

**TOWN OF TONAWANDA,
NEW YORK**

*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and Federal
Awards Information for the Year Ended
December 31, 2020 and Independent Auditors' Reports*

TOWN OF TONAWANDA, NEW YORK
Table of Contents
Year Ended December 31, 2020

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet—Governmental Funds	16
Reconciliation of the Balance Sheet—Governmental Funds to the Government-wide Statement of Net Position.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities	19
Statement of Net Position—Proprietary Funds.....	20
Statement of Revenues, Expenses, and Changes in Net Position— Proprietary Funds	21
Statement of Cash Flows—Proprietary Funds.....	22
Statement of Fiduciary Net Position—Custodial Fund.....	23
Statement of Changes in Fiduciary Net Position—Custodial Fund.....	24
Notes to the Financial Statements	25

(continued)

TOWN OF TONAWANDA, NEW YORK
Table of Contents
Year Ended December 31, 2020

Required Supplementary Information:

Schedule of the Town’s Proportionate Share of the Net Pension Liability—Police and Fire Retirement System	57
Schedule of the Town’s Contributions—Police and Fire Retirement System	58
Schedule of the Town’s Proportionate Share of the Net Pension Liability—Employees’ Retirement System	59
Schedule of the Town’s Contributions—Employees’ Retirement System.....	60
Schedule of Changes in the Town’s Total OPEB Liability and Related Ratios	61
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—General Fund.....	62
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—General Fund—Town Outside Village	63
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Highway Fund—Town Outside Village	64
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Sewer District Fund	65
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Water District Fund.....	66
Notes to the Required Supplementary Information.....	67

Supplementary Information:

Combining Balance Sheet—Nonmajor Governmental Funds.....	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds	69
Combining Balance Sheet—Capital Projects Fund.....	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)—Capital Projects Fund	71

(continued)

TOWN OF TONAWANDA, NEW YORK
Table of Contents
Year Ended December 31, 2020

(concluded)

Federal Awards Information:

Schedule of Expenditures of Federal Awards	72
Notes to the Schedule of Expenditures of Federal Awards	73
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	76
Schedule of Findings and Questioned Costs	78
Summary Schedule of Prior Audit Findings	80

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Town Board
Town of Tonawanda, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Tonawanda, New York (the "Town"), as of and for the year ended December 31, 2020, 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.

Auditors' 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2020, the Town implemented Governmental Accounting Standards Board (“GASB”) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town’s basic financial statements. The Supplementary Information, as listed in the table of contents, and Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Drescher & Malecki LLP

June 23, 2021

TOWN OF TONAWANDA, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2020

As management of the Town of Tonawanda, New York (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation.

Financial Highlights

- The liabilities and deferred inflows of resources of the Town exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$328,800,103 (*net position*). This consists of \$78,005,477 net investment in capital assets, \$19,440,319 restricted for specific purposes, and an unrestricted net position of \$(426,245,899).
- The Town's governmental activities net position decreased \$7,559,749 during the year ended December 31, 2020.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$57,846,919, an increase of \$1,514,711 in comparison with the prior year. Excluding the Capital Projects Fund fund balance deficit of \$15,812,850, the Town had unrestricted fund balances of \$55,510,270, which consist of committed, assigned and unassigned fund balances; the remainder is subject to external restrictions (restricted) or is not available for spending (nonspendable).
- The General Fund reported an increase in fund balance of \$737,362 during the current year. At December 31, 2020, unassigned fund balance for the General Fund was \$6,653,226, or 27.0 percent of total General Fund expenditures and transfers out.
- During the year ended December 31, 2020, the Town's total serial bonds outstanding decreased by \$3,350,000 as a result of the issuance of \$2,425,000 in public improvement refunding serial bonds, which refunded the Town's outstanding 2010 serial bonds of \$2,575,000, along with scheduled principal payments of \$3,200,000.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Proprietary funds—The town maintains one type of proprietary fund. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the Town’s various functions. The Town uses internal service funds to account for its self-insurance and workers’ compensation insurance programs. Because these insurance services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

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

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

The Custodial Fund reports resources held by the Town in a custodial capacity for individuals, private organizations and other governments.

The fiduciary fund financial statements can be found on pages 23-24 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 25-56 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town’s net pension liability, the Town’s other postemployment benefits (“OPEB”) obligation, and the Town’s budgetary comparison schedules for each major fund with a legally adopted budget. Required Supplementary Information and related notes can be found on pages 57-67 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and the Capital Projects Fund are presented as other supplementary information immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 68-71.

The Federal Awards Information can be found on pages 72-80 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as useful indicator of a government’s financial position. In the case of the Town, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$328,800,103 at the close of the most recent year, as compared to \$321,240,354 at the close of the fiscal year ended December 31, 2019.

Table 1, as presented below, shows condensed statements of net position as of December 31, 2020 and December 31, 2019.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental Activities	
	December 31,	
	2020	2019
Current assets	\$ 91,877,586	\$ 87,143,671
Capital assets	151,179,353	148,646,510
Total assets	<u>243,056,939</u>	<u>235,790,181</u>
Deferred outflows of resources	<u>130,291,496</u>	<u>37,984,148</u>
Current liabilities	23,383,863	25,769,293
Noncurrent liabilities	567,541,631	480,423,418
Total liabilities	<u>590,925,494</u>	<u>506,192,711</u>
Deferred inflows of resources	<u>111,223,044</u>	<u>88,821,972</u>
Net position:		
Net investment in capital assets	78,005,477	75,280,581
Restricted	19,440,319	21,616,210
Unrestricted	<u>(426,245,899)</u>	<u>(418,137,145)</u>
Total net position	<u>\$ (328,800,103)</u>	<u>\$ (321,240,354)</u>

The largest portion of the Town's net position, \$78,005,477, reflects its investment in capital assets (such as land, buildings and improvements, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$19,440,319, represents resources that are subject to external restrictions on how they may be used, while the last portion of net position is considered to be an unrestricted net position of \$(426,245,899). This demonstrates that future funding will be necessary to liquidate long-term obligations.

Table 2, presented on the following page, shows the changes in net position for the years ended December 31, 2020 and December 31, 2019.

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

	Governmental Activities	
	Year Ended December 31,	
	2020	2019
Program revenues:		
Charges for services	\$ 29,888,513	\$ 30,946,251
Operating grants and contributions	5,964,313	4,114,255
Capital grants and contributions	2,623,495	502,269
General revenues	<u>64,856,007</u>	<u>64,951,001</u>
Total revenues	<u>103,332,328</u>	<u>100,513,776</u>
Program expenses	<u>110,892,077</u>	<u>122,033,376</u>
Change in net position	(7,559,749)	(21,519,600)
Net position—beginning	<u>(321,240,354)</u>	<u>(299,720,754)</u>
Net position—ending	<u>\$ (328,800,103)</u>	<u>\$ (321,240,354)</u>

A summary of sources of revenues of the primary government for the years ended December 31, 2020 and December 31, 2019 is presented below in Table 3.

Table 3—Summary of Sources of Revenues—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
Charges for services	\$ 29,888,513	\$ 30,946,251	\$ (1,057,738)	(3.4)
Operating grants and contributions	5,964,313	4,114,255	1,850,058	45.0
Capital grants and contributions	2,623,495	502,269	2,121,226	422.3
Property taxes and tax items	49,535,615	48,815,306	720,309	1.5
Sales tax	8,425,225	8,648,122	(222,897)	(2.6)
Mortgage tax	1,376,545	1,372,396	4,149	0.3
Franchise fees	1,062,918	1,095,412	(32,494)	(3.0)
Use of money and property	1,636,140	1,496,121	140,019	9.4
Sale of property and compensation for loss	135,950	98,952	36,998	37.4
Miscellaneous	686,235	310,041	376,194	121.3
Unrestricted state aid	<u>1,997,379</u>	<u>3,114,651</u>	<u>(1,117,272)</u>	<u>(35.9)</u>
Total revenues	<u>\$ 103,332,328</u>	<u>\$ 100,513,776</u>	<u>\$ 2,818,552</u>	2.8

Overall revenues increased \$2,818,552, or 2.8 percent from the prior year, primarily due to increased operating and capital grants and contributions.

The most significant source of revenues is property taxes and tax items, which accounts for \$49,535,615, or 48.1 percent of total revenues, for the year ended December 31, 2020, and \$48,815,306, or 48.6 percent of total revenues, for the year ended December 31, 2019. The next largest source of revenue is charges for services of \$29,889,869, or 29.0 percent of total revenues for the year ended December 31, 2020 and \$30,946,251, or 30.8 percent of total revenues for the years ended December 31, 2019, respectively.

A summary of program expenses for the years ended December 31, 2020 and December 31, 2019 is presented below in Table 4.

Table 4—Summary of Program Expenses—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
General government support	\$ 15,347,345	\$ 13,528,410	\$ 1,818,935	13.4
Public safety	28,609,232	29,625,751	(1,016,519)	(3.4)
Health	2,555,432	2,607,201	(51,769)	(2.0)
Transportation	13,582,942	16,368,281	(2,785,339)	(17.0)
Economic assistance and opportunity	813,343	384,942	428,401	111.3
Culture and recreation	12,342,909	17,620,228	(5,277,319)	(30.0)
Home and community services	36,048,127	40,249,038	(4,200,911)	(10.4)
Interest and other fiscal charges	1,592,747	1,649,525	(56,778)	(3.4)
	<u>\$ 110,892,077</u>	<u>\$ 122,033,376</u>	<u>\$ (11,141,299)</u>	(9.1)

Overall expenses decreased \$11,141,299, or 9.1 percent from the prior year, primarily due to decreases in spending to offset the negative economic impact of the COVID-19 pandemic.

The Town’s most significant program expense items for the year ended December 31, 2020 were home and community services of \$36,048,127 (primarily sewer, water, and sanitation services), or 32.5 percent of total expenses, public safety of \$28,609,232 (primarily police services), or 25.8 percent of total expenses, general government support of \$15,347,345, or 13.8 percent of total expenses, and transportation of \$13,582,942, or 12.2 percent of total expenses. Similarly, for the year ended December 31, 2019, significant program expense items were home and community services of \$40,249,038 (primarily sewer, water, and sanitation services), or 33.0 percent of total expenses, public safety of \$29,625,751 (primarily police services), or 24.3 percent of total expenses, culture and recreation of \$17,620,228, or 14.4 percent of total expenses, and transportation of \$16,368,281, or 13.4 percent of total expenses.

Financial Analysis of the Town’s Funds

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

At December 31, 2020, the Town’s governmental funds reported combined ending fund balances of \$57,846,919, an increase of \$1,514,711 in comparison with the prior year. Excluding the Capital Projects Fund fund balance deficit of \$15,812,850, the Town reported total fund balances of \$73,659,769.

Approximately 52.7 percent of this amount, \$38,843,068, constitutes *unassigned fund balance* for the General Fund and fund balance *assigned to specific use* for the special revenue funds which is available for spending at the government’s discretion. The remainder of fund balance is *nonspendable, restricted, committed, or assigned* for other purposes to indicate that it is: (1) not in spendable form, \$2,349,458, (2) restricted for particular purposes, \$15,800,041, (3) committed for capital improvements, \$5,000,000, or (4) assigned for encumbrances, donor specifications and subsequent year’s expenditures, \$11,667,202.

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

Table 5—Major Funds’ Fund Balance—General and Special Revenue Funds

	General	General— Town Outside Village	Highway— Town Outside Village	Sewer District	Water District
Net change in fund balances	\$ 737,362	\$ 1,372,627	\$ 229,926	\$ 2,642,801	\$ 1,780,753
Unassigned or assigned to the fund's specific use	6,653,226	5,240,151	3,197,511	12,347,652	6,383,403
Total fund balances	12,335,812	10,669,372	4,268,562	17,602,376	13,352,325
Percentage unassigned or assigned to specific use	53.9%	49.1%	74.9%	70.1%	47.8%

The General Fund is the chief operating fund of the Town. The Town’s General Fund ending fund balance was \$12,335,812. Approximately 53.9 percent, \$6,653,226, of this amount is *unassigned fund balance*. Total fund balance increased by \$737,362 during 2020, as compared to an anticipated decrease of \$2,844,565 within the final budget. The variance from the final budget was primarily the result of spending under appropriation limits within culture and recreation due to the COVID-19 pandemic and less than expected employee benefits.

The Town’s General Fund—Town Outside Village ending fund balance was \$10,669,372. Approximately 49.1 percent, \$5,240,151 of this amount is *fund balance assigned to specific use*. The total fund balance increased by \$1,372,627 during 2020, as compared to an anticipated decrease of \$3,177,721 within the final budget. The variance from the final budget was primarily the result of spending under appropriation limits for the functions of employee benefits and public safety and greater than anticipated sales tax.

The Town’s Highway Fund—Town Outside Village ending fund balance was \$4,268,562. Approximately 74.9 percent, \$3,197,511, of this amount is *fund balance assigned to specific use*. The fund balance increased by \$229,926 during 2020, as compared to an anticipated decrease of \$937,465 within the final budget. The variance from the final budget was primarily the result of spending under appropriation limits for employee benefits and transportation coupled with greater than anticipated sales tax.

The Town’s Special Grants Fund ending fund balance was \$9,503,590. The fund balance increased by \$230,100 during 2020. The appropriations of the Special Grants Fund are approved based on grants received and vary from year to year.

The Town’s Sewer District Fund ending fund balance was \$17,602,376. Approximately 70.1 percent, \$12,347,652, of this amount is *fund balance assigned to specific use*. The fund balance increased by \$2,642,801 during 2020, as compared to an anticipated decrease of \$1,964,658 within the final budget. The variance from the final budget was primarily the result of unanticipated departmental income related to usage, as well as spending under appropriation limits for the function of home and community services.

