

Town of Colonie, New York

Financial Report

December 31, 2018

Town of Colonie, New York

Financial Report

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Independent Auditor's Report

Supervisor and Town Board
Town of Colonie, New York
Latham, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colonie, New York (Town) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1o to the financial statements, in 2018 the Town adopted Governmental Accounting Standards board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are 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 the required supplementary information listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual non-major fund financial statements and the statistical information included in management's discussion and analysis are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

BST & CO. CPAs, LLP

Albany, New York
September 19, 2019



Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Description

The Town of Colonie, New York (Town), with a land area of over 57 square miles, is located in northeastern Albany County, immediately north of the City of Albany and about halfway between the Cities of Schenectady and Troy. Its northern and eastern boundaries are the Mohawk and Hudson Rivers, respectively. The Town, which includes two incorporated villages, Colonie and Menands, and such unincorporated communities as Latham, Loudonville, Maplewood, Newtonville, and West Albany, is primarily residential with some industrial and commercial valuations.

Commercial facilities include several shopping centers. The Colonie Center is a covered mall shopping center featuring major outlets of R.H. Macy, Inc., Whole Foods, Nordstrom Rack, Barnes & Noble Booksellers, Inc. and LL Bean, as well as specialty shops, restaurants, and parking. The Latham Farms Shopping Center, which includes Dicks Sporting Goods, Field & Stream, Sam's Club, and Home Depot stores, is situated between Routes 9 and 7, adjacent to the Northway. The Northway Mall complex is also located within the Town and includes Target, Lowe's, and BJ's Wholesale Club. The long dormant Latham Circle Mall has been redeveloped and includes Lowe's, a Walmart supercenter, Burlington Coat Factory, Bob's Furniture Store, and several restaurants. A sizeable portion of recent development in the Town has been devoted to single family residences, townhomes, and to the construction of hotels and multi-story office buildings. The Town is the site of the Albany International Airport, which provides passenger service on most major routes throughout the United States; passenger stations of Amtrak are located nearby in Rensselaer and Schenectady.

In addition to the retail redevelopment there has been movement in the redevelopment of two dormant and blighted spots with the Town. The former Tobin's First Prize property in the West Albany area of the Town has a proposed project working through the Town's planning process. The former Starlight Theatre property in the Latham area of Town has broken ground on a 150,000 square foot office building that will become the regional headquarters for The Ayco Company. The development of the balance of this site is working its way through the Town's planning process.

The Town provides sanitary sewer and water distribution facilities to its residents. Police protection and emergency medical service are provided by the Town. Fire protection is provided by Fire Districts and Fire Protection Districts located in the Town. The Town is the site of a base station of one of the mutual aid systems in New York State coordinating the operations of volunteers in thirteen fire departments. The Highway Department is charged with maintenance of the paved roads in the Town and is responsible for maintaining more than 310 center-line miles of highway within the Town.

In addition to the "essential services," the Town also owns and operates a variety of recreation facilities. These facilities include a 36-hole golf course, two 125+ acre parks, thirteen pocket parks, three sports complexes, swimming pools, a boat launch, 5.5 miles of bicycle paths, two dog parks, and the William K. Sanford Town Library. During 2018 the Town completed construction of a splash pad at its pool complex and began an equipment replacement project in the thirteen pocket parks.

The Town is situated in the center of the tri-city area (Albany-Troy-Schenectady) with access to such employment opportunities as the State of New York offices in Albany, the General Electric Company in Schenectady, industrial operations in Troy, and the United States Arsenal in Watervliet.

Highway facilities include the New York State Thruway, with two interchanges leading directly into the Town; Interstate Route 87 (the Northway), Interstate Route 90, New York Routes 5 and 7, and U.S. Route 9. Transportation for freight by rail and water is provided by the Delaware & Hudson, ConRail, and Amtrak railroads, the Hudson and Mohawk Rivers, and the Barge Canal. Air passenger and freight service is available at the Albany International Airport, located in the Town.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Governmental Organization

The Town was established in 1895 pursuant to enactment of the New York State Legislature. The Town is located in the County of Albany, New York. The County is divided for local government purposes into ten towns and the Cities of Albany, Cohoes, and Watervliet. In turn, some of the towns contain incorporated villages established for purposes of providing certain municipal services and facilities to their residents. The Town is a political subdivision of the State having its own elected legislative body, the Town Board, pursuant to Constitutional provision and, except for certain contractual arrangements for cooperative provisions of some services or facilities, the Town does not rely in any manner upon the County for purposes of providing local government needs.

The legislative body of the Town is its Town Board of seven members elected at large. The presiding officer, the Town Supervisor, is elected for a two-year term, and the six Council members are elected for staggered four-year terms.

The Supervisor is the Chief Executive and Fiscal Officer of the Town. Other elected Town officials are the Town Clerk and the Receiver of Taxes, who are elected at large to two-year and four-year terms, respectively. The three Town Justices are elected to staggered four-year terms. The Town Board appoints the Town Comptroller, Commissioner of Public Works, and Town Attorney for coterminous terms with the Town Supervisor. The Town Assessor and Personnel Officer are appointed by the Town Board for six-year terms.

The Town provides the bulk of municipal services to its residents including water and sewer facilities and builds and maintains the Town highways. Police protection is provided by the Town and the County, and fire protection is provided through separate entities: the various fire districts and voluntary fire organizations in the Town. Planning and zoning and the financing of Town courts are provided by the Town. Regulation of building construction and licensing of trades and occupations along with the usual municipal services of recreational facilities and street lighting are all Town functions. Social services and health services, to the extent provided on a public basis, are essentially County responsibilities, however, the Town does maintain a Senior Resources Department to coordinate services to the senior community. The Town also owns a municipal solid waste facility on the borders of the Mohawk River and City of Cohoes. The Town contracted a private company to operate and maintain this facility for a minimum of twenty-five years. The year ended December 31, 2018 is the eighth year of this contract.

This Management Discussion and Analysis (MD&A) of the Town provides an introduction to the major activities affecting governmental operations and an introduction and overview of the financial performance and statements of the Town for the fiscal year ended December 31, 2018.

Following this MD&A are the basic financial statements of the Town, together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

Financial Highlights

Over the last decade, the Town has overcome a 2007 combined deficit fund balance of \$19.7 million and Moody's Investor Services bond rating that had declined to Baa1 with a negative outlook. This deficit was modestly reduced through cost cutting, revenue management, and stringent adherence to the annual budget. Management also began looking at underutilized assets that could be sold, and underperforming assets that could be optimized. In 2011, the Town entered into a service concession arrangement (arrangement) for the operation and maintenance of its solid waste facility. This arrangement provided approximately \$35 million in cash receipts and resources to fully cover the solid waste facilities closure and post-closure care costs, which are described in Note 11. These steps substantially reduced the net deficit within the environmental services and the general town-wide funds.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Financial Highlights - Continued

These actions in 2011 allowed the Town to begin building fund level surpluses. 2018 marks the eighth year of fund balance growth for the operating governmental funds (excluding capital projects and special revenue funds), and the seventh year where all governmental funds, other than capital projects, have a positive fund balance. It is the Town's goal to eventually reach the New York State Comptroller's recommended fund balance levels of 5% of annual operating expenditures.

