

**SERIAL BONDS
BOND ANTICIPATION NOTES**

Ratings: See "Ratings" herein

In the opinion of Bond Counsel, under existing statutes, regulations, administrative rulings, and court decisions, and assuming continuing compliance by the Town with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), and the accuracy of certain representations made by the Town, interest on the Bonds and the Notes is excluded from gross income of the owners thereof for Federal income tax purposes and is not an "item of tax preference" for purposes of the Federal alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, the federal alternative minimum tax imposed on corporations; interest on the Bonds and the Notes is, however, included in "adjusted current earnings" for purposes of calculating the Federal alternative minimum tax imposed on certain corporations with respect to tax years beginning prior to January 1, 2018. Bond Counsel is also of the opinion that under existing statutes interest on the Bonds and the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). No opinion is expressed regarding other Federal or State tax consequences arising with respect to the Bonds and the Notes. See "TAX MATTERS" herein.

The Bonds and Notes will NOT be designated by the Town as "qualified tax-exempt obligations" pursuant to Section 265 of the Code.

**TOWN OF EVANS
ERIE COUNTY, NEW YORK**

**\$7,540,500
VARIOUS PURPOSE SERIAL BONDS, 2018
(the "Bonds")
SAMCO Capital Markets**

Dated Date: Date of Delivery

**Maturity Dates: May 15, 2019-2033
(as shown on the inside cover)**

**\$1,032,000
3.00% BOND ANTICIPATION NOTES, 2018A
(the "Notes")
CUSIP 299191 FQ4
[Reoffered @ 2.00%]
Roosevelt & Cross, Inc.**

Date of Issue: Date of Delivery

Maturity Date: May 23, 2019

The Bonds and The Notes are general obligations of the Town of Evans (the "Town"), in the County of Erie (the "County") in the State of New York (the "State") and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Bonds and the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Town, subject to certain statutory limitations imposed by Chapter 97 of the Laws of 2011 of the State (the "Tax Levy Limitation Law"). (See "REAL PROPERTY TAXES - Tax Levy Limitation Law" herein.)

The Notes will not be subject to optional redemption prior to maturity. Certain maturities of the Bonds will be subject to optional redemption prior to maturity, see "THE BONDS AND THE NOTES - *Optional Redemption for the Bonds and the Notes*" herein.

The Bonds will be issued in book-entry form and when issued will be registered in the name of Cede & Co., as a nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof, except for one necessary odd denomination in excess of \$5,000 maturing in 2019. Purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.



The Bonds will be dated the date of delivery and will mature on the dates and in the amounts, will bear interest at the rates and will have the yields or public offering prices shown on the inside cover of this Official Statement. Interest on the Bonds will be payable on the dates as shown on the inside cover of this Official Statement, calculated on a 30-day month and 360-day year basis. Principal and interest will be paid by the Town to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein.

The Notes will be issued in registered book-entry form, and will be delivered to DTC, which will act as Securities Depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination in excess of \$5,000. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the Paying Agent to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See "THE BONDS AND THE NOTES - Book-Entry-Only System" herein.

Interest on the Notes will be calculated on a 30-day month and 360-day year basis, payable at maturity.

Each of the Bonds and the Notes are offered when, as and if issued by the Town subject to the receipt of the respective final approving opinions of Harris Beach PLLC, Rochester, New York, Bond Counsel, and certain other conditions. Capital Markets Advisors, LLC has served as Municipal Advisor to the

Town in connection with the issuance of the Bonds and Notes. It is expected that delivery of the Bonds and the Notes will be made on the Date of Issue, which is expected to be May 23, 2018.

THIS REVISED COVER DATED MAY 15, 2018 SUPPLEMENTS THE OFFICIAL STATEMENT DATED MAY 3, 2018 RELATING TO THE OBLIGATIONS DESCRIBED THEREIN BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). OTHER THAN AS SET FORTH ON THIS REVISED COVER PAGE AND THE INSIDE COVER PAGE AND THE ADDITION OF APPENDIX D, THERE HAVE BEEN NO REVISIONS TO SAID OFFICIAL STATEMENT. FOR A DESCRIPTION OF THE TOWN'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “Appendix D – Bond Insurance and Specimen Municipal Bond Insurance Policy”.

The Bonds will mature on May 15 in each year as set forth below. Interest on the Bonds will be payable on May 15, 2019, November 15, 2019 and semi-annually thereafter on May 15 and November 15 in each year until maturity. Certain maturities of the Bonds will be subject to optional redemption prior to maturity, see “THE BONDS AND THE NOTES - *Optional Redemption for the Bonds and the Notes*” herein.

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2019	\$ 450,500	3.000%	1.860%	299191EZ5	2027**	\$ 550,000	3.250%	2.730%	299191FH4
2020	465,000	3.000%	2.020%	299191FA9	2028**	565,000	3.250%	2.780%	299191FJ0
2021	480,000	3.000%	2.130%	299191FB7	2029**	565,000	3.250%	2.930%	299191FK7
2022	485,000	3.000%	2.200%	299191FC5	2030**	560,000	3.250%	3.030%	299191FL5
2023	505,000	3.000%	2.270%	299191FD3	2031**	465,000	3.500%	3.120%	299191FM3
2024	515,000	3.000%	2.380%	299191FE1	2032**	470,000	3.500%	3.210%	299191FN1
2025	530,000	3.000%	2.520%	299191FF8	2033**	400,000	3.500%	3.260%	299191FP6
2026	535,000	3.000%	2.610%	299191FG6					

* CUSIP numbers have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Bonds. The Town is not responsible for the selection or uses of these CUSIP numbers and no representation is made to their correctness on the Bonds or as indicated above.

**Certain principal maturities of the Bonds are subject to optional redemption prior to maturity, see “THE BONDS AND THE NOTES - *Optional Redemption for the Bonds and the Notes*” herein.

**TOWN OF EVANS
ERIE COUNTY, NEW YORK**

**Mary K. Hosler
Supervisor**

TOWN BOARD

Dennis Feldmann Council Member
Jeanne Macko..... Council Member

Lynn Krajacic..... Town Clerk
Jennifer Farrell, Esq.Town Attorney
Brittany Gloss Director of Finance

BOND COUNSEL

**Harris Beach PLLC
Rochester, New York**

MUNICIPAL ADVISOR



**Capital Markets Advisors, LLC
Hudson Valley * Long Island * Southern Tier * Western New York
(716) 662-3910**

No dealer, broker, salesman or other person has been authorized by the Town to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds and the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Town from sources that are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof.

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**TOWN OF EVANS
ERIE COUNTY, NEW YORK**

relating to

\$7,540,500

VARIOUS PURPOSE SERIAL BONDS, 2018

\$1,032,000

BOND ANTICIPATION NOTES, 2018A

This Official Statement, which includes the cover page and appendices hereto, presents certain information relating to the Town of Evans, in the County of Erie, in the State of New York (the "Town", "County" and "State," respectively) in connection with the sale of \$7,540,500* Various Purpose Serial Bonds, 2018A (the "Bonds") and \$1,032,000 Bond Anticipation Notes, 2018A (the "Notes").

The factors affecting the Town's financial condition and the Bonds and Notes are described throughout this Official Statement and many of these factors, including economic and demographic factors, are complex and may influence the Town's tax base, revenues, and expenditures. This Official Statement should be read in its entirety.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Bonds and the Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings.

THE BONDS

Description

The Bonds will be dated the date of delivery, which is expected to be May 23, 2018 and will bear interest from such date at the annual rate or rates as specified by the purchaser, payable on May 15, 2019, November 15, 2019 and semi-annually hereafter on May 15 and November 15 in each year until maturity. The Bonds will mature in each of the years and will bear interest at the rates as shown on the inside cover page hereof.

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). DTC will act as Securities Depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof, except for one necessary odd denomination in excess of \$5,000 maturing in 2019. Purchasers will not receive certificates representing their interest in the Bonds. Principal and interest will be paid by the Town to the Securities Depository, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein under "*THE BONDS – Book-Entry-Only System.*"

Certain maturities of the Bonds will be subject to redemption prior to maturity, see "THE BONDS AND THE NOTES- *Optional Redemption for the Bonds and the Notes*" herein.

The record date for the Bonds will be the close of business on the last business day of the month preceding each interest payment date.

The Town Clerk will act as Paying Agent for the Bonds. The Town contact information is as follows: Brittany Gloss, Director of Finance, at 8787 Erie Rd., Angola, NY 14006; Phone: (716) 549-5754; Email: bgloss@townofevans.org

Authorization for the Bonds

The Bonds are issued pursuant to the Constitution and Laws of the State, including among others, the Town Law and the Local Finance Law, and various bond resolutions duly adopted by the Town Board as described below.

Purpose of the Bonds

The proceeds received from the sale of the Bonds will redeem a portion of the Town's bond anticipation notes maturing on May 24, 2018 which were originally issued to finance capital improvements of the Town pursuant to the bond resolutions adopted by the Town Board as detailed below and to provide \$5,130,000 of original financing:

<u>Purpose</u>	<u>Authorization Date</u>	<u>Amount Outstanding</u>	<u>Original Issue Date</u>	<u>Principal Paydown</u>	<u>New Money</u>	<u>The Bonds</u>
Improvements to Water Facilities of Districts 1X & 5	11/07/12	\$ 113,106	06/13/13	\$ 11,106	\$ 0	\$ 102,000
Improvements to Water Facilities for Consolidation	12/27/12	1,071,509	06/13/13	59,009	0	1,012,500
Improvements to Water Facilities for Consolidation	12/27/12	0	05/23/18	0	1,075,000	1,075,000
Improvements to Water Facilities for Consolidation	04/18/18	0	05/23/18	0	4,055,000	4,055,000
Roadway Water Consolidation Phase 3	05/06/15	<u>1,377,415</u>	11/04/15	<u>81,415</u>	<u>0</u>	<u>1,296,000</u>
		<u>\$2,562,030</u>		<u>\$151,530</u>	<u>\$5,130,000</u>	<u>\$7,540,500</u>

THE NOTES

Description

The Notes will be dated their date of delivery and bear interest from that date until May 23, 2019, the maturity date, at the annual rate or rates as specified by the purchaser of the Notes. The Notes will not be subject to redemption prior to maturity. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

At the option of the purchaser, the Notes will be issued in registered form (i) registered in the name of the successful bidder or (ii) registered book-entry form registered to Cede & Co., as the partnership nominee for DTC.

If the Notes are issued in registered form registered in the name of the successful bidder, a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the Town at such bank or trust company located and authorized to do business in the State as selected by the successful bidders.

If the Notes are issued in registered book-entry form, such notes ("DTC Notes") will be delivered to DTC, which will act as securities depository for the DTC Notes. Beneficial owners will not receive certificates representing their interest in the DTC Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination in excess of \$5,000. A single note certificate will be issued for those DTC Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on said DTC Notes will be paid in Federal Funds by the Town to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the DTC Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See "THE BONDS AND THE NOTES - Book-Entry-Only System" herein.

For those Notes issued in registered form, the Town Clerk will act as Paying Agent for such Notes. The Town contact information is as follows: Brittany Gloss, Director of Finance, at 8787 Erie Rd., Angola, NY 14006; Phone: (716) 549-5754; Email: bgloss@townofevans.org

Authorization of the Notes

The Notes are authorized pursuant to the Constitution and Laws of the State, including among others, the Town Law and the Local Finance Law, and various bond resolutions duly adopted by the Town Board.

Purpose of the Notes

The Notes are issued pursuant to the Constitution and Laws of the State, including among others, the Town Law and the Local Finance Law, and various bond resolutions duly adopted by the Town Board on the respective dates noted in the table below, authorizing the issuance of serial bonds (and bond anticipation notes in anticipation thereof) for various capital projects in and for the Town. A portion of The Notes (\$555,000) along with a budgetary appropriation of \$35,000 will be used to redeem bond anticipation notes maturing on May 24, 2018 and to provide original financing in the amount of \$477,000, as described below:

<u>Purpose</u>	<u>Authorization Date</u>	<u>Amount Outstanding</u>	<u>Original Issue Date</u>	<u>Principal Paydown</u>	<u>New Money</u>	<u>The Notes</u>
Highway & Parks Equipment and Improvements	08/12/15	\$ 345,000	11/04/15	\$20,000	\$ 0	\$ 325,000
Town Hall Improvements	08/12/15	45,000	11/14/15	15,000	0	30,000
Improvements to Sturgeon Point Marina	04/05/17	40,000	05/24/17	0	0	40,000
Roof Replacement at Highway Dept.	04/05/17	160,000	05/24/17	0	0	160,000
Roof Replacement at Highway Dept.	01/24/18	0	05/23/18	0	250,000	250,000
Various Equipment Purchase	04/04/18	<u>0</u>	05/23/18	<u>0</u>	<u>227,000</u>	<u>227,000</u>
		<u>\$590,000</u>		<u>\$35,000</u>	<u>\$477,000</u>	<u>\$1,032,000</u>

THE BONDS AND THE NOTES

Nature of the Obligations

Each Bond and Note when duly issued and paid for will constitute a contract between the Town and the holder thereof.

The Bonds and the Notes will be general obligations of the Town and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and the interest thereon. For the payment of such principal of and interest on the Town has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the Town, subject to certain statutory limitations imposed by the Tax Levy Limitation Law. (See “REAL PROPERTY TAXES - Tax Levy Limitation Law” herein).

Under the Constitution of the State, the Town is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and the Notes, and the State is specifically precluded from restricting the power of the Town to levy taxes on real estate therefor. The State Constitution requires the Town to provide by appropriation for the payment of interest on all obligations which will become due during the fiscal year. In addition, the State Constitution requires the Town to provide in each year by appropriation for the payment of all installments of principal of the Bonds and Notes which will become due and payable in such year.

No principal of or interest on Town indebtedness is past due. The Town has never defaulted in the payment of principal of or interest on any indebtedness.

Optional Redemption for the Bonds and the Notes

The Bonds maturing in the years 2019 to 2026, inclusive, are not subject to redemption prior to maturity.

The Bonds maturing on or after May 15, 2027 will be subject to redemption prior to maturity, at the option of the Town, on any date on or after May 15, 2026, in whole or in part, and if in part in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), at the redemption price of 100% of the par amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

The Town may select the maturities of the Bonds to be redeemed and the amount to be redeemed of each maturity selected, as the Town shall determine to be in the best interest of the Town at the time of such redemption. If less than all of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds of such maturity to be redeemed shall be selected by the Town by lot in any customary manner of selection as determined by the Town. Notice of such call for redemption shall be given by mailing such notice to the registered owner(s) of the Bonds to be redeemed not more than sixty (60) days nor less than thirty (30) days prior to the proposed redemption date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date of redemption set forth in such call for redemption, become due and payable, together with accrued interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

The Notes will not be subject to redemption prior to maturity.

Book-Entry-Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, if issued as book-entry form, the Notes (“book-entry Notes”), payment of principal and interest, and other payments on the Bonds and the book-entry Notes to DTC Participants or Beneficial Owners defined below, confirmation and transfer of beneficial ownership interests in the Bonds and the book-entry Notes and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Town. Accordingly, the Town does not make any representations concerning these matters.

The Depository Trust Company (“DTC”), Jersey City, New Jersey, will act as securities depository for the Bonds and the book-entry Notes. The Bonds and such Notes will be issued as fully-registered bonds and notes registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, and will be deposited with DTC. One fully-registered note certificate will be issued for each book-entry Note bearing the same rate of interest and CUSIP number, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S.

securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds and book-entry Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and book-entry Notes on DTC’s records. The ownership interest of each actual purchaser of each bond and note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds and the book-entry Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds and the book-entry Notes, except in the event that use of the book-entry system for the Bonds and the book-entry Notes is discontinued.

To facilitate subsequent transfers, all Bonds and book-entry Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds and the book-entry Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds and the book-entry Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds and book-entry Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds and the Notes unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds and the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds and the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the County, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices with respect to the Bonds shall be sent to DTC. If less than all the Bonds within a maturity are to be redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Payment of principal and interest payments and, in the case of the Bonds, redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town,

disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds and the Notes at any time by giving reasonable notice to the Town. Under such circumstances, in the event that a successor depository is not obtained, bond and note certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond and note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

Certificated Bonds and Notes

DTC may discontinue providing its services with respect to the Bonds and the Notes at any time by giving reasonable notice to the Town and discharging its responsibilities with respect thereto under applicable law, or the Town may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds and Notes will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof for any single maturity, except for one necessary odd denomination in excess of \$5,000 of the Notes and of the Bonds maturing in 2019. Principal of the Bonds and the Notes when due will be payable upon presentation at the principal corporate trust office of a bank or trust company located and authorized to do business and act as a fiscal agent in the state of New York to be named by the Town. Interest on the Bonds will remain payable on May 15, 2019, November 15, 2019 and semiannually thereafter on May 15 and November 15 in each year to maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the last day of the calendar month preceding each such interest payment date. Bonds and Notes may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for the Bonds and the Notes of the same if any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the respective Certificate of Determination for the Bonds and the Notes executed by the Town Supervisor authorizing the sale of the Bonds and the Notes and fixing the details thereof and in accordance with the local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of the Bonds between the fifteenth day of the calendar month preceding an interest payment date and such interest payment date.

TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, the counties comprising New York City and the Big 5 City School Districts (Buffalo, Rochester, Syracuse, Yonkers and New York). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. One June 25, 2015, Chapter 20 of the 2015 Laws of New York ("Chapter 20") amended the Tax Levy Limitation Law to extend its expiration from June 15, 2017 to June 15, 2020. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index ("CPI"), over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases or changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. Chapter 20 also expands the calculation of a municipality's tax base growth factor, as outlined

before. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are permissible exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System, and the Teachers' Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the tax levy limitation provisions.