The Town’s Water District Fund ending fund balance was \$13,352,325. Approximately 47.8 percent, \$6,383,403, of this amount is *fund balance assigned to specific use*. The fund balance increased by \$1,780,753 during 2020, as compared to an anticipated decrease of \$72,298 within the final budget. The variance from the final budget was primarily the result of spending under appropriation limits for the function of home and community services and employee benefits.

The Town’s Capital Projects Fund reported an ending fund balance deficit of \$15,812,850. This deficit increased by \$6,406,481 during 2020 as a result of capital outlay expenditures outpacing revenues.

General Fund Budgetary Highlights

The Town’s General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward, increased, for prior year’s encumbrances since the funds were allocated under the previous year’s budget, and the Town has appropriately assigned an equal amount of fund balance at year-end for this purpose. Furthermore, the budget is allowed to be amended upward, increased, for additional current year appropriations supported by an increase in budgeted revenues. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget. A summary of the General Fund results of operations for the year ended December 31, 2020 is presented below in Table 6.

Table 6—General Fund Budget

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues and other financing sources	\$ 26,311,550	\$ 27,208,233	\$ 25,416,503	\$ (1,791,730)
Expenditures and other financing uses	<u>29,010,203</u>	<u>30,052,798</u>	<u>24,679,141</u>	<u>5,373,657</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (2,698,653)</u>	<u>\$ (2,844,565)</u>	<u>\$ 737,362</u>	<u>\$ 3,581,927</u>

Original budget compared to final budget—During the year, there was a \$1,042,595 difference between the original and final amended budgeted appropriations of the General Fund. This increase was due primarily to an increase in transfers out for capital purposes.

Final budget compared to actual results—A review of actual expenditures and transfers out and revenues and transfers in compared to appropriations and estimated revenues in the final budget yields certain variances within the General Fund. Expenditures and transfers out were \$5,373,657 less than corresponding final budgeted appropriations, while revenues and transfers in were \$1,791,730 less than corresponding final budgeted estimated revenues. The main components of the variance of expenditures are as follows:

- The Town received \$1,562,177 less than budgeted Departmental Income due to the cancellation of various recreational programs as a result of the limitations placed on the Town as a result of the COVID-19 pandemic.
- Fines and forfeitures revenue was \$595,906 less than budgeted due to the courts being forced to close for the majority of the year due to the COVID-19 pandemic.

- Culture and recreation expenditures were \$3,194,498 less than budgeted largely due to decreased staffing as a result of the COVID-19 pandemic. Many programs were cancelled and staffing was not needed for various events and programs.
- Employee benefits expenditures were \$1,311,987 less than budgeted largely due to less than expected hospital and medical insurance expenditures.
- General government support expenditures were \$532,445 less than budgeted due to limitations placed on the Town by the COVID-19 pandemic.

Capital Assets and Debt Administration

Capital assets—The Town’s investment in capital assets for its governmental activities as of December 31, 2020, amounted to \$151,179,353 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings and improvements, machinery and equipment.

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

Capital assets net of depreciation for the governmental activities at December 31, 2020 and 2019 are presented below in Table 7.

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

	Governmental Activities	
	December 31,	
	2020	2019
Land	\$ 1,493,633	\$ 1,493,633
Construction in progress	10,398,636	14,063,991
Building and improvements	15,515,385	13,296,262
Transportation network	10,451,894	7,102,610
Sewer network	79,319,686	77,648,537
Water network	17,671,249	18,423,238
Drainage network	5,710,400	5,964,200
Improvements other than buildings	2,190,764	1,512,428
Machinery and equipment	8,427,706	9,141,611
Total	<u>\$ 151,179,353</u>	<u>\$ 148,646,510</u>

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

Long-term debt—At December 31, 2020, the Town’s governmental activities had serial bonds outstanding of \$57,540,000 as compared to \$60,890,000 in the prior year. New York State statutes limit the amount of general obligation debt a governmental entity may issue up to 7% of its five year valuation and the Town’s outstanding general obligation debt as of December 31, 2020 continues to be below the current debt limitations for the Town.

A summary of the Town’s long-term liabilities at December 31, 2020 and 2019 is presented below within Table 8.

Table 8—Summary of Long-Term Liabilities

	December 31,	
	2020	2019
	<u>2020</u>	<u>(as restated)</u>
Serial bonds	\$ 57,540,000	\$ 60,890,000
Premium on serial bonds	1,915,529	1,762,433
Landfill closure and post closure liability	4,500,000	5,616,772
Compensated absences	603,771	476,355
Judgements and claims	1,550,000	1,500,000
Workers' compensation	4,059,905	2,719,743
OPEB obligation	453,714,433	398,361,315
Capital lease	1,149,947	1,307,127
Net pension liability	42,508,046	12,009,416
Total	<u>\$ 567,541,631</u>	<u>\$ 484,643,161</u>

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

Economic Factors and Next Year’s Budget

On January 31, 2020, the United States Secretary of Health and Human Services (“HHS”) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. The extent of the impact of COVID-19 on the Town’s operational and financial performance will continue to depend on further developments, including the duration and spread of the outbreak, impact on patients, employees and vendors all of which cannot be predicted. Largely as a result of the public health emergency, the unemployment rate, not seasonally adjusted, for Erie County during December 2020 was 7.6 percent, as compared to New York State’s unemployment rate of 8.1 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 2021 budget. The Town’s 2021 budget includes the appropriation of \$4,100,000 of fund balance in the General Fund and \$6,400,000 in other funds. Additional information on the Town’s budgeted appropriations of fund balance can be found in Note 13 to the financial statements.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

TOWN OF TONAWANDA, NEW YORK
Statement of Net Position
December 31, 2020

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 30,418,334
Investments	15,452,656
Restricted cash, cash equivalents and investments	20,026,034
Receivables	6,634,604
Intergovernmental receivables	8,246,341
Inventories	833,686
Prepaid items	2,015,349
Rehabilitation loans receivable	8,250,582
Capital assets not being depreciated	11,892,269
Capital assets, net of accumulated depreciation	139,287,084
Total assets	243,056,939
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pensions	30,066,022
Deferred outflows—relating to OPEB	100,225,474
Total deferred outflows of resources	130,291,496
LIABILITIES	
Accounts payable	6,429,458
Retainage payable	263,145
Accrued liabilities	3,189,942
Intergovernmental payables	433,732
Bond anticipation notes payable	12,568,400
Unearned revenues	499,186
Noncurrent liabilities:	
Due within one year	3,956,075
Due within more than one year	563,585,556
Total liabilities	590,925,494
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pensions	1,736,521
Deferred inflows—relating to OPEB	109,486,523
Total deferred inflows of resources	111,223,044
NET POSITION	
Net investment in capital assets	78,005,477
Restricted for:	
Equipment and capital improvements	2,434,482
Repairs	1,774,523
Leachate	99,146
Public safety	152,999
Retirement	9,003
Community development	64,351
Rehabilitation loans	9,499,242
Debt	1,766,295
Workers compensation	3,640,278
Unrestricted	(426,245,899)
Total net position	\$ (328,800,103)

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

TOWN OF TONAWANDA, NEW YORK
Statement of Activities
Year Ended December 31, 2020

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and Changes</u> <u>in Net Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Primary</u> <u>Governmental</u> <u>Activities</u>
Primary government:					
Governmental activities:					
General government support	\$ 15,347,345	\$ 1,103,413	\$ -	\$ 367,627	\$ (13,876,305)
Public safety	28,609,232	1,203,196	182,026	171,500	(27,052,510)
Health	2,555,432	46,350	-	-	(2,509,082)
Transportation	13,582,942	138,508	-	689,637	(12,754,797)
Economic assistance and opportunity	813,343	-	-	-	(813,343)
Culture and recreation	12,342,909	2,856,191	220,700	100,000	(9,166,018)
Home and community services	36,048,127	24,540,855	5,561,587	1,294,731	(4,650,954)
Interest and other fiscal charges	<u>1,592,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,592,747)</u>
Total primary government	<u>\$ 110,892,077</u>	<u>\$ 29,888,513</u>	<u>\$ 5,964,313</u>	<u>\$ 2,623,495</u>	<u>(72,415,756)</u>
General revenues:					
					49,535,615
					8,425,225
					1,376,545
					1,062,918
					1,636,140
					135,950
					686,235
					<u>1,997,379</u>
					<u>64,856,007</u>
					(7,559,749)
					<u>(321,240,354)</u>
					<u>\$ (328,800,103)</u>

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

TOWN OF TONAWANDA, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2020

	<u>Special Revenue</u>							Total Nonmajor Funds	Total Governmental Funds
	<u>General</u>	<u>General— Town Outside Village</u>	<u>Highway— Town Outside Village</u>	<u>Special Grants</u>	<u>Sewer District</u>	<u>Water District</u>	<u>Capital Projects</u>		
ASSETS									
Cash and cash equivalents	\$ 2,612,240	\$ 4,095,377	\$ 2,591,859	\$ -	\$ 8,771,946	\$ 5,681,679	\$ -	\$ 5,124,313	\$ 28,877,414
Investments	9,325,928	1,474,906	628,146	-	1,911,384	871,512	-	836,515	15,048,391
Restricted cash, cash equivalents and investments	1,133,784	573,823	543,220	1,702,235	1,742,456	3,263,258	3,470,827	175,782	12,605,385
Receivables	119,405	400,877	-	-	3,114,339	2,999,983	-	-	6,634,604
Intergovernmental receivables	476,345	3,546,571	614,732	253,603	1,121,627	6,436	1,437,358	108,500	7,565,172
Due from other funds	752,951	915,736	390,654	31,421	1,995,179	905,583	-	-	4,991,524
Inventories	-	-	-	-	-	833,686	-	-	833,686
Rehabilitation loans receivable	-	-	-	8,250,582	-	-	-	-	8,250,582
Prepaid items	340,251	719,666	107,692	-	133,974	98,049	-	116,140	1,515,772
Total assets	<u>\$ 14,760,904</u>	<u>\$ 11,726,956</u>	<u>\$ 4,876,303</u>	<u>\$ 10,237,841</u>	<u>\$ 18,790,905</u>	<u>\$ 14,660,186</u>	<u>\$ 4,908,185</u>	<u>\$ 6,361,250</u>	<u>\$ 86,322,530</u>
LIABILITIES									
Accounts payable	\$ 961,099	\$ 337,515	\$ 385,462	\$ 302,872	\$ 435,447	\$ 495,327	3,258,792	\$ 197,266	\$ 6,373,780
Retainage payable	-	-	-	-	-	-	17,945	-	17,945
Accrued liabilities	956,247	702,445	220,923	14,219	325,520	233,718	-	231,509	2,684,581
Intergovernmental payables	320,989	3,592	-	13,698	49,353	18,441	-	4,743	410,816
Due to other funds	-	-	-	106,421	6,209	2,996	4,875,898	-	4,991,524
Bond anticipation notes payable	-	-	-	-	-	-	12,568,400	-	12,568,400
Unearned revenue	186,757	14,032	1,356	297,041	-	-	-	-	499,186
Total liabilities	<u>2,425,092</u>	<u>1,057,584</u>	<u>607,741</u>	<u>734,251</u>	<u>816,529</u>	<u>750,482</u>	<u>20,721,035</u>	<u>433,518</u>	<u>27,546,232</u>
DEFERRED INFLOWS OF RESOURCES									
Special assessments	-	-	-	-	372,000	557,379	-	-	929,379
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>372,000</u>	<u>557,379</u>	<u>-</u>	<u>-</u>	<u>929,379</u>
FUND BALANCES (DEFICIT)									
Nonspendable	340,251	719,666	107,692	-	133,974	931,735	-	116,140	2,349,458
Restricted	947,027	559,791	541,864	9,499,242	1,370,456	2,705,879	-	175,782	15,800,041
Committed	-	-	-	-	2,500,000	2,500,000	-	-	5,000,000
Assigned	4,395,308	9,389,915	3,619,006	4,348	13,597,946	7,214,711	-	5,635,810	43,857,044
Unassigned	6,653,226	-	-	-	-	-	(15,812,850)	-	(9,159,624)
Total fund balances (deficit)	<u>12,335,812</u>	<u>10,669,372</u>	<u>4,268,562</u>	<u>9,503,590</u>	<u>17,602,376</u>	<u>13,352,325</u>	<u>(15,812,850)</u>	<u>5,927,732</u>	<u>57,846,919</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,760,904</u>	<u>\$ 11,726,956</u>	<u>\$ 4,876,303</u>	<u>\$ 10,237,841</u>	<u>\$ 18,790,905</u>	<u>\$ 14,660,186</u>	<u>\$ 4,908,185</u>	<u>\$ 6,361,250</u>	<u>\$ 86,322,530</u>

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

TOWN OF TONAWANDA, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
December 31, 2020