The entity-wide financial statement pages present a significantly different picture of the Town's financial health due to the required recognition of several long-term liabilities by generally accepted accounting standards. The Town is required to recognize its obligation for other postemployment benefits (OPEB), which totals approximately \$123.3 million as of December 31, 2018. While these standards require the recognition of this liability on the entity-wide and enterprise funds financial statements as of the statement of net position date it will be paid out over the lifetime of the Town's approximately 850 active and retired employees. Similarly, the Town is required to recognize the compensated absences liability for all active employees as a liability as of the balance sheet date. Again, this \$4.8 million liability will not be paid out in the near term but as the Town's active employees retire or leave Town service.

The Town is also required to recognize its estimated portion of the New York State and Local Employees' Retirement System's (ERS), the New York State and Local Police Fire Retirement System's (PFRS) and Town of Colonie Volunteer Firefighter Length of Service Award Program (LOSAP) unfunded pension liabilities, which total approximately \$3,041,000, \$3,831,000, and \$4,712,000, respectively, as of December 31, 2018. These pension liabilities will not be paid out in the near term, but over the term of the employees' and volunteers' service to the Town. Additionally, the OPEB and pension standards require the deferral of certain resources as deferred outflows, net of deferred inflows, of resources of approximately \$13,283,000 as of December 31, 2018. These net deferrals will be recognized as a component of OPEB and pension expense in future reporting periods.

If the impact of these reporting requirements were excluded from the government-wide financial statements, the Town would have an unrestricted government-wide surplus of approximately \$32,789,000 as of December 31, 2018, rather than a deficit of approximately \$93,589,000.

Other financial highlights for 2018 are as follows:

- At the end of the year, the General Fund reported a fund balance of \$1,782,364. This represents an increase in the fund balance of approximately \$201,000 over 2017. Approximately 30% (\$537,000) of this fund balance is restricted by third parties for public safety purposes.
- For the seventh consecutive year, all of the governmental operating funds (those other than capital projects) are reporting positive fund balances. Several are approaching the New York State Comptroller's recommended fund balance levels.
- The Environmental Services Department Fund is showing a fund deficit as of December 31, 2018 of \$13,262,404, which will be eliminated in future periods through the landfill operator's assumption of certain liabilities. The Pure Waters Department is also reporting a deficit net position of \$3,011,725 as of December 31, 2018. Similar to the entity-wide statements, this is directly related to the recognition of \$6.8 million in OPEB liability, compensated absences, and net pension liabilities.
- For governmental funds, the principal sources of the Town's operating revenue are real property taxes of \$27.0 million (35.5%), sales and use taxes of \$25.4 million (33.4%), state and federal aid of \$7.5 million (9.8%), and charges for services of \$9.5 million (12.4%), all of which are fairly consistent with 2017.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Financial Highlights - Continued

- The business-type activities (Pure Waters, Latham Water, and the Town Environmental Services Department) derived 52.9% (\$12.6 million) of their operating revenue from charges for services, and 47.0% (\$11.2 million) through ad valorem tax assessments, which like the governmental funds is relatively consistent with 2017. The Environmental Services Department also recognized nonoperating revenue of approximately \$3.1 million in 2018, as compared to \$2.9 million in 2017, as a result of the service concession arrangement which fluctuates based on the waste facility capacity use from year to year.
- The largest expense in the Town continues to be salaries and benefits. In 2018, salaries were \$38,586,335, an increase of \$801,822 (2.1%) from 2017; and benefits, before OPEB and net pension/LOSAP liability related items, \$22,829,811, an increase of \$1,021,859 (4.9%) from 2017, as a result of reduced workers' compensation expense offset by increased health insurance expenses in the current year. Salaries and benefits combined account for 59.6% and 59.8% of expenses, exclusive of the change in OPEB and the net pension/LOSAP liability related items, at December 31, 2018 and 2017, respectively.
- Debt service costs make up approximately \$10,998,000 of the 2018 Town-wide budget, or about 11.8% of total expenditures. This is up slightly from \$10.898 million, and 12.0% of total expenditures, at December 31, 2017. The Town works very hard to balance the debt service budget with the needs of its aging infrastructure and operating facilities. Of this debt, approximately \$6.59 million is supported by proprietary funds, and \$475,000 is supported by governmental funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. This annual report consists of five components: Management's Discussion and Analysis; Basic Financial Statements (Government-wide Statements, Fund Financial Statements, Proprietary Funds, and Fiduciary Funds); Notes to the Basic Financial Statements, Required Supplementary Information, and Supplementary information.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1
Major Features of the Town's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Town government (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as transportation, culture and recreation, and capital projects	Enterprise Funds of the Town operate similar to private businesses, such as the landfill, water, and sewer systems; the Town's Internal Service Fund administers self insurance obligations on behalf of the other funds	Instances in which the Town is the trustee or agent for someone else's resources

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Overview of the Financial Statements - Continued

	Government-wide	Fund Statements		
	Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Required financial statements	1. Statement of net position 2. Statement of activities	1. Balance sheet 2. Reconciliation of total fund balance shown in the statement of net position 3. Statement of revenues, expenditures, and changes in fund balances 4. Reconciliation of the statement of revenues, expenditures, and changes in fund balances of Governmental Funds to the statement of activities	1. Statement of net position 2. Statement of revenues, expenditures, and changes in net position 3. Statement of cash flows	1. Statement of net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Town's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements

Government-wide financial statements are designed to provide a broad overview of the Town's finances, in a manner similar to a private-sector business. These statements include the Statement of Net Position and the Statement of Activities.

Fund Financial Statements

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like many other state and local governments, uses fund accounting to ensure and demonstrate finance related legal compliance. These funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 funds 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.

Proprietary funds in the Town are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses these enterprise funds to account for the Environmental Services Department, Latham Water Department, Pure Waters Department, and Workers' Compensation Internal Service Fund.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Government-wide Financial Statements - Continued

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Financial Analysis of the Town's Financial Statements

The following pages compare the Town's governmental fund type financial statements using the modified accrual basis of accounting and current financial resources measurement focus and the Town's proprietary fund type financial statements using the full accrual basis of accounting and economic resources measurement focus for years ended December 31, 2018 and 2017.