Article 8 Section 2 of the State Constitution requires every issuer of general obligation notes and bonds in the State to pledge its faith and credit for the payment of the principal thereof and the interest thereon. This has been interpreted by the Court of Appeals, the State's highest court, in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), as follows:

"A pledge of the city's faith and credit is both a commitment to pay and a commitment of the city's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the city's "faith and credit" is secured by a promise both to pay and to use in good faith the city's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit", are used and they are not tautological. That is what the words say and that is what courts have held they mean."

Article 8 Section 12 of the State Constitution specifically provides as follows:

"It shall be the duty of the legislature, subject to the provisions of this constitution, to restrict the power of taxation, assessment, borrowing money, contracting indebtedness, and loaning the credit of counties, cities, towns and villages, so as to prevent abuses in taxation and assessments and in contracting of indebtedness by them. Nothing in this article shall be construed to prevent the legislature from further restricting the powers herein specified of any county, city, town, village or school district to contract indebtedness or to levy taxes on real estate. The legislature shall not, however, restrict the power to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted."

On the relationship of the Article 8 Section 2 requirement to pledge the faith and credit and the Article 8 Section 12 protection of the levy of real property taxes to pay debt service on bonds subject to the general obligation pledge, the Court of Appeals in the *Flushing National Bank* case stated:

"So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the city's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted....While phrased in permissive language, these provisions, when read together with the requirement of the pledge of faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the *Flushing National Bank* case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of municipalities.

Therefore, while the Tax Levy Limitation Law may constrict an issuer's power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer's pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer's levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

It is possible that the Tax Levy Limitation Law will be subject to judicial review to resolve the constitutional issues raised by its adoption. Although courts in New York have historically been protective of the rights of holders of general obligation debt of political subdivisions, the outcome of any such challenge cannot be predicted.

MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND MUNICIPALITIES OF THE STATE

The financial condition of the Town as well as the market for the Bonds and the Notes could be affected by a variety of factors, some of which are beyond the Town's control. There can be no assurance that adverse events in the State, including, for example, the seeking by a municipality of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Bonds and the Notes. If a significant default or other financial crisis should occur in the affairs of the State or at any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the Town to arrange for additional borrowings and the market for and market value of outstanding debt obligations, including the Bonds and the Notes, could be adversely affected.

The Town is dependent in part on financial assistance from the State in the form of State aid. In some recent years, including the current fiscal year, the Town's receipt of State aid was delayed as a result of the State's delay in adopting its budget and appropriating State aid to municipalities and school districts. If the State should experience difficulty in borrowing funds in anticipation of the receipt of the State taxes in order to pay State aid to municipalities and school districts in the State, including the Town, in this year or future years, the Town may be affected by a delay until sufficient State taxes have been received by the State to make State aid payments to the Town.

Should the Town fail to receive monies expected from the State in the amounts expected on a timely basis, the Town is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid. In addition, the Town may borrow to finance revenue shortfalls arising from, among other things, mid-year reductions in State aid.

TAX MATTERS

In the opinion of Bond Counsel, based on existing statutes, regulations, administrative rulings and court decisions and assuming continuing compliance by the Town with certain covenants, and the accuracy of certain representations, interest on the Bonds and the Notes is excluded from gross income of the owners thereof for Federal income tax purposes.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various limitations, conditions and other requirements which must be met at and subsequent to the date of issue of the Bonds and the Notes in order that interest on the Bonds and the Notes will be and remain excluded from gross income for federal income tax purposes. Included among these requirements are restrictions on the investment and use of proceeds of the Bonds and the Notes, as applicable, and in certain circumstances, payment of amounts in respect of such proceeds to the United States. Failure to comply with the requirement of the Code may cause interest on the Bonds and the Notes to be includable in gross income for purposes of federal income tax, possibly from the date of issuance of the Bonds and the Notes. In the Arbitrage and Use of Proceeds Certificate of the Town to be executed in connection with the issuance of the Bonds and the Notes, the Town will covenant to comply with certain procedures and it has made

certain representations and certifications, designed to assure satisfaction of the requirements of the Code in respect to the Bonds and Notes, as applicable. The opinion of Bond Counsel assumes compliance with such covenants and the accuracy, in all material respects, of such representations and certificates.

Bond Counsel is of the further opinion that interest on the Bonds and the Notes is not an "item of tax preference" for purposes of Federal alternative minimum tax on individuals and, for tax years beginning prior to January 1, 2018, the federal alternative minimum tax imposed on corporations; interest on the Bonds and the Notes is, however, included in "adjusted current earnings" for purposes of calculating the Federal alternative minimum tax imposed on certain corporations with respect to tax years beginning prior to January 1, 2018. Corporate purchasers of the Bonds and the Notes should consult their tax advisors concerning the computation of any alternative minimum tax.

Prospective purchasers of the Bonds and Notes should be aware that ownership of the Bonds and the Notes, and the accrual or receipt of interest thereon, may have collateral federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or Railroad benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences of their ownership of the Bonds and the Notes and their accrual or receipt of interest thereon. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

The Bonds and the Notes will NOT be designated as "qualified tax exempt obligations" within the meaning of, and pursuant of Section 265(b)(3) of the Code.

In the opinion of Bond Counsel, interest on the Bonds and the Notes is exempt from personal income taxes imposed by the State or any political subdivision thereof, (including The City of New York).

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the respective date of issuance and delivery of the Bonds and the Notes may affect the tax status of interest on the Bonds and the Notes.

No assurance can be given that any future legislation, including amendments to the Code or the State income tax laws, regulations, administrative rulings, or court decisions, will not, directly or indirectly, cause interest on the Bonds and Notes to be subject to federal or State income taxation, or otherwise prevent Bondholders or the Noteholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decision or action of the Internal Revenue Service or any State taxing authority, including, but not limited to, the promulgation of a regulation or ruling, or the selection of the Bonds or the Notes for audit examination, or the course or result of any Internal Revenue Service examination of the Bonds or the Notes or of obligations which present similar tax issues, will not affect the market price or marketability of the Bonds or the Notes. Prospective purchasers of the Bonds and Notes should consult their own tax advisors regarding the foregoing matters.

All summaries and explanations of provisions of law do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

ALL PROSPECTIVE PURCHASERS OF THE BONDS AND NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THE TAX CONSEQUENCES OF PURCHASING OR HOLDING THE BONDS AND NOTES.

LEGAL MATTERS

The legality of the authorization and issuance of each of the Bonds and the Notes will be covered by a separate approving legal opinion of Harris Beach PLLC, Bond Counsel, Rochester, New York. Each such legal opinion will state that in the opinion of Bond Counsel (i) such Bonds or Notes, as applicable, have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding

general obligations of the Town, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, subject to the statutory limitations set forth in Chapter 97 of the Laws of 2011 of the State of New York (see "TAX LEVY LIMITATION LAW" herein), provided, however, that the enforceability (but not the validity) of the Bonds or the Notes, as applicable, may be limited by any applicable existing or future bankruptcy, insolvency or other law (State or Federal) affecting the enforcement of creditors' rights; (ii) under existing statutes, regulations, administrative rulings and court decisions, interest on the Bonds or the Notes, as applicable is excluded from the gross income of the owners thereof for Federal income tax purposes and is not an "item of tax preference" for purposes of the Federal alternative minimum taxes imposed on individuals and, for tax year beginning prior to January 1, 2018, the federal alternative minimum tax imposed on corporations; interest on the Bonds is, however, included in "adjusted current earnings," for purposes of calculating the Federal alternative minimum tax imposed on certain corporations with respect to tax years beginning prior to January 1, 2018; (iii) interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York; and (iv) based upon Bond Counsel's examination of law and review of the arbitrage certificate executed by the Town Supervisor in connection with the issuance of the Bonds and the Notes pursuant to Section 148 of the Code and the regulations thereunder, the facts, estimates and circumstances as set forth in said arbitrage certificate are sufficient to satisfy the criteria which are necessary under Section 148 of the Code to support the conclusion that the Bonds or the Notes, as applicable, will not be "arbitrage bonds" within the meaning of said section, and no matters have come to Bond Counsel's attention which makes unreasonable or incorrect the representations made in said arbitrage certificate. Bond Counsel will express no opinion regarding other Federal income tax consequences arising with respect to the Bonds or the Notes.

Such legal opinions will also state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed the accuracy and truthfulness of all public records, documents and proceedings examined by Bond Counsel which have been executed or certified by public officials acting within the scope of their official capacities, and has not verified the accuracy or truthfulness thereof, and Bond Counsel also has assumed the accuracy of the signatures appearing upon such public records, documents and proceedings and such certifications; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Bonds and the Notes, as applicable, has extended solely to the examination of the facts and law incident to rendering the opinions expressed therein; (iii) the opinions expressed therein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Town together with other legally available sources of revenue, if any, will be sufficient to enable the Town to pay the principal of and interest on the Bonds or the Notes as applicable, the same become due and payable; (iv) reference should be made to the Official Statement for factual information which, in the judgment of the Town, would materially affect the ability of the Town to pay such principal and interest; and (v) while Bond Counsel has participated in the preparation of the Official Statement, Bond Counsel has not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, no opinion is expressed by Bond Counsel as to whether the Town, in connection with the sale of the Bonds or the Notes as applicable, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

DISCLOSURE UNDERTAKING

Disclosure Undertaking for the Bonds

At the time of the delivery of the Bonds, the Town will provide an executed copy of its "Undertaking to Provide Continuing Disclosure" (the "Bond Undertaking"). Said Bond Undertaking will constitute a written agreement or contract of the Town for the benefit of holders of and owners of beneficial interests in the Bonds, to provide, or cause to be provided to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking:

- (1) On or prior to the 270th day following the end of each fiscal year, commencing with the fiscal year ending December 31, 2018 (i) certain annual financial information, in a form generally consistent

with the information contained or cross-referenced in this Official Statement under the sections APPENDIX A and APPENDIX B, and (ii) the audited financial statement (prepared in accordance with generally accepted accounting principles in effect at the time of audit), if any, of the Town for each fiscal year, unless such audited financial statement, if any, shall not then be available in which case the unaudited financial statement shall be provided and an audited financial statement shall be provided within 60 days after it becomes available and in no event later than 360 days after the end of each fiscal year;

- (2) timely notice, not in excess of ten (10) business days after the occurrence of such event, of the occurrence of any of the following events:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the Town; [note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town]; (xiii) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Event (iii) described in the above paragraph is included pursuant to a letter from the SEC staff to the National Association of Bond Counsel, dated September 19, 1995. However, event (iii) is not applicable, since no “debt service reserves” will be established for the Bonds.

With respect to event (iv) described in the above paragraph, the Town does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds.

The Town may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Bonds; but the Town does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above; and

- (3) in a timely manner not in excess of ten (10) business days, notice of a failure to provide the annual financial information by the date specified.

The Town’s Bond Undertaking shall remain in full force and effect until such time as the principal of, redemption premium, if any, and interest on the Bonds shall have been paid in full or in the event that those portions of the Rule which require the Bond Undertaking, or such provision, as the case may be, do not or no longer apply to the Bonds. The sole and exclusive remedy for breach or default under the Bond Undertaking is an action to compel specific

performance of the undertakings of the Town, and no person or entity, including a Holder of the Bonds, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the Town to comply with the Bond Undertaking will not constitute a default with respect to the Bonds.

The Town reserves the right to amend or modify the Bond Undertaking under certain circumstances set forth therein; provided that any such amendment or modification will be done in a manner consistent with Rule 15c2-12, as amended.

Disclosure Undertaking for the Notes

This Official Statement is in a form “deemed final” by the Town for the purposes of Securities and Exchange Commission Rule 15c2-12 (the “Rule”). At the time of the delivery of the Notes, the Town will provide an executed copy of its “Undertaking to Provide Notices of Certain Events” (the “Note Undertaking”). Said Note Undertaking will constitute a written agreement or contract of the Town for the benefit of holders of and owners of beneficial interests in the Notes, to provide, or cause to be provided, to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto, timely notice, not in excess of ten (10) business days after the occurrence of the event, of the occurrence of any of the following events with respect to the Notes:

- (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (vii) modifications to rights of Noteholders, if material; (viii) Note calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the Town; [note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town]; (xiii) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Event (iii) described in the above paragraph is included pursuant to a letter from the SEC staff to the National Association of Bond Counsel, dated September 19, 1995. However, event (iii) is not applicable, since no “debt service reserves” will be established for the Bonds.

With respect to event (iv) described in the above paragraph, the Town does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds.

The Town may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Notes; but the Town does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

The Town's Note Undertaking shall remain in full force and effect until such time as the principal of and interest on the Notes shall have been paid in full. The sole and exclusive remedy for breach or default under the Note Undertaking is an action to compel specific performance of the undertakings of the Town, and no person or entity, including a holder of the Notes, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the Town to comply with the Note Undertaking will not constitute a default with respect to the Notes.

The Town reserves the right to amend or modify the Note Undertaking under certain circumstances set forth therein; provided that, any such amendment or modification will be done in a manner consistent with Rule 15c2-12 as then in effect.

Prior Disclosure History

Assured Guaranty Municipal Corporation (formerly Financial Security Assurance, Inc.), a municipal bond insurance company, that has insured certain bonds issued by the Town has had a variety of ratings changes over the past five years. The Town filed an event notice for these changes on EMMA on August 5, 2014.

Other than the abovementioned, the District is in compliance in all material respects with all previous undertakings made pursuant to Rule 15c2-12 during each of the past five years.

RATING

The Town has not applied for a rating on the Notes.

S&P Global. ("S&P") has assigned a rating of "A" stable to the Bonds and to the uninsured outstanding bonded indebtedness of the Town including the Bonds.

S&P is expected to assign the Bonds an insured rating of "AA" (stable outlook) based upon the issuance of the policy by Assured Guaranty Municipal Corp. at the time of the delivery of the Bonds.

Such ratings reflect only the view of such organization, and an explanation of the significance of such rating may be obtained only from such rating agency, at the following address: S&P Global., 55 Water Street, New York, NY 10041. There can be no assurance that such rating will continue for any specified period of time or that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any such change or withdrawal of such rating may have an adverse effect on the market price of such bonds or the availability of a secondary market for those bonds and notes.

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC has acted as Municipal Advisor to the Town in connection with the sale of the Bonds and the Notes.

In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the Town to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing

municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds and the Notes.

ADDITIONAL INFORMATION

Additional information may be obtained from the Town's Municipal Advisor, Capital Markets Advisors, LLC, (716) 662-3910. The Paying Agent contact for the Town is Brittany Gloss, Director of Finance, at 8787 Erie Rd., Angola, NY 14006; Phone: (716) 549-5754; Email: bgloss@townofevans.org. The Town Contact is also the paying agent for the Bonds and the Notes.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the Town and the original purchasers or holders of any of the Bonds and the Notes.

This Official Statement is submitted only in connection with the sale of the Bonds and the Notes by the Town and may not be reproduced or used in whole or in part for any other purpose.

Capital Markets Advisors, LLC may place a copy of this Official Statement on its website at www.capmark.org. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Capital Markets Advisors, LLC has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the Town nor Capital Markets Advisors, LLC assumes any liability or responsibility for errors or omissions on such website. Further, Capital Markets Advisors, LLC and the Town disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Capital Markets Advisors, LLC and the Town also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

Harris Beach PLLC expresses no opinion as to the accuracy or completeness of any documents prepared by or on behalf of the Town for use in connection with the offer or sale of the Bonds and the Notes, including this Official Statement. This Official Statement has been prepared only in connection with the sale of the Bonds and the Notes by the Town and may not be reproduced or used in whole or in part for any other purpose.

TOWN OF EVANS ERIE COUNTY, NEW YORK

By: */s/ Mary K. Hosler*
Mary K. Hosler
Town Supervisor

DATED: May 15, 2018

APPENDIX A

THE TOWN

THE TOWN

General Information

The Town, with a population of 16,191 according to the July 1, 2016 US Census estimate, was established in 1821. The Town, with a total land area of approximately 42 square miles is located south of the City of Buffalo on the eastern terminus of Lake Erie. The Town encompasses the Village of Angola with a combined population of approximately 18,304. The Town of Brant is to the south, and the Town of Hamburg is to the north. The Town of Eden is on the east side. Residents find employment in various industrial and service industries within the Town and the greater Western New York area.

The Buffalo metropolitan area offers Town residents numerous recreational and cultural attractions. Among these are the Albright-Knox Art Gallery, the Buffalo Zoological Gardens, the Buffalo Museum of Science, and the Buffalo Historical Society. Buffalo is also home to professional football, hockey and baseball teams. In addition, the cities of Toronto and Hamilton, Ontario, as well as Erie, Pennsylvania and Rochester, New York are within 90 miles of the Town. Cleveland, Pittsburgh and Syracuse are all within a three-hour drive.

The Buffalo Niagara International Airport, Conrail, the New York State Thruway (Interstate 90), US Route 20 and NYS Route 5 make the Town accessible to area transportation.

The Government

The Town was established in 1821 by the State Legislature with its own independent form of government. The taxable real property in the Town is subject to taxation for certain purposes. In addition, three independently governed school districts, Lake Shore CSD, Eden CSD and North Collins CSD, are located in part within the Town and rely upon their own taxing powers granted by the State to raise revenues for school district purposes. The school districts use the Town's assessment roll as their basis for taxation of property within the Town.

The legislative power of the Town is vested in the Town Board, which consists of three members, including the Supervisor, who is the chief executive officer of the Town, elected for a term of four years. The two other members of the Town Board are elected to four-year terms, which terms are staggered such that the Supervisor and one Board member is elected to four-year terms and two years later one Board member is elected to a four-year term. All the Town Board members are elected at large and there is a two term limitation to the number of terms each may serve in that position.

Town Services

Electricity and natural gas are supplied throughout the Town by National Grid Power Corporation and National Fuel Gas Distribution Corporation, respectively.

Water services are supplied primarily throughout the Town by Erie County Water Authority. The Town is responsible for the financing, construction and maintenance of the facilities located within the Town.

