,493)</u> |
| Excess (Deficiency) of Revenues | | | | |
| Over Expenditures | <u>(778,869)</u> | <u>(1,218,869)</u> | <u>(1,354,360)</u> | <u>(135,491)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer In | 378,870 | 378,870 | 400,000 | 21,130 |
| Transfers Out | - | (160,000) | (160,000) | - |
| Total Other Financing Sources and Uses | <u>378,870</u> | <u>218,870</u> | <u>240,000</u> | <u>21,130</u> |
| Net Change in Fund Balances* | (399,999) | (999,999) | (1,114,360) | (114,361) |
| Fund Balances - Beginning | <u>1,977,388</u> | <u>1,977,388</u> | <u>1,977,388</u> | - |
| Fund Balances - Ending | <u>\$ 1,577,389</u> | <u>977,389</u> | <u>863,028</u> | <u>(114,361)</u> |

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

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

TOWN OF WEST SENECA, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Sewer Fund
For the Year Ended December 31, 2016

| | <u>Budgeted Amounts</u> | | | Varaince with Final Budget |
|--|-------------------------|-------------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Real Property Taxes | \$ 9,084,721 | 9,084,721 | 9,084,721 | - |
| Intergovernmental Charges | 290,240 | 290,240 | 325,501 | 35,261 |
| Interdistrict Revenues | 2,498,013 | 2,498,013 | 2,771,825 | 273,812 |
| Total Revenues | <u>11,872,974</u> | <u>11,872,974</u> | <u>12,182,047</u> | <u>309,073</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Home and Community Services | 10,583,610 | 10,582,714 | 10,366,035 | 216,679 |
| Debt Service: | | | | |
| Principal | 350,051 | 350,947 | 350,946 | 1 |
| Interest | 310,813 | 310,813 | 309,701 | 1,112 |
| Total Expenditures | <u>11,244,474</u> | <u>11,244,474</u> | <u>11,026,682</u> | <u>217,792</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 628,500 | 628,500 | 1,155,365 | 526,865 |
| OTHER FINANCING USES | | | | |
| Transfers Out | (535,000) | (535,000) | (535,000) | - |
| Total Other Financing Uses | <u>(535,000)</u> | <u>(535,000)</u> | <u>(535,000)</u> | <u>-</u> |
| Net Changes in Fund Balances | 93,500 | 93,500 | 620,365 | 91,281 |
| Fund Balances - Beginning | 2,396,521 | 2,396,521 | 2,396,521 | - |
| Fund Balances - Ending | <u>\$ 2,490,021</u> | <u>2,490,021</u> | <u>3,016,886</u> | <u>91,281</u> |

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

SUPPLEMENTARY INFORMATION

TOWN OF WEST SENECA, NEW YORK
Non-Major Governmental Funds
Combining Balance Sheet
December 31, 2016

| | Special District Funds | Special Purpose Funds | Total |
|---|---------------------------|-----------------------------|------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 902,698 | 435,784 | 1,338,482 |
| Due from Other Funds | - | 14,347 | 14,347 |
| Total Assets | <u>902,698</u> | <u>450,131</u> | <u>1,352,829</u> |
| LIABILITIES | | | |
| Accounts Payable | 560 | - | 560 |
| Due from Other Funds | - | - | - |
| Total Liabilities | <u>560</u> | <u>-</u> | <u>560</u> |
| FUND BALANCES (DEFICIT) | | | |
| Assigned | 902,138 | 450,131 | 1,352,269 |
| Unassigned | - | - | - |
| Total Fund Balances (Deficits) | <u>902,138</u> | <u>450,131</u> | <u>1,352,269</u> |
| Total Liabilities and Fund Balances (Deficit) | <u>\$ 902,698</u> | <u>450,131</u> | <u>1,352,829</u> |