The amount by which the Town's entity-wide assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources is called net position. At year-end 2017, the Town's net position approximated \$(26,849,000), however, with the adoption of Governmental Accounting Standards Board Statement No. 75 related to recognition of other postemployment benefits liabilities, the Town was required to recognize \$52.7 million in additional OPEB liability as of December 31, 2017, thereby restating year end 2017 net position to approximately \$(79,579,000). During 2018, the Town generated an entity-wide deficit change in net position of about \$1,432,000. This brought the net position as of December 31, 2018 to approximately \$(81,010,000). Of that amount, approximately \$11,104,000 was invested in capital assets, net of related debt, and approximately \$1,474,000 was restricted for other purposes. Therefore, as discussed above, the Town has an entity-wide unrestricted deficit of approximately \$(93,589,000).

Overall, entity-wide expenses decreased during 2018 by approximately \$4,687,000. This was principally the result of the adoption of GASB 75 and the resulting change in how the OPEB liability is recognized. This resulted in a reduction of \$6.2 million in benefits expenses in 2018. There was also a reduction in benefits expenses related to the recognition of the Town's proportionate share of the New York State Retirement Systems unfunded pension liability. This current year change was lower by \$2.3 million when compared to the impact in 2017. These decreases were offset by a health insurance cost increase of approximately \$1.5 million, negotiated salary increases of about \$802,000, depreciation expense of \$555,000 and approximately \$116,000 in interest expense. Supplies and materials increased \$1.1 million, which was partially due to the recognition of landfill closure/post-closure care costs increasing by approximately \$400,000. The remaining increase is the aggregation of minor increases in the other funds.

Overall, entity-wide revenues increased by approximately \$2,725,000 (2.68%); with significant fluctuations in the various types of revenues. Tax revenues (property and ad valorem) and sales tax revenue, increased \$1,071,000 and \$1,402,000, respectively, primarily due to tax rate increases and slight improvement of economic conditions. These increases were supplemented by increases in water charges and charges for services of \$719,000 and \$588,000 as a result of increases in water rates and ambulance call volume.

These increases were offset by substantial decreases in use of money and property and state and federal aid of \$874,000 and \$361,000, respectively. During 2017, the Town sold a costly to maintain and under-utilized building which had resulted in the increased use of money and property in 2017. Another revenue source not repeated from 2017 to 2018 was approximately \$268,000 in federal emergency disaster assistance. The balance of the reduction in federal and state aid was within the Community Development Fund which saw a reduction of about \$132,000, primarily within the Section 8 Program.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Financial Analysis of the Town's Financial Statements - Continued

An analysis of the overall financial position and results of operations of the Town's major governmental funds and the total of all Non-major governmental funds (on the modified accrual basis) is presented below.

Financial Position

	<u>Current Year</u>	<u>Prior Year</u>	<u>\$ Change</u>	<u>% Change</u>
General Town-Wide Fund				
Cash and cash equivalents	\$ 1,285,311	\$ 1,487,197	\$ (201,886)	-13.57%
Receivables/other	9,193,220	8,290,014	903,206	10.90%
Due from other funds	<u>8,000,062</u>	<u>10,476,031</u>	<u>(2,475,969)</u>	-23.63%
 Total assets	 <u>\$ 18,478,593</u>	 <u>\$ 20,253,242</u>	 <u>\$ (1,774,649)</u>	 -8.76%
Accounts payable and accrued expenses	\$ 10,353,722	\$ 14,327,460	\$ (3,973,738)	-27.74%
Revenue anticipation note	3,000,000	3,200,000	(200,000)	-6.25%
Due to other funds	<u>3,342,507</u>	<u>1,144,569</u>	<u>2,197,938</u>	192.03%
Total liabilities	16,696,229	18,672,029	(1,975,800)	-10.58%
 Fund balance	 <u>1,782,364</u>	 <u>1,581,213</u>	 <u>201,151</u>	 12.72%
 Total liabilities and fund balance	 <u>\$ 18,478,593</u>	 <u>\$ 20,253,242</u>	 <u>\$ (1,774,649)</u>	 -8.76%
Highway Fund				
Cash and cash equivalents	\$ 1,587,780	\$ 1,630,011	\$ (42,231)	-2.59%
Receivables	<u>1,181,908</u>	<u>1,268,532</u>	<u>(86,624)</u>	-6.83%
 Total assets	 <u>\$ 2,769,883</u>	 <u>\$ 2,898,543</u>	 <u>\$ (128,660)</u>	 -4.44%
Accounts payable and accrued expenses	\$ 564,552	\$ 571,468	\$ (6,916)	-1.21%
Due to other funds	<u>342,250</u>	<u>537,945</u>	<u>(195,695)</u>	-36.38%
Total liabilities	906,802	1,109,413	(202,611)	-18.26%
 Fund balance	 <u>1,863,081</u>	 <u>1,789,130</u>	 <u>73,951</u>	 4.13%
 Total liabilities and fund balance	 <u>\$ 2,769,883</u>	 <u>\$ 2,898,543</u>	 <u>\$ (128,660)</u>	 -4.44%

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Financial Analysis of the Town's Financial Statements - Continued

Financial Position - Continued

	<u>Current Year</u>	<u>Prior Year</u>	<u>\$ Change</u>	<u>% Change</u>
Special Miscellaneous Revenue				
Cash and cash equivalents	\$ 10,694,452	\$ 10,240,984	\$ 453,468	4.43%
Receivables	-	2,643	(2,643)	-100.00%
Total assets	<u>\$ 10,694,452</u>	<u>\$ 10,243,627</u>	<u>\$ 450,825</u>	4.40%
Accounts payable and accrued expenses	\$ 401,826	\$ 368,734	\$ 33,092	8.97%
Due to other funds	-	361,525	(361,525)	-100.00%
Total liabilities	<u>401,826</u>	<u>730,259</u>	<u>(328,433)</u>	-44.97%
Fund balance	<u>10,292,626</u>	<u>9,513,368</u>	<u>779,258</u>	8.19%
Total liabilities and fund balance	<u>\$ 10,694,452</u>	<u>\$ 10,243,627</u>	<u>\$ 450,825</u>	4.40%
Capital Projects Fund				
Cash and cash equivalents	\$ 6,660,796	\$ 6,272,878	\$ 387,918	6.18%
Receivables	427,684	128,525	299,159	0.00%
Total assets	<u>\$ 7,088,480</u>	<u>\$ 6,401,403</u>	<u>\$ 687,077</u>	10.73%
Accounts payable and accrued expenses	\$ 36,360	\$ 15,507	\$ 20,853	134.47%
Bond anticipation notes	827,000	659,000	168,000	25.49%
Due to other funds	1,009,946	293,997	715,949	243.52%
Total liabilities	<u>1,873,306</u>	<u>968,504</u>	<u>904,802</u>	93.42%
Fund balance	<u>5,215,174</u>	<u>5,432,899</u>	<u>(217,725)</u>	-4.01%
Total liabilities and fund balance	<u>\$ 7,088,480</u>	<u>\$ 6,401,403</u>	<u>\$ 687,077</u>	10.73%
Other Governmental Funds				
Cash and cash equivalents	\$ 2,973,134	\$ 1,761,472	\$ 1,211,662	68.79%
Investments	3,215,908	3,319,854	(103,946)	100.00%
Receivables	369,338	933,240	(563,902)	-60.42%
Due from other funds	70,589	288,119	(217,530)	-75.50%
Other assets	8,875	8,555	320	3.74%
Total assets	<u>\$ 6,637,844</u>	<u>\$ 6,311,240</u>	<u>\$ 326,604</u>	5.17%