Police protection is provided by the police department of the Town. Fire protection is provided by various fire districts and voluntary fire organizations with the Town.

Employees

The Town provides services through 75 full-time and approximately 33 part-time and seasonal employees, some of which are represented by the following collective bargaining organizations:

Table 1
Employees

<u># of Employees</u>	<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
16	International Brotherhood of Electrical Workers, Local 41	12/31/17*
4	Service Employees' International Union	12/31/19
21	Police Benevolent Association	12/31/20
6	Town of Evans Communication Association	12/31/19
16	Civil Service Employees Association Inc.	12/31/17*

* *Currently Under Negotiations*

Source: Town Officials

Status and Financing of Employee Pension Benefits

Substantially all employees of the Town are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS"). (Both systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) These Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 must contribute 3% of their gross annual salary toward the costs of retirement programs. The 3% contribution is waived when the employee completes ten (10) years of service.

With regard to the ERS, a pension reform bill, Chapter 49 of the Laws of 2003, was enacted to change the cycle of ERS billing to match budget cycles of the Town. Under the previous method, the Town was unsure of how much it paid to the system until after the Town's budget was implemented. Under the new method the contribution for a given fiscal year will be based on the value of the pension fund in prior years.

On July 20, 2004, the New York State Legislature passed a bill amending the General Municipal Law, Local Finance Law and the Retirement and Social Security Law. On July 30, 2004, the Governor signed the new retirement system legislation into Law as Chapter 260 of the Laws of 2004. The bill moved the annual payment date for contributions from December 15th to February 1st, effective December 15, 2004 and permits municipalities to establish a reserve for future anticipated contributions.

On December 10, 2009, Governor Paterson signed into law a new Tier 5. The law is effective for new ERS employees hired after January 1, 2010. New ERS employees will now contribute 3% of their salaries. There is no provision for those contributions to cease after a certain period of service.

On March 16, 2012, the Governor signed into law the new Tier VI pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier VI legislation provides, among other things, for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

The New York State Retirement System has advised the Town that municipalities can elect to make employer contribution payments in the December or the following February, as required. If such payments are made in the December prior to the scheduled payment date in February, such payments may be made at a discounted amount. The Town has elected to make such payments in December of each year.

The following schedule reflects the Town's contribution to each of the Systems for the last four audited fiscal years, and 2018 budgeted fiscal year.

<u>Fiscal Year</u> <u>Ending December 31:</u>	<u>State Fiscal Year</u> <u>Ending March 31:</u>	<u>ERS</u> <u>Contribution</u>	<u>PFRS</u> <u>Contribution</u>
2018 <i>Budgeted</i>	2019	\$582,614	\$595,289
2017	2018	572,315	563,544
2016	2017	554,191	500,455
2015	2016	480,382	471,182
2014	2015	655,920	476,873

Source: Basic Financial Statements for fiscal years ending December 31, 2014, 2015, 2016, and 2017 as provided by Town Officials and Adopted Budget for fiscal year ending December 31, 2018 as provided by Town Officials.

Other Post-Employment Benefits

Plan Description—The Town provides medical and prescription drug insurance benefits for retirees spouses, and their covered dependents while contributing a portion of the expenses. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee’s total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. In addition, the Town provides a Medicare Supplemental plan option for Medicare eligible retirees and dependents. There were 33 retirees receiving health care benefits at December 31, 2017.

Funding Policy—Authorization for the Town to pay a portion, or all, of retiree health insurance premiums was enacted by resolution of the Town Board or through union contracts, which are ratified by the Town Board. For an employee to be eligible for the Town’s postemployment health plan they must qualify for retirement as a member of the New York State retirement system. Eligible retirees are required to pay 10% to 40% of the cost of premiums depending on years of service.

The Town’s annual postemployment benefit (“OPEB”) cost is calculated based on annual required contributions (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The 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 the changes in the Town’s net OPEB obligation.

	<u>2017</u>
Annual required contribution (ARC)	\$52,265
Adjustment to annual required contribution	337
Annual OPEB costs	52,602
Contributions made	<u>(66,696)</u>
Increase in net OPEB obligation	(14,094)
Net OPEB obligation – beginning of year	<u>788,067</u>
Net OPEB obligation – end of year	\$ 773,973
Percentage of ARC contributed	<u>127%</u>

Funding Status and Funding Progress—As of December 31, 2017, the most recent valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$1,272,588.

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

The Town’s schedule of contributions is shown below:

Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPED Obligation
2017	\$ 52,602	\$ 66,696	127%	\$ 733,973

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

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

In the December 31, 2017 valuation, the alternative method was used. The actuarial assumptions included a valuation and measurement date of December 31, 2017. The rate is based on the projected long-term earning rate of the assets expected to be available to pay benefits. The rates of decrement due to disability are assumed to be zero. The unfunded actuarial accrued liability is amortized as a level dollar amount over a 30-year period.

FINANCIAL FACTORS

Annual Financial Report

The annual financial statements of the Town are audited by independent certified public accountants. The Town is also subject to periodic audit by the State Comptroller's Office. Appendix B to this Official Statement presents a summary of the results of operations for the last five audited fiscal years ended and a budget summary for the prior and current fiscal years.

Fund Structures and Accounts

The financial statements of the Town conform to those prescribed by generally accepted accounting principles as applied to governmental units.

The Town utilizes fund accounting to record and report its various service activities. A fund represents both a legal and an accounting entity which segregates the transactions of specific programs in accordance with special regulations, restrictions or limitations.

There are three basic fund types: (1) governmental funds that are used to account for basic services and capital projects; (2) proprietary funds that account for operations of a commercial nature; and, (3) fiduciary funds that account for assets held in a trustee capacity. Account groups, which do not represent funds, are used to record fixed assets and long-term obligations that are not accounted for in a specific fund.

The Town presently maintains the General Fund, General-Part-Town Fund, Highway-Part-Town Fund, Fire Protection Fund, Capital Projects Fund, Highway-Townwide Fund, Street Lighting District, Derby Hydrants Fund, Garbage District, Debt Service Fund, Water District Fund, and the Water Fund. The Town also maintains one fiduciary fund, a Trust and Agency Fund. Account groups are maintained for long-term debt and fixed assets.

Basis of Accounting

Revenues are recorded when measurable and available to pay liabilities of the current period. Revenues susceptible to accrual include real property taxes, state and federal aid, sales tax and certain user charges.

Expenditures are recorded when the fund liability is incurred. Exceptions to this rule are (1) payments to employee retirement systems which are recorded in the General Long-Term Debt Account Group and recognized as an expenditure when due; and, (2) unmatured interest on general long-term debt which is recognized when due.

Revenues

The Town derives its revenues from a direct tax levy on real property, State aid, non-property taxes such as County sales tax, and from departmental fees and charges. A summary of such revenues for the Town's General and Special Revenue Funds over the prior five fiscal years have been compiled from the Town's Annual Financial Reports and are presented in "Statement of Revenues, Expenditures and Changes in Fund Balances" in Appendix B.

Real Property Tax. The following table sets forth total general fund revenues and real property tax revenues during the last five audited fiscal years and the amount budgeted for the prior and current fiscal years.

Table 2
Property Taxes

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues</u>
2012	7,726,895	6,469,005	83.72%
2013	7,734,858	6,529,040	84.41%
2014	7,909,120	6,664,151	84.26%
2015	8,535,270	6,735,303	78.91%
2016	8,732,517	7,192,168	82.36%
2017	9,694,336	8,207,027	84.66%
2018 Budget	9,836,472	8,509,606	86.51%

Source: Town's 2012, 2013, 2014, 2015, 2016 & 2017 audited financial statements, and 2018 Adopted Budget as provided by Town officials.

State Aid. The Town also receives a portion of its revenues in the form of State aid. However, there is no assurance that the State appropriation for State aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid. State budgetary restrictions, which eliminate or substantially reduce State aid could have an adverse effect upon the Town, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

The following table sets forth total general fund revenues and State aid during the last five audited fiscal years and amount budgeted for the prior and current fiscal year.

Table 3
State Aid

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>State Aid</u>	<u>State Aid to Revenues</u>
2012	\$7,726,895	\$266,351	3.45%
2013	7,734,858	283,960	3.67%
2014	7,909,120	272,604	3.45%
2015	8,535,270	636,799	7.46%
2016	8,732,517	358,938	4.11%
2017	9,694,336	331,755	3.42%
2018 Budget	9,836,472	230,000	2.34%

Source: Town's 2012, 2013, 2014, 2015, 2016 & 2017 audited financial statements, and 2018 Adopted Budget as provided by Town officials.

Budget Process

The Town Supervisor prepares a tentative budget, which is reviewed by the Town Board, and presents it at a public hearing in the fall of each year. Following the hearing the Town Board takes action to adopt a final budget for the coming calendar year. The budget is not subject to voter approval.

Appendix B sets forth a summary of the Town's prior and current General Fund budgets.

Investment Policy

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the Town is generally permitted to deposit moneys in banks and trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The Town may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the Town; (5) certificates of participation issued by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the Town pursuant to law, in obligations of the Town.

All of the foregoing instruments and investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of instruments and investments purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the Town, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided in Section 10 of the GML.

The Town Board has adopted an investment policy and such policy conforms to applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the Town are made in accordance with such policy.

The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of the State Comptroller designates the Town as "Susceptible to Stress." (See <http://www1.osc.state.ny.us/localgov/fiscalmonitoring/fsms.cfm>)

New York State Comptroller's Audit

The financial affairs of the Town are subject to periodic compliance reviews by the Office of the State Comptroller (OSC) to ascertain whether the Town has complied with the requirements of various State and federal statutes.

The last audit conducted by OSC was released on April 8, 2016. The purpose of the audit was to review management's response to independent and external auditor reports for the period January 1, 2012 through September 29, 2015.

The complete report (including the Town's response) can be obtained from OSC's website. <http://www.osc.state.ny.us/localgov/audits/towns/2016/evans.pdf>

OSC has not conducted any other audits of the Town in the past five years.

REAL PROPERTY TAXES

Real Property Tax Collection Procedures and History

The County Legislature prepares the levy and jointly bills the Town levy with County real property taxes. Property taxes are levied and become a lien as of January 1 on assessed property values of that date.

Tax payments are accepted 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 April 1 a 4.5% penalty; April 2 to 15 a 6% penalty; April 16 to 30 a 7.5% penalty. On May 1 the 7.5% penalty fee is added to the levy forming the tax base then due, thereafter interest is added to the base at the rate of 1.5% per month on the first of each month.

The tax roll is returned to the County Commissioner of Finance on July 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 from the County. Thus, the Town is assured of receiving 100% of its tax levy.

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

The following table sets forth the annual tax levies of the Town's General Fund, Special District Fund, and Highway Funds for the past six years.

Table 5
Total Tax Levy and Tax Rate

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund	\$6,660,271	\$6,717,771	\$7,170,161	\$8,187,723	\$8,509,606
Special District Fund	2,107,771	2,136,545	2,24,696	2,287,445	2,413,011
Highway Fund	<u>412,166</u>	<u>491,645</u>	<u>697,788</u>	<u>865,378</u>	<u>745,481</u>
Total Levy	\$9,180,208	\$9,345,961	\$10,142,645	\$11,340,546	\$11,668,098
General Fund Tax Rate					
Per \$1,000 Assessed Value	\$7.66	\$7.66	\$8.17	\$9.30	\$9.68

The following table sets forth the assessed and full valuation of taxable real property, the State equalization rate and the Town's real property tax levy for Town purposes for the last five fiscal years.

Table 6
Assessed and Full Valuation

Roll Year	2013	2014	2015	2016	2017
Tax Year	2014	2015	2016	2017	2018
Taxable Assessed Valuation	\$869,951,345	\$876,418,736	\$875,937,560	\$880,382,148	\$879,166,353
State Equalization Rate	100.00%	100.00%	93.00%	93.00%	87.00%
Taxable Full Valuation	\$869,951,345	\$876,418,736	\$941,868,344	\$946,647,471	\$1,010,537,931

Source: Town Assessor

Ten of the Largest Assessed Values for the 2017 Fiscal Year

The following table presents the total assessed valuations of the Town's largest property owners.

Table 7
Assessed Valuations

<u>Property Owner</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Valuation</u> ^(a)
Niagara Mohawk Power Corp.	Utility	\$ 17,676,197	2.01%
National Fuel Gas Dist. Corp.	Utility	14,095,002	1.60%
Testamentary Credit Shelter	Real Estate	6,333,900	0.72%
CSX Transportation Inc.	Railroad	6,246,324	0.71%
MPDNY LLC	Retail	6,060,000	0.69%
Goya	Food	3,942,500	0.45%
CT Properties Acquisition LLC	Real Estate	3,436,200	0.39%
7008 Erie Road Associates	Real Estate	3,400,000	0.39%
ARC WGANGNY001, LLC	Retail	3,200,000	0.36%
Main Evans Associates	Retail	<u>3,195,000</u>	<u>0.36%</u>
	Total:	<u>\$75,542,955</u>	<u>8.29%</u>

(a) Total taxable assessed valuation for 2018 tax year is \$879,166,371.

Source: Town Assessor

TOWN INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the Town (and other municipalities and school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations include the following, in summary form, and are generally applicable to the Town and the Bonds and the Notes.

Purpose and Pledge. The Town shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The Town may contract indebtedness only for a Town purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes, or to be paid within three fiscal years periods indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose (as determined by statute) or, in the alternative, the weighted average period of probable usefulness of the several purposes for which it is contracted, unless the Town determines to issue debt amortized on the basis of substantially level or declining annual debt service. The Town is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and bond anticipation notes.

General. The Town is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such powers; however, as has been noted under "Nature of Obligation", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the Town to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the Town to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Town Law and the General Municipal Law.

Pursuant to the Local Finance Law, the Town authorizes the incurrence of indebtedness, including bonds and bond anticipation notes issued in anticipation of such bonds, by the adoption of a resolution, approved by at least two-thirds of the members of the Town Board, the finance board of the Town. Certain such resolutions may be subject to permissive referendum, or may be submitted to the Town voters at the discretion of the Town Board.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution, which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The Town has complied with such procedure for the validation of the bond resolutions authorizing the issuance of the Bonds and the Notes.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York, permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such notes were originally issued.

In addition, under each bond resolution, the Town Board may delegate, and has delegated, power to issue and sell bonds and notes, to the Supervisor, the chief fiscal officer of the Town.

In general, the Local Finance Law contains similar provisions providing the Town with power to issue general obligation revenue anticipation notes, tax anticipation notes and budget notes.

Debt Limit. The Town has the power to contract indebtedness for any Town purpose so long as the principal amount thereof shall not exceed seven per centum of the most recent five-year average full valuation of taxable real estate of the Town and per certain enumerated exclusions and deductions such as water and certain sewer facilities and cash appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the final equalization rate as determined by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such rate shall be determined. The average full valuation is determined by taking the sum of full valuations of such last completed assessment roll and the four preceding assessment rolls, and dividing such sum by five.

There is no constitutional limitation on the amount that may be raised by the Town by tax on real estate in any fiscal year to pay principal and interest on all indebtedness.

Constitutional Debt Limit

The following table sets forth the constitutional debt limit of the Town.

Table 8				
<u>Constitutional Debt Limit</u>				
<u>Roll</u>	<u>Tax</u>	<u>Assessed</u>	<u>Equalization</u>	<u>Full</u>
<u>Year</u>	<u>Year</u>	<u>Valuation</u>	<u>Rate</u>	<u>Valuation</u>
2013	2014	869,951,345	100.00%	\$ 869,951,345
2014	2015	876,418,736	100.00%	876,418,736
2015	2016	875,937,560	93.00%	941,868,344
2016	2017	880,382,148	93.00%	946,647,471
2017	2018	879,166,371	87.00%	<u>1,010,537,931</u>
Total Five-Year Valuation				<u>\$ 4,645,423,827</u>
Average Five-Year Valuation				<u>\$ 929,084,765</u>
Debt Limit - 7% of Average Full Valuation				<u>\$ 65,035,934</u>

Source: Town Assessor's Office

Statement of Debt Contracting Power

Table 9
Statutory Debt Limit and Net Indebtedness
(As of April 25, 2018)

Debt Contracting Limitation	\$65,035,934
Serial Bonds	10,330,000
BANs	<u>3,152,030</u>
Total Gross Direct Indebtedness	\$ 13,482,030
Exclusions and Deductions:	
Water Bonds	10,330,000
Water BANs	<u>2,562,030</u>
Total Exclusions and Deductions	\$ 12,892,030
Total Net Indebtedness	<u>590,000</u>
Net Debt-Contracting Margin	<u>\$ 64,445,934</u>
Percentage of Debt-Contracting Margin Exhausted	<u>0.90%</u>

Source: Town Officials

Remedies Upon Default

Under current law, provision is made for contract creditors (including the Bondholders and the Noteholders) of the Town to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of current funds or the proceeds of a tax levy.

Remedies for enforcement of payment are not expressly included in the Town's contract with holders of its bonds and notes, although any permanent repeal by statute or constitutional amendment of a bondholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

The State has consented that any municipality in the State may file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debts including judicial control over identifiable and unidentifiable creditors.

In recent times, certain events and legislation affecting remedies on default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events, including financial crises as they may occur in the State and in municipalities of the State, require the exercise by the State of its emergency and police powers to assure the continuation of essential public services.

No principal or interest payment on Town indebtedness is past due. The Town has never defaulted in the payment of the principal of and interest on any indebtedness.

Trend of Outstanding Indebtedness

The following table provides information relating to the capital indebtedness outstanding at year-end for the last five fiscal years.