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

Total fund balances (deficit)—governmental funds (page 16)		\$ 57,846,919
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of the assets is \$363,286,990 and the accumulated depreciation is \$212,107,637.		151,179,353
Intergovernmental receivables and unavailable special assessments used in governmental activities are not an available financial resource and, therefore, are not reported in the funds.		1,610,548
Deferred outflows and inflows of resources related to pensions and other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows related to pension employer contributions	\$ 4,542,306	
Deferred outflows related to pension experience, changes of assumptions, investment earnings, and changes in proportion	25,523,716	
Deferred outflows of resources related to OPEB liability	100,225,474	
Deferred inflows of resources related to pensions	(1,736,521)	
Deferred inflows of resources related to OPEB liability	<u>(109,486,523)</u>	19,068,452
		(245,200)
Certain retained percentages are not a current liability and, therefore, are not reported in the funds.		(505,361)
Net accrued interest expense for serial bonds, bond anticipation notes and capital leases is not reported in the funds.		
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:		
Serial bonds	\$ (57,540,000)	
Premium on serial bonds	(1,915,529)	
Landfill closure and post closure liability	(4,500,000)	
Compensated absences	(603,771)	
Other postemployment benefits obligation	(453,714,433)	
Capital lease	(1,149,947)	
Net pension liability	<u>(42,508,046)</u>	(561,931,726)
Internal service funds are used by management to charge the costs of judgements and claims, health insurance and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		<u>4,176,912</u>
Net position of governmental activities		<u>\$ (328,800,103)</u>

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

TOWN OF TONAWANDA, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—Governmental Funds
Year Ended December 31, 2020

	Special Revenue							Total Nonmajor Funds	Total Governmental Funds
	General	General—	Highway—	Special Grants	Sewer District	Water District	Capital Projects		
		Town Outside Village	Town Outside Village						
REVENUES									
Real property taxes	\$ 14,680,134	\$ 13,193,107	\$ 6,879,339	\$ -	\$ 2,371,632	\$ -	\$ -	\$ 11,594,699	\$ 48,718,911
Other property tax items	462,551	240,647	113,506	-	-	-	-	-	816,704
Non-property tax items	-	8,571,213	916,930	-	-	-	-	-	9,488,143
Departmental income	2,991,953	68,502	-	495,887	11,674,039	10,131,888	51,487	19,822	25,433,578
Intergovernmental charges	2,500	234,933	139,864	-	2,058,692	-	-	-	2,435,989
Use of money and property	431,616	233,200	17,206	-	51,113	173,177	120,000	27,237	1,053,549
Licenses and permits	120,619	670,984	-	-	-	-	-	-	791,603
Fines and forfeitures	854,094	51,040	-	-	-	-	-	-	905,134
Sale of property and compensation for loss	13,478	51,414	64,213	-	191	6,654	-	-	135,950
Miscellaneous	467,092	27,675	-	14,980	2,433	359	173,696	-	686,235
Interfund revenue	3,325,117	224,000	111,416	-	-	-	-	-	3,660,533
State aid	1,876,705	1,216,356	323,973	-	-	-	2,623,495	108,500	6,149,029
Federal aid	130,464	89,615	-	2,236,470	13,583	15,414	-	2,040	2,487,586
Total revenues	<u>25,356,323</u>	<u>24,872,686</u>	<u>8,566,447</u>	<u>2,747,337</u>	<u>16,171,683</u>	<u>10,327,492</u>	<u>2,968,678</u>	<u>11,752,298</u>	<u>102,762,944</u>
EXPENDITURES									
Current:									
General government support	4,556,213	1,292,612	-	14,981	-	-	-	-	5,863,806
Public safety	986,292	13,253,888	-	-	-	-	-	832,327	15,072,507
Health	1,349,647	9,931	-	-	-	-	-	-	1,359,578
Transportation	1,035,424	-	4,180,028	-	-	-	-	1,470,598	6,686,050
Economic assistance and opportunity	813,343	-	-	-	-	-	-	-	813,343
Culture and recreation	6,153,943	-	-	-	-	-	-	-	6,153,943
Home and community services	821,703	25,721	-	2,334,003	7,383,475	6,108,959	-	5,607,645	22,281,506
Employee benefits	7,277,395	7,822,321	2,592,509	168,253	2,403,870	2,024,842	-	2,271,900	24,561,090
Debt service:									
Principal	146,838	33,361	216,250	-	2,044,977	608,670	-	2,882,084	5,932,180
Interest and other fiscal charges	100,021	3,525	124,169	-	973,161	294,992	-	212,499	1,708,367
Capital outlay	-	-	-	-	-	-	10,288,103	-	10,288,103
Total expenditures	<u>23,240,819</u>	<u>22,441,359</u>	<u>7,112,956</u>	<u>2,517,237</u>	<u>12,805,483</u>	<u>9,037,463</u>	<u>10,288,103</u>	<u>13,277,053</u>	<u>100,720,473</u>
Excess (deficiency) of revenues over expenditures	2,115,504	2,431,327	1,453,491	230,100	3,366,200	1,290,029	(7,319,425)	(1,524,755)	2,042,471
OTHER FINANCING SOURCES (USES)									
Transfers in	60,180	3,115	-	-	549,235	792,724	2,381,335	163,138	3,949,727
Transfers out	(1,438,322)	(1,061,815)	(1,223,565)	-	(1,272,634)	(302,000)	(1,468,391)	(383,000)	(7,149,727)
Proceeds of refunding bonds	-	-	-	-	-	-	-	2,425,000	2,425,000
Premium on refunding bonds	-	-	-	-	-	-	-	247,240	247,240
Total other financing sources (uses)	<u>(1,378,142)</u>	<u>(1,058,700)</u>	<u>(1,223,565)</u>	<u>-</u>	<u>(723,399)</u>	<u>490,724</u>	<u>912,944</u>	<u>2,452,378</u>	<u>(527,760)</u>
Net change in fund balances (deficit)	737,362	1,372,627	229,926	230,100	2,642,801	1,780,753	(6,406,481)	927,623	1,514,711
Fund balances (deficit)—beginning	11,598,450	9,296,745	4,038,636	9,273,490	14,959,575	11,571,572	(9,406,369)	5,000,109	56,332,208
Fund balances (deficit)—ending	<u>\$ 12,335,812</u>	<u>\$ 10,669,372</u>	<u>\$ 4,268,562</u>	<u>\$ 9,503,590</u>	<u>\$ 17,602,376</u>	<u>\$ 13,352,325</u>	<u>\$ (15,812,850)</u>	<u>\$ 5,927,732</u>	<u>\$ 57,846,919</u>

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

TOWN OF TONAWANDA, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended December 31, 2020

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

Net change in fund balances (deficit)—total governmental funds (page 18) \$ 1,514,711

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and loss on disposals in the current period.

Capital asset additions	\$ 10,434,276	
Loss on disposal of capital assets	(141,587)	
Depreciation expense	<u>(7,759,846)</u>	2,532,843

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (13,207)

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

Direct pension contributions	\$ 6,059,995	
Cost of benefits earned net of employee contributions	(14,177,224)	
OPEB benefit payments and changes in assumptions	<u>47,524,875</u>	39,407,646

Governmental funds report retained percentages expenditures on construction contracts when the retained percentage is paid. However, in the statement of activities retained percentages on construction contracts is reported as an expense as it accrues. (80,521)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 21,476

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Issuance of refunding bonds	\$ (2,425,000)	
Repayment of serial bonds	5,775,000	
Premium on refunding bonds issued	(247,240)	
Amortization of bond premiums	94,144	
Change in landfill closure and post closure liability	1,116,772	
Change in compensated absences	(127,416)	
Change in OPEB obligation	(55,353,118)	
Repayment of capital lease	<u>157,180</u>	(51,009,678)

Internal service funds are used by management to charge the cost of insurance, judgements, claims and related administrative expenses to individual funds. The net excess of charges for such services is reported within governmental activities. 66,981

Change in net position of governmental activities \$ (7,559,749)

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

TOWN OF TONAWANDA, NEW YORK
Statement of Net Position—Proprietary Funds
December 31, 2020

	Governmental Activities		
	Self Insurance Fund	Workers' Compensation Fund	Total Internal Service Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,540,920	\$ -	\$ 1,540,920
Restricted cash and cash equivalents	-	7,420,649	7,420,649
Investments	86,137	318,128	404,265
Due from other funds	-	-	-
Prepaid items	459,577	40,000	499,577
Total current assets	2,086,634	7,778,777	9,865,411
LIABILITIES			
Current liabilities:			
Accounts payable	-	55,678	55,678
Intergovernmental payables	-	22,916	22,916
Noncurrent liabilities:			
Accrued liabilities	1,550,000	4,059,905	5,609,905
Total liabilities	1,550,000	4,138,499	5,688,499
NET POSITION			
Restricted for workers compensation	-	3,640,278	3,640,278
Unrestricted	536,634	-	536,634
Total net position	\$ 536,634	\$ 3,640,278	\$ 4,176,912

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

TOWN OF TONAWANDA, NEW YORK
Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Funds
Year Ended December 31, 2020

	Governmental Activities		
	Self Insurance Fund	Workers' Compensation Fund	Total Internal Service Funds
Operating revenues:			
Charges for services	\$ 1,200,000	\$ 2,000,000	\$ 3,200,000
Refund of prior year expenditures	<u>200,000</u>	<u>365,048</u>	<u>565,048</u>
Total operating revenues	<u>1,400,000</u>	<u>2,365,048</u>	<u>3,765,048</u>
Operating expenses:			
Administrative expenses	90,808	491,646	582,454
Judgments and claim expenses	559,702	2,110,829	2,670,531
Excess insurance	<u>462,625</u>	<u>-</u>	<u>462,625</u>
Total operating expenses	<u>1,113,135</u>	<u>2,602,475</u>	<u>3,715,610</u>
Operating income (loss)	<u>286,865</u>	<u>(237,427)</u>	<u>49,438</u>
Nonoperating revenues:			
Interest income	<u>3,222</u>	<u>14,321</u>	<u>17,543</u>
Total nonoperating revenues	<u>3,222</u>	<u>14,321</u>	<u>17,543</u>
Change in net position	290,087	(223,106)	66,981
Net position—beginning	<u>246,547</u>	<u>3,863,384</u>	<u>4,109,931</u>
Net position—ending	<u>\$ 536,634</u>	<u>\$ 3,640,278</u>	<u>\$ 4,176,912</u>

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

TOWN OF TONAWANDA, NEW YORK
Statement of Cash Flows—Proprietary Funds
Year Ended December 31, 2020

	Governmental Activities		
	Self Insurance Fund	Workers' Compensation Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from participating funds	\$ 206,789	\$ 1,748,975	\$ 1,955,764
Payments to suppliers	-	(36,669)	(36,669)
Payments for administrative and judgments and claims	(400,510)	(899,550)	(1,300,060)
Net cash provided by (used for) operating activities	<u>(193,721)</u>	<u>812,756</u>	<u>619,035</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	3,222	14,321	17,543
Net cash provided by investing activities	<u>3,222</u>	<u>14,321</u>	<u>17,543</u>
Net increase (decrease) in cash and cash equivalents	(190,499)	827,077	636,578
Cash, cash equivalents and investments—beginning	<u>1,817,556</u>	<u>6,911,700</u>	<u>8,729,256</u>
Cash, cash equivalents and investments—ending	<u>\$ 1,627,057</u>	<u>\$ 7,738,777</u>	<u>\$ 9,365,834</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 286,865	\$ (237,427)	\$ 49,438
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
(Increase) in prepaid items	(42,555)	(40,000)	(82,555)
(Decrease) increase in accounts payable	(462,675)	3,331	(459,344)
Increase in accrued liabilities	50,000	1,340,162	1,390,162
(Decrease) in intergovernmental payables	-	(2,285)	(2,285)
Change in interfund loans	(25,356)	(251,025)	(276,381)
Net cash provided by (used for) operating activities	<u>\$ (193,721)</u>	<u>\$ 812,756</u>	<u>\$ 619,035</u>

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

TOWN OF TONAWANDA, NEW YORK
Statement of Fiduciary Net Position—Custodial Fund
December 31, 2020

	Custodial Fund
ASSETS	
Restricted cash and cash equivalents	\$ 30,992
Total assets	<u>\$ 30,992</u>
LIABILITIES	
Accounts payable and other liabilities	<u>151</u>
Total liabilities	<u>151</u>
NET POSITION	
Total net position	<u>\$ 30,841</u>

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

TOWN OF TONAWANDA, NEW YORK
Statement of Changes in Fiduciary Net Position—Custodial Fund
December 31, 2020

	Custodial Fund
ADDITIONS	
Funds received on behalf of individuals	\$ 10,007
Total contributions	10,007
 DEDUCTIONS	
Funds distributed to individuals	27,645
Total deductions	27,645
Change in net position	(17,638)
Net position—beginning, as restated	48,479
Net position—ending	\$ 30,841

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

TOWN OF TONAWANDA, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Government-wide Financial Statements

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

Reporting Entity

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

Independently elected officials of the Town include:

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

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

Basis of Presentation—Government-wide Financial Statements

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

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

Basis of Presentation—Fund Financial Statements

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

The Town reports the following major governmental funds:

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

The Town reports the following fund types:

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

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

Additionally, the Town 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 Custodial Fund. Activities reported in the fiduciary funds include monies from outside entities, controlled and administered by the Town for the benefit of others.

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

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

Measurement Focus and Basis of Accounting

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

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

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the

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

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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

Cash and Cash Equivalents—The Town’s cash and cash equivalents consist of cash on hand, demand deposits, and time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition.

Investments—Permissible investments include obligations of the United States Treasury, United State Agencies, repurchase agreements, obligations of New York State or its localities, certificates of deposit and revenue anticipation notes. Investments maturing in more than one year are stated at fair value based on quoted market prices, while investments maturing in less than one year are stated at amortized cost in accordance with GASB.

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

Inventories—Inventories, comprised of water distribution materials and supplies, are valued at cost. Inventories of other governmental funds are recorded as expenditures when purchased.