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Financial Analysis of the Town's Financial Statements - Continued

Financial Position - Continued

	<u>Current Year</u>	<u>Prior Year</u>	<u>\$ Change</u>	<u>% Change</u>
Other Governmental Funds - Continued				
Accounts payable and accrued expenses	\$ 945,033	\$ 805,842	\$ 139,191	17.27%
Due to other funds	215,845	269,283	(53,438)	-19.84%
Total liabilities	<u>1,160,878</u>	<u>1,075,125</u>	<u>85,753</u>	7.98%
Deferred inflows of resources	22,251	19,058	3,193	16.75%
Fund balance	<u>5,454,715</u>	<u>5,217,057</u>	<u>237,658</u>	4.56%
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 6,637,844</u>	<u>\$ 6,311,240</u>	<u>\$ 326,604</u>	5.17%

Results of Operations

	<u>Current Year</u>	<u>Prior Year</u>	<u>\$ Change</u>	<u>% Change</u>
General Town-wide Fund				
Revenues	\$ 48,253,586	\$ 45,687,456	\$ 2,566,130	5.62%
Expenditures	50,317,644	48,401,610	1,916,034	3.96%
Other financing sources	74,205	62,807	11,398	18.15%
Interfund transfers in	2,191,004	2,800,000	(608,996)	-21.75%
Net change in fund balance	<u>201,151</u>	<u>148,653</u>	<u>52,498</u>	35.32%
Fund balance, <i>beginning of year</i>	<u>1,581,213</u>	<u>1,432,560</u>	<u>148,653</u>	10.38%
Fund balance, <i>end of year</i>	<u>\$ 1,782,364</u>	<u>\$ 1,581,213</u>	<u>\$ 201,151</u>	12.72%
Highway Fund				
Revenues	\$ 10,995,848	\$ 10,843,635	\$ 152,213	1.40%
Expenditures	10,959,195	10,712,400	246,795	2.30%
Other financing sources	<u>37,298</u>	<u>34,526</u>	<u>2,772</u>	8.03%
Net change in fund balance	<u>73,951</u>	<u>165,761</u>	<u>(91,810)</u>	-55.39%
Fund balance, <i>beginning of year</i>	<u>1,789,130</u>	<u>1,623,369</u>	<u>165,761</u>	10.21%
Fund balance, <i>end of year</i>	<u>\$ 1,863,081</u>	<u>\$ 1,789,130</u>	<u>\$ 73,951</u>	4.13%
Special Miscellaneous Revenue				
Revenues	\$ 1,279,963	\$ 1,546,079	\$ (266,116)	-17.21%
Expenditures	<u>500,705</u>	<u>612,084</u>	<u>(111,379)</u>	-18.20%
Excess of revenues over				
Net change in fund balance	779,258	933,995	(154,737)	-16.57%
Fund balance, <i>beginning of year</i>	<u>9,513,368</u>	<u>8,579,373</u>	<u>933,995</u>	10.89%
Fund balance, <i>end of year</i>	<u>\$ 10,292,626</u>	<u>\$ 9,513,368</u>	<u>\$ 779,258</u>	8.19%

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Financial Analysis of the Town's Financial Statements - Continued

Results of Operations - Continued

	<u>Current Year</u>	<u>Prior Year</u>	<u>\$ Change</u>	<u>% Change</u>
Capital Project Funds				
Revenues	\$ 489,458	\$ 236,754	\$ 252,704	106.74%
Expenditures	6,765,240	5,030,619	1,734,621	34.48%
Other financing sources	<u>6,058,057</u>	<u>9,282,035</u>	<u>(3,223,978)</u>	-34.73%
Net change in fund balance	(217,725)	4,488,170	(4,705,895)	-104.85%
Fund balance, <i>beginning of year</i>	<u>5,432,899</u>	<u>944,729</u>	<u>4,488,170</u>	475.07%
Fund balance, <i>end of year</i>	<u><u>\$ 5,215,174</u></u>	<u><u>\$ 5,432,899</u></u>	<u><u>\$ (217,725)</u></u>	-4.01%
Other Governmental Funds				
Revenues	\$ 15,189,814	\$ 15,236,203	\$ (46,389)	-0.30%
Expenditures	14,972,388	14,725,263	247,125	1.68%
Other financing sources, net	<u>20,232</u>	<u>22,274</u>	<u>(2,042)</u>	-9.17%
Net change in fund balance	237,658	533,214	(295,556)	-55.43%
Fund balance, <i>beginning of year, as originally stated</i>	5,217,057	1,657,085	3,559,972	214.83%
Effect of adoption of GASB 73	<u>-</u>	<u>3,026,758</u>	<u>(3,026,758)</u>	-100.00%
Fund balance, <i>beginning of year, as restated</i>	<u>5,217,057</u>	<u>4,683,843</u>	<u>533,214</u>	11.38%
Fund balance, <i>end of year</i>	<u><u>\$ 5,454,715</u></u>	<u><u>\$ 5,217,057</u></u>	<u><u>\$ 237,658</u></u>	4.56%

General Fund

Total assets decreased by approximately \$1,774,000 due to a combination of increased third-party receivables offset by less interfund receivables. The increased third-party receivables were a result of a higher allocation of sales tax receivables than at year end 2017. The decrease in due from other funds and the decrease in accrued expenses are the result of \$3,331,000 in advance tax collections for the 2018 tax year due to the changes in Federal tax regulations at the end of 2017. This decrease was offset by additional amounts due from the Environmental Services Department Fund.

Liabilities overall decreased by approximately \$1,976,000 from 2018 to 2017, primarily due to the timing of property tax payments at the end of 2017, as noted above. There were also less accounts payable and accrued liabilities at the end of 2018 by approximately \$1.1 million, but higher amounts due to the New York State Retirement System by \$322,000. This was the result of the Town opting to stop the long-term practice of amortizing the allowable portion of the annual retirement system invoices. Additionally, during 2018 the Town was able to slightly reduce the short-term cash flow revenue anticipation note borrowing by \$200,000. The interfund payables were up at December 31, 2018 primarily related to the mix of amounts due to the General Fund for accounts payable and timing of cash flow borrowings/repayments around year end.