TOWN OF WEST SENECA, NEW YORK
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ending December 31, 2016

| | Special District | Special Purpose | |
|--------------------------------------|-------------------------|------------------------|------------------|
| | Funds | Funds | Total |
| REVENUES | | | |
| Real Property Taxes | \$ 394,836 | - | 394,836 |
| Departmental Income | - | 130,185 | 130,185 |
| Use of Money and Property | - | 149 | 149 |
| Miscellaneous | - | 5,585 | 5,585 |
| Total Revenues | <u>394,836</u> | <u>135,919</u> | <u>530,755</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General Government Support | - | 130,007 | 130,007 |
| Culture and Recreation | - | 19,676 | 19,676 |
| Home and Community Services | 82,347 | - | 82,347 |
| Debt Service | 193,935 | - | 193,935 |
| Total Expenditures | <u>276,282</u> | <u>149,683</u> | <u>425,965</u> |
| Excess of Revenues over Expenditures | 118,554 | (13,764) | 104,790 |
| Fund Balance - Beginning | <u>783,584</u> | <u>463,895</u> | <u>1,247,479</u> |
| Fund Balance - Ending | <u>\$ 902,138</u> | <u>450,131</u> | <u>1,352,269</u> |

TOWN OF WEST SENECA, NEW YORK
Capital Projects Fund
Combining Balance Sheet
For the Year Ended December 31, 2016

| Project | Liabilities | | | | | | | | | | Fund Balances (Deficits) | | | Total Liabilities and Fund Balances (Deficits) |
|--|--------------------|--------------|---------------------|-----------------------|--------------|----------------------|------------|--------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------|------------|---|
| | Restricted Cash | Total Assets | Accounts Payable | Due to Other Funds | BANS Payable | Total Liabilities | Restricted | Unassigned | Total Fund Balances (Deficits) | Total Fund Balances (Deficits) | Total Fund Balances (Deficits) | | | |
| | | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | | |
| Recreation and Playgrounds | \$ 97,342 | 97,342 | - | - | - | - | 97,342 | - | - | 97,342 | - | 97,342 | 97,342 | |
| Town Hall / Police Department Improvements | 41,616 | 41,616 | - | - | - | - | 536,560 | (494,944) | - | 41,616 | - | 41,616 | 41,616 | |
| Energy Performance Contract | 1,462 | 1,462 | - | - | - | - | 1,462 | - | - | 1,462 | - | 1,462 | 1,462 | |
| Burchfield & Other Improvements | (11,918) | (11,918) | - | - | - | - | - | (11,918) | - | (11,918) | - | (11,918) | (11,918) | |
| Energy Performance Contract II | 3,015,100 | 3,015,100 | - | - | - | - | 3,015,100 | - | - | 3,015,100 | - | 3,015,100 | 3,015,100 | |
| Town Hall & Senior Center ADA Restrooms | (35,818) | (35,818) | - | - | - | - | - | (35,818) | - | (35,818) | - | (35,818) | (35,818) | |
| Seneca Place Project | (1,157) | (1,157) | - | - | - | - | - | (1,157) | - | (1,157) | - | (1,157) | (1,157) | |