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

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

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

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

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

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At December 31, 2020, the Town reported unearned revenues within the General Fund, General—Town Outside Village Fund, and Special Grants Fund. The Town has received grant, rent, and other funds in advance but has not performed the services, and therefore recognizes a liability.

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, 2020, the Town has two items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide financial statements. This represents the effect of the net change in the Town’s proportion of the collective net pension asset or liability, and the difference during the measurement period between the Town’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense and any contributions to the pension systems made subsequent to the measurement date. The second item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the Town’s proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability.

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, 2020, the Town has three items which qualify for reporting in this category. The first item represents the effect of the net change in the Town’s proportion of the collective net pension liability and the difference during the measurement periods between the Town’s contributions and its proportionate share of total contributions to the pension systems not included in pension expense and it is reported on the government-wide statements. The second item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the Town’s proportion of the collective net OPEB liability and the difference during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability. The last item is unavailable revenue from special assessments, which arise only under a modified accrual basis of accounting. Accordingly, deferred inflows of resources for the special assessments are only reported on the governmental funds balance sheet.

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

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

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

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

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

Revenues and Expenses/Expenditures

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

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

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

In 2020, tax payments were due January 1 to February 15 without penalty; February 16 to 28 a 1.5% penalty; March 1 to 15 a 3% penalty; March 16 to 31 a 4.5% penalty; April 1 to 17 a 6% penalty; April 18 to May 1 a 7.5% penalty; and 1.5% added each month thereafter.

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

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

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

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

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

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

Interfund Revenues—The Town allocates General Fund and General—Town Outside Village Fund costs incurred in the general administration of the Town to other funds based on their proportionate benefit of the total costs allocated. In 2020, the Town has reported interfund revenues in the General Fund, General—Town Outside Village Fund, and Highway—Town Outside Village Fund of \$3,325,117, \$224,000, and \$111,416, respectively, representing an allocation of costs to various special revenue funds. The amounts are reported as general government support expenditures in the General and General—Town Outside Village Funds as well as in the benefitting funds.

Other

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

Adoption of New Accounting Pronouncements—During the year ended December 31, 2020, the Town implemented GASB Statements No. 84, *Fiduciary Activities* and GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. Additionally, the Town early implemented GASB Statements No. 92, *Omnibus 2020*; and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a suppression of GASB Statement No. 32*. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. GASB Statement No. 92 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 97 increases consistency and comparability related to the reporting of fiduciary component units, mitigates costs associated with the reporting of certain defined contribution plans and enhances the relevance, consistency and comparability of the accounting and reporting for internal Revenue Code Section 457 deferred compensation plans. GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of GASB Statements No. 84, 92, 95, and 97 did not have a material impact on the Town’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Town has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; No. 91, *Conduit Debt Obligations*; and No. 93, *Replacement of Interbank Offered Rates*, effective for the year ending December 31, 2021, No. 87, *Leases*; and No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the year ending December 31, 2022, No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ended December 31, 2023. The Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 87, 89, 91, 93, 94 and 96 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

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

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

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

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

Deficit Fund Balance—At December 31, 2020, the Capital Projects Fund, a major fund, has a deficit fund balance of \$15,812,850. The primary reason for the deficit in this case is that the Town issued bond anticipation notes (“BANs”), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances). When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. Since the BANs are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs or retire the BANs.

2. RESTATEMENT OF NET POSITION

During the year ended December 31, 2020, the Town implemented GASB Statement No. 84, *Fiduciary Activities*. The implementation of GASB Statement No. 84 establishes criteria for identifying fiduciary activities of state and local governments. This Statement also provides for the recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

The effect of this restatement to the Town’s Fiduciary Fund is summarized as follows:

	Custodial Fund
	<hr/>
Net position—December 31, 2019, as previously stated	\$ -
GASB Statement No. 84 implementation	<u>48,479</u>
Net position—December 31, 2019, as restated	<u>\$ 48,479</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

Cash, cash equivalents and investments at December 31, 2020 are as follows:

	Governmental Funds	Proprietary Funds	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 8,944	\$ -	\$ -	\$ 8,944
Deposits	41,473,855	8,961,569	30,992	50,466,416
Investments	15,048,391	404,265	-	15,452,656
Total	<u>\$ 56,531,190</u>	<u>\$ 9,365,834</u>	<u>\$ 30,992</u>	<u>\$ 65,928,016</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2020 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 1,097,734	\$ 1,096,827
Uninsured:		
Collateral held by pledging bank's agent in the Town's name	<u>50,537,246</u>	<u>49,369,589</u>
Total	<u>\$ 51,634,980</u>	<u>\$ 50,466,416</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As noted above, by New York State statute all deposits in excess of FDIC insurance coverage must be collateralized. At December 31, 2020 the Town's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the Town's name.

Restricted Cash, Cash Equivalents and Investments—Restricted cash, cash equivalents and investments represent monies from unearned revenues and special assessments, amounts to support fund balance restrictions, unspent proceeds of debt, advanced funds in the workers' compensation fund to pay for future claims and amounts held on behalf of others. At December 31, 2020, the Town reported restricted cash, cash equivalents and investments of \$12,605,385 within its governmental funds, restricted cash and cash equivalents of \$7,420,649 within its proprietary funds and \$30,992 within its fiduciary fund.

Investments—At December 31, 2020, the Town reported \$15,452,656 in investments, which consists of treasury bills, as well as certificates of deposit and other U.S. treasuries with maturity dates ranging from six months to two years. Investments with maturities less than one year are measured at amortized cost, while all other investments are measured at fair value in accordance with GASB. All investments are collateralized at December 31, 2020.

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

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. All investments reported by the Town are measured using level 1 inputs.

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

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

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

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

4. RECEIVABLES

Major revenues accrued by the Town at December 31, 2020 consisted of the following:

Receivables—Represents amounts due from various sources. Also included are special assessment receivables from individual property owners. These amounts have been reported as deferred inflows of resources in the balance sheet of the governmental funds and are recognized as revenue when the amounts are both measurable and available. Amounts due to the Town at December 31, 2020 are:

Governmental funds:		
General Fund:		
Various fees and charges		\$ 119,405
General—Town Outside Village Fund:		
Franchise fees	\$ 391,485	
Various fees and charges	<u>9,392</u>	400,877
Sewer District Fund:		
Sewer rents	2,893,626	
Various fees and charges	<u>220,713</u>	3,114,339
Water District Fund:		
Water rents	2,997,063	
Various fees and charges	<u>2,920</u>	<u>2,999,983</u>
Total governmental funds		<u>\$ 6,634,604</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, 2020 shown on the following page.

Governmental funds:		
General Fund:		
Due from Federal	\$ 2,597	
Due from New York State	333,626	
Due from Erie County	1,300	
Due from local sources	<u>138,822</u>	\$ 476,345
General—Town Outside Village Fund:		
Due from Federal	21,664	
Due from New York State	263,087	
Due from Erie County	3,244,891	
Due from local sources	<u>16,929</u>	3,546,571
Highway—Town Outside Village Fund:		
Due from New York State	37,350	
Due from Erie County	465,966	
Due from local sources	<u>111,416</u>	614,732
Special Grants Fund:		
Due from Federal		253,603
Sewer District Fund:		
Due from New York State	18,297	
Due from local sources	<u>1,103,330</u>	1,121,627
Water District Fund:		
Due from New York State		6,436
Capital Projects Fund:		
Due from New York State		1,437,358
Nonmajor Funds:		
Due from New York State		<u>108,500</u>
Total governmental funds		<u>\$ 7,565,172</u>

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

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

At December 31, 2020 the Town reported rehabilitation loans receivable of \$8,250,582 and restricted cash of \$1,702,235 related to the home repair program.

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2020 was as follows:

	Balance 1/1/2020	Increases	Decreases	Balance 12/31/2020
Capital assets, not being depreciated:				
Land	\$ 1,493,633	\$ -	\$ -	\$ 1,493,633
Construction in progress	14,063,991	10,288,103	(13,953,458)	10,398,636
Total capital assets, not being depreciated	<u>15,557,624</u>	<u>10,288,103</u>	<u>(13,953,458)</u>	<u>11,892,269</u>
Capital assets, being depreciated:				
Buildings and improvements	38,627,488	3,172,744	-	41,800,232
Transportation network	29,047,182	4,029,524	-	33,076,706
Sewer network	159,854,391	4,907,745	-	164,762,136
Water network	50,568,960	-	-	50,568,960
Drainage network	19,713,737	-	-	19,713,737
Improvements other than buildings	7,575,127	881,341	-	8,456,468
Machinery and equipment	32,154,272	1,108,277	(246,067)	33,016,482
Total capital assets, being depreciated	<u>337,541,157</u>	<u>14,099,631</u>	<u>(246,067)</u>	<u>351,394,721</u>
Less accumulated depreciation for:				
Buildings and improvements	(25,331,226)	(953,621)	-	(26,284,847)
Transportation network	(21,944,572)	(680,240)	-	(22,624,812)
Sewer network	(82,205,854)	(3,236,596)	-	(85,442,450)
Water network	(32,145,722)	(751,989)	-	(32,897,711)
Drainage network	(13,749,537)	(253,800)	-	(14,003,337)
Improvements other than buildings	(6,062,699)	(203,005)	-	(6,265,704)
Machinery and equipment	(23,012,661)	(1,680,595)	104,480	(24,588,776)
Total accumulated depreciation	<u>(204,452,271)</u>	<u>(7,759,846)</u>	<u>104,480</u>	<u>(212,107,637)</u>
Total capital assets, being depreciated, net	<u>133,088,886</u>	<u>6,339,785</u>	<u>(141,587)</u>	<u>139,287,084</u>
Total capital assets, net	<u>\$ 148,646,510</u>	<u>\$ 16,627,888</u>	<u>\$ (14,095,045)</u>	<u>\$ 151,179,353</u>

Depreciation expense was charged to functions of the governmental activities for the year ended December 31, 2020 as follows:

General government support	\$ 343,749
Public safety	662,475
Health	17,830
Transportation	1,093,219
Culture and recreation	845,447
Home and community services	4,797,126
Total	<u>\$ 7,759,846</u>

6. ACCRUED LIABILITIES

Accrued liabilities include salary and other related liabilities. Accrued liabilities of the Town's governmental funds and proprietary funds at December 31, 2020 are:

Governmental Funds:	
General Fund	\$ 956,247
General—Town Outside Village Fund	702,445
Highway—Town Outside Village Fund	220,923
Special Grants Fund	14,219
Sewer District Fund	325,520
Water District Fund	233,718
Nonmajor funds	<u>231,509</u>
Total governmental funds	<u>\$ 2,684,581</u>
Proprietary Funds:	
Self Insurance	\$ 1,550,000
Workers' Compensation	<u>4,059,905</u>
Total proprietary funds	<u>\$ 5,609,905</u>

7. RETIREMENT SYSTEM PENSION PLANS

Plan Description and Benefits Provided

New York State and Local Police and Fire Retirement System (“PFRS”) and Employees’ Retirement System (“ERS”)—The Town participates in the PFRS and ERS (the “Systems”), which 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 10, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the System’s fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2020, 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, 2020. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2019, with update procedures used to roll forward the total net pension liabilities to the measurement date. The Town's proportion of the net pension liabilities were based on projections of the Town's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the Town.

	<u>PFRS</u>	<u>ERS</u>
Measurement date	March 31, 2020	March 31, 2020
Net pension liability	\$ 16,915,962	\$ 25,592,084
Town's portion of the Plan's total net pension liability	0.3164857%	0.0966447%

For the year ended December 31, 2020, the Town recognized pension expenses of \$5,878,909 and \$8,298,314 respectively, for PFRS and ERS. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown below.

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>
Differences between expected and actual experiences	\$ 1,126,425	\$ 1,506,198	\$ 283,340	\$ -
Changes of assumptions	1,445,906	515,303	-	444,956
Net difference between projected and actual earnings on pension plan investments	7,617,790	13,119,746	-	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	93,265	99,083	224,704	783,521
Town contributions subsequent to the measurement date	1,983,893	2,558,413	-	-
Total	<u>\$ 12,267,279</u>	<u>\$ 17,798,743</u>	<u>\$ 508,044</u>	<u>\$ 1,228,477</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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>PFRS</u>	<u>ERS</u>
2021	\$ 2,039,003	\$ 2,150,282
2022	2,294,418	3,482,737
2023	2,924,423	4,609,472
2024	2,415,358	3,769,362
2025	102,140	-

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, 2020	March 31, 2020
Actuarial valuation date	April 1, 2019	April 1, 2019
Interest rate	6.80%	6.80%
Salary scale	5.00%	4.20%
Decrement tables	April 1, 2010- March 31, 2015	April 1, 2010- March 31, 2015
Inflation rate	2.5%	2.5%
Cost-of-living adjustments	1.3%	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2018. The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

	PFRS and ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
	March 31, 2020	
Measurement date		
Asset class:		
Domestic equities	36.0 %	4.1 %
International equities	14.0	6.2
Private equity	10.0	6.8
Real estate	10.0	5.0
Absolute return strategies	2.0	3.3
Opportunistic portfolio	3.0	4.7
Real assets	3.0	6.0
Bonds and mortgages	17.0	0.8
Cash	1.0	0.0
Inflation-indexed bonds	4.0	0.5
Total	100.0 %	

Discount Rate—The discount rate used to calculate the total pension liabilities was 6.8%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.8%, 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 (5.8%) or one percentage-point higher (7.8%) than the current assumption.