Fund balance increased \$201,000 and was a function of favorable operating results. At this time, the unreserved uncommitted fund balance equals about \$879,000, or 1.75% of the operating expenditures, making progress toward to the 5% recommended by the New York State Comptroller's Office.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Financial Analysis of the Town's Financial Statements - Continued

General Fund - Continued

Total revenue increased by approximately \$2,566,000, or 5.6%. The significant fluctuations in the individual sources are primarily because of budgeted increases in property tax revenue, approximately \$672,000, and higher allocation of sales tax from the County, approximately \$1,279,000. The balance of the increase came primarily from the emergency medical services revenues as a result of a rate increase and call volume increases during 2018.

The General Fund was also able to reduce the amount transferred from the Environmental Services Fund by about \$800,000, but received an allocation of excess funds from the Capital Projects Fund for the sale of real property in 2017 of \$191,000.

Expenditures also increased in 2018 from 2017 levels by about \$1,916,000, or 3.96%. This increase was primarily driven by increases in benefit costs of about \$833,000 as a result of rising health insurance and retirement contribution costs. There were also negotiated salary increases of \$597,000 for all the Town's bargaining and non-bargaining units in 2018. Overall materials, supplies, and utility costs increased approximately \$409,000, but there was no one specific item driving those increases.

Highway Fund

Total assets decreased about \$129,000 from 2017 to 2018, from a combination of approximately \$87,000 less in sales tax receivables and approximately \$42,000 lower cash balances at year end 2018. Both are just functions of operations during 2018.

Overall, liabilities decreased approximately \$203,000 at year end 2018 related to lower levels of interfund payables related to accounts payable levels at December 31, 2018. Fund balance increased \$74,000 as a result of favorable operating results during 2018. As of December 31, 2018, the fund now has an unreserved uncommitted fund balance (\$466,513) equal to 4.3% of the operating expenditures, well on the way to the 5% (\$547,500) recommended by the New York State Comptroller's Office.

The Highway Fund revenues and expenditures were both up approximately \$152,000, or 1.4%, and \$247,000, or 2.3%, for the year ended 2018 as compared to 2017. This was primarily the result of a more severe winter which resulted in costs increase of approximately \$322,000. This, combined with decreased benefit costs of about \$196,000 and scheduled debt service increases of approximately \$53,000, resulted in a higher necessary sales tax allocation in 2018 of about \$446,000. Additionally, due to a severe winter storm during 2017, the Town received approximately \$260,000 in Federal disaster assistance aid that was not repeated in 2018.

Special Miscellaneous Revenue Fund

Total assets increased during 2018 by approximately \$451,000 as a result of departmental income offset by the timing of sizeable expenditures around year end 2018. The timing of invoices at year end 2017, resulted in \$362,000 of interfund liabilities that were not present at year end 2018. A portion of the revenues within the Boght area can be used by schools and fire companies within the area for reimbursement of eligible costs, which is accounted for as a liability to the fund. This liability increased by \$33,000 in 2018.

The annual revenues and expenditures depend on the development within the various mitigation areas and the resulting engineering and improvement projects that result from that development. During 2018, the Boght area completed the financing of a portion of a splash pad at the Town pool complex (\$476,208), and the various areas incurred engineering costs totaling \$24,497.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Financial Analysis of the Town's Financial Statements - Continued

Capital Projects Fund

Total assets, cash and cash equivalents, increased during 2018 by approximately \$388,000. This was the result of the continuation of the Town's capital plan.

Total liabilities increased by \$865,000, of which \$128,000 is from issuance of bond anticipation notes, net of scheduled repayment, during 2018. Accounts payable and accrued expenses were stable at about 2017 levels. Due to other funds increased \$716,000 due to the timing of the payment of invoices around year end 2018.

2018 revenues were significantly lower than in 2017 due to lower levels of serial bond issuances in 2018 than 2017. In 2017, the Town sold a building and associated land for \$1.7 million, which accounts for the balance of the reduction. Project expenditures were up in 2018 by approximately \$1.6 million from the improvements to the Town Library.

Non-major Funds

Overall, the Town's non-major funds experienced an increase in financial position of \$238,000. While total assets increased by about \$327,000, total liabilities and deferred inflows of resources also increased by approximately \$89,000.

The increase in assets was primarily related to increased cash, net of investment, balances of approximately \$1,235,000 being offset by decreased interfund receivables of about \$218,000 and third-party receivables of about \$564,000. The cash balance increases resulted from positive operations during 2018, and the repayment of interfund receivables during 2018. As non-sales tax revenues were slightly higher in 2018, there was less of a need for sales tax allocation within the General Outside-Villages Fund around year end 2018, which accounts for the significant decrease in third-party receivables.

The liability increase as discussed above resulted primarily from unearned grant revenue and building permit revenue at year end 2018 of about \$130,000. This was offset by a reduction in amounts due to other funds of \$53,000 because of lower accounts payable levels at the end of 2018 as compared to 2017.

Revenues and expenses both remained relatively stable from 2017 to 2018 with a decrease of \$46,000 (0.30%) and increase of \$248,000 (1.69%), respectively. The decreased revenue was the result of fluctuations in several revenue categories with no one source accounting for overall change. Real property taxes were budgeted to increase \$131,000, or 1.9%, which along with the increases in departmental income and licenses and permits of \$584,000, resulted in the ability to reduce the sales tax allocation to supplement the operations of the General Town-Outside Village Fund by \$323,000. There was a combined decrease in State and Federal aid of \$337,000 as a New York State grant worked its way to completion, and the Community Development programs saw reduced funding levels in its Section 8 Rental Assistance Program. These reductions were compounded by a negative change in market value of investments of \$269,000, which was driven by the investments within the Town's Length of Service Award Program in the Fire Protection District Fund, and treated as an expense of that fund.