Table 10
Outstanding Indebtedness

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Bonds	\$11,885,000	\$11,440,000	\$11,085,000	\$10,730,000	\$10,330,000
Bond Anticipation Notes	1,855,000	2,155,000	4,545,000	4,470,000	3,152,030
Revenue Anticipation Notes	0	0	900,000	600,000	0
Tax Anticipation Notes	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,100,000</u>	<u>995,000</u>	<u>600,000</u>
Total Outstanding Debt	\$14,940,000	\$14,795,000	\$17,630,000	\$16,795,000	\$14,082,030

Short Term Indebtedness

The Town has \$3,152,030 of bond anticipation notes that will mature on May 24, 2018 and be redeemed with The Bonds and The Notes (see “Authorization for and Purposes of Issue” herein).

Debt Service Schedule

The following table sets forth all principal and interest payments required on the Town's outstanding bonded indebtedness as of April 25, 2018.

Table 12
Bond Principal and Interest Maturity

<u>FY Ending</u> <u>12/31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2018	\$ 355,000	305,191	660,191
2019	360,000	309,902	669,902
2020	365,000	304,589	669,589
2021	370,000	298,845	668,845
2022	380,000	292,543	672,543
2023	385,000	285,453	670,453
2024	350,000	277,982	627,982
2025	360,000	271,903	631,903
2026	365,000	265,494	630,494
2027	370,000	258,919	628,919
2028	375,000	252,190	627,190
2029	385,000	245,247	630,247
2030	390,000	238,146	628,146
2031	400,000	231,190	631,190
2032	405,000	224,255	629,255
2033	425,000	211,416	636,416
2034	445,000	192,376	637,376
2035	470,000	171,475	641,475
2036	495,000	148,556	643,556
2037	520,000	124,450	644,450
2038	545,000	99,156	644,156
2039	575,000	72,556	647,556
2040	605,000	44,531	649,531
2041	<u>635,000</u>	<u>15,081</u>	<u>650,081</u>
Totals:	<u>\$10,330,000</u>	<u>\$5,141,449</u>	<u>\$15,471,449</u>

Direct and Overlapping Indebtedness

The real property taxpayers of the Town are responsible for a proportionate share of outstanding debt obligations of the County and other governmental units. Such taxpayers' share of this overlapping debt is based upon the amount of the Town's equalized property values taken as a percentage of each separate units' total values. The table below sets forth both the total outstanding principal amount of debt issued by the Town and the approximate magnitude of the burden on taxable property in the Town of the debt instruments issued and outstanding by such other political units. Authorized but unissued debt has not been included.

**Table 13
Statement of Direct and Overlapping Indebtedness**

<u>Direct Debt</u>				
				\$13,482,030
Gross Direct Debt				
Exclusions and Deductions				<u>12,892,030</u>
Net Direct Debt				<u>\$ 590,000</u>
 <u>Overlapping Debt</u>				
		<u>Net Debt</u>	<u>Town</u>	<u>Amount</u>
	<u>Issuer</u>	<u>As of</u>	<u>Share</u>	<u>To Town</u>
Erie County	09/30/17	\$475,089,545	1.84%	\$ 8,741,647
Village of Angola	05/31/15	1,099,400	100.00%	1,099,400
Evans Brant CSD	10/31/17	19,141,618	91.67%	17,547,121
Eden CSD	05/18/17	4,465,000	7.14%	318,801
North Collins CSD	12/15/16	1,682,163	2.51%	<u>11,270</u>
Net Overlapping Debt				\$ 27,718,239
Net Direct Debt				<u>590,000</u>
Total Net Direct and Overlapping Debt				<u>\$ 28,308,239</u>

Source: Official Statements and State Comptroller's Special Report.

Debt Ratios

The following table presents certain debt ratios relating to the Town's net direct and overlapping indebtedness.

**Table 14
Debt Ratios**

	<u>Amount</u>	<u>Debt Per</u>	<u>Debt to</u>
		<u>Capita</u> ⁽¹⁾	<u>Full Value</u> ⁽²⁾
Net Direct Debt	\$ 590,000	\$ 36	0.05%
Net Direct and Overlapping Debt	\$28,308,239	\$1,748	2.80%

(1) The estimated population of the Town is 16,191 as of a July 1, 2016 US Census Estimate.

(2) The Town's full value of taxable real property for 2017 is \$1,010,537,931.

ECONOMIC AND DEMOGRAPHIC DATA

Population

The following table presents population trends for the County, State and United States, based upon census data.

Table 15
Population Trend

	<u>2000</u>	<u>2010</u>	<u>Percentage Change</u>
Town	17,594	16,356	(4.4%)
County	950,265	919,040	(3.2%)
State	18,976,457	19,378,102	2.1%

Source: US Census Bureau

Employment and Unemployment

The following tables provide information concerning employment in the Town, County and State. Data provided for the County and the State may not be representative of the Town. Because the Town is centrally located in Western New York, many of its residents are employed throughout the neighboring communities.

Table 16
Largest Employers

<u>Name</u>	<u>Type</u>	<u>Approx. No. of Employees</u>
Lake Shore CSD	Education	650
New Era Cap	Manufacturing	315
Tops Foods	Retail	255
Claddagh Commission	Human Resources	251
Bird Technology	Production	160

Source: Town officials

Table 17
Civilian Labor Force
(Annual Average, in Thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
County	460.3	450.4	451.2	448.1	448.6
State	9,659.2	9,591.3	9,644.6	9,668.7	9,704.7

Source: New York State Department of Labor, Bureau of Labor Statistics.

Table 18
Yearly Average Unemployment Rates

<u>Year</u>	<u>County</u>	<u>State</u>
2013	7.4%	7.7%
2014	6.1%	6.3%
2015	5.3%	5.3%
2016	4.9%	4.8%
2017	5.2%	4.7%

Source: New York State Department of Labor. Information not seasonally adjusted.

Table 19
Monthly Unemployment Rates

<u>Month</u>	<u>County</u>	<u>State</u>
March 2017	5.2%	4.7%
April	4.9%	4.4%
May	4.9%	4.4%
June	5.0%	4.6%
July	5.3%	4.9%
August	5.2%	4.9%
September	4.9%	4.6%
October	4.8%	4.6%
November	5.0%	4.4%
December	5.2%	4.4%
January	5.8%	5.1%
February	6.1%	5.1%

Source: New York State Department of Labor. Information not seasonally adjusted.

LITIGATION

In common with other municipalities, the Town from time to time receives notices of claim and is party to litigation. In the opinion of the attorney for the Town, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no claims or action pending which, if determined against the Town, would have an adverse material effect on the financial condition of the Town.

END OF APPENDIX A

APPENDIX B
FINANCIALS

**Town of Evans, New York
Comparative Balance Sheet
General Fund
At December 31**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>ASSETS</u>						
Cash and Cash Equivalents						\$334,745
Restricted Cash and Cash Equivalents	\$0	\$0	\$261,052	\$269,124	\$1,063,387	\$514,112
Receivables	\$121,620	66,849	59,585	44,092	30,717	51,694
Prepaid Items	70,756	0	0	95,113	13,846	0
Loans Receivables	65,000	60,000	55,000	50,000	21,240	0
Intergovernmental Receivables	37,012	4,943	31,624	5,500	30,215	36,732
Due from Other Funds	3,560,760	3,560,760	3,347,717	3,601,758	3,199,838	3,586,896
Total Assets	<u>3,855,148</u>	<u>3,692,552</u>	<u>3,754,978</u>	<u>4,065,587</u>	<u>4,359,243</u>	<u>4,524,179</u>
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Accounts Payable	\$80,434	\$117,218	\$191,834	\$127,491	\$236,839	\$143,086
Accrued Liabilities	271,435	212,580	223,316	71,538	80,411	136,648
Due to Other Governments	485,274	482,162	514,995	544,345	597,968	769,769
Due to Other Funds	232,495	553,814	340,771	900,000	864,276	0
Revenue Anticipation Notes Payable	1,100,000	0	0	0	0	0
Tax Anticipation Notes Payable	900,000	1,200,000	1,200,000	1,100,000	726,350	600,000
Total Liabilities	<u>3,069,638</u>	<u>2,565,774</u>	<u>2,470,916</u>	<u>2,743,374</u>	<u>2,505,844</u>	<u>1,649,503</u>
Deferred Inflows of Resources						
Deferred Grants	<u>\$0</u>	<u>\$16,427</u>	<u>\$11,443</u>	<u>\$6,397</u>	<u>\$0</u>	<u>\$0</u>
Fund Balances (Deficit):						
Nonspendable	\$3,218,570	\$3,256,301	\$3,402,717	\$3,200,807	\$2,813,756	\$3,578,239
Restricted	683,671	591,945	695,256	720,363	720,363	514,112
Unassigned	(3,120,531)	(2,841,695)	(2,825,354)	(2,605,354)	(1,680,720)	(1,217,675)
Total Fund Balances	<u>785,510</u>	<u>1,110,351</u>	<u>1,272,619</u>	<u>1,315,816</u>	<u>1,853,399</u>	<u>2,874,676</u>
Total Liabilities & Fund Balance	<u>\$3,855,148</u>	<u>\$3,692,552</u>	<u>\$3,754,978</u>	<u>\$4,065,587</u>	<u>\$4,359,243</u>	<u>\$4,524,179</u>

Source: Compiled from 2012, 2013, 2014, 2015, 2016 and 2017 Basic Financial Statements.

This Summary is Not Subject to Audit

Town of Evans, New York
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:						
Real Property Taxes	\$6,469,005	\$6,529,040	\$6,664,151	\$6,735,303	\$7,192,168	\$8,207,027
Other Property Tax Items	116,633	101,846	148,357	130,987	136,077	143,013
Intergovernmental Changes	0	0	0	0	0	82,175
Departmental Income	379,040	358,803	425,498	456,013	591,356	273,940
Use of Money and Property	18,801	15,974	24,157	26,456	28,043	114,258
Licenses and Permits	29,585	25,490	24,145	22,035	0	95,359
Fines and Forfeitures	224,278	242,042	224,695	266,945	302,263	242,085
Sale of Property & Compensation for Loss	148,625	126,481	105,281	128,139	18,680	75,716
Miscellaneous	74,577	51,222	15,735	130,363	104,992	92,458
State Aid	266,351	283,960	272,604	636,799	358,938	331,755
Federal Aid	0	0	4,497	2,230	0	36,550
Total Revenues	<u>7,726,895</u>	<u>7,734,858</u>	<u>7,909,120</u>	<u>8,535,270</u>	<u>8,732,517</u>	<u>9,694,336</u>
Expenditures:						
General Government Support	1,541,350	1,515,079	1,408,544	1,627,695	1,570,056	1,628,231
Public Safety	2,944,998	2,720,046	2,925,921	3,136,075	3,109,132	3,020,467
Health	134,900	110,500	97,000	95,000	95,000	57,000
Transportation	152,656	160,344	152,520	156,953	146,577	200,646
Economic Assistance & Opportunity	8,675	7,180	10,000	10,020	9,800	10,000
Culture and Recreation	935,651	933,133	923,479	905,351	878,528	826,567
Home and Community Service	42,732	44,451	43,619	76,888	52,531	78,835
Employee Benefits	1,980,341	1,904,937	2,274,956	2,475,169	2,466,538	2,950,958
Debt Interest	31,367	23,217	18,083	12,792	9,411	7,062
Total Expenditures	<u>7,772,670</u>	<u>7,418,887</u>	<u>7,854,122</u>	<u>8,495,943</u>	<u>8,337,573</u>	<u>8,779,766</u>
Excess of Revenues Over (Under)						
Expenditures	<u>(45,775)</u>	<u>315,971</u>	<u>54,998</u>	<u>39,327</u>	<u>394,944</u>	<u>914,570</u>
Other Financing Sources (Uses):						
Operating Transfers In	241,500	241,500	236,500	236,500	201,500	170,317
Operating Transfers Out	<u>(267,048)</u>	<u>(232,630)</u>	<u>(129,230)</u>	<u>(232,630)</u>	<u>(130,158)</u>	<u>(299,109)</u>
Total Other Financing Sources (Uses)	<u>(25,548)</u>	<u>8,870</u>	<u>107,270</u>	<u>3,870</u>	<u>71,342</u>	<u>(128,792)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures (Uses)	<u>(71,323)</u>	<u>324,841</u>	<u>162,268</u>	<u>43,197</u>	<u>466,286</u>	<u>785,778</u>
Fund Balances - Beginning, as restated	856,833	785,510	1,110,351	1,272,619	1,387,113	2,088,898
Fund Balances - Ending	<u>\$785,510</u>	<u>\$1,110,351</u>	<u>\$1,272,619</u>	<u>\$1,315,816</u>	<u>\$1,853,399</u>	<u>\$2,874,676</u>

Source: Compiled from 2012, 2013, 2014, 2015, 2016 & 2017 Basic Financial Statements.

This Summary is Not Subject to Audit

See Note 2 of the Audited Financial Statements

**Town of Evans, New York
General Fund
Budget Summary**

<u>GENERAL FUND</u>	<u>Adopted 2017</u>	<u>Adopted 2018</u>
Estimated Revenues:		
Real Property Taxes	\$8,187,723	\$8,509,606
Other Real Property Tax Items	111,548	114,548
Departmental Income	260,350	260,900
Intergovernmental Charges	82,175	86,033
Use of Money & Property	124,107	22,000
Licenses & Permits	20,000	15,000
Fines & Forfeitures	270,000	308,000
Sale of Property & Comp for Loss	90,300	85,100
Miscellaneous	0	2,700
State Aid	215,000	230,000
Federal Aid	23,445	23,915
Interfund Transfers	170,317	178,670
Total Revenues	<u>\$9,554,965</u>	<u>\$9,836,472</u>
Appropriations:		
General Government Support	\$1,979,025	\$1,968,487
Public Safety	3,221,742	3,120,151
Health	57,000	60,000
Transportation	164,749	164,117
Economic Assistance and Opportunity	11,100	1,100
Culture and Recreation	1,183,624	1,066,387
Home and Community Service	15,820	29,900
Employee Benefits	2,880,562	3,406,330
Interfund Transfers	41,343	20,000
Total Appropriations	<u>\$9,554,965</u>	<u>\$9,836,472</u>

Source: Budget summary extracted from Annual Budgets.

TOWN OF EVANS, NEW YORK

*Basic Financial Statements, Required
Supplementary Information and Supplementary
Information for the Year Ended December 31, 2017
and Independent Auditors' Reports*

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Town Board
Town of Evans, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Town has restated net position of Governmental Activities and Business-type Activities and fund balance of the General Fund, Water Fund, Highway Part-Town Fund, Capital Projects Fund, Debt Service Fund, and Nonmajor Funds as of December 31, 2016. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Supplementary Information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2018 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 Town's internal control over financial reporting and compliance.

Handwritten signature of Duesch & Malach LLP in cursive script.

April 11, 2018

TOWN OF EVANS, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2017

As management of the Town of Evans, 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, 2017. This document should be read in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation.

Financial Highlights

- The 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 \$595,728 (*net position*). This consists of \$6,466,520 net investment in capital assets and \$594,112 restricted for specific purposes, offset by an unrestricted net position of \$(6,464,904).
- The Town's total net position improved by \$1,518,055 during the year ended December 31, 2017.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balance deficit of \$1,721,945, an improvement of \$1,168,147 from the prior year's ending fund balance deficit of \$2,890,092 (as restated).
- At the end of the current fiscal year, the General Fund had a total fund balance of \$2,874,676 which included three components: nonspendable, \$3,578,239; restricted \$514,112; and unassigned \$(1,217,675).
- The Town's total bonded indebtedness decreased by \$400,000 as a result of scheduled principal payments.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, and interest and fiscal charges. As discussed in Note 2 to the financial statements, the Town no longer has business-type activities to report.

The government-wide financial statements can be found on pages 12-13 of this report.

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

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

The Town maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Water Fund, Highway Part-town Fund, Capital Projects Fund, and Debt Service Fund, all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is presented in the form of combining statements in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

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

The fiduciary fund financial statement can be found on page 18 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-47 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 progress in funding its obligation to provide postemployment benefits to its employees, the Town’s net pension liability, and the Town’s budgetary comparison schedules for the General Fund and Highway Part-town Fund. Required Supplementary Information and a related note to the required supplementary information can be found on pages 48-56 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information immediately following the Required Supplementary Information in the Supplementary Information section on pages 57-58 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$595,728 at the close of the most recent fiscal year, as compared to a net position of \$(922,327) (as restated) at the close of the fiscal year ended December 31, 2016.

Table 1, as shown below, presents a condensed statement of net position as compared to the prior year.

Table 1—Condensed Statement of Net Position—Primary Government

	Governmental Activities	
	December 31,	
	2017	2016 (as restated)
Current assets	\$ 3,756,322	\$ 4,697,431
Capital assets	19,821,554	19,768,174
Total assets	<u>23,577,876</u>	<u>24,465,605</u>
Deferred outflows of resources	<u>2,797,567</u>	<u>4,569,291</u>
Current liabilities	5,576,361	7,545,148
Noncurrent liabilities	19,420,191	21,726,476
Total liabilities	<u>24,996,552</u>	<u>29,271,624</u>
Deferred inflows of resources	<u>783,163</u>	<u>685,599</u>
Net position:		
Net investment in capital assets	6,466,520	6,871,289
Restricted	594,112	1,267,958
Unrestricted	(6,464,904)	(9,061,574)
Total net position	<u>\$ 595,728</u>	<u>\$ (922,327)</u>

The largest portion of the Town's net position, \$6,466,520, reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets. The Town uses these capital assets to provide a variety of services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$594,112, represents resources that are subject to 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. Government-wide unrestricted net position was \$(6,464,904).

Table 2, as presented below, shows the changes in net position for the years ended December 31, 2017 and December 31, 2016.