| Buildings & Grounds Reconstruction | 55,655 | 55,655 | - | - | 150,000 | 150,000 | - | (94,345) | - | (94,345) | - | (94,345) | 55,655 | |
| Community Center / Library Construction | 1,039,568 | 1,039,568 | 466,176 | 1,500 | 1,500,000 | 1,967,676 | - | (928,108) | - | (928,108) | - | (928,108) | 1,039,568 | |
| Cazenovia Creek Ice Control | 13,259 | 13,259 | - | - | 114,125 | 114,125 | - | (100,866) | - | (100,866) | - | (100,866) | 13,259 | |
| Ice Rink DASNY | (155,815) | (155,815) | - | - | - | - | 156 | (155,971) | - | (155,815) | - | (155,815) | (155,815) | |
| Highway Fund: | | | | | | | | | | | | | | |
| Highway Equipment | 64,318 | 64,318 | - | - | - | - | 64,318 | - | - | 64,318 | - | 64,318 | 64,318 | |
| ECCDBG Street Projects | 19,953 | 19,953 | - | - | - | - | 19,953 | - | - | 19,953 | - | 19,953 | 19,953 | |
| Town Roads Construction | 776,212 | 776,212 | 228,394 | - | 7,840,000 | 8,068,394 | - | (7,292,182) | - | (7,292,182) | - | (7,292,182) | 776,212 | |
| Sewer Fund: | | | | | | | | | | | | | | |
| Sanitary Sewer Project | 16,679,458 | 16,679,458 | 126,413 | - | 28,885,000 | 29,011,413 | - | (12,331,955) | - | (12,331,955) | - | (12,331,955) | 16,679,458 | |
| Sewer Consolidation Grant | (3,000) | (3,000) | - | - | - | - | - | (3,000) | - | (3,000) | - | (3,000) | (3,000) | |
| Plant 6 Repairs | - | - | 1,628 | - | - | 1,628 | - | (1,628) | - | (1,628) | - | (1,628) | - | |
| Fisher Road Sewer | (23,024) | (23,024) | - | - | - | - | - | (23,024) | - | (23,024) | - | (23,024) | (23,024) | |
| East Center Road Sanitary Sewer | (8,536) | (8,536) | - | - | - | - | - | (8,536) | - | (8,536) | - | (8,536) | (8,536) | |
| Water Fund: | | | | | | | | | | | | | | |
| ECWA Direct Access | 1,806,259 | 1,806,259 | 105,416 | - | 3,400,000 | 3,505,416 | - | (1,699,157) | - | (1,699,157) | - | (1,699,157) | 1,806,259 | |
| Orchard Park Road Water Main | (451,934) | (451,934) | - | - | - | - | - | (451,934) | - | (451,934) | - | (451,934) | (451,934) | |
| Seneca Creek Water Main | 67,450 | 67,450 | - | - | - | - | 67,450 | - | - | 67,450 | - | 67,450 | 67,450 | |
| Leydecker Water Main (WD #3) | 11,521 | 11,521 | - | - | - | - | 11,521 | - | - | 11,521 | - | 11,521 | 11,521 | |
| East & West Water Main (WD #3) | 4,910 | 4,910 | - | - | - | - | 4,910 | - | - | 4,910 | - | 4,910 | 4,910 | |
| Elmsford Circle Water Main | 7,234 | 7,234 | - | - | - | - | 7,234 | - | - | 7,234 | - | 7,234 | 7,234 | |
| 2009-10: East & West-Water District #3 | (34,224) | (34,224) | - | - | - | - | - | (34,224) | - | (34,224) | - | (34,224) | (34,224) | |
| 2009-10: East & West-Water District #4 | (600) | (600) | - | - | - | - | - | (600) | - | (600) | - | (600) | (600) | |
| | \$ 22,975,291 | 22,975,291 | 928,027 | 1,500 | 41,889,125 | 42,818,652 | 3,826,006 | (23,669,367) | (19,843,361) | (19,843,361) | 22,975,291 | 22,975,291 | 22,975,291 | |