The operating expenses for the non-major funds saw an increase of approximately \$248,000 in 2018 from 2017 levels. The primary driver was budgeted payments to the four fire companies contracted to provide fire protection within the related fund of \$374,000, which was primarily the depreciation in market value of the investments discussed above. This was offset by minor reductions in the other operating expense categories.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Financial Analysis of the Town's Financial Statements - Continued

An analysis of the overall financial position and results of operations of the Town's proprietary funds (on the accrual basis) is presented below:

Financial Position

	<u>Current Year</u>	<u>Prior Year</u>	<u>\$ Change</u>	<u>% Change</u>
Environmental Services Department				
Cash and cash equivalents	\$ 52,372	\$ 49,086	\$ 3,286	6.69%
Receivables	428,149	557,208	(129,059)	-23.16%
Due from other funds	-	5,066	(5,066)	-100.00%
Management agreement	14,861,838	16,155,389	(1,293,551)	-8.01%
Capital assets, net	<u>3,673,362</u>	<u>5,125,993</u>	<u>(1,452,631)</u>	-28.34%
Total assets	<u>19,015,721</u>	<u>21,892,742</u>	<u>(2,877,021)</u>	-13.14%
Deferred outflows of resources	<u>262,651</u>	<u>280,765</u>	<u>(18,114)</u>	-6.45%
Total assets and deferred outflows of resources	<u><u>\$ 19,278,372</u></u>	<u><u>\$ 22,173,507</u></u>	<u><u>\$ (2,895,135)</u></u>	-13.06%
Accounts payable and accrued expenses	\$ 87,349	\$ 95,050	\$ (7,701)	-8.10%
Bonds payable	11,050,536	12,352,807	(1,302,271)	-10.54%
Landfill closure/post-closure	15,432,085	14,514,453	917,632	6.32%
Due to other funds	5,970,806	4,079,295	1,891,511	46.37%
Total liabilities	<u>32,540,776</u>	<u>31,041,605</u>	<u>1,499,171</u>	4.83%
Deferred inflows of resources	-	3,238,386	(3,238,386)	-100.00%
Net position	<u>(13,262,404)</u>	<u>(12,106,484)</u>	<u>(1,155,920)</u>	9.55%
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 19,278,372</u></u>	<u><u>\$ 22,173,507</u></u>	<u><u>\$ (2,895,135)</u></u>	-13.06%
Pure Waters				
Cash and cash equivalents	\$ 7,842,892	\$ 6,877,064	\$ 965,828	14.04%
Receivables	19,324	36,916	(17,592)	-47.65%
Due from other funds	2,176,999	856,450	1,320,549	154.19%
Capital assets, net	<u>22,747,948</u>	<u>23,092,310</u>	<u>(344,362)</u>	-1.49%
Total assets	<u>32,787,163</u>	<u>30,862,740</u>	<u>1,924,423</u>	6.24%
Deferred outflows of resources	<u>1,402,493</u>	<u>849,551</u>	<u>552,942</u>	65.09%
Total assets and deferred outflows of resources	<u><u>\$ 34,189,656</u></u>	<u><u>\$ 31,712,291</u></u>	<u><u>\$ 2,477,365</u></u>	7.81%
Accounts payable and accrued expenses	\$ 1,116,362	\$ 1,187,845	\$ (71,483)	-6.02%
Bond anticipation note	2,735,000	5,325,200	(2,590,200)	-48.64%
Bonds payable	25,713,366	21,919,357	3,794,009	17.31%
Other noncurrent	7,048,516	4,122,956	2,925,560	70.96%
Due to other funds	195	-	195	100.00%
Total liabilities	<u>36,613,439</u>	<u>32,555,358</u>	<u>4,058,081</u>	12.47%
Deferred inflows of resources	587,942	89,498	498,444	556.93%
Net position	<u>(3,011,725)</u>	<u>(932,565)</u>	<u>(2,079,160)</u>	222.95%
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 34,189,656</u></u>	<u><u>\$ 31,712,291</u></u>	<u><u>\$ 2,477,365</u></u>	7.81%

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Financial Analysis of the Town's Financial Statements - Continued

Financial Position - Continued

	<u>Current Year</u>	<u>Prior Year</u>	<u>\$ Change</u>	<u>% Change</u>
Latham Water				
Cash and cash equivalents	\$ 7,580,326	\$ 7,770,942	\$ (190,616)	-2.45%
Receivables	6,525,418	7,035,210	(509,792)	-7.25%
Due from other funds	1,094,919	-	1,094,919	100.00%
Capital assets, net	<u>41,560,943</u>	<u>41,313,917</u>	<u>247,026</u>	0.60%
Total assets	<u>56,761,606</u>	<u>56,120,069</u>	<u>641,537</u>	1.14%
Deferred outflows of resources	<u>2,428,947</u>	<u>1,273,943</u>	<u>1,155,004</u>	90.66%
Total assets and deferred outflows of resources	<u>\$ 59,190,553</u>	<u>\$ 57,394,012</u>	<u>\$ 1,796,541</u>	3.13%
Accounts payable and accrued expenses	\$ 1,100,990	\$ 986,081	\$ 114,909	11.65%
Bond anticipation note	3,196,000	7,150,000	(3,954,000)	-55.30%
Bonds payable	26,594,535	21,433,659	5,160,876	24.08%
Other noncurrent	13,892,503	7,933,024	5,959,479	75.12%
Due to other funds	<u>-</u>	<u>1,312,298</u>	<u>(1,312,298)</u>	-100.00%
Total liabilities	44,784,028	38,815,062	5,968,966	15.38%
Deferred inflows of resources	1,273,872	193,913	1,079,959	556.93%
Net position	<u>13,132,653</u>	<u>18,385,037</u>	<u>(5,252,384)</u>	-28.57%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 59,190,553</u>	<u>\$ 57,394,012</u>	<u>\$ 1,796,541</u>	3.13%
Workers' Compensation Internal Service Fund				
Accounts payable and accrued expenses	<u>\$ 1,284,554</u>	<u>\$ 1,227,177</u>	<u>\$ 57,377</u>	4.68%
Total liabilities	1,284,554	1,227,177	57,377	4.68%
Net position	<u>(1,284,554)</u>	<u>(1,227,177)</u>	<u>(57,377)</u>	4.68%
Total liabilities and net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	0.00%

Results of Operations

	<u>Current Year</u>	<u>Prior Year</u>	<u>\$ Change</u>	<u>% Change</u>
Environmental Services Department				
Operating revenue	\$ 335,982	\$ 523,599	\$ (187,617)	-35.83%
Operating expenses	<u>2,572,945</u>	<u>1,651,551</u>	<u>921,394</u>	55.79%
Operating loss	(2,236,963)	(1,127,952)	(1,109,011)	98.32%
Non-operating revenues, net	3,081,043	2,279,927	801,116	35.14%
Transfers out	<u>(2,000,000)</u>	<u>(2,800,000)</u>	<u>800,000</u>	-28.57%
Change in net position	(1,155,920)	(1,648,025)	492,105	-29.86%
Net position, <i>beginning of year</i>	<u>(12,106,484)</u>	<u>(10,458,459)</u>	<u>(1,648,025)</u>	15.76%
Net position, <i>end of year</i>	<u>\$(13,262,404)</u>	<u>\$(12,106,484)</u>	<u>\$ (1,155,920)</u>	9.55%