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

	<u>Governmental Activities</u>	
	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u> (as restated)
Program revenues:		
Charges for services	\$ 2,486,791	\$ 2,393,346
Operating grants and contributions	66,965	-
Capital grants and contributions	376,727	182,978
General revenues	<u>13,997,099</u>	<u>13,491,639</u>
Total revenues	<u>16,927,582</u>	<u>16,067,963</u>
Total expenses	<u>15,409,527</u>	<u>16,872,454</u>
Change in net position	1,518,055	(804,491)
Net position—beginning	(922,327)	(10,708,640)
Restatement	<u>-</u>	<u>10,590,804</u>
Net position—ending	<u>\$ 595,728</u>	<u>\$ (922,327)</u>

Overall revenues of the primary government increased 5.3 percent from the prior year. This increase was primarily the result of an increase in the real property tax levy. Overall expenses decreased 8.7 percent from the year ended December 31, 2016, primarily as a result of decreased public safety and transportation expenses relating to fringe benefits.

A summary of sources of revenues for the years ended December 31, 2017 and December 31, 2016 is presented in Table 3 on the following page.

Table 3—Summary of Sources of Revenues—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent (%)
Charges for services	\$ 2,486,791	\$ 2,393,346	\$ 93,445	3.9
Operating grants and contributions	66,965	-	66,965	100.0
Capital grants and contributions	376,727	182,978	193,749	105.9
Real property taxes	11,359,000	10,164,988	1,194,012	11.7
Property tax items	143,013	136,077	6,936	5.1
Non-property tax items	1,836,630	2,191,395	(354,765)	(16.2)
Use of money and property	114,824	29,063	85,761	295.1
Sale of property and compensation for loss	101,655	-	101,655	100.0
Miscellaneous	110,637	546,178	(435,541)	(79.7)
Unrestricted state aid	331,340	423,938	(92,598)	(21.8)
Total revenues	<u>\$ 16,927,582</u>	<u>\$ 16,067,963</u>	<u>\$ 859,619</u>	5.3

The Town's most significant source of revenues for the year ended December 31, 2017 was real property taxes, which accounted for \$11,359,000 or 67.1 percent of total revenues. The next largest sources of revenue were charges for services, which accounted for \$2,486,791 or 14.7 percent of total revenues, and non-property tax items, which accounted for \$1,836,630 or 10.8 percent of total revenues.

For the year ended December 31, 2016, the Town's most significant source of revenue was also property and other taxes, which accounted for \$10,164,988 or 63.3 percent of total revenues. The next largest sources of revenue were charges for services, which accounted for \$2,393,346 or 14.9 percent of total revenues, and non-property taxes, which accounted for \$2,191,395 or 13.6 percent of total revenues.

A summary of program expenses for the years ended December 31, 2017 and December 31, 2016 is presented below in Table 4:

Table 4—Summary of Program Expenses—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent (%)
General government support	\$ 2,265,046	\$ 2,159,881	\$ 105,165	4.9
Public safety	5,645,260	6,697,814	(1,052,554)	(15.7)
Health	93,220	106,902	(13,682)	(12.8)
Transportation	2,945,190	4,231,101	(1,285,911)	(30.4)
Economic assistance and opportunity	14,355	9,800	4,555	46.5
Culture and recreation	1,252,298	1,618,078	(365,780)	(22.6)
Home and community services	2,604,456	1,665,645	938,811	56.4
Interest and fiscal charges	589,702	383,233	206,469	53.9
Total expenses	<u>\$ 15,409,527</u>	<u>\$ 16,872,454</u>	<u>\$ (1,462,927)</u>	(8.7)

The Town's most significant expense items for the year ended December 31, 2017 were public safety of \$5,645,260, or 36.6 percent of total expenses; transportation of \$2,945,190, or 19.1 percent of total expenses; home and community services of \$2,604,456 or 16.9 percent of total expenses and general government support of \$2,265,046 or 14.7 percent of total expenses.

During the year ended December 31, 2016, the Town's significant expense items were public safety of \$6,697,814, or 39.7 percent of total expenses; transportation of \$4,231,101, or 25.1 percent of total expenses; general government support of \$2,159,881 or 12.8 percent of total expenses and home and community services of \$1,665,645 or 9.9 percent of total expenses.

Financial Analysis of Governmental Funds

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

At December 31, 2017, the Town's governmental funds reported a combined ending fund balance deficit of \$1,721,945, an improvement of \$1,168,147 from the prior year fund balance deficit of \$2,890,092 (as restated). The total unassigned fund balance is in a deficit position of \$8,005,284 due to unassigned deficit fund balances of \$1,217,675 within the General Fund, \$3,436,471 within the Water Fund and \$3,062,962 within the Capital Projects Fund. The remainder of fund balance is either *nonspendable*, *restricted* or *assigned* to indicate that it is (1) not in spendable form, \$3,578,239, (2) restricted for particular purposes, \$594,112, or (3) assigned for particular purposes, \$2,110,988.

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 a deficit of \$1,217,675, while total fund balance increased to \$2,874,676. The primary cause of the unassigned fund balance deficit position is a \$3,578,239 receivable from the Water Fund which is long-term in nature, and, therefore considered nonspendable.

The Town's Water Fund fund balance increased \$846,990 during the year ended December 31, 2017. The ending fund balance deficit in the Water Fund was \$3,436,471, which is anticipated to be remedied through future surcharges. During the year ended December 31, 2017, the Water Fund reduced the amount it owed the General Fund (as restated) by \$389,807.

The Town's Highway Part-Town Fund ending fund balance was \$792,351. During the year ended December 31, 2017, the Highway Part-Town Fund's fund balance increased \$291,831.

The Town's Capital Projects Fund's fund balance decreased \$756,732 during the year ended December 31, 2017. The ending fund deficit in the Capital Projects Fund was \$3,062,962, which is anticipated to be remedied primarily through the conversion of current bond anticipation notes to long-term financing and capital grants.

The Town's Debt Service Fund ending fund balance was \$0. During the year ended December 31, 2017, the Debt Service Fund's fund balance decreased \$40,000.

General Fund Budgetary Highlights

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

A summary of the General Fund results of operations for the year ended December 31, 2017 is presented in Table 5 below:

Table 5—General Fund Budget

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 9,554,965	\$ 9,656,980	\$ 9,864,653	\$ 207,673
Expenditures and other financing uses	9,554,965	9,656,980	9,078,875	578,105
Excess (deficiency) of revenues over expenditures and other financing uses	\$ -	\$ -	\$ 785,778	\$ 785,778

Original budget compared to final budget—At the close of the fiscal year, the overall budgeted appropriations increased by \$102,015. Amendments to the budget were made of \$102,215 related to additional funding from New York State.

Final budget compared to actual results—A review of actual revenues and expenditures compared to estimated revenues and appropriations in the final budget yields several favorable variances, most notably related to higher than anticipated licenses and permits revenue and state aid related to the Town’s share of mortgage tax as well as less transfers out than anticipated.

Capital Assets and Debt Administration

Capital assets—The Town’s investment in capital assets for its governmental activities as of December 31, 2017, amounted to \$19,821,554 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings and improvements, and 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 at the years ended December 31, 2017 and are presented below:

Table 6—Summary of Capital Assets (Net of Depreciation)

	Governmental Activities	
	December 31,	
	2017	2016 (as restated)
Land	\$ 3,347,606	\$ 3,347,606
Construction in progress	439,108	-
Infrastructure	12,692,594	12,988,952
Buildings and improvements	902,012	830,172
Machinery and equipment	2,440,234	2,601,444
Total	\$ 19,821,554	\$ 19,768,174

Additional information on the Town’s capital assets can be found in Note 5 to the financial statements.

Long-term liabilities—At December 31, 2017, the Town had net bonded debt outstanding of \$10,330,000 as compared to \$10,730,000 at December 31, 2016. During the year, the Town made scheduled principal payments of \$400,000.

The Town’s governmental activities also have recorded debt for compensated absences, retirement payable, installment purchase debt, net pension liability, and other postemployment benefits (“OPEB”).

A summary of the Town’s long-term liabilities at December 31, 2017 and December 31, 2016 is presented in Table 7 below:

Table 7—Summary of Long-Term Liabilities

	<u>Governmental Activities</u>	
	<u>December 31,</u>	
	2017	2016
		(as restated)
Serial bonds	\$ 10,330,000	\$ 10,730,000
Compensated absences	1,205,690	1,236,272
Retirement payable	1,338,097	1,502,457
Installment purchase debt	88,590	109,033
Net pension liabilities	5,683,841	7,360,647
OPEB obligation	<u>773,973</u>	<u>788,067</u>
Total	<u>\$ 19,420,191</u>	<u>\$ 21,726,476</u>

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

Economic Factors and Next Year’s Budgets and Rates

The unemployment rate, not seasonally adjusted, for the Buffalo-Niagara region during December 2017 was 5.5 percent. This compares unfavorably to New York State’s unemployment rate of 4.6 percent and the national unemployment rate of 4.1 percent. These factors are considered in preparing the Town’s budget.

The Town considered current year operational expenses and estimated increases based on economic factors when establishing the 2018 budget.

Requests for Information

This financial report is designed to provide our citizens, taxpayers creditors and investors with a general overview of the Town’s finances and to show the Town’s accountability for the money it receives. If you have any questions about this report or need additional information, contact Supervisor’s Office, Town of Evans, 8787 Erie Road, Angola, NY 14006.

BASIC FINANCIAL STATEMENTS

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TOWN OF EVANS, NEW YORK
Statement of Net Position
December 31, 2017

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,871,112
Restricted cash and cash equivalents	809,698
Receivables	270,498
Due from Agency Fund	8,657
Intergovernmental receivables	796,357
Capital assets not being depreciated	3,786,714
Capital assets, net of accumulated depreciation	<u>16,034,840</u>
Total assets	<u>23,577,876</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pensions	<u>2,797,567</u>
Total deferred outflows of resources	<u>2,797,567</u>
LIABILITIES	
Accounts payable	595,985
Accrued liabilities	275,202
Intergovernmental payables	89,156
Due to retirement systems	863,988
Bond anticipation notes payable	3,152,030
Tax anticipation notes payable	600,000
Noncurrent liabilities:	
Due within one year	614,283
Due within more than one year	<u>18,805,908</u>
Total liabilities	<u>24,996,552</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pensions	<u>783,163</u>
Total deferred inflows of resources	<u>783,163</u>
NET POSITION	
Net investment in capital assets	6,466,520
Restricted for:	
Insurance	594,112
Unrestricted	<u>(6,464,904)</u>
Total net position	<u>\$ 595,728</u>

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

TOWN OF EVANS, NEW YORK
Statement of Activities
Year Ended December 31, 2017

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u> <u>Revenue and Changes</u> <u>in Net Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Primary</u> <u>Government</u>
Primary government:					
Governmental activities:					
General government support	\$ 2,265,046	\$ 182,652	\$ 56,535	\$ -	\$ (2,025,859)
Public safety	5,645,260	325,004	7,930	-	(5,312,326)
Health	93,220	-	-	-	(93,220)
Transportation	2,945,190	445,504	-	287,980	(2,211,706)
Economic assistance and opportunity	14,355	-	-	-	(14,355)
Culture and recreation	1,252,298	332,505	-	-	(919,793)
Home and community services	2,604,456	1,201,126	2,500	88,747	(1,312,083)
Interest and other fiscal charges	589,702	-	-	-	(589,702)
Total primary government	<u>\$ 15,409,527</u>	<u>\$ 2,486,791</u>	<u>\$ 66,965</u>	<u>\$ 376,727</u>	<u>(12,479,044)</u>
General revenues:					
					11,359,000
					143,013
					1,836,630
					114,824
					101,655
					110,637
					331,340
					<u>13,997,099</u>
					1,518,055
					(922,327)
					<u>\$ 595,728</u>

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

TOWN OF EVANS, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2017

	<u>Special Revenue</u>					<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Water</u>	<u>Highway Part-Town</u>	<u>Capital Projects</u>	<u>Debt Service</u>		
ASSETS							
Cash and cash equivalents	\$ 334,745	\$ 164,950	\$ 352,241	\$ -	\$ -	\$ 1,019,176	\$ 1,871,112
Restricted cash and cash equivalents	514,112	-	-	215,586	-	80,000	809,698
Receivables	51,694	18,040	-	-	-	200,764	270,498
Due from other funds	3,586,896	-	-	-	-	289,000	3,875,896
Intergovernmental receivables	36,732	-	660,291	77,315	-	22,019	796,357
Total assets	<u>\$ 4,524,179</u>	<u>\$ 182,990</u>	<u>\$ 1,012,532</u>	<u>\$ 292,901</u>	<u>\$ -</u>	<u>\$ 1,610,959</u>	<u>\$ 7,623,561</u>
LIABILITIES							
Accounts payable	\$ 143,086	\$ 1,383	\$ 66,679	\$ 203,833	\$ -	\$ 181,004	\$ 595,985
Accrued liabilities	136,648	-	33,169	-	-	7,291	177,108
Due to other funds	-	3,578,239	-	-	-	289,000	3,867,239
Intergovernmental payables	73,491	15,665	-	-	-	-	89,156
Due to retirement systems	696,278	24,174	120,333	-	-	23,203	863,988
Bond anticipation notes payable	-	-	-	3,152,030	-	-	3,152,030
Tax anticipation notes payable	600,000	-	-	-	-	-	600,000
Total liabilities	<u>1,649,503</u>	<u>3,619,461</u>	<u>220,181</u>	<u>3,355,863</u>	<u>-</u>	<u>500,498</u>	<u>9,345,506</u>
FUND BALANCES (DEFICIT)							
Nonspendable	3,578,239	-	-	-	-	-	3,578,239
Restricted	514,112	-	-	-	-	80,000	594,112
Assigned	-	-	792,351	-	-	1,318,637	2,110,988
Unassigned	(1,217,675)	(3,436,471)	-	(3,062,962)	-	(288,176)	(8,005,284)
Total fund balances (deficits)	<u>2,874,676</u>	<u>(3,436,471)</u>	<u>792,351</u>	<u>(3,062,962)</u>	<u>-</u>	<u>1,110,461</u>	<u>(1,721,945)</u>
Total liabilities and fund balances (deficits)	<u>\$ 4,524,179</u>	<u>\$ 182,990</u>	<u>\$ 1,012,532</u>	<u>\$ 292,901</u>	<u>\$ -</u>	<u>\$ 1,610,959</u>	<u>\$ 7,623,561</u>

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

TOWN OF EVANS, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
December 31, 2017

Amounts reported for governmental activities in the statement of net position (page 12) are different because:

Total fund balances (deficits)—governmental funds (page 14)	\$	(1,721,945)
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$40,988,639 and the accumulated depreciation is \$21,167,085.</p>		
		19,821,554
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:</p>		
Deferred outflows related to employer contributions	\$ 863,989	
Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion	1,933,578	
Deferred inflows related to pension plans	<u>(783,163)</u>	2,014,404
<p>Net accrued interest expense for serial bonds and bond anticipation notes is not reported in the funds.</p>		
		(98,094)
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. The effects of this are:</p>		
Serial bonds	\$ (10,330,000)	
Compensated absences	(1,205,690)	
Retirement payable	(1,338,097)	
Installment purchase debt	(88,590)	
Net pension liability	(2,448,731)	
Net pension liability—LOSAP	(3,235,110)	
OPEB obligation	<u>(773,973)</u>	<u>(19,420,191)</u>
Net position of governmental activities	\$	<u>595,728</u>

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

TOWN OF EVANS, NEW YORK
Statement of Revenues, Expenditures and Changes in
Fund Balances (Deficit)—Governmental Funds
Year Ended December 31, 2017

	<u>Special Revenue</u>					Total Nonmajor Funds	Total Governmental Funds
	General	Water	Highway Part-Town	Capital Projects	Debt Service		
REVENUES							
Real property taxes	\$ 8,207,027	\$ -	\$ 865,378	\$ -	\$ -	\$ 2,286,595	\$ 11,359,000
Real property tax items	143,013	-	-	-	-	-	143,013
Non-property tax items	-	-	1,350,630	-	-	486,000	1,836,630
Departmental income	273,940	1,187,362	-	-	-	147,157	1,608,459
Intergovernmental charges	82,175	-	445,504	-	-	13,209	540,888
Use of money and property	114,258	178	-	388	-	-	114,824
Sale of property and compensation for loss	75,716	-	25,939	-	-	-	101,655
Licenses and permits	95,359	-	-	-	-	-	95,359
Fines and forfeitures	242,085	-	-	-	-	-	242,085
Miscellaneous	92,458	-	-	17,809	-	370	110,637
State aid	331,755	-	210,665	-	-	118,747	661,167
Federal aid	36,550	-	-	77,315	-	-	113,865
Total revenues	<u>9,694,336</u>	<u>1,187,540</u>	<u>2,898,116</u>	<u>95,512</u>	<u>-</u>	<u>3,052,078</u>	<u>16,927,582</u>
EXPENDITURES							
Current:							
General government support	1,628,231	-	-	-	-	17,082	1,645,313
Public safety	3,020,467	-	-	-	-	937,401	3,957,868
Health	57,000	-	-	-	-	7,935	64,935
Transportation	200,646	-	1,605,467	-	-	254,860	2,060,973
Economic assistance and opportunity	10,000	-	-	-	-	-	10,000
Culture and recreation	826,567	-	-	-	-	2,250	828,817
Home and community services	78,835	48,914	-	-	-	1,329,915	1,457,664
Employee benefits	2,950,958	171,124	902,643	-	-	316,456	4,341,181
Debt service:							
Principal	-	-	-	-	420,443	-	420,443
Interest and fiscal charges	7,062	82,648	3,362	67,050	328,703	2,783	491,608
Capital outlay:							
Transportation	-	-	-	165,605	-	-	165,605
Culture and recreation	-	-	-	303,523	-	-	303,523
Home and community services	-	-	-	11,505	-	-	11,505
Total expenditures	<u>8,779,766</u>	<u>302,686</u>	<u>2,511,472</u>	<u>547,683</u>	<u>749,146</u>	<u>2,868,682</u>	<u>15,759,435</u>
Excess (deficiency) of revenues over expenditures	<u>914,570</u>	<u>884,854</u>	<u>386,644</u>	<u>(452,171)</u>	<u>(749,146)</u>	<u>183,396</u>	<u>1,168,147</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	170,317	705,743	-	333,346	709,146	-	1,918,552
Transfers out	(299,109)	(743,607)	(94,813)	(637,907)	-	(143,116)	(1,918,552)
Total other financing sources (uses)	<u>(128,792)</u>	<u>(37,864)</u>	<u>(94,813)</u>	<u>(304,561)</u>	<u>709,146</u>	<u>(143,116)</u>	<u>-</u>
Net change in fund balances (deficit)	785,778	846,990	291,831	(756,732)	(40,000)	40,280	1,168,147
Fund balances (deficit)—beginning (as restated)	2,088,898	(4,283,461)	500,520	(2,306,230)	40,000	1,070,181	(2,890,092)
Fund balances (deficit)—ending	<u>\$ 2,874,676</u>	<u>\$ (3,436,471)</u>	<u>\$ 792,351</u>	<u>\$ (3,062,962)</u>	<u>\$ -</u>	<u>\$ 1,110,461</u>	<u>\$ (1,721,945)</u>

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

TOWN OF EVANS, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended December 31, 2017

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

Net change in fund balances (deficits)—total governmental funds (page 16) \$ 1,168,147

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 expense in the current period.