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Employer's proportionate share of the net pension liability—PFRS	\$ 30,246,085	\$ 16,915,962	\$ 4,978,536
Employer's proportionate share of the net pension liability—ERS	\$ 46,968,700	\$ 25,592,084	\$ 5,904,130

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

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2019	April 1, 2019	
Employers' total pension liability	\$ 35,309,017	\$ 194,596,261	\$ 229,905,278
Plan fiduciary net position	29,964,080	168,115,682	198,079,762
Employers' net pension liability	<u>\$ 5,344,937</u>	<u>\$ 26,480,579</u>	<u>\$ 31,825,516</u>
System fiduciary net position as a percentage of total pension liability	84.9%	86.4%	86.2%

8. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

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

Employees Covered by Benefit Terms—At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	493
Active employees	<u>466</u>
Total	<u>959</u>

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

Total OPEB Liability

The Town’s total OPEB liability of \$453,714,433 was measured as of December 31, 2020, and was determined by an actuarial valuation as of January 1, 2020.

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

In the January 1, 2020 actuarial valuation, the Entry Age Normal actuarial cost method, over a level percent of pay was used. The single discount rate changed from 2.75% effective January 1, 2020 to 2.00% effective December 31, 2020. The salary scale assumed to increase at 2.00% per year. As of the December 31, 2020 measurement date the mortality improvement table was updated from Scale MP-2019 to Scale MP-2020 on a generational basis. The 2015 New York State Employee’ Retirement System rate were used for retirement rates. This rate was based on the April 1, 2015 to March 31, 2020 experience study released by the Retirement Systems Actuary and published in their August 2020 report. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 7.00% while the ultimate healthcare cost trend rate is 3.78%. An inflation rate of 2.25% was assumed for developing the rate of increase in healthcare costs.

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

	<u>Total OPEB Liability</u>
Balance at December 31, 2019	<u>\$ 398,361,315</u>
Changes for the year:	
Service cost	11,351,929
Interest	10,792,907
Expected and actual experience	(15,124,366)
Changes of assumptions	56,861,562
Benefit payments	<u>(8,528,914)</u>
Net changes	<u>55,353,118</u>
Balance at December 31, 2020	<u>\$ 453,714,433</u>

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

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB liability	\$ 552,984,380	\$ 453,714,433	\$ 377,504,857

Additionally, healthcare costs can be subject to considerable volatility over time. The table below presents the effect on the net OPEB liability of a 1% change in the initial (7.00%)/ultimate (3.78%) healthcare cost trend rates.

	1% Decrease (6.00%/2.78%)	Health Healthcare Cost Trend Rates (7.00%/3.78%)	1% Increase (8.00%/4.78%)
Total OPEB liability	\$ 371,446,657	\$ 453,714,433	\$ 563,829,568

Funding Policy—Authorization for the Town to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the Town Board. The Town recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. The Town’s contributions to the OPEB plan are based on negotiated contracts with three bargaining units, as discussed in Note 15. Any amendments to the employer’s contributions are subject to the collective bargaining agreements.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The Town reports deferred outflows and inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability. The following table presents the Town’s deferred inflows of resources at December 31, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 80,978,878
Changes in assumptions	100,225,474	28,507,645
Total	<u>\$ 100,225,474</u>	<u>\$ 109,486,523</u>

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

Year Ending December 31,	
2021	\$ (5,787,679)
2022	(5,787,679)
2023	(5,787,679)
2024	(277,704)
2025	5,145,444
Thereafter	3,234,248

9. RISK MANAGEMENT

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

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

At December 31, 2020, the judgments and claims liability and the workers' compensation liability are recorded within the Town's Internal Service Fund. The workers' compensation liability at December 31, 2020 reflects the actuarial analysis of the projected liability. Changes in the reported liabilities since January 1, 2018 are presented below.

	Liability at 1/1/2020	Adjustments and Claims	Adjustments and Payments	Liability at 12/31/2020
Judgments and claims	\$ 1,500,000	\$ 559,702	\$ 509,702	\$ 1,550,000
Workers' compensation	2,719,743	3,450,991	2,110,829	4,059,905

	Liability at 1/1/2019	Adjustments and Claims	Adjustments and Payments	Liability at 12/31/2019
Judgments and claims	\$ 1,500,000	\$ 255,437	\$ 255,437	\$ 1,500,000
Workers' compensation	2,986,287	84,507	351,051	2,719,743

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

10. LEASE OBLIGATIONS

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

Year Ending December 31,	Governmental Activities
2021	\$ 210,725
2022	210,725
2023	210,725
2024	210,725
2025	210,725
2026-2027	<u>263,406</u>
Total minimum lease payments	1,317,031
Less: amount representing interest	<u>(167,084)</u>
Present value of minimum lease payment:	<u>\$ 1,149,947</u>

The assets acquired through the capital lease are as follows:

	Governmental Activities
Assets:	
Aquatic & Fitness Center improvements	\$ 2,555,953
Less: accumulated depreciation	<u>(1,192,778)</u>
Total	<u>\$ 1,363,175</u>

11. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs used for assessable improvement projects may be renewed for periods equivalent to the life of the permanent financing provided that annual reductions of principal are made. The Town’s short-term debt for the year ended December 31, 2020 is summarized below:

Description	Issue/ Maturity Date	Interest Rate	Balance 1/1/2020	Issues	Redemptions	Balance 12/31/2020
Recorded in the Capital Projects Fund for:						
General Fund:						
Golf Dome Renovation	2019/2020	2.00%	\$ 2,500,000	\$ -	\$ 2,500,000	\$ -
Golf Dome Renovation	2020/2021	1.50%	-	2,375,000	-	2,375,000
Golf Dome Renovation	2020/2021	1.50%	-	500,000	-	500,000
Highway—Town Outside Village Fund:						
Highway Road Paving	2019/2020	2.00%	3,359,496	-	3,359,496	-
Highway Road Paving	2020/2021	1.50%	-	3,830,000	-	3,830,000
Sewer District:						
I&I Demonstration Project Construction	2019/2020	2.00%	2,200,000	-	2,200,000	-
I&I Demonstration Project Construction	2020/2021	1.50%	-	2,000,000	-	2,000,000
Bio Clarifier and Bar Screen Rehabilitation	2019/2020	2.00%	3,150,400	-	3,150,400	-
Bio Clarifier and Bar Screen Rehabilitation	2020/2021	1.50%	-	<u>3,863,400</u>	-	<u>3,863,400</u>
Total			<u>\$ 11,209,896</u>	<u>\$ 12,568,400</u>	<u>\$ 11,209,896</u>	<u>\$ 12,568,400</u>

12. LONG-TERM LIABILITIES

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

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

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

A summary of changes in long-term debt for the year ended December 31, 2020 follows:

	Balance 1/1/2020	Additions	Reductions	Balance 12/31/2020	Due Within One Year
Serial bonds	\$ 60,890,000	\$ 2,425,000	\$ 5,775,000	\$ 57,540,000	\$ 3,120,000
Premium on serial bonds	1,762,433	247,240	94,144	1,915,529	141,857
Net bonds payable	62,652,433	2,672,240	5,869,144	59,455,529	3,261,857
Landfill closure and post closure liability	5,616,772	-	1,116,772	4,500,000	500,000
Compensated absences*	476,355	127,416	-	603,771	30,189
Judgements and claims	1,500,000	559,702	509,702	1,550,000	-
Workers' compensation	2,719,743	3,450,991	2,110,829	4,059,905	-
OPEB obligation	398,361,315	63,882,032	8,528,914	453,714,433	-
Capital lease	1,307,127	-	157,180	1,149,947	164,029
Net pension liability*	12,009,416	30,498,630	-	42,508,046	-
Totals	<u>\$ 484,643,161</u>	<u>\$ 101,191,011</u>	<u>\$ 18,292,541</u>	<u>\$ 567,541,631</u>	<u>\$ 3,956,075</u>

(*Additions to the net pension liability are shown net of reductions. Reductions are not available for compensated absences.)

Serial Bonds—The Town borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. The bonds are full faith and credit debt of the Town.

On November 10, 2020, the Town issued \$2,425,000 in various purposes serial bonds with interest rates ranging from 2.50% to 3.00%. The proceeds were used to refund 2010 various purpose serial bonds with an interest rate of 4.00%. The net proceeds of \$2,597,610 (including a \$247,240 premium and after payment of \$74,630 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds which was made by the escrow agent on December 31, 2020. As a result, the liability for the 2010 various purpose serial bonds has been removed from the statement of net position.

A summary of bonded indebtedness transactions for the year ended December 31, 2020 is presented below:

Description	Year of Issue/ Maturity	Interest Rate (%)	Balance 1/1/2020	Additions	Reductions	Balance 12/31/2020
General Fund—Town Outside Village Fund:						
Police Detective Vehicles	2019/2039	2.00-5.00%	\$ 26,807	\$ -	\$ 26,807	\$ -
Highway—Town Outside Village Fund:						
Various highway projects	2010/2025	2.00-3.00%	120,000	-	120,000	-
Various highway projects	2019/2039	2.00-5.00%	1,310,250	-	96,250	1,214,000
Sewer District Fund:						
Sewer improvements	2010/2025	2.00-3.00%	2,100,000	-	2,100,000	-
Sewer improvements	2012/2042	0.24-4.10%	16,905,000	-	630,000	16,275,000
Sewer improvements	2013/2042	0.36-4.76%	8,440,000	-	310,000	8,130,000
Sewer improvements	2015/2045	0.20-4.27%	9,820,000	-	315,000	9,505,000
Sewer improvements	2017/2046	0.00%	8,050,000	-	245,000	7,805,000
Sewer improvements	2019/2039	2.00-5.00%	3,488,189	-	191,189	3,297,000
Sewer improvements	2020/2025	4.00%	-	1,647,800	-	1,647,800
Water District Fund:						
Waterline improvements	2010/2025	2.00-3.00%	480,000	-	480,000	-
Waterline improvements	2019/2039	2.00-5.00%	7,507,670	-	503,670	7,004,000
Waterline improvements	2020/2025	4.00%	-	353,100	-	353,100
Nonmajor funds:						
Garbage totes	2019/2039	2.00-5.00%	1,012,084	-	116,084	896,000
Drainage improvements	2010/2025	2.00-3.00%	525,000	-	525,000	-
Drainage improvements	2019/2039	2.00-5.00%	1,105,000	-	116,000	989,000
Drainage improvements	2020/2025	4.00%	-	424,100	-	424,100
Total			<u>\$ 60,890,000</u>	<u>\$ 2,425,000</u>	<u>\$ 5,775,000</u>	<u>\$ 57,540,000</u>

Amortization of Bond Premium—On August 15, 2019, the Town issued serial bonds totaling \$14,450,000 and received a bond premium of \$1,796,110. Additionally, on November 10, 2020, the Town issued refunding serial bonds totaling \$2,425,000 and received a bond premium of \$247,240. The premiums are being amortized on a straight-line basis over the life of the bonds, which mature on August 15, 2039 and September 1, 2025, respectively. The unamortized premium as of December 31, 2020 was \$1,915,529.

Landfill Closure and Post Closure Liability—State and federal laws and regulations require the Town to place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the site for 30 years after closure. Both closure and post-closure care costs will be paid in the future. However, accounting rules and regulations require the Town to report a portion of these closure and post-closure care costs as a long-term liability in each period based on landfill capacity used as of each balance sheet date. The \$4,500,000 reported as landfill closure and post-closure care liability at December 31, 2020 represents the cumulative amount reported to date based on 100% capacity of the landfill as the Town is not accepting additional solid waste. This amount is estimated based on what it would cost to perform all closure and post-closure care in 2020. The Town did not incur any costs relating to closure and post-closure activities during the year ended December 31, 2020 and the Town is still awaiting a decision from the Army Corps of Engineers to

December 31, 2020 and the Town is still awaiting a decision from the Army Corps of Engineers to determine final closure procedures. Actual cost may vary due to inflation, changes in technology, or changes in regulations.

Compensated Absences—As explained in Note 1, the Town records the value of compensated absences. The annual budgets of the general and special revenue funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at December 31, 2020, for governmental activities is \$603,771. This amount has been recorded as a noncurrent liability since payment of compensated absences is dependent upon many factors, therefore, timing of future payments is not readily determinable.

Judgments and Claims—As explained in Note 9, the Town records a liability for general liability claims in the government-wide financial statements. The Town's judgments and claims liability, which totals \$1,550,000 at December 31, 2020, represents estimated amounts due for various outstanding claims. Payment of these estimated amounts are dependent upon many factors (including outstanding litigation).

Workers' Compensation—Accrued workers' compensation, which totals \$4,059,905 represents the Town's estimate of both asserted and unasserted workers' compensation losses. The payments related to these liabilities are dependent upon many factors and, therefore, timing of future payments are not readily determinable. Refer to Note 9 for additional information related to workers' compensation.

Other Postemployment Benefits ("OPEB") Obligation—As explained in Note 8, the Town provides medical and prescription drug insurance benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee's total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The Town's annual postemployment benefit ("OPEB") cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability). The long-term OPEB liability is estimated to be \$453,714,433 at December 31, 2020.

Capital Lease—The outstanding balance at December 31, 2020 for the energy performance project was \$1,149,947. Refer to Note 10 for additional information related to the Town's capital lease.

Net Pension Liability—The Town reports a liability for its proportionate share of the net pension liability for the Police and Fire Retirement System and Employee's Retirement System. The net pension liability is estimated to be \$42,508,046 in the governmental activities. Refer to Note 7 for additional information related to the Town's net pension liability.