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Financial Analysis of the Town's Financial Statements - Continued

Results of Operations - Continued

	<u>Current Year</u>	<u>Prior Year</u>	<u>\$ Change</u>	<u>% Change</u>
Results of Operations				
Pure Waters				
Operating revenue	\$ 10,080,828	\$ 9,795,223	\$ 285,605	2.92%
Operating expenses	<u>8,700,923</u>	<u>9,254,179</u>	<u>(553,256)</u>	-5.98%
Operating income	1,379,905	541,044	838,861	155.04%
Non-operating expenses, net	<u>(696,365)</u>	<u>(738,038)</u>	<u>41,673</u>	-5.65%
Change in net position	<u>683,540</u>	<u>(196,994)</u>	<u>880,534</u>	-446.99%
Net position, beginning of year, as originally stated	(932,565)	(735,571)	(196,994)	26.78%
Effect of adoption of GASB 75	<u>(2,762,700)</u>	-	<u>(2,762,700)</u>	100.00%
Net position, beginning of year, as restated	<u>(3,695,265)</u>	<u>(735,571)</u>	<u>(2,959,694)</u>	402.37%
Net position, end of year	<u>\$ (3,011,725)</u>	<u>\$ (932,565)</u>	<u>\$ (2,079,160)</u>	222.95%
Latham Water				
Operating revenue	\$ 13,504,083	\$ 12,784,620	\$ 719,463	5.63%
Operating expenses	<u>12,766,419</u>	<u>13,277,374</u>	<u>(510,955)</u>	-3.85%
Operating income (loss)	737,664	(492,754)	1,230,418	-249.70%
Non-operating expenses, net	<u>(319,214)</u>	<u>(370,713)</u>	<u>51,499</u>	-13.89%
Change in net position	418,450	(863,467)	1,281,917	-148.46%
Net position, beginning of year, as originally stated	18,385,037	19,248,504	(863,467)	-4.49%
Effect of adoption of GASB 75	<u>(5,670,834)</u>	-	<u>(5,670,834)</u>	100.00%
Net position, beginning of year, as originally stated	<u>12,714,203</u>	<u>19,248,504</u>	<u>(6,534,301)</u>	-33.95%
Net position, end of year	<u>\$ 13,132,653</u>	<u>\$ 18,385,037</u>	<u>\$ (5,252,384)</u>	-28.57%
Workers' Compensation Internal Service Fund				
Operating revenue	\$ 1,133,370	\$ 2,017,335	\$ (883,965)	-43.82%
Operating expenses	<u>1,190,747</u>	<u>797,890</u>	<u>392,857</u>	49.24%
Change in net position	<u>(57,377)</u>	1,219,445	<u>(1,276,822)</u>	-104.71%
Net position, beginning of year	<u>(1,227,177)</u>	<u>(2,446,622)</u>	<u>1,219,445</u>	-49.84%
Net position, end of year	<u>\$ (1,284,554)</u>	<u>\$ (1,227,177)</u>	<u>\$ (57,377)</u>	4.68%

Environmental Services Department

In 2011, the Town entered into a contract with a private company to manage, maintain, and operate the Town's solid waste facility for a period of 25 years with the option to extend the contract for up to five additional five-year renewal periods. The terms of the agreement provide for an upfront payment of \$23 million and quarterly payments of \$575,000 for the first five years and minimum quarterly payments of \$275,000 thereafter for twenty years. Additionally, the company assumed the liability for all future closure and post-closure costs and has established financial assurances as required and verified by the New York State Department of Environmental Conservation.

The financial assurances that have been established protect the Town in the event the company were to default on this contract. As a result of this transaction, the Environmental Services Fund deficit has been significantly reduced and will be further reduced in the future. Essentially this is a funded deficit because although the closure and post-closure care liability remains in the Town's records, it is a funded liability.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Financial Analysis of the Town's Financial Statements - Continued

Environmental Services Department - Continued

Total assets decreased approximately \$2.88 million in 2018 due to the anticipated repayments under the management agreement of \$1.1 million and depreciation of capital assets in the amount of \$1.45 million. Total liabilities increased by approximately \$1.5 million due to scheduled debt repayments of \$1.3 million which were offset by a current year revision to the landfill closure and post-closure liability of approximately \$900,000 and increased interfund liabilities by approximately \$1.9 million. Additionally, approximately \$3.2 million of the deferred inflows from the service concession arrangement were recognized in 2018.

The net deficit increased to approximately \$13.3 million. The deficit will decrease as the closure and post-closure processes are assumed by the operations company.

Similar to the last four years, due to changes in the utility market, the methane gas to energy operation generated poor results and resulted in an approximate \$188,000 decline in revenue. Area 6 of the landfill reached full capacity during 2018 which resulted in higher depreciation expense, revision to the landfill closure and post-closure liability, and amount of revenue recognized under the service concession arrangement.

In April 2018, the Town received the final expansion permit for Area 7, with a total permitted airspace capacity of 10,090,000 cubic yards and a projected operational life of 18.9 years. The landfill operator began construction of Area 7 Cell #1 in late July 2018 and its construction certification was received in April 2019. Area 7 Cell #1 has an airspace capacity of 866,773 cubic yards, representing 8.6% of the landfill Area 7 capacity and a projected operational lifespan of 1.6 years at the maximum permitted disposal rate. The cost of construction of Cell 7 will be borne entirely by the operator and be recorded as contributed capital upon completion of construction. As of December 31, 2018, Cell 7 was still under construction, so there is no estimated closure or post-closure costs liability for this Cell, nor recognition of contributed capital.

Pure Waters

Assets increased by approximately \$2,477,000 due to positive cash flow from operations, \$1,320,000 in additional interfund receivables, offset by a depreciated investment in capital assets of about \$344,000. There was an additional deferred outflow of resources related to OPEB that resulted in an increase of \$431,000 of the \$553,000 increase in deferred outflows of resources. The balance is the result of an increase in deferred outflows related to pensions.

Overall, liabilities and deferred inflows of resources increased by approximately \$4,556,000 primarily from the changes in liabilities in the recognition of OPEB, which increased \$3.3 million, and net pension, which decreased \$362,000. This was offset by a \$498,000 increase in deferred inflows of resources related to pensions. The remaining increase results from the net increase in bonds and bond anticipation notes of \$1.2 million.

During 2018, the Town adopted Governmental Accounting Standards Board Statement No. 75 which changed the method for the recognition and valuation of the OPEB liability. This resulted in a negative restatement of the opening net position by \$2.76 million, to a deficit net position of \$3,695,000. So while the fund generated a positive change in net position of about \$684,000 during 2018, it still has a deficit net position of approximately \$3 million at December 31, 2018.