Capital asset additions	\$ 1,004,801	
Depreciation expense	<u>(951,422)</u>	53,379

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

Town pension contributions	\$ 863,989	
Cost of benefits earned net of employee contributions	<u>(1,098,845)</u>	(234,856)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (98,094)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized within the government-wide statements. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Principal payments on serial bonds	\$ 400,000	
Change in compensated absences	30,582	
Change in retirement payable	164,360	
Payment of installment purchase debt	20,443	
Change in OPEB obligation	<u>14,094</u>	<u>629,479</u>

Change in net position of governmental activities \$ 1,518,055

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

TOWN OF EVANS, NEW YORK
Statement of Net Position—Agency Fund
December 31, 2017

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 48,167
LOSAP assets	<u>2,090,739</u>
Total assets	<u>\$ 2,138,906</u>
LIABILITIES	
Agency liabilities	\$ 39,510
Amounts held for LOSAP	2,090,739
Due to other funds	<u>8,657</u>
Total liabilities	<u>\$ 2,138,906</u>

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

TOWN OF EVANS, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e. statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges to external customers for support. As discussed in Note 2, the Town no longer reports business-type activities. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Town reports no component units.

Reporting Entity

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

Independently elected officials of the Town include:

Supervisor	Town Clerk and Receiver of Taxes
Council Members (2)	Town Justices (2)
Superintendent of Highways	

Units of local government which operate within the boundaries of the Town consist of the County of Erie and the Village of Angola. 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, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements.

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

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Town's funds. Separate statements for each fund category—governmental 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 reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the Town and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is real property taxes.
- *Water Fund*—The Water Fund is used to account for debt payments related metered water services previously provided by the Town. The principal source of revenue for the Water Fund is departmental income.
- *Highway Part-Town Fund*—This fund is used to record revenues and expenditures related to road maintenance and construction outside village boundaries. The principal source of revenue for the Highway Part-town Fund is real property taxes.
- *Capital Projects Fund*—This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- *Debt Service Fund*—The debt service fund is used to account for and report the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Additionally, the Towns reports the following fund type:

Fiduciary Funds—These funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Agency Fund*. The Agency Fund is custodial in nature and does not involve measurement of results of operations. The Agency Fund accounts, such as payroll withholdings, are reported as liabilities.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to 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 the 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 services expenditures, as well as expenditures related to compensated absences, pensions, other postemployment benefits, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The Agency Fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

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

Cash and Cash Equivalents and Investments—The Town’s cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. The Town had no investments at December 31, 2017; however, when the Town does have investments it is the Town’s policy to record them at fair value in accordance with GASB.

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

Receivables—Receivables are shown net of an allowance for uncollectible accounts, when applicable. No allowance or uncollectible accounts has been provided since it is believed that such an allowance would not be material.

Capital Assets—Capital assets, which include buildings and building improvements, machinery and equipment, fire trucks, vehicles and infrastructure assets (e.g. roads, bridges, drainage systems and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair value at the date of its donation.

Land and construction in progress are not depreciated. The other capital assets of the Town are depreciated using a straight-line over the following estimated useful lives:

Assets	Years
Land improvements	25
Buildings and building improvements	25
Machinery and equipment	5-10
Infrastructure	10-50

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

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2017, the Town has one item that qualifies for reporting in this category. This item represents the effect of the net change in the Town’s proportion of the collective net pension liability, the difference during the measurement period between the Town’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At December 31, 2017, the Town has one item that qualifies for reporting in this category. This item represents the effect of the net change in the Town’s proportion of the collective net pension liability and the difference during the measurement periods between the Town’s contributions and its proportionate share of the total contributions to the pension systems not included in pension expense and is reported on the government-wide statements.

Net Position Flow Assumption—Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the

resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted-net position is applied.

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

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

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

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

Revenues and Expenses/Expenditures

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

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

Tax payments are due January 1st to February 15th without penalty; February 16th to 28th a 1.5% penalty; March 1st to 16th a 3.0% penalty; March 17th to March 31st a 4.5% penalty; April 1nd to 17th a 6.0% penalty; April 18th to May 1st a 7.5% penalty; and 1.5% added each month thereafter.

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

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

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 paid hospitalization insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

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

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

Service Awards—The Town has adopted a Length of Service Award Program ("LOSAP") for firefighters that serve on a volunteer basis. The program is administered by an outside agency, with the Town as trustee. More information is included in Note 8.

Other Postemployment Benefits—In addition to providing pension benefits, the Town provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 9.

Other

Estimates—The preparation of the financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2017, the Town implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units*; No. 81, *Irrevocable Split-Interest Agreement*, No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73* effective for the year ending December 31, 2017. GASB

Statement No. 73 establishes a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. GASB Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) for making decisions and accessing accountability. GASB Statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. GASB Statement No. 81 establishes recognition and measurement requirements for irrevocable split-interest agreements. GASB Statement No. 82 addresses issues regarding the (1) presentation of payroll-related measures in the supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 73 resulted in a \$3,375,241 reduction of the Town's Governmental Activities net position at December 31, 2016 (see Note 2). GASB Statements No. 74, 80, 81, and 82 did not have a material impact on the Town's financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Town has not completed the process of evaluating the impact that will result from adopting GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues* effective for the year ending December 31, 2018, No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* effective for the year ending December 31, 2019, and No. 87, *Leases* effective for the year ending December 31, 2020. The Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 75, 83, 84, 85, 86, 87, and 88 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

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

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

Deficit Fund Balances—At December 31, 2017, the Town's Capital Projects Fund reported a fund deficit of \$3,062,962. The deficit is caused by the Town's 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.

Additionally, the Town's Water Fund and Refuse and Garbage Fund had net deficit fund balances at December 31, 2017. The Town anticipates these deficits will be remedied by future departmental income and property tax revenue.

2. RESTATEMENT OF NET POSITION AND FUND BALANCE

Water Enterprise Fund project prior year expenditures totaling \$1,008,573 were inappropriately charged to the Capital Projects Fund. Additionally, prior to December 31, 2016, Water Enterprise Fund interest expense totaling \$204,563 was inappropriately charged to various governmental funds. Therefore, the Town's Business-type Activities Net Position at December 31, 2016 was overstated by \$1,213,136 and the Town's Governmental Activities net position was understated by the same amount. As a result, net position of the Town's Business-type Activities and Governmental Activities have been restated as of December 31, 2016.

The Town Board eliminated the Enterprise Fund for the Water Fund as of December 31, 2016 thereby changing its accounting policies to account for the Water Fund as a special revenue fund. As a result of this change in accounting policy, beginning net position of Business-type Activities was restated by \$(16,873,258). Additionally, this restatement caused a \$16,873,258 restatement to governmental activities.

During the year ended December 31, 2017, the Town determined that capital assets were understated by \$14,754,112 at December 31, 2016. As a result, beginning net position of governmental activities was restated by \$14,754,112.

The Town implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* for the fiscal year ended December 31, 2017. The implementation of GASB Statement No. 73 requires the Town's net pension liability related to the LOSAP to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the LOSAP plan's fiduciary net position. As a result, the pension liability related to LOSAP was considered to be \$3,375,241 at December 31, 2016. Net position of the Town's Governmental Activities has been restated by \$(3,375,241).

For the fiscal year ended December 31, 2017, the Town implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The implementation of GASB Statement No. 45 requires the Town's liability related to Other Postemployment Benefits ("OPEB") to be measured and disclosed. As a result, the liability related to OPEB was considered to be \$788,067 at December 31, 2016. Net position of the Town's Governmental Activities has been restated by \$(788,067).

During the year ended December 31, 2017, the Town determined that Highway Part-Town cash was improperly recorded in the Highway Townwide Fund. As a result, the Highway Part-Town Fund fund

balance was restated by \$432,707 and the Highway Townwide Fund fund balance was restated by \$(432,707) at December 31, 2016.

During the year ended December 31, 2017, the Town recognized that reimbursement was not received from the Highway Part-Town fund for purchases of highway equipment made in previous years from the Capital Projects Fund. As a result, the Highway Part-Town Fund fund balance was restated by \$(477,427) and the Capital Project Fund fund balance was restated by \$477,427 at December 31, 2016.

During the year ended December 31, 2017, the Town determined that transfers for principal and interest were improperly recorded during previous years. This caused a restatement in the General Fund, Highway Part-Town Fund, and Water District Fund fund balance by \$235,499, \$304,513, and \$172,146, respectively, and the Debt Service Fund fund balance by \$(712,158).

The effect of the aforementioned restatements to the Town's primary government is summarized below:

	<u>Primary Government</u>	
	<u>Governmental</u>	<u>Business-type</u>
	<u>Activities</u>	<u>Activities</u>
	<u>Net Position</u>	<u>Net Position</u>
Net position—December 31, 2016, as previously stated	\$ 4,146,991	\$ (15,660,122)
Expenditure classification corrections	1,213,136	(1,213,136)
Water Fund change from enterprise fund to special revenue fund	(16,873,258)	16,873,258
Capital asset assessment	14,754,112	-
GASB Statement No. 73: Beginning system liability—LOSAP	(3,375,241)	-
GASB Statement No. 45: Beginning liability—OPEB	<u>(788,067)</u>	<u>-</u>
Net position—December 31, 2016, as restated	<u>\$ (922,327)</u>	<u>\$ -</u>

The effect of the restatements to the governmental funds is summarized as follows:

	<u>General</u>	<u>Water</u>	<u>Highway</u>	<u>Capital</u>	<u>Debt</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Part-Town</u>	<u>Projects</u>	<u>Service</u>	<u>Funds</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Fund balance—December 31, 2016, as previously stated	\$ 1,853,399	\$ -	\$ 240,727	\$ (1,888,424)	\$ 547,595	\$ 1,330,742	\$ 2,084,039
Expenditure inappropriately charged	-	-	-	1,008,573	204,563	-	1,213,136
Cash classification corrections	-	-	432,707	-	-	(432,707)	-
Capital expenditures reimbursement	-	-	(477,427)	477,427	-	-	-
Debt service transfers	235,499	-	304,513	-	(712,158)	172,146	-
Water Fund change from enterprise fund to special revenue fund	<u>-</u>	<u>(4,283,461)</u>	<u>-</u>	<u>(1,903,806)</u>	<u>-</u>	<u>-</u>	<u>(6,187,267)</u>
Fund balance—December 31, 2016, as restated	<u>\$ 2,088,898</u>	<u>\$ (4,283,461)</u>	<u>\$ 500,520</u>	<u>\$ (2,306,230)</u>	<u>\$ 40,000</u>	<u>\$ 1,070,181</u>	<u>\$ (2,890,092)</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

Cash and cash equivalents at December 31, 2017 are as follows:

	Governmental Funds	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 2,002	\$ -	\$ 2,002
Deposits	2,678,808	48,167	2,726,975
Total	<u>\$ 2,680,810</u>	<u>\$ 48,167</u>	<u>\$ 2,728,977</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2017 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 255,626	\$ 255,626
Uninsured:		
Collateral held by pledging bank's agent in the Town's name	<u>2,651,253</u>	<u>2,471,349</u>
Total	<u>\$ 2,906,879</u>	<u>\$ 2,726,975</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, 2017, the Town's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the Town's name.

Investments—The Town had no investments at December 31, 2017.

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

Restricted cash and cash equivalents—The Town reports amounts to support restricted fund balance and unspent proceeds of debt as restricted cash and cash equivalents. At December 31, 2017, the Town reported \$809,698 of restricted cash and cash equivalents within its governmental activities.

4. RECEIVABLES

Major revenues accrued by the Town at December 31, 2017 consisted of the following:

Receivables—Represents amounts due from various sources. Receivables at December 31, 2017 are presented below:

General Fund:			
Town Clerk fees and charges	\$	6,825	
Court fines and fees		27,268	
Revolving loan		17,057	
Other		<u>544</u>	\$ 51,694
Water Fund:			
Water rents receivable	\$	17,949	
Town Clerk fees and charges		<u>91</u>	18,040
Nonmajor Funds:			
Town Clerk fees and charges	\$	9,764	
Franchise fees		<u>191,000</u>	<u>200,764</u>
Total governmental funds			<u>\$ 270,498</u>

Intergovernmental receivables—Represents amounts due from other units of government, such as Federal, New York State, County of Erie or other local governments. Intergovernmental receivables at December 31, 2017 are as follows:

General Fund:			
Due from New York State	\$	35,000	
Miscellaneous		<u>1,732</u>	\$ 36,732
Highway Part-Town Fund:			
Due from Erie County			660,291
Capital Projects Fund:			
Due from New York State			77,315
Nonmajor Funds:			
Due from Erie County		583	
Due from Evans-Brant CSD		<u>21,436</u>	<u>22,019</u>
Total governmental funds			<u>\$ 796,357</u>

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year-ended December 31, 2017 was as follows:

	Balance 1/1/2017 (as restated)	Increases	Decreases	Balance 12/31/2017
Capital assets, not being depreciated:				
Land	\$ 3,347,606	\$ -	\$ -	\$ 3,347,606
Construction in progress	-	443,353	4,245	439,108
Total capital assets, not being depreciated	<u>3,347,606</u>	<u>443,353</u>	<u>4,245</u>	<u>3,786,714</u>
Capital assets, being depreciated				
Infrastructure	26,072,059	335,474	-	26,407,533
Buildings and improvements	5,551,499	135,298	-	5,686,797
Machinery and equipment	<u>5,012,673</u>	<u>94,922</u>	-	<u>5,107,595</u>
Total capital assets, being depreciated	<u>36,636,231</u>	<u>565,694</u>	-	<u>37,201,925</u>
Less accumulated depreciation for:				
Infrastructure	13,083,107	631,832	-	13,714,939
Buildings and improvements	4,721,327	63,458	-	4,784,785
Machinery and equipment	<u>2,411,229</u>	<u>256,132</u>	-	<u>2,667,361</u>
Total accumulated depreciation	<u>20,215,663</u>	<u>951,422</u>	-	<u>21,167,085</u>
Total capital assets, being depreciated, net	<u>16,420,568</u>	<u>(385,728)</u>	-	<u>16,034,840</u>
Governmental activities capital assets, net	<u>\$ 19,768,174</u>	<u>\$ 57,625</u>	<u>\$ 4,245</u>	<u>\$ 19,821,554</u>

Depreciation expense was charged to the functions of the governmental activities for the year ended December 31, 2017 as follows:

General government support	\$ 22,310
Public safety	70,121
Transportation	213,844
Culture and recreation	57,664
Home and community services	<u>587,483</u>
Total	<u>\$ 951,422</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2017 were as follows:

	General Fund	Highway Part-Town Fund	General Part-Town Fund	Total Governmental Funds
Salary and employee benefits	<u>\$ 136,648</u>	<u>\$ 33,169</u>	<u>\$ 7,291</u>	<u>\$ 177,108</u>

7. PENSION OBLIGATIONS

Plan Descriptions and Benefits Provided

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At December 31, 2017, the Town reported the following liabilities for its proportionate share of the net pension liabilities for PFRS and ERS. The net pension liabilities were measured as of March 31, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2016, with update procedures used to roll forward the total net pension liabilities to the measurement date. The Town’s proportion of the net pension liabilities were based on projections of the Town’s long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the Systems in reports provided to the Town.

	<u>PFRS</u>	<u>ERS</u>
Measurement date	March 31, 2017	March 31, 2017
Net pension liability	\$ 1,417,047	\$ 1,031,684
Town's portion of the Plan's total net pension liability	0.0683688%	0.0109798%

For the year ended December 31, 2017, the Town recognized pension expenses of \$800,160 and \$617,894, respectively, for PFRS and ERS. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from sources presented on the following page.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PFRS	ERS	PFRS	ERS
Differences between expected and actual experiences	\$ 185,892	\$ 25,853	\$ 244,834	\$ 156,667
Changes of assumptions	698,119	352,461	-	-
Net difference between projected and actual earnings on pension plan investments	211,634	206,069	-	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	3,274	108,732	137,276	20,560
Town contributions subsequent to the measurement date	436,643	427,346	-	-
Total	<u>\$ 1,535,562</u>	<u>\$ 1,120,461</u>	<u>\$ 382,110</u>	<u>\$ 177,227</u>

The Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized as follows:

Year Ending December 31,	PFRS	ERS
2018	\$ 247,628	\$ 222,200
2019	247,628	222,200
2020	231,832	194,155
2021	(31,781)	(122,667)
2022	21,502	-

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

	PFRS	ERS
Measurement date	March 31, 2017	March 31, 2017
Actuarial valuation date	April 1, 2016	April 1, 2016
Interest rate	7.00%	7.00%
Salary scale	4.50%	3.80%
Decrement tables	April 1, 2010- March 31, 2015	April 1, 2010- March 31, 2015
Inflation rate	2.50%	2.50%
Cost-of-living adjustments	1.30%	1.30%

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

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

Measurement date	PFRS and ERS	
	Target Allocation	Long-Term Expected
		Real Rate of Return
	March 31, 2016	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.8
Real estate	10.0	5.8
Absolute return strategies	2.0	4.0
Opportunistic portfolio	3.0	5.9
Real assets	3.0	5.5
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.5
Total	<u>100.0 %</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 chart presented on the following page presents the Town's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)—PFRS	\$ 4,017,245	\$ 1,417,047	\$ (763,883)
Employer's proportionate share of the net pension liability/(asset)—ERS	3,294,994	1,031,684	(881,940)

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

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	March 31, 2016	March 31, 2016	
Employers' total pension liability	\$ 31,670,483	\$ 177,400,586	\$ 209,071,069
Plan fiduciary net position	29,597,830	168,004,363	197,602,193
Employers' net pension liability	<u>\$ 2,072,653</u>	<u>\$ 9,396,223</u>	<u>\$ 11,468,876</u>
System fiduciary net position as a percentage of total pension liability	93.5%	94.7%	94.5%

8. PENSION OBLIGATIONS—LOSAP

Plan Description—The Town established a defined benefit LOSAP for the active volunteer firefighters of Evans Center and Lake Erie Beach Volunteer Fire Companies. The program provides municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Town is the sponsor of the program.