TOWN OF WEST SENECA, NEW YORK
Capital Projects Fund
Combining Schedule of Revenues, Expenditures and Other Financing Sources and Changes in Fund Balances (Deficits)
For the Year Ended December 31, 2016

| Project | Revenues | | | Other Financing Sources | | | | | Total Revenue and Financing Sources | | Interest (Use of Prior Year Premium) | Transfers Out | Total Expenditures and Other Financing Uses | Total Fund Balances (Deficits) 12/31/2016 |
|--|-----------------------------------|---------------|----------------|-------------------------|------------------|----------------|----------------|------------------|-------------------------------------|----------------|--------------------------------------|---------------|---|---|
| | Fund Balances (Deficits) 1/1/2016 | Interest | Grant Revenue | Other | Debt Proceeds | Bond Premium | BAN Premium | Transfers In | Other Financing Sources | Capital Outlay | | | | |
| General Fund: | | | | | | | | | | | | | | |
| Recreation and Playgrounds | \$ 97,283 | 59 | - | - | - | - | - | 59 | - | - | - | - | - | 97,342 |
| Town Hall / Police Department Improvements | (1,640,899) | 62 | - | - | 1,520,000 | 195,775 | - | 1,715,837 | 5,577 | - | 27,745 | - | 33,322 | 41,616 |
| Energy Performance Contract | 1,461 | 1 | - | - | - | - | - | 1 | - | - | - | - | - | 1,462 |
| Burchfield & Other Improvements | (23,047) | 5 | - | - | 200,000 | 39,155 | - | 239,160 | 16,023 | - | 4,008 | - | 20,031 | (11,918) |
| Energy Performance Contract II | - | 1,612 | - | - | 5,313,003 | - | - | 5,314,615 | 2,299,515 | - | - | - | 2,299,515 | 3,015,100 |
| Town Hall & Senior Center ADA Restrooms | (129,428) | - | 100,000 | - | - | - | - | 100,000 | 6,390 | - | - | - | 6,390 | (35,818) |
| Seneca Place Project | (45,474) | - | - | 54,487 | - | - | - | 54,487 | 10,170 | - | - | - | 10,170 | (1,157) |
| Buildings & Grounds Reconstruction | - | 17 | - | - | - | 1,955 | - | 1,972 | 96,190 | 127 | - | - | 96,317 | (94,345) |
| Library Construction | - | 318 | - | - | - | 19,545 | - | 19,863 | 946,702 | 1,269 | - | - | 947,971 | (928,108) |
| Cazenovia Creek Ice Control | - | 4 | 11,867 | - | - | 1,487 | - | 13,358 | 114,125 | 99 | - | - | 114,224 | (100,866) |
| Ice Rink DASNY | (155,815) | - | - | - | - | - | - | - | - | - | - | - | - | (155,815) |
| Highway Fund: | | | | | | | | | | | | | | |
| Highway Equipment | 64,279 | 39 | - | - | - | - | - | 39 | - | - | - | - | - | 64,318 |
| ECCDBG Street Projects | 19,941 | 12 | - | - | - | - | - | 12 | - | - | - | - | - | 19,953 |
| Town Roads Construction | (3,450,888) | 441 | 5,000 | - | - | - | 160,000 | 267,596 | 4,039,063 | 6,630 | 63,197 | - | 4,108,890 | (7,292,182) |
| Sewer Fund: | | | | | | | | | | | | | | |
| Sanitary Sewer Project | (10,211,137) | 11,121 | - | - | - | 376,374 | 535,000 | 922,495 | 2,565,409 | 24,427 | 453,477 | - | 3,043,313 | (12,331,955) |
| Sewer Consolidation Grant | - | - | 27,000 | - | - | - | - | 27,000 | 30,000 | - | - | - | 30,000 | (3,000) |
| Plant 6 Repairs | - | - | - | - | - | - | - | - | 1,628 | - | - | - | 1,628 | (1,628) |
| Fisher Road Sewer | (23,024) | - | - | - | - | - | - | - | - | - | - | - | - | (23,024) |
| East Center Road Sanitary Sewer | (8,536) | - | - | - | - | - | - | - | - | - | - | - | - | (8,536) |
| Water Fund: | | | | | | | | | | | | | | |
| ECWA Direct Access | (543,912) | 2,708 | 400,000 | - | - | 44,302 | - | 447,010 | 1,482,234 | 2,875 | 117,146 | - | 1,602,255 | (1,699,157) |
| Ochard Park Road Water Main | (451,934) | - | - | - | - | - | - | - | - | - | - | - | - | (451,934) |
| Seneca Creek Water Main | 67,409 | 41 | - | - | - | - | - | 41 | - | - | - | - | - | 67,450 |
| Leydecker Water Main (WD #3) | 11,514 | 7 | - | - | - | - | - | 7 | - | - | - | - | - | 11,521 |
| East & West Water Main (WD #3) | 4,907 | 3 | - | - | - | - | - | 3 | - | - | - | - | - | 4,910 |
| Elmsford Circle Water Main | 7,230 | 4 | - | - | - | - | - | 4 | - | - | - | - | - | 7,234 |
| 2009-10: East & West-Water District #3 | (34,224) | - | - | - | - | - | - | - | - | - | - | - | - | (34,224) |
| 2009-10: East & West-Water District #4 | (600) | - | - | - | - | - | - | - | - | - | - | - | - | (600) |
| Total | \$ (16,652,894) | 16,454 | 543,867 | 54,487 | 7,033,003 | 234,930 | 695,000 | 9,123,559 | 11,613,026 | 35,427 | 665,573 | - | 12,314,026 | (19,843,361) |



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INDEPENDENT AUDITOR’S 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

To the Honorable Town Board
 Town of West Seneca, 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 West Seneca, 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 20, 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 on the effectiveness of the Town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control.

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

Our consideration of internal control 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

ent 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R.A. Mercer & Co., P.C.

Handwritten signature in cursive script that reads "R.A. Mercer & Co., P.C."

West Seneca, New York
June 20, 2017