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

Year Ending December 31,	Serial Bonds	Premium on Serial Bonds	Landfill Closure and Post Closure Liability	Compensated Absences	Judgements and Claims
2021	\$ 3,120,000	\$ 141,857	\$ 500,000	\$ 30,189	\$ -
2022	3,178,000	141,857	4,000,000	-	-
2023	3,283,000	141,857	-	-	-
2024	3,351,000	141,857	-	-	-
2025	3,431,000	124,504	-	-	-
2026-2030	12,819,000	449,028	-	-	-
2031-2035	11,763,000	449,028	-	-	-
2036-2040	9,882,000	325,541	-	-	-
2041-2045	6,362,000	-	-	-	-
2046 and thereafter	351,000	-	-	573,582	1,550,000
Total	<u>\$ 57,540,000</u>	<u>\$ 1,915,529</u>	<u>\$ 4,500,000</u>	<u>\$ 603,771</u>	<u>\$ 1,550,000</u>

Year Ending December 31,	Workers' Compensation	OPEB Obligation	Capital Lease	Net Pension Liability	Total
2021	\$ -	\$ -	\$ 164,029	\$ -	\$ 3,956,075
2022	-	-	171,177	-	7,491,034
2023	-	-	178,636	-	3,603,493
2024	-	-	186,420	-	3,679,277
2025	-	-	194,543	-	3,750,047
2026-2030	-	-	255,142	-	13,523,170
2031-2035	-	-	-	-	12,212,028
2036-2040	-	-	-	-	10,207,541
2041-2045	-	-	-	-	6,362,000
2046 and thereafter	4,059,905	453,714,433	-	42,508,046	502,756,966
Total	<u>\$ 4,059,905</u>	<u>\$ 453,714,433</u>	<u>\$ 1,149,947</u>	<u>\$ 42,508,046</u>	<u>\$ 567,541,631</u>

Interest requirements for the Town’s outstanding serial bonds and capital lease are shown below.

Year Ending December 31,	Serial Bonds	Capital Lease
2021	\$ 1,195,295	\$ 46,696
2022	1,131,717	39,548
2023	1,039,991	32,089
2024	942,643	24,305
2025	841,323	16,182
2026-2030	2,983,106	8,264
2031-2035	1,835,641	-
2036-2040	915,008	-
2041-2045	178,794	-
Total	<u>\$ 11,063,518</u>	<u>\$ 167,084</u>

13. NET POSITION AND FUND BALANCE

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

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

Capital assets, net of accumulated depreciation	\$ 151,179,353
Related debt:	
Serial bonds issued	\$ (57,540,000)
Premium on serial bonds issued	(1,915,529)
Bond anticipation notes issued for capital assets	(12,568,400)
Capital lease	<u>(1,149,947)</u> <u>(73,173,876)</u>
Net investment in capital assets	<u>\$ 78,005,477</u>

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

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by the Town at December 31, 2020 include:

- **Inventory**—Represents the portion of fund balance composed of inventory. This balance is nonspendable as the inventory does not represent an available resource. At December 31, 2020 the Water District Fund reported inventory amounts of \$833,686.
- **Prepaid Items**—Represents amounts prepaid to the retirement systems and vendors that are applicable to future accounting periods. At December 31, 2020 the General Fund, General—Town Outside Village Fund, Highway—Town Outside Village Fund, Sewer District Fund, Water District Fund, and nonmajor funds reported prepaid items amounts of \$340,251, \$719,666, \$107,692, \$133,974, \$98,049, and \$116,140, respectively.

In the fund financial statements, restricted fund balances are amounts with external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions and enabling legislation. Restricted fund balances maintained by the Town at December 31, 2020 are presented below.

	Equipment and Capital Improvements	Repairs	Leachate	Public Safety	Retirement	Community Development	Rehabilitation Loans	Sewer Remediation	Debt	Total
General Fund	\$ 878,172	\$ -	\$ -	\$ -	\$ 4,504	\$ 64,351	\$ -	\$ -	\$ -	\$ 947,027
General—Town Outside Village Fund	381,722	-	-	152,999	3,492	-	-	-	21,578	559,791
Highway—Town Outside Village Fund	57,720	-	-	-	1,007	-	-	-	483,137	541,864
Special Grants Fund	-	-	-	-	-	-	9,499,242	-	-	9,499,242
Sewer District Fund	665,676	588,023	99,146	-	-	-	-	12,800	4,811	1,370,456
Water District Fund	277,807	1,186,500	-	-	-	-	-	-	1,241,572	2,705,879
Nonmajor funds	160,585	-	-	-	-	-	-	-	15,197	175,782
Total restricted fund balance	\$ 2,421,682	\$ 1,774,523	\$ 99,146	\$ 152,999	\$ 9,003	\$ 64,351	\$ 9,499,242	\$ 12,800	\$ 1,766,295	\$ 15,800,041

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

- **Sewer Remediation**—Represents funds to be used for sewer remediation projects.
- **Debt**—Represents unspent debt proceeds which is restricted for the reduction of future debt service requirements.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Town’s highest level of decision-making authority. As of December 31, 2020, the Town has the following commitments:

	Capital Projects
Sewer District Fund	\$ 2,500,000
Water District Fund	2,500,000
Total committed fund balance	<u>\$ 5,000,000</u>

In the fund financial statements, assigned amounts are subject to a purpose constraint that represents an intended use established by the Town Board, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balances maintained by the Town at December 31, 2020 are shown as follows:

	Subsequent Year's Expenditures	Donor Specifications	Encumbrances	Specific Use	Total
General Fund	\$ 4,100,000	\$ 5,000	\$ 290,308	\$ -	\$ 4,395,308
General—Town Outside Village Fund	4,100,000	-	49,764	5,240,151	9,389,915
Highway—Town Outside Village Fund	400,000	-	21,495	3,197,511	3,619,006
Special Grants Fund	-	-	4,348	-	4,348
Sewer District Fund	1,000,000	-	250,294	12,347,652	13,597,946
Water District Fund	300,000	-	531,308	6,383,403	7,214,711
Nonmajor funds	600,000	-	14,685	5,021,125	5,635,810
Total assigned fund balance	<u>\$ 10,500,000</u>	<u>\$ 5,000</u>	<u>\$ 1,162,202</u>	<u>\$ 32,189,842</u>	<u>\$ 43,857,044</u>

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

Unassigned fund balance represents the residual classification of the government’s General Fund surplus and Capital Projects Fund deficit. As of December 31, 2020, the unassigned General Fund balance is \$6,653,226 and the unassigned Capital Projects Fund deficit is \$15,812,850.

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

14. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables are primarily 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, 2020 is as follows:

Fund	Interfund	
	Receivables	Payables
Governmental Funds:		
General Fund	\$ 752,951	\$ -
General—Town Outside Village Fund	915,736	-
Highway—Town Outside Village Fund	390,654	-
Special Grants Fund	31,421	106,421
Sewer District Fund	1,995,179	6,209
Water District Fund	905,583	2,996
Capital Projects Fund	-	4,875,898
Total	<u>\$ 4,991,524</u>	<u>\$ 4,991,524</u>

The Town made the following interfund transfers during 2020:

Fund	Transfers	Transfers
	In	Out
Governmental Funds:		
General Fund	\$ 60,180	\$ 1,438,322
General—Town Outside Village Fund	3,115	1,061,815
Highway—Town Outside Village Fund	-	1,223,565
Sewer District Fund	549,235	1,272,634
Water District Fund	792,724	302,000
Capital Projects Fund	2,381,335	1,468,391
Nonmajor funds	163,138	383,000
Proprietary Funds:		
Self Insurance Fund	1,200,000	-
Workers' Compensation Fund	2,000,000	-
Total	<u>\$ 7,149,727</u>	<u>\$ 7,149,727</u>

Interfund transfers are used primarily to support capital project expenditures, the Self Insurance Fund and the Workers' Compensation Fund.

15. LABOR RELATIONS

The majority of Town employees are represented by three bargaining units. The Salaried Workers Association (“SWA”) had a contract in place through December 31, 2011. The Hourly Employees’ Association (“HEA”) and the Tonawanda Police Club have contracts in place through December 31, 2024 and 2025, respectively. During 2020, the Board approved salaries and rates of pay for employees temporarily not covered by a collective bargaining agreement. The remaining employees are governed by Town Board policies.

16. COMMITMENTS

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

The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$100,000. Significant encumbrances as of December 31, 2020, are as listed below:

Fund	Purpose	Amount Encumbered
Water Fund	Concrete replacement	\$ 186,035
Water Fund	Concrete replacement	179,867

Additionally, the Capital Projects Fund has commitments totaling \$4,547,825 for various projects.

17. TAX ABATEMENTS

The Town is subject to tax abatements granted by the Erie County Industrial Development Agency (“ECIDA”) and the Town of Tonawanda under New York State private housing finance law. These programs have the stated purpose of increasing business activity and employment in the region and providing housing for senior citizens and disabled citizens with low to moderate income. Economic development agreements entered into by the ECIDA includes the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the Town the abatements have resulted in reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by the ECIDA and the Town, the Town collected \$599,350 during 2020 in payments in lieu of taxes (“PILOT”); these collections were made in lieu of \$1,510,944 in property taxes.

18. CONTINGENCIES

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

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

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

Pollution Remediation Obligations—On July 3, 2000, the Town was issued notice of intent to modify State pollutant discharge elimination system permit, Town of Tonawanda WWTP (T) Tonawanda, Erie County DEC No. 9-1464-00116/00004 SPDES No. NY-002 6395, by the New York State Department of Environmental Conservation (“NYSDEC”). As part of the notice, the Town submitted a plan for the abatement of the overflow of sanitary sewer discharge and received a response from the NYSDEC in November 2010. The NYSDEC has restarted the process, requiring additional information from the Town. The Town therefore submitted a four year plan. During 2011, the NYSDEC issued an order on consent whereby the Town shall continue to implement a demonstration project. As of December 31, 2020 the Town is unable to determine the range or the likelihood of any potential liability.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 23, 2021, which is the date the financial statements are available for issuance, and have determined there are no subsequent events, except what is discussed below, that require disclosure under generally accepted accounting principles.

- On January 20, 2021, Town issued bond anticipation notes in the amount of \$21,000,000 with an interest rate of 2.00% which mature on August 27, 2021.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

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

	Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability	0.3164857%	0.3162260%	0.3186127%	0.3025546%	0.3342019%	0.3370935%	0.3370935%
Town's proportionate share of the net pension liability	<u>\$ 16,915,962</u>	<u>\$ 5,303,309</u>	<u>\$ 3,220,400</u>	<u>\$ 6,270,903</u>	<u>\$ 9,895,006</u>	<u>\$ 927,882</u>	<u>\$ 1,403,352</u>
Town's covered payroll	\$ 10,082,792	\$ 10,226,708	\$ 10,148,311	\$ 10,254,625	\$ 9,026,602	\$ 9,065,423	\$ 9,257,908
Town's proportionate share of the net pension liability as a percentage of its covered payroll	167.8%	51.9%	31.7%	61.2%	109.6%	10.2%	15.2%
Plan fiduciary net position as a percentage of the total pension liability	84.9%	95.1%	96.9%	93.5%	90.2%	99.0%	98.5%

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

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

	Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,643,212	\$ 2,649,494	\$ 2,722,438	\$ 2,831,322	\$ 2,451,139	\$ 2,457,639	\$ 2,696,301
Contributions in relation to the contractually required contribution	<u>(2,643,212)</u>	<u>(2,649,494)</u>	<u>(2,722,438)</u>	<u>(2,831,322)</u>	<u>(2,451,139)</u>	<u>(2,457,639)</u>	<u>(2,696,301)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 9,870,328	\$ 10,105,521	\$ 10,278,258	\$ 10,090,271	\$ 10,028,356	\$ 9,065,423	\$ 9,257,908
Contributions as a percentage of covered payroll	26.8%	26.2%	26.5%	28.1%	24.5%	29.7%	31.2%

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

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

	Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Town's proportion of the net pension liability	0.0966447%	0.0946481%	0.0963226%	0.0973032%	0.1025239%	0.1039606%	0.1039606%
Town's proportionate share of the net pension liability	<u>\$ 25,592,084</u>	<u>\$ 6,706,107</u>	<u>\$ 3,108,760</u>	<u>\$ 9,142,826</u>	<u>\$ 16,455,374</u>	<u>\$ 3,512,044</u>	<u>\$ 4,697,835</u>
Town's covered payroll	\$ 23,495,364	\$ 23,488,298	\$ 22,743,918	\$ 22,741,388	\$ 22,584,704	\$ 22,775,802	\$ 24,054,578
Town's proportionate share of the net pension liability as a percentage of its covered payroll	108.9%	28.6%	13.7%	40.2%	72.9%	15.4%	19.5%
Plan fiduciary net position as a percentage of the total pension liability	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%

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

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

	Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	3,416,783	3,421,400	\$ 3,404,047	\$ 3,476,448	\$ 3,489,345	\$ 4,117,163	\$ 4,394,165
Contributions in relation to the contractually required contribution	<u>(3,416,783)</u>	<u>(3,421,400)</u>	<u>(3,404,047)</u>	<u>(3,476,448)</u>	<u>(3,489,345)</u>	<u>(4,117,163)</u>	<u>(4,394,165)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 22,824,922	\$ 23,594,458	\$ 23,267,024	\$ 22,684,149	\$ 22,728,406	\$ 22,775,802	\$ 24,054,578
Contributions as a percentage of covered payroll	15.0%	14.5%	14.6%	15.3%	18.1%	19.3%	19.4%