Certain information contained in this note is based on information for the LOSAP as of December 31, 2016, which is the most recent valuation date for which complete information related to the year ended December 31, 2017 is available.

Participation, Vesting and Service Credit—Active volunteer firefighters who have reached the age of 18 and who have completed 1 year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award upon attaining the program's entitlement age or becoming totally and permanently disabled or dying while an active member. The program's entitlement age is age 60. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values.

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board.

Fiduciary Investment and Control—The governing board of the sponsor has retained and designated Penflex, Inc. to assist in the administration of the program. The designated program administrator’s functions include making benefit payments based on written direction. The administrator will withhold applicable federal and state income taxes, prepare applicable forms and direct deposit individual benefit payments to the participant’s financial institution.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and the beneficiaries or the purpose of defraying the reasonable expenses of the operation and administration of the program.

Authority to invest program assets is vested in the Investment Committee. Subject to restriction in the program document, program assets are invested in accordance with a statutory “prudent person” rule. The sponsor is required to retain an actuary to determine the amount of the sponsor’s contributions to the Plan. The actuary retained by the sponsor for this purpose is Penflex.

Benefits Provided—A participant’s benefit under the program is the actuarial equivalent of a monthly payment for life equal to \$20 multiplied by the person’s total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed forty. Benefits are not payable until the first day of the month if the participant attained the entitlement age on that date or the first date of the next month, except in the case of disability or death.

Participants Covered by the Benefit Terms—At the December 31, 2016 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	39
Inactive participants entitled to but not yet receiving benefit payments	30
Active participants	<u>68</u>
Total	<u>137</u>

Contributions—New York State General Municipal Law §219(d) requires the Town to contribute an actuarially determined contribution on an annual basis. The actuarially determined contribution shall be appropriated annually by the Town.

Trust Assets—Although assets have been accumulated in an irrevocable trust such that the assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the Town. As such, the trust assets do not meet the criteria in paragraph 4 of GASB Statement No. 73.

Measurement of Total Pension Liability

The total pension liability at the December 31, 2016 measurement date was determined using an actuarial valuation as of that date.

Actuarial Assumptions—The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Scale	None assumed

Mortality rates were based on the RP-2014 Male Mortality Table without projection for mortality improvement.

Discount Rate—The discount rate used to measure the total pension liability was 3.71%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services.

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

	Total Pension Liability
Balance as of 12/31/2015 measurement date	<u>\$ 3,375,241</u>
Changes for the year:	
Service cost	93,972
Interest	109,199
Changes of assumptions or other inputs	(252,522)
Differences between expected and actual experience	22,740
Benefit payments	<u>(113,520)</u>
Net changes	<u>(140,131)</u>
Balance as of 12/31/2016 measurement date	<u>\$ 3,235,110</u>

Sensitivity of the Total Pension Liability to changes in the discount rate—The following presents the total pension liability of the Town as of the December 31, 2016 measurement date, calculated using the discount rate of 3.71 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.71 percent) or one percentage point higher (4.71 percent) than the current rate:

	1% Decrease (2.71%)	Current Discount Rate (3.71%)	1% Increase (4.71%)
Net pension liability	\$ 3,758,051	\$ 3,235,110	\$ 2,812,054

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension—For the year ended December 31, 2017, the Town recognized pension expense of \$184,039. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,156	\$ -
Changes of assumptions or other inputs	-	223,826
Benefit payments & administrative expenses subsequent to the measurement date	<u>121,388</u>	<u>-</u>
Total	<u>\$ 141,544</u>	<u>\$ 223,826</u>

\$121,388 reported as deferred outflows of resources related to pensions resulting from Town transactions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended December 31, 2018.

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

Year Ending December 31,		
2018	\$	(26,112)
2019		(26,112)
2020		(26,112)
2021		(26,112)
2022		(26,112)
Thereafter		(73,110)

9. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—The Town provides medical and prescription drug insurance benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee’s total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. In addition, the Town provides a Medicare Supplemental plan option for Medicare eligible retirees and dependents. There were 33 retirees receiving health care benefits at December 31, 2017.

Funding Policy—Authorization for the Town to pay a portion, or all, of retiree health insurance premiums was enacted by resolution of the Town Board or through union contracts, which are ratified by the Town Board. For an employee to be eligible for the Town’s postemployment health plan they must qualify for retirement as a member of the New York State retirement system. Eligible retirees are required to pay 10% to 40% of the cost of premiums depending on years of service.

The Town’s annual postemployment benefit (“OPEB”) cost is calculated based on annual required contributions (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The 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 the changes in the Town’s net OPEB obligation.

	Year Ended December 31, <u>2017</u>
Annual required contribution	\$ 52,265
Adjustment to ARC	<u>337</u>
Annual OPEB costs (expense)	52,602
Contributions made	<u>(66,696)</u>
Increase in net OPEB obligation	(14,094)
Net OPEB obligation—beginning of year (as restated)	<u>788,067</u>
Net OPEB obligation—end of year	<u>\$ 773,973</u>
Percentage of ARC contributed	127%

Funding Status and Funding Progress—As of December 31, 2017, the most recent valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$1,272,588.

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

The Town’s schedule of contributions is shown below:

Year Ended <u>December 31,</u>	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation
2017	\$ 52,602	\$ 66,696	127%	\$ 733,973

The schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the accrued liability for benefits.

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

In the December 31, 2017 valuation, the alternative method was used. The actuarial assumptions included a valuation and measurement date of December 31, 2017. The rate is based on the projected long-term earning rate of the assets expected to be available to pay benefits. The rates of decrement due to disability are assumed to be zero. The unfunded actuarial accrued liability is amortized as a level dollar amount over a 30-year period.

10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance for: property coverage, general liability coverage, inland marine, employment practices liability, employee benefit liability, law enforcement liability, public officials liability, commercial umbrella, automobile, commercial crime, and business environmental and storage tank legal liability. There have been no significant reduction in the levels of this commercial insurance from the prior year, nor have there been any settlements which exceeded insurance coverage for each of the past three fiscal years.

Property insurance is limited based on scheduled locations. The general liability insurance is limited to \$1 million per occurrence with a \$3 million annual aggregate limit. Inland marine coverage has various limits for each individually scheduled property and equipment. The employment practices liability is limited to \$1 million per claim with a \$1 million annual aggregate limit. Employee benefits liability insurance is limited to \$1 million per occurrence with a \$3 million annual aggregate limit. Law enforcement liability is limited to \$1 million per occurrence with a \$2 million annual aggregate limit. Public officials liability is limited to \$1 million per occurrence with a \$1 million annual aggregate limit. Umbrella coverage is limited to \$5 million per occurrence with a \$5 million annual aggregate limit. Automobile insurance is limited to \$1 million per accident. Business environmental and storage tank legal liability is limited to \$1 million per tank incident with a limit of \$2 million for all storage tank incidents. Property coverage and commercial crime have various limits depending on the type of incident. The deductibles applicable to the Town include \$10,000 for auto liability, \$10,000 for general liability, public official, and law enforcement, and \$20,000 for property coverage.

11. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvements projects may be renewed for periods equivalent to the life of the permanent financing, provided that annual reductions of principal are made.

In addition to BANs, the Town has also authorized and issued tax anticipation notes in the General Fund and revenue anticipation notes in the Highway Part-Town fund.

A summary of the Town's short-term debt for the fiscal year ended December 31, 2017 is presented below:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 1/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2017</u>
Bond anticipation notes:						
Capital projects	6/9/2017	1.50%	\$ 4,470,000	\$ -	\$ 4,470,000	\$ -
Capital projects	5/24/2018	2.25%	-	3,152,030	-	3,152,030
Total			<u>\$ 4,470,000</u>	<u>\$ 3,152,030</u>	<u>\$ 4,470,000</u>	<u>\$ 3,152,030</u>
Tax anticipation notes:						
Various purposes	3/2/2017	2.00%	\$ 995,000	\$ -	\$ 995,000	\$ -
Various purposes	3/30/2018	2.25%	-	600,000	-	600,000
Total			<u>\$ 995,000</u>	<u>\$ 600,000</u>	<u>\$ 995,000</u>	<u>\$ 600,000</u>
Revenue anticipation notes:						
Various purposes	3/31/2017	2.00%	\$ 600,000	\$ -	\$ 600,000	\$ -
Total			<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ 600,000</u>	<u>\$ -</u>

12. LONG-TERM LIABILITIES

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements.

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

The Town's outstanding long-term liabilities include serial bonds, compensated absences, retirement payable, installment purchase debt, net pension liability, and OPEB. The bonds payable of the Town are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the Town's long-term debt at December 31, 2017 is presented on the following page.

	Balance 1/1/2017 (as restated)	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Serial bonds	\$ 10,730,000	\$ -	\$ 400,000	\$ 10,330,000	\$ 355,000
Compensated absences	1,236,272	-	30,582	1,205,690	60,785
Retirement payable	1,502,457	-	164,360	1,338,097	177,395
Installment purchase debt	109,033	-	20,443	88,590	21,103
Net pension liability*	3,985,406	-	1,536,675	2,448,731	-
Net pension liability—LOSAP*	3,375,241	-	140,131	3,235,110	-
OPEB obligation	788,067	52,739	66,833	773,973	-
Total	<u>\$ 21,726,476</u>	<u>\$ 52,739</u>	<u>\$ 2,359,024</u>	<u>\$ 19,420,191</u>	<u>\$ 614,283</u>

(*Reductions in the net pension liabilities and compensated absences are shown net of additions.)

Serial Bonds—The Town issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 10 to 30 years.

A summary of additions and payments for the year ended December 31, 2017 is presented below:

	Year of Issue/ Maturity	Amount of Original Issue	Interest Rate (%)	Balance 1/1/2017	Additions	Payments	Balance 12/31/2017
Improvement District 5	2004/2017	\$ 97,000	3.50%	\$ 45,000	\$ -	\$ 45,000	\$ -
Waterline looping	2013/2023	360,000	4.27%	255,000	-	35,000	220,000
EFC Series 2011C	2011/2041	11,989,606	2.65%	10,430,000	-	320,000	10,110,000
Total				<u>\$ 10,730,000</u>	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ 10,330,000</u>

Compensated Absences—As described in Note 1, the Town records the value of compensated absences. The annual budgets of the respective funds of which the employees' payroll is recorded provide funding for these benefits as they become payable. Typically, the General and Highway Part-Town Funds have been used to liquidate the current liability. The value recorded at December 31, 2017, for governmental activities is \$1,205,690. While the payments of compensated absences are dependent upon many factors, the Town has estimated that \$60,785 will become due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

Retirement Payable—This amount represents previous charges from the New York State Retirement System that the Town elected to amortize over ten or twelve year periods. The outstanding balance at December 31, 2017 for the Town's retirement payable was \$1,338,097. The final payment is due in 2029.

Installment Purchase Debt—This amount represents financing for equipment. The outstanding balance at December 31, 2017 for the Town's capital lease was \$88,590. The final payment is due in 2021.

OPEB—As explained in Note 9, the Town provides medical and prescription drug insurance benefits for retirees, spouses, and their covered dependents while contribution a portion of the expenses. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee’s total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The Town’s annual OPEB cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The estimated OPEB liability is estimated to be \$773,973 at December 31, 2017.

Net Pension Liability—The Town reports a liability for its proportionate share of the net pension liability for the Employees’ Retirement System, Police and Fire Retirement System, and LOSAP. The net pension liability is estimated to be \$5,683,841. Typically, the General Fund and Fire District Fund have been used to liquidate this liability within the governmental funds. Refer to Notes 7 and 8 for additional information related to the Town’s net pension liability.

The following is a maturity schedule of the Town’s indebtedness.

Year ending December 31,	Serial Bonds	Compensated Absences	Retirement Payable	Installment Purchase Debt	Net Pension Liabilities	OPEB	Total
2018	\$ 355,000	\$ 60,785	\$ 177,395	\$ 21,103	\$ -	\$ -	\$ 614,283
2019	360,000	-	177,392	21,785	-	-	559,177
2020	365,000	-	177,394	22,488	-	-	564,882
2021	370,000	-	177,392	23,214	-	-	570,606
2022	380,000	-	152,814	-	-	-	532,814
2023-2027	1,830,000	-	449,643	-	-	-	2,279,643
2028-2032	1,955,000	-	26,067	-	-	-	1,981,067
2033-2037	2,355,000	-	-	-	-	-	2,355,000
2038 and thereafter	2,360,000	1,144,905	-	-	5,683,841	773,973	9,962,719
	<u>\$ 10,330,000</u>	<u>\$ 1,205,690</u>	<u>\$ 1,338,097</u>	<u>\$ 88,590</u>	<u>\$ 5,683,841</u>	<u>\$ 773,973</u>	<u>\$ 19,420,191</u>

Interest requirements on serial bonds payable are as follows:

Year ending December 31,	Interest
2018	\$ 313,260
2019	308,677
2020	303,539
2021	297,970
2022	291,843
2023-2027	1,358,702
2028-2032	1,191,028
2033-2037	848,274
2038 and thereafter	231,325
Total	<u>\$ 5,144,618</u>

13. NET POSITION AND FUND BALANCE

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

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

Capital assets, net of accumulated depreciation	\$ 19,821,554
Related debt:	
Serial bonds	(10,330,000)
Bond anticipation notes	(3,152,030)
Installment purchase debt	(88,590)
Unspent BAN proceeds	<u>215,586</u>
Net investment in capital assets	<u>\$ 6,466,520</u>

- **Restricted Net Position**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions and enabling legislation.
- **Unrestricted Net Position**—This category represents the 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, 2017 includes:

- **Long-term Due from Other Funds**—Represents the long-term portion of funds, \$3,578,259, reported within the Town’s General Fund as receivable from the Water Fund.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or by enabling legislation. Restricted fund balances of the Town at December 31, 2017 include:

	General Fund	Nonmajor Funds
Insurance	\$ 514,112	\$ -
Retirement contributions	<u>-</u>	<u>80,000</u>
Total	<u>\$ 514,112</u>	<u>\$ 80,000</u>

- **Restricted for insurance**—According to General Municipal Law Section 6-n, this restriction is used to pay liability, casualty, and other types of uninsured losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value, and mortgage guarantee. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.
- **Restricted for retirement contributions**—According to General Municipal Law Section 6-r, this restriction must be used for the payment of any portion of the amount payable to the New York State and Local Employees’ Retirement System, pursuant to Sections 17 or 317 of the Retirement and Social Security Law. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

In the fund financial statements, assignments are not legally required segregations, but are subject to a purpose constraint that represents an intended use established by the Town Board. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. At December 31, 2017, the following fund balances were considered to be assigned:

	Highway Part-Town Fund	Nonmajor Funds
Specific use:		
Highway—Part-Town	\$ 792,351	\$ -
General—Part-Town	-	585,628
Highway—Townwide	-	30,000
Fire District	-	3,052
Lighting District	-	373,239
Derby Hydrants	-	10,070
Water District	-	316,648
Total	<u>\$ 792,351</u>	<u>\$ 1,318,637</u>

- **Assigned to Specific Use**—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment’s purpose relates to each fund’s operations and represents amounts within funds that are not restricted or committed.

Unassigned fund balance represents the residual classification of the government’s General Fund, Water Fund, Capital Projects Fund, and Refuse and Garbage Fund fund balance deficits.

If the Town must use funds for emergency expenditures, the Board shall authorize the Supervisor to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committee and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds.

14. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of December 31, 2017 are presented below:

Fund	Interfund	
	Receivables	Payables
Governmental funds:		
General Fund	\$ 3,586,896	\$ -
Water Fund	-	3,578,239
Nonmajor Funds	289,000	289,000
Fiduciary fund:		
Agency Fund	-	8,657
Total	<u>\$ 3,875,896</u>	<u>\$ 3,875,896</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. With the exception of the funds loaned to the Water Fund, all of these balances are expected to be collected/paid within the subsequent year.

The amount owed by the Water Fund to the General Fund represents amounts accumulated for system improvements relating to the execution of a Lease Management Agreement between the Erie County Water Authority and the Town which is dated March 25, 2013. It is long-term in nature and will be repaid over the next twelve years with interest at 3.0%. A summary of changes of the Town's long-term interfund debt is presented below:

	Balance 1/1/2017 (as restated)	Additions	Reductions	Balance 12/31/2017	Due within one year
Water Fund					
Due to General Fund	<u>\$ 3,968,046</u>	<u>\$ -</u>	<u>\$ 389,807</u>	<u>\$ 3,578,239</u>	<u>\$ 359,477</u>

Transfers are used primarily to pay debt service expenditures and to move various fund revenues that the Town must account for in other funds in accordance with budgetary authorizations.