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

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

	Year Ended December 31,		
	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 11,351,929	\$ 9,423,837	\$ 11,355,069
Interest	10,792,907	14,497,996	14,197,397
Change of benefit terms	-	20,156,509	-
Differences between expected and actual experience	(15,124,366)	(99,410,027)	(189,182)
Changes of assumptions	56,861,562	76,085,511	(54,006,433)
Benefit payments	(8,528,914)	(7,500,473)	(7,636,396)
Net changes in total OPEB liability	<u>55,353,118</u>	<u>13,253,353</u>	<u>(36,279,545)</u>
Total OPEB liability—beginning, as restated	<u>398,361,315</u>	<u>385,107,962</u>	<u>421,387,507</u>
Total OPEB liability—ending	<u>\$ 453,714,433</u>	<u>\$ 398,361,315</u>	<u>\$ 385,107,962</u>
Plan Fiduciary Net Position			
Contributions—employer	\$ 8,528,914	\$ 7,500,473	\$ 7,636,396
Benefit payments	(8,528,914)	(7,500,473)	(7,636,396)
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position—beginning	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's net OPEB liability—ending	<u>\$ 453,714,433</u>	<u>\$ 398,361,315</u>	<u>\$ 385,107,962</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 32,776,655	\$ 33,135,957	\$ 33,172,961
Town's net OPEB liability as a percentage of covered-employee payroll	1384.3%	1202.2%	1160.9%

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

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

TOWN OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 14,644,438	\$ 14,644,438	\$ 14,680,134	\$ 35,696
Other property tax items	445,000	445,000	462,551	17,551
Departmental income	4,498,355	4,554,130	2,991,953	(1,562,177)
Intergovernmental charges	-	-	2,500	2,500
Use of money and property	394,714	394,714	431,616	36,902
Licenses and permits	128,500	128,500	120,619	(7,881)
Fines and forfeitures	1,450,000	1,450,000	854,094	(595,906)
Sale of property and compensation for loss	-	-	13,478	13,478
Miscellaneous	31,177	328,785	467,092	138,307
Interfund revenue	3,305,000	3,305,000	3,325,117	20,117
State aid	1,414,366	1,414,366	1,876,705	462,339
Federal aid	-	543,300	130,464	(412,836)
Total revenues	<u>26,311,550</u>	<u>27,208,233</u>	<u>25,356,323</u>	<u>(1,851,910)</u>
EXPENDITURES				
Current:				
General government support	4,971,817	5,088,658	4,556,213	532,445
Public safety	1,134,498	1,030,232	986,292	43,940
Health	1,250,006	1,359,842	1,349,647	10,195
Transportation	1,072,376	1,074,392	1,035,424	38,968
Economic assistance and opportunity	606,283	984,755	813,343	171,412
Culture and recreation	9,408,788	9,348,441	6,153,943	3,194,498
Home and community services	944,017	891,914	821,703	70,211
Employee benefits	8,311,358	8,589,382	7,277,395	1,311,987
Debt service:				
Principal	146,838	146,838	146,838	-
Interest and other fiscal charges	100,022	100,022	100,021	1
Total expenditures	<u>27,946,003</u>	<u>28,614,476</u>	<u>23,240,819</u>	<u>5,373,657</u>
Excess (deficiency) of revenues over expenditures	<u>(1,634,453)</u>	<u>(1,406,243)</u>	<u>2,115,504</u>	<u>3,521,747</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	60,180	60,180
Transfers out	<u>(1,064,200)</u>	<u>(1,438,322)</u>	<u>(1,438,322)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,064,200)</u>	<u>(1,438,322)</u>	<u>(1,378,142)</u>	<u>60,180</u>
Net change in fund balances*	<u>(2,698,653)</u>	<u>(2,844,565)</u>	<u>737,362</u>	<u>3,581,927</u>
Fund balances—beginning	<u>11,598,450</u>	<u>11,598,450</u>	<u>11,598,450</u>	<u>-</u>
Fund balances—ending	<u>\$ 8,899,797</u>	<u>\$ 8,753,885</u>	<u>\$ 12,335,812</u>	<u>\$ 3,581,927</u>

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

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

TOWN OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund—Town Outside Village
Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 13,161,048	\$ 13,161,048	\$ 13,193,107	\$ 32,059
Other property tax items	265,000	265,000	240,647	(24,353)
Non-property tax items	7,710,000	7,710,000	8,571,213	861,213
Departmental income	66,650	66,650	68,502	1,852
Intergovernmental charges	257,500	264,499	234,933	(29,566)
Use of money and property	211,000	211,000	233,200	22,200
Licenses and permits	572,100	572,100	670,984	98,884
Fines and forfeitures	-	-	51,040	51,040
Sale of property and compensation for loss	-	38,900	51,414	12,514
Miscellaneous	-	-	27,675	27,675
Interfund revenue	224,000	224,000	224,000	-
State aid	959,576	959,576	1,216,356	256,780
Federal aid	-	152,404	89,615	(62,789)
Total revenues	<u>23,426,874</u>	<u>23,625,177</u>	<u>24,872,686</u>	<u>1,247,509</u>
EXPENDITURES				
Current:				
General government support	1,324,160	1,309,526	1,292,612	16,914
Public safety	14,594,535	14,722,121	13,253,888	1,468,233
Health	8,882	10,016	9,931	85
Home and community services	165,591	125,192	25,721	99,471
Employee benefits	9,519,280	9,589,103	7,822,321	1,766,782
Debt service:				
Principal	33,362	33,362	33,361	1
Interest and other fiscal charges	<u>3,525</u>	<u>3,525</u>	<u>3,525</u>	<u>-</u>
Total expenditures	<u>25,649,335</u>	<u>25,792,845</u>	<u>22,441,359</u>	<u>3,351,486</u>
Excess (deficiency) of revenues over expenditures	<u>(2,222,461)</u>	<u>(2,167,668)</u>	<u>2,431,327</u>	<u>4,598,995</u>
OTHER FINANCING USES				
Transfers in	-	-	3,115	3,115
Transfers out	<u>(915,300)</u>	<u>(1,010,053)</u>	<u>(1,061,815)</u>	<u>(51,762)</u>
Total other financing uses	<u>(915,300)</u>	<u>(1,010,053)</u>	<u>(1,058,700)</u>	<u>(48,647)</u>
Net change in fund balances*	(3,137,761)	(3,177,721)	1,372,627	4,550,348
Fund balances—beginning	<u>9,296,745</u>	<u>9,296,745</u>	<u>9,296,745</u>	<u>-</u>
Fund balances—ending	<u>\$ 6,158,984</u>	<u>\$ 6,119,024</u>	<u>\$ 10,669,372</u>	<u>\$ 4,550,348</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance, and re-appropriation of prior year encumbrances.
The notes to the required supplementary information are an integral part of this schedule.

TOWN OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Highway Fund—Town Outside Village
Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 6,862,905	\$ 6,862,905	\$ 6,879,339	\$ 16,434
Other property tax items	125,000	125,000	113,506	(11,494)
Non-property tax items	810,000	810,000	916,930	106,930
Intergovernmental charges	115,000	115,000	139,864	24,864
Use of money and property	9,000	9,000	17,206	8,206
Sale of property and compensation for loss	5,000	64,213	64,213	-
Interfund revenue	-	-	111,416	111,416
State aid	570,631	570,631	323,973	(246,658)
Total revenues	<u>8,497,536</u>	<u>8,556,749</u>	<u>8,566,447</u>	<u>9,698</u>
EXPENDITURES				
Current:				
Transportation	4,822,853	4,609,990	4,180,028	429,962
Employee benefits	3,251,180	3,304,860	2,592,509	712,351
Debt service:				
Principal	216,250	216,250	216,250	-
Interest and other fiscal charges	124,169	124,169	124,169	-
Total expenditures	<u>8,414,452</u>	<u>8,255,269</u>	<u>7,112,956</u>	<u>1,142,313</u>
Excess of revenues over expenditures	<u>83,084</u>	<u>301,480</u>	<u>1,453,491</u>	<u>1,152,011</u>
OTHER FINANCING USES				
Transfers out	<u>(522,500)</u>	<u>(1,238,945)</u>	<u>(1,223,565)</u>	<u>15,380</u>
Total other financing uses	<u>(522,500)</u>	<u>(1,238,945)</u>	<u>(1,223,565)</u>	<u>15,380</u>
Net change in fund balances*	(439,416)	(937,465)	229,926	1,167,391
Fund balances—beginning	<u>4,038,636</u>	<u>4,038,636</u>	<u>4,038,636</u>	<u>-</u>
Fund balances—ending	<u>\$ 3,599,220</u>	<u>\$ 3,101,171</u>	<u>\$ 4,268,562</u>	<u>\$ 1,167,391</u>

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

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

TOWN OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Sewer District Fund
Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 2,371,632	\$ 2,371,632	\$ 2,371,632	\$ -
Departmental income	10,053,000	10,053,000	11,674,039	1,621,039
Intergovernmental charges	1,730,000	1,730,000	2,058,692	328,692
Use of money and property	35,000	35,000	51,113	16,113
Sale of property and compensation for loss	-	-	191	191
Miscellaneous	-	-	2,433	2,433
Federal aid	-	36,134	13,583	(22,551)
Total revenues	<u>14,189,632</u>	<u>14,225,766</u>	<u>16,171,683</u>	<u>1,945,917</u>
EXPENDITURES				
Current:				
Home and community services	8,869,041	8,830,738	7,383,475	1,447,263
Employee benefits	2,986,360	3,008,911	2,403,870	605,041
Debt service:				
Principal	2,044,978	2,044,978	2,044,977	1
Interest and other fiscal charges	973,163	973,163	973,161	2
Total expenditures	<u>14,873,542</u>	<u>14,857,790</u>	<u>12,805,483</u>	<u>2,052,307</u>
Excess (deficiency) of revenues over expenditures	<u>(683,910)</u>	<u>(632,024)</u>	<u>3,366,200</u>	<u>3,998,224</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	549,235	549,235
Transfers out	(825,000)	(1,332,634)	(1,272,634)	60,000
Total other financing sources (uses)	<u>(825,000)</u>	<u>(1,332,634)</u>	<u>(723,399)</u>	<u>609,235</u>
Net change in fund balances*	(1,508,910)	(1,964,658)	2,642,801	4,607,459
Fund balances—beginning	<u>14,959,575</u>	<u>14,959,575</u>	<u>14,959,575</u>	<u>-</u>
Fund balances—ending	<u>\$ 13,450,665</u>	<u>\$ 12,994,917</u>	<u>\$ 17,602,376</u>	<u>\$ 4,607,459</u>

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

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

TOWN OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Water District Fund
Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Departmental income	\$ 10,801,866	\$ 10,801,866	\$ 10,131,888	\$ (669,978)
Intergovernmental charges	4,000	4,000	-	(4,000)
Use of money and property	136,800	136,800	173,177	36,377
Sale of property and compensation for loss	-	-	6,654	6,654
Miscellaneous	-	-	359	359
State aid	-	24,947	15,414	(9,533)
Total revenues	<u>10,942,666</u>	<u>10,967,613</u>	<u>10,327,492</u>	<u>(640,121)</u>
EXPENDITURES				
Current:				
Home and community services	7,217,642	6,795,577	6,108,959	686,618
Employee benefits	2,529,140	2,538,672	2,024,842	513,830
Debt service:				
Principal	608,670	608,670	608,670	-
Interest and other fiscal charges	294,992	294,992	294,992	-
Total expenditures	<u>10,650,444</u>	<u>10,237,911</u>	<u>9,037,463</u>	<u>1,200,448</u>
Excess of revenues over expenditures	<u>292,222</u>	<u>729,702</u>	<u>1,290,029</u>	<u>560,327</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	792,724	792,724
Transfers out	(802,000)	(802,000)	(302,000)	500,000
Total other financing sources (uses)	<u>(802,000)</u>	<u>(802,000)</u>	<u>490,724</u>	<u>1,292,724</u>
Net change in fund balances*	(509,778)	(72,298)	1,780,753	1,853,051
Fund balances—beginning	<u>11,571,572</u>	<u>11,571,572</u>	<u>11,571,572</u>	<u>-</u>
Fund balances—ending	<u>\$ 11,061,794</u>	<u>\$ 11,499,274</u>	<u>\$ 13,352,325</u>	<u>\$ 1,853,051</u>

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

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

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

TOWN OF TONAWANDA, NEW YORK
Notes to the Required Supplementary Information
Year Ended December 31, 2020

1. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the discount rate and the medical healthcare cost trend rate. The single discount rate changed from 2.75% effective January 1, 2019 to 2.00% effective December 31, 2020. The salary scale assumed to increase at 2.00% per year. As of the December 31, 2020 measurement date, the mortality improvement table was updated from Scale MP-2019 to Scale MP-2020 on a generational basis. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 4.50% while the ultimate healthcare cost trend rate is 3.78%. An inflation rate of 2.25% was assumed for developing the rate of increase in healthcare costs.

2. BUDGETARY INFORMATION

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

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

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

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

Excess of Expenditures over Appropriations—For the year ended December 31, 2020, unfavorable variances existed in the Town’s major governmental funds’ appropriations. The General—Town Outside Village Fund has an unfavorable variance of \$51,762 within transfers out due to a transfer to capital reserves to fund the Police Building Improvements project.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

SUPPLEMENTARY INFORMATION

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

TOWN OF TONAWANDA, NEW YORK
Combining Balance Sheet—Nonmajor Governmental Funds
December 31, 2020

	<u>Special Revenue</u>				Total Nonmajor Governmental Funds
	Garbage and Refuse District	Street Lighting District	Fire Protection	Drainage District	
ASSETS					
Cash and cash equivalents	\$ 3,422,945	\$ 1,070,326	\$ 12,661	\$ 618,381	\$ 5,124,313
Investments	634,432	110,688	12,715	78,680	836,515
Restricted cash and cash equivalents	175,782	-	-	-	175,782
Due from other governments	-	-	-	108,500	108,500
Prepaid items	107,692	-	-	8,448	116,140
Total assets	<u>\$ 4,340,851</u>	<u>\$ 1,181,014</u>	<u>\$ 25,376</u>	<u>\$ 814,009</u>	<u>\$ 6,361,250</u>
LIABILITIES					
Accounts payable	139,035	53,558	-	4,673	197,266
Accrued liabilities	217,459	-	-	14,050	231,509
Intergovernmental payables	64	4,679	-	-	4,743
Total liabilities	<u>356,558</u>	<u>58,237</u>	<u>-</u>	<u>18,723</u>	<u>433,518</u>
FUND BALANCES					
Nonspendable	107,692	-	-	8,448	116,140
Restricted	175,782	-	-	-	175,782
Assigned	3,700,819	1,122,777	25,376	786,838	5,635,810
Total fund balances	<u>3,984,293</u>	<u>1,122,777</u>	<u>25,376</u>	<u>795,286</u>	<u>5,927,732</u>
Total liabilities and fund balances	<u>\$ 4,340,851</u>	<u>\$ 1,181,014</u>	<u>\$ 25,376</u>	<u>\$ 814,009</u>	<u>\$ 6,361,250</u>

TOWN OF TONAWANDA, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended December 31, 2020

	Special Revenue					Total Nonmajor Governmental Funds
	Garbage and Refuse District	Street Lighting District	Fire Protection	Drainage District	Debt Service	
REVENUES						
Real property taxes	\$ 8,290,667	\$ 1,795,000	\$ 832,329	\$ 676,703	\$ -	\$ 11,594,699
Departmental income	19,822	-	-	-	-	19,822
Use of money and property	19,963	3,986	658	2,630	-	27,237
State aid	-	-	-	108,500	-	108,500
Federal aid	2,040	-	-	-	-	2,040
Total revenues	<u>8,332,492</u>	<u>1,798,986</u>	<u>832,987</u>	<u>787,833</u>	<u>-</u>	<u>11,752,298</u>
EXPENDITURES						
Current:						
Public safety	-	-	832,327	-	-	832,327
Transportation	-	1,470,598	-	-	-	1,470,598
Home and community services	5,388,618	-	-	219,027	-	5,607,645
Employee benefits	2,105,956	-	-	165,944	-	2,271,900
Debt service:						
Principal	116,084	-	-	191,000	2,575,000	2,882,084
Interest and other fiscal charges	48,777	-	-	66,482	97,240	212,499
Total expenditures	<u>7,659,435</u>	<u>1,470,598</u>	<u>832,327</u>	<u>642,453</u>	<u>2,672,240</u>	<u>13,277,053</u>
Excess of revenues over expenditures	<u>673,057</u>	<u>328,388</u>	<u>660</u>	<u>145,380</u>	<u>(2,672,240)</u>	<u>(1,524,755)</u>
OTHER FINANCING USES						
Transfers in	80,124	-	-	83,014	-	163,138
Transfers out	(362,000)	-	-	(21,000)	-	(383,000)
Proceeds of refunding bonds	-	-	-	-	2,425,000	2,425,000
Premium on refunding bonds	-	-	-	-	247,240	247,240
Total other financing uses	<u>(281,876)</u>	<u>-</u>	<u>-</u>	<u>62,014</u>	<u>2,672,240</u>	<u>2,452,378</u>
Net change in fund balances	391,181	328,388	660	207,394	-	927,623
Fund balances—beginning	3,593,112	794,389	24,716	587,892	-	5,000,109
Fund balances—ending	<u>\$ 3,984,293</u>	<u>\$ 1,122,777</u>	<u>\$ 25,376</u>	<u>\$ 795,286</u>	<u>\$ -</u>	<u>\$ 5,927,732</u>

TOWN OF TONAWANDA, NEW YORK
Combining Balance Sheet—Capital Projects Fund
December 31, 2020

Project	Assets		Liabilities			Fund Balance (Deficit)
	Restricted Cash and Cash Equivalents	Inter- governmental Receivables	Accounts and Retainages Payable	Due to Other Funds	BANs Payable	
301 General equipment	\$ 57,083	\$ -	\$ -	\$ -	\$ -	\$ 57,083
303 Libraries improvements	19,125	-	-	-	-	19,125
321 Reserve high equip	150,000	-	150,000	-	-	-
331 Water and sewer equipment	507,634	-	507,634	-	-	-
362 Landfill closure	616,404	-	45,358	-	-	571,046
411 DASNY Grant \$500,000	-	-	-	87,794	-	(87,794)
412 DASNY Grant \$750,000	74,831	117,627	-	615,782	-	(423,324)
413 Municipal stair replacement	-	-	-	303,325	-	(303,325)
414 Library	-	-	5,538	156,423	-	(161,961)
418 Golf dome rehab	49,942	-	2,310	-	2,875,000	(2,827,368)
419 Tonawanda ice rink	-	-	-	198,966	-	(198,966)
441 Pedestrian safety improvements	-	-	50,185	5,550	-	(55,735)
444 Police department renovations	-	-	317,006	668,422	-	(985,428)
452 NYCC Road construction	10,000	-	10,000	-	-	-
453 Milling and paving	49,678	-	-	-	3,830,000	(3,780,322)
455 Highway salt barn	303,616	-	222,027	-	-	81,589
509 Industrial raw water supply	-	75,000	-	75,000	-	-
510 Water/sewer lines Dupont/Colvinhurst	-	915,805	834,576	1,812,459	-	(1,731,230)
553 Inflow/infiltration demo project	184,305	-	-	-	-	184,305
558 Inflow/infiltration demo project	454,687	-	-	-	2,000,000	(1,545,313)
559 Parker/Fries interceptor phase 3	737,208	-	-	-	-	737,208
561 SPDES permit	-	-	-	122,683	-	(122,683)
562 Bio-Clarifier rehabilitation	51,237	-	51,237	809,320	3,863,400	(4,672,720)
564 Sanitary sewer lining	205,077	328,926	1,046,140	-	-	(512,137)
566 Sanitary sewer evaluation	-	-	34,726	20,174	-	(54,900)
Total	\$ 3,470,827	\$ 1,437,358	\$ 3,276,737	\$ 4,875,898	\$ 12,568,400	\$ (15,812,850)

TOWN OF TONAWANDA, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)—
Capital Projects Fund
Year Ended December 31, 2020

Project	Fund	Revenues			Other Financing Sources		Expenditures Capital Outlay	Other	Fund
	Balances	Departmental Income	Use of Money and Property	State Aid	Transfers In	Premium on Long-Term Obligations		Financing	Balances
	(Deficits) Beginning							Uses Transfers Out	(Deficits) Ending
301 General equipment	\$ -	\$ -	\$ -	\$ -	\$ 255,000	\$ -	\$ 197,917	\$ -	\$ 57,083
303 Libraries improvements	19,125	-	-	-	-	-	-	-	19,125
311 Police building	38,200	-	-	-	51,762	-	89,962	-	-
321 Reserve high equipment	-	-	-	-	419,620	-	419,620	-	-
331 Water and sewer equipment	-	-	-	-	507,634	-	507,634	-	-
362 Landfill closure	641,416	51,487	-	-	-	-	121,857	-	571,046
410 Telephone system	895	-	-	-	-	-	-	895	-
411 DASNY Grant \$500,000	(259,294)	-	-	171,500	-	-	-	-	(87,794)
412 DASNY Grant \$750,000	(453,952)	-	-	367,628	74,831	-	411,831	-	(423,324)
413 Municipal stair replacement	(27,279)	-	-	-	-	-	276,046	-	(303,325)
414 Library	(6,743)	-	-	-	-	-	155,218	-	(161,961)
415 NYSDCJ equipment paramedic	(24,715)	-	-	-	24,715	-	-	-	-
416 DASNY-Sheridan Park restrooms	(135,018)	-	-	100,000	35,222	-	204	-	-
417 NITTEC Traffic Signals	(107,500)	-	120,000	-	-	-	12,500	-	-
418 Golf dome rehab	(2,783,672)	-	-	-	125,000	39,733	149,143	59,286	(2,827,368)
419 Tonawanda ice rink	(198,966)	-	-	-	-	-	-	-	(198,966)
440 Police vehicles	2,980	-	-	-	-	-	-	2,980	-
441 Pedestrian safety improvements	-	-	-	-	-	-	55,735	-	(55,735)
442 Mill/Pave Lincoln Park	(395,424)	-	-	395,560	-	-	-	136	-
444 Police department renovations	(127,365)	-	-	-	-	-	858,063	-	(985,428)
452 NYCC road construction	(31,493)	-	-	-	56,935	-	25,442	-	-
453 Milling and paving	(2,276,914)	-	-	-	170,000	52,931	1,726,339	-	(3,780,322)
454 DASNY highway sidewalks	(294,076)	-	-	294,076	-	-	-	-	-
455 Highway salt barn	-	-	-	-	303,616	-	222,027	-	81,589
501 Water improvements	45,685	-	-	-	-	-	-	45,685	-
502 Water line/storage improvements	51,654	-	-	-	-	-	-	51,654	-
503 Water line Delaware Road	214,336	-	-	-	-	-	-	214,336	-
504 Water line NYCC Road	26,946	-	-	-	-	-	-	26,946	-
505 Lines & Sheridan tank	106,662	-	-	-	-	-	-	106,662	-
506 Waterlines	103,940	-	-	-	-	-	-	103,940	-
507 Paramount/Rochelle eng fee	143,499	-	-	-	-	-	-	143,499	-
510 Water/sewer lines Dupont/Colvinhurst	310,584	-	-	915,805	-	-	2,957,619	-	(1,731,230)
553 Inflow/infiltration demo project	184,305	-	-	-	-	-	-	-	184,305
554 Creekside/Cleve/Orch sewer line	47,944	-	-	-	-	-	-	47,944	-
556 WWTF sludge management	126,902	-	-	-	-	-	-	126,902	-
557 WWTF high voltage substation	27,611	-	-	-	-	-	-	27,611	-
558 Inflow/infiltration demo project	(1,762,576)	-	-	-	200,000	27,640	10,377	-	(1,545,313)
559 Parker/Fries interceptor phase 3	1,052,208	-	-	-	-	-	-	315,000	737,208
560 Parker/Fries interceptor phase 4	31,778	-	-	-	-	-	-	31,778	-
561 SPDES permit	(122,683)	-	-	-	-	-	-	-	(122,683)
562 Bio-clarifier rehabilitation	(4,026,056)	-	-	-	157,000	53,392	857,056	-	(4,672,720)
564 Sanitary sewer lining	287,550	-	-	328,926	-	-	1,128,613	-	(512,137)
566 Sanitary sewer evaluation	-	-	-	50,000	-	-	104,900	-	(54,900)
602 Dupont/Desmond line	49,177	-	-	-	-	-	-	49,177	-
603 Two Mile Creek bank stabilization	33,837	-	-	-	-	-	-	33,837	-
650 Recycling Totes	80,123	-	-	-	-	-	-	80,123	-
Total	\$ (9,406,369)	\$ 51,487	\$ 120,000	\$ 2,623,495	\$ 2,381,335	\$ 173,696	\$ 10,288,103	\$ 1,468,391	\$ (15,812,850)

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

FEDERAL AWARDS INFORMATION

TOWN OF TONAWANDA, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/ Program Title (1a)	Federal CFDA Number (1b)	Pass-Through Grantor Number	Passed-Through to Sub- Reipients (1c)	Federal Expenditures (1d)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
<i>Direct programs:</i>				
Community Development Block Grants—Entitlement Grants	14.218	n/a	\$ 23,934	\$ 1,849,168
Emergency Solutions Grant Program	14.231	n/a	-	244,152
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>23,934</u>	<u>2,093,320</u>
U.S. DEPARTMENT OF JUSTICE:				
<i>Passed through NYS Department of Justice:</i>				
Bulletproof Vest Partnership Program	16.607	n/a	-	19,182
Equitable Sharing Program	16.922	n/a	-	16,331
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>-</u>	<u>35,513</u>
U.S. DEPARTMENT OF TREASURY:				
<i>Passed through the County of Erie, New York:</i>				
Coronavirus Aid Relief and Economic Security Act	20.019	n/a	-	172,000
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>-</u>	<u>172,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)			<u>\$ 23,934</u>	<u>\$ 2,300,833</u>

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

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

TOWN OF TONAWANDA, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Town under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town. The following notes were identified on the schedule of expenditures of federal awards:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. MATCHING COSTS

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

4. AMOUNTS TO SUBRECEIPIENTS

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

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

Certified Public Accountants

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

Honorable Town Board
Town of Tonawanda, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Tonawanda, New York (the "Town") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 23, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Drescher & Malecki LLP

June 23, 2021

Certified Public Accountants

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

Honorable Town Board
Town of Tonawanda, New York

Report on Compliance for Each Major Federal Program

We have audited Town of Tonawanda, New York's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2020. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Drescher & Malecki LLP

June 23, 2021

TOWN OF TONAWANDA, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified*
 (* which report includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 84)

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes ✓ No

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

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

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified? _____ Yes ✓ No

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

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

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

Identification of major federal programs:

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

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

TOWN OF TONAWANDA, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

Section II. FINANCIAL STATEMENT FINDINGS SECTION

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

TOWN OF TONAWANDA, NEW YORK
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2020
(Follow-up of December 31, 2019 findings)

No findings were reported.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****