The Town made the following transfers during the year ended December 31, 2017:

	Transfers in:				Total
	General Fund	Water Fund	Capital Projects Fund	Debt Service Fund	
Transfers out:					
General Fund	\$ -	\$ -	\$ 299,109	\$ -	\$ 299,109
Water Fund	65,000	-	-	678,607	743,607
Highway Part-Town Fund	47,817	-	23,032	23,964	94,813
Capital Projects Fund	-	637,907	-	-	637,907
Nonmajor Funds	57,500	67,836	11,205	6,575	143,116
Total	<u>\$ 170,317</u>	<u>\$ 705,743</u>	<u>\$ 333,346</u>	<u>\$ 709,146</u>	<u>\$ 1,918,552</u>

15. AGENCY FUND

An agency fund exists for employee withholding and temporary deposit funds. A summary of changes in the assets and liabilities for the year ended December 31, 2017 is presented below:

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
ASSETS				
Cash	\$ 155,124	\$ 6,405,583	\$ (6,512,540)	\$ 48,167
LOSAP Assets	1,736,364	481,449	(127,074)	2,090,739
Total assets	<u>\$ 1,891,488</u>	<u>\$ 6,887,032</u>	<u>\$ (6,639,614)</u>	<u>\$ 2,138,906</u>
LIABILITIES				
Agency liabilities	\$ 74,505	\$ 6,546,293	\$ (6,581,288)	\$ 39,510
Amounts held for LOSAP	1,736,364	481,449	(127,074)	2,090,739
Due to other funds	80,620	68,749	(140,712)	8,657
Total liabilities	<u>\$ 1,891,489</u>	<u>\$ 7,096,491</u>	<u>\$ (6,849,074)</u>	<u>\$ 2,138,906</u>

16. LABOR RELATIONS

Town employees are represented by five bargaining units with the balance governed by Town Board rules and regulations. The International Brotherhood of Electrical Workers Local 41, Civil Service Employees Association Local 1000, and United Automobile Workers No. 55 have contracts through December 31, 2017; the Service Employees International Union Local 200 has a contract through December 31, 2019; the Town of Evans Police Benevolent Association has a contract through December 31, 2020.

17. CONTINGENCIES

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

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

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

18. JOINT VENTURE

The following activity is undertaken jointly with other municipalities. This activity is excluded from the financial statements of all participating municipalities.

Inter-Community Water-Line Agreement—The Town of Evans and Hanover, the Village of Silver Creek and the Seneca Nation of Indians jointly own the Inter-Community Water Transmission line. The venture operates under the terms of an agreement finalized in April 1990, pursuant to Article 5G of the New York State General Municipal Law. The villages of Angola and Farnham were added in a revised agreement in 1992 and 1993. Significant provisions of the agreement are as follows:

- Each party to the agreement shall have one representative on the Inter-Community Water Board. Each municipality’s representative must be a member of the municipality’s government body. The Seneca Nation’s board representative may not be a member of the governing body. The Board shall elect, among themselves a chairman, vice chairman, secretary and treasurer who must be the fiscal officer of the member municipality.
- Capital cost and maintenance for each member are shared in the following ratios:

Angola	8.35%	Evans	43.32%
Farnham	1.19%	Seneca Nation	16.31%
Hanover	8.16%	Silver Creek	22.67%

19. TAX ABATEMENTS

The Town is subject to tax abatements granted by the Erie County Industrial Development Agency (“ECIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the ECIDA and include the abatement of state, county, local, and school district taxes, in addition to other assistance. In the case of the Town, the abatements have resulted in reductions of property taxes, which the Town administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by ECIDA, the Town collected \$75,635 during the 2017 fiscal year in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$129,959 in property taxes.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 11, 2018, which is the date the financial statements are available for issuance, and have determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF EVANS, NEW YORK
Schedule of Funding Progress—Other Postemployment Benefit Plan
Year Ended December 31, 2017*

Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	Ratio of UAAL as a Percentage of Covered Payroll
December 31, 2017	\$ -	\$ 1,272,588	\$ 1,272,588	0%	\$ 5,222,360	24.4%

*Information prior to the year ended December 31, 2017 is not available.

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

	Year Ended December 31,			
	2017	2016	2015	2014
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability (asset)	0.0683688%	0.0725225%	0.0692411%	0.0692411%
Town's proportionate share of the net pension liability (asset)	<u>\$ 1,417,047</u>	<u>\$ 2,147,238</u>	<u>\$ 190,593</u>	<u>\$ 288,257</u>
Town's covered-employee payroll	\$ 2,099,438	\$ 2,102,574	\$ 2,024,465	\$ 1,993,759
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	67.5%	102.1%	9.4%	14.5%
Plan fiduciary net position as a percentage of the total pension liability	93.5%	90.2%	99.0%	98.5%

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

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

	Year Ended December 31,			
	2017	2016	2015	2014
Contractually required contribution	\$ 513,240	\$ 579,307	\$ 550,472	\$ 476,873
Contributions in relation to the contractually required contribution	<u>(513,240)</u>	<u>(579,307)</u>	<u>(550,472)</u>	<u>(476,873)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 2,042,937	\$ 2,141,852	\$ 2,151,330	\$ 1,993,759
Contributions as a percentage of covered-employee payroll	25.1%	27.0%	25.6%	23.9%

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

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

	Year Ended December 31,			
	2017	2016	2015	2014
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability (asset)	0.0109798%	0.0114526%	0.0117735%	0.0117735%
Town's proportionate share of the net pension liability (asset)	<u>\$ 1,031,684</u>	<u>\$ 1,838,138</u>	<u>\$ 397,737</u>	<u>\$ 532,028</u>
Town's covered-employee payroll	\$ 2,956,245	\$ 2,960,848	\$ 3,034,688	\$ 3,071,213
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.9%	62.1%	13.1%	17.3%
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%	97.2%

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

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

	Year Ended December 31,			
	2017	2016	2015	2014
Contractually required contribution	\$ 532,205	\$ 638,595	\$ 620,910	\$ 655,920
Contributions in relation to the contractually required contribution	<u>(532,205)</u>	<u>(638,595)</u>	<u>(620,910)</u>	<u>(655,920)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 3,179,423	\$ 2,929,460	\$ 3,091,222	\$ 3,071,213
Contributions as a percentage of covered-employee payroll	16.7%	21.8%	20.1%	21.4%

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

TOWN OF EVANS, NEW YORK
Schedule of Changes in the Town's Total Pension Liability—LOSAP
For the Year Ended December 31, 2017*

Total Pension Liability	
Service cost	\$ 93,972
Interest	109,199
Changes of assumptions or other inputs	(252,522)
Differences between expected and actual experience	22,740
Benefit payments	<u>(113,520)</u>
Net changes in total pension liability	<u>(140,131)</u>
Total pension liability—beginning	<u>3,375,241</u>
Total pension liability—ending	<u>\$ 3,235,110</u>
Covered-employee payroll	N/A
Total pension liability as a percentage of covered-employee payroll	N/A

*Information prior to the year ended December 31, 2017 is not available.

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

TOWN OF EVANS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 8,187,723	\$ 8,187,723	\$ 8,207,027	\$ 19,304
Real property tax items	111,548	111,548	143,013	31,465
Departmental income	260,350	260,350	273,940	13,590
Intergovernmental charges	82,175	82,175	82,175	-
Use of money and property	124,107	124,107	114,258	(9,849)
Sale of property and compensation for loss	90,300	90,300	75,716	(14,584)
Licenses and permits	20,000	20,000	95,359	75,359
Fines and forfeitures	270,000	270,000	242,085	(27,915)
Miscellaneous	-	45,480	92,458	46,978
State aid	215,000	271,535	331,755	60,220
Federal aid	23,445	23,445	36,550	13,105
Total revenues	<u>9,384,648</u>	<u>9,486,663</u>	<u>9,694,336</u>	<u>207,673</u>
EXPENDITURES				
Current:				
General government support	1,979,025	1,642,757	1,628,231	14,526
Public safety	3,221,742	3,029,820	3,020,467	9,353
Health	57,000	57,000	57,000	-
Transportation	164,749	205,176	200,646	4,530
Economic assistance and opportunity	11,100	10,000	10,000	-
Culture and recreation	1,183,625	833,890	826,567	7,323
Home and community services	15,820	80,335	78,835	1,500
Employee benefits	2,880,562	2,951,614	2,950,958	656
Debt service:				
Interest and fiscal charges	-	7,062	7,062	-
Total expenditures	<u>9,513,623</u>	<u>8,817,654</u>	<u>8,779,766</u>	<u>37,888</u>
Excess (deficiency) of revenues over expenditures	(128,975)	669,009	914,570	245,561
OTHER FINANCING SOURCES (USES)				
Transfers in	170,317	170,317	170,317	-
Transfers out	(41,342)	(839,326)	(299,109)	540,217
Total other financing sources (uses)	<u>128,975</u>	<u>(669,009)</u>	<u>(128,792)</u>	<u>540,217</u>
Net change in fund balances	-	-	785,778	785,778
Fund balances—beginning (as restated)	<u>2,088,898</u>	<u>2,088,898</u>	<u>2,088,898</u>	<u>-</u>
Fund balances—ending	<u>\$ 2,088,898</u>	<u>\$ 2,088,898</u>	<u>\$ 2,874,676</u>	<u>\$ 785,778</u>

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

TOWN OF EVANS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Highway Part-Town Fund
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 865,378	\$ 865,378	\$ 865,378	\$ -
Non property tax items	1,550,000	1,550,000	1,350,630	(199,370)
Intergovernmental charges	270,000	270,000	445,504	175,504
Sale of property and compensation for loss	13,000	13,000	25,939	12,939
State aid	182,000	182,000	210,665	28,665
Total revenues	<u>2,880,378</u>	<u>2,880,378</u>	<u>2,898,116</u>	<u>17,738</u>
EXPENDITURES				
Current:				
Transportation	1,900,554	1,878,751	1,605,467	273,284
Employee benefits	885,011	903,452	902,643	809
Debt service:				
Interest and fiscal charges	-	3,362	3,362	-
Total expenditures	<u>2,785,565</u>	<u>2,785,565</u>	<u>2,511,472</u>	<u>274,093</u>
Excess of revenues over expenditures	94,813	94,813	386,644	291,831
OTHER FINANCING USES				
Transfers out	<u>(94,813)</u>	<u>(94,813)</u>	<u>(94,813)</u>	<u>-</u>
Total other financing uses	<u>(94,813)</u>	<u>(94,813)</u>	<u>(94,813)</u>	<u>-</u>
Net change in fund balances	-	-	291,831	291,831
Fund balances—beginning (as restated)	<u>500,520</u>	<u>500,520</u>	<u>500,520</u>	<u>-</u>
Fund balances—ending	<u>\$ 500,520</u>	<u>\$ 500,520</u>	<u>\$ 792,351</u>	<u>\$ 291,831</u>

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

TOWN OF EVANS, NEW YORK
Note to the Required Supplementary Information
Year Ended December 31, 2017

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for all governmental funds, with the exception of the Water Fund and Capital Projects Fund. The Water Fund does not have an appropriated budget because it was considered an Enterprise Fund during the year ended December 31, 2017 budget process. The Capital Projects Fund does not have an appropriated budget since there are other means to control the use of these resources (e.g., grant awards) and sometimes span a period of more than one year.

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

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

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

2. PENSION LIABILITY—LOSAP

Changes of Assumptions or Other Inputs—The discount rate used to measure the total pension liability was based on the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index and was as follows:

December 31, 2015	3.20%
December 31, 2016	3.71%

Trust Assets—There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.

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SUPPLEMENTARY INFORMATION

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TOWN OF EVANS, NEW YORK
Combining Balance Sheet—Nonmajor Governmental Funds
December 31, 2017

	<u>Special Revenue Funds</u>							Total Nonmajor Funds
	<u>General Part-Town</u>	<u>Highway Townwide</u>	<u>Fire District</u>	<u>Lighting District</u>	<u>Derby Hydrants</u>	<u>Refuse and Garbage</u>	<u>Water District</u>	
ASSETS								
Cash and cash equivalents	\$ 129,114	\$ 30,000	\$ 136,259	\$ 396,261	\$ 10,070	\$ 824	\$ 316,648	\$ 1,019,176
Restricted cash and cash equivalents	80,000	-	-	-	-	-	-	80,000
Receivables	200,764	-	-	-	-	-	-	200,764
Due from other funds	289,000	-	-	-	-	-	-	289,000
Intergovernmental receivables	583	-	21,436	-	-	-	-	22,019
Total assets	<u>\$ 699,461</u>	<u>\$ 30,000</u>	<u>\$ 157,695</u>	<u>\$ 396,261</u>	<u>\$ 10,070</u>	<u>\$ 824</u>	<u>\$ 316,648</u>	<u>\$ 1,610,959</u>
LIABILITIES								
Accounts payable	\$ 3,339	\$ -	\$ 154,643	\$ 23,022	\$ -	\$ -	\$ -	\$ 181,004
Accrued liabilities	7,291	-	-	-	-	-	-	7,291
Due to other funds	-	-	-	-	-	289,000	-	289,000
Due to retirement system	23,203	-	-	-	-	-	-	23,203
Total liabilities	<u>33,833</u>	<u>-</u>	<u>154,643</u>	<u>23,022</u>	<u>-</u>	<u>289,000</u>	<u>-</u>	<u>500,498</u>
FUND BALANCES (DEFICIT)								
Restricted	80,000	-	-	-	-	-	-	80,000
Assigned	585,628	30,000	3,052	373,239	10,070	-	316,648	1,318,637
Unassigned	-	-	-	-	-	(288,176)	-	(288,176)
Total fund balances (deficit)	<u>665,628</u>	<u>30,000</u>	<u>3,052</u>	<u>373,239</u>	<u>10,070</u>	<u>(288,176)</u>	<u>316,648</u>	<u>1,110,461</u>
Total liabilities and fund balances (deficit)	<u>\$ 699,461</u>	<u>\$ 30,000</u>	<u>\$ 157,695</u>	<u>\$ 396,261</u>	<u>\$ 10,070</u>	<u>\$ 824</u>	<u>\$ 316,648</u>	<u>\$ 1,610,959</u>

TOWN OF EVANS, NEW YORK
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances—Nonmajor Governmental Funds
Year Ended December 31, 2017

	<u>Special Revenue Funds</u>						<u>Total Nonmajor Funds</u>	
	<u>General Part-Town</u>	<u>Highway Townwide</u>	<u>Fire District</u>	<u>Lighting District</u>	<u>Derby Hydrants</u>	<u>Refuse and Garbage</u>		<u>Water District</u>
REVENUES								
Real property taxes	\$ -	\$ -	\$ 850,194	\$ 264,150	\$ -	\$ 1,111,047	\$ 61,204	\$ 2,286,595
Non-property tax items	486,000	-	-	-	-	-	-	486,000
Departmental income	146,602	-	-	-	-	555	-	147,157
Intergovernmental charges	-	-	-	-	-	-	13,209	13,209
Miscellaneous	370	-	-	-	-	-	-	370
State aid	118,747	-	-	-	-	-	-	118,747
Total revenues	<u>751,719</u>	<u>-</u>	<u>850,194</u>	<u>264,150</u>	<u>-</u>	<u>1,111,602</u>	<u>74,413</u>	<u>3,052,078</u>
EXPENDITURES								
Current:								
General government support	17,082	-	-	-	-	-	-	17,082
Public safety	167,747	-	769,654	-	-	-	-	937,401
Health	7,935	-	-	-	-	-	-	7,935
Transportation	-	-	-	254,860	-	-	-	254,860
Culture and recreation	2,250	-	-	-	-	-	-	2,250
Home and community services	154,872	-	-	-	-	1,175,043	-	1,329,915
Employee benefits	227,860	-	88,596	-	-	-	-	316,456
Debt service								-
Interest and fiscal charges	671	177	871	-	-	1,064	-	2,783
Total expenditures	<u>578,417</u>	<u>177</u>	<u>859,121</u>	<u>254,860</u>	<u>-</u>	<u>1,176,107</u>	<u>-</u>	<u>2,868,682</u>
Excess of revenues over expenditures	173,302	(177)	(8,927)	9,290	-	(64,505)	74,413	183,396
OTHER FINANCING USES								
Transfers out	(68,705)	-	-	-	-	-	(74,411)	(143,116)
Total other financing uses	<u>(68,705)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(74,411)</u>	<u>(143,116)</u>
Net change in fund balances	104,597	(177)	(8,927)	9,290	-	(64,505)	2	40,280
Fund balances—beginning (as restated)	561,031	30,177	11,979	363,949	10,070	(223,671)	316,646	1,070,181
Fund balances—ending	<u>\$ 665,628</u>	<u>\$ 30,000</u>	<u>\$ 3,052</u>	<u>\$ 373,239</u>	<u>\$ 10,070</u>	<u>\$ (288,176)</u>	<u>\$ 316,648</u>	<u>\$ 1,110,461</u>

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Certified Public Accountants

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

Honorable Town Board
Town of Evans, New York:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Evans, New York (the "Town") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 11, 2018 which includes an emphasis-of-matter paragraph because of restatements to net position of Governmental Activities and Business-type Activities and fund balances of the General Fund, Water Fund, Highway Part-Town Fund, Capital Projects Fund, Debt Service Fund, and Nonmajor Funds as of December 31, 2016.

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 correct on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Handwritten signature of Duesch & Malach LLP in black ink.

April 11, 2018

BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy at the end of this Appendix D to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On January 23, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2017, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Capitalization of AGM

At March 31, 2018:

- The policyholders' surplus of AGM was approximately \$2,247 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described below) were approximately \$1,133 million. Such amount includes 100% of AGM’s contingency reserve and 60.7% of MAC’s contingency reserve.
- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately \$1,646 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM’s wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the “AGM European Subsidiaries”) and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders’ surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “APPENDIX D BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY– Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “APPENDIX D BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100