Overall, revenue increased approximately 2.9% over the prior year, the result of an increase in the ad valorem tax. Operating expenses decreased significantly during 2018 by about \$553,000, or 5.98%. Salaries/wages and insurance were both stable at 2017 levels.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Financial Analysis of the Town's Financial Statements - Continued

Pure Waters - Continued

Benefits costs decreased \$503,000, primarily from \$124,000 less in workers' compensation benefit payments and \$277,000 less in net change in the OPEB liability. The balance is the result of declines in the net pension liability. Contractual expenses decreased approximately \$183,000 but was offset by an increase in depreciation expense of \$169,000.

Non-operating expenses, net, decreased by \$42,000 primarily due to the 2017 refunding bond issuance costs of \$62,000.

Latham Water

Latham Water saw an increase in total assets and deferred outflows of resources of approximately \$1,797,000. This was the result of approximately \$247,000 net investment in capital assets, a decrease in overall cash positions of approximately \$190,000, and a decrease in water usage receivables of approximately \$510,000. The receivable decrease was primarily the reduction of water use receivables from the Village of Colonie based on timing of payments (\$438,000), enhanced by a rate increase offset by consumption decreases in the second half of 2018. There was also a positive change in deferred outflow of resources related to pensions of \$307,000, along with the recognition of a deferred outflow related to OPEB of \$853,000.

The liabilities and deferred inflows of resources increased approximately \$7 million. This was primarily from the changes in liabilities in the recognition of OPEB, which increased \$6.9 million, and net pension, which decreased \$785,000. This was offset by an increase in deferred inflows of resources related to pension of about \$1,080,000. The net increase was related to the net issuance of bonds and bond anticipation notes of \$1.2 million. There was also about \$1.3 million in interfund debts repaid during 2018.

During 2018, the Town adopted Governmental Accounting Standards Board Statement No. 75 which changed the method for the recognition and valuation of the OPEB liability. This resulted in a negative restatement of the opening net position by \$5.67 million, to a net position of \$12,714,000. Net position at December 31, 2018 was positively impacted by the \$418,000 change in net position generated during 2018.

The Town implemented a minor 5 cent, or 1.4%, rate increase during 2018 that was enhanced by a 2.96% increase in consumption. During 2017, the Village of Colonie indicated to the District an error in the reporting of consumption during 2016, and requested a refund of approximately \$375,000. The Town Board approved the refund to the Village of Colonie, as a bill credit to the 2018 and 2019 billing cycles, but was recorded as a reduction of revenue in 2017 and recognized the amount as a net reduction of balances due from the Village of Colonie. Exclusive of the Village of Colonie billing issues from 2017, the 2018 revenue increased \$361,000, or approximately 3.0%. Other operating revenues were relatively consistent at 2017 levels.

Operating expenses decreased 3.8%, or approximately \$511,000. Salaries/wages, insurance, and provision of uncollectible receivables were all stable at 2017 levels. Benefits costs decreased \$1.1 million. This primarily resulted from \$435,000 less in workers' compensation benefit payments and \$546,000 less in net change in the OPEB liability. The balance is the result of declines in the net pension liability. Contractual expenses increased approximately \$317,000, of which \$156,000 came from increased chemical costs at the water treatment facility. Depreciation expense increased \$291,000 based on the continued infrastructure investments.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Financial Analysis of the Town's Financial Statements - Continued

Latham Water - Continued

Non-operating expenses, net, decreased by \$51,000 primarily due to the 2017 refunding bond issuance costs of \$20,000, and increased revenue from equipment leases on the various water tanks. The roughly \$29,000 increase in interest expense was offset by a similar increase in interest earnings on cash balances. This resulted from a combination of sustained cash balances and higher rates of return.

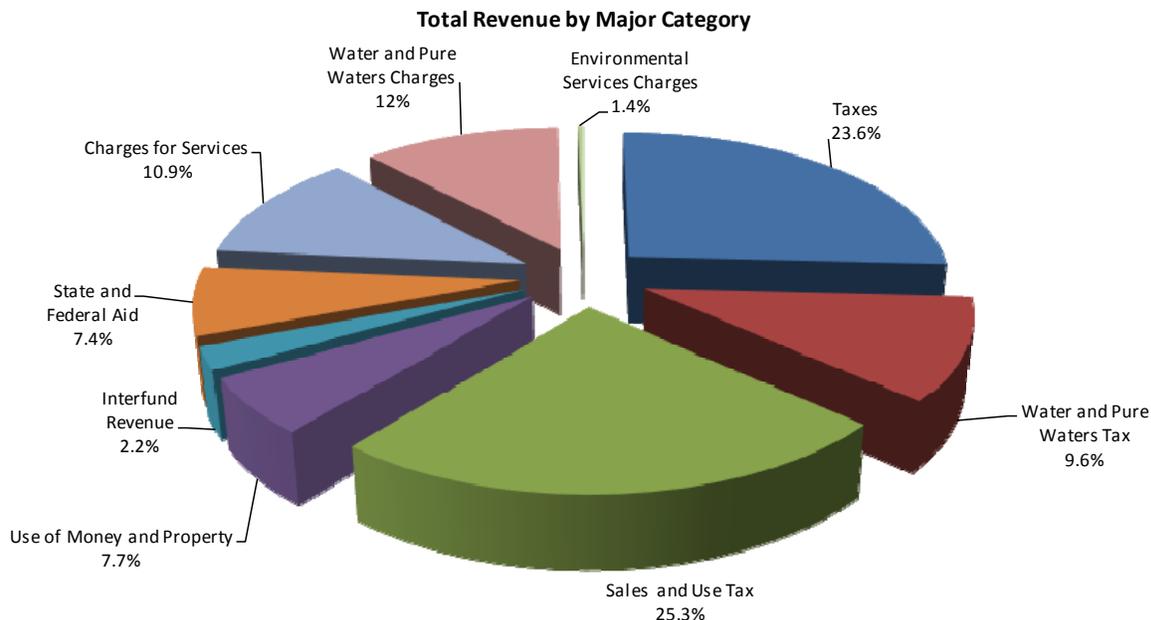
Workers' Compensation Internal Service Fund

The Town accounts for its self-insured workers' compensation costs within this fund. A significant component of the workers' compensation liability is long-term and, therefore, would not be reported under modified accrual accounting. The Internal Service Fund allows users of the statements a more transparent and centralized reporting of the risk financing activities for workers' compensation costs. The liability presented includes the liability for workers' compensation claims as determined by the Town's third-party administrator as of the end of the year, less the amount covered by an excess insurance policy for specific claims, plus an estimate for claims incurred but not reported. The incurred but not reported estimate is a minor component because the Town has strong experience with claims being reported timely.

The revenue charged to the operating funds in 2018 was approximately \$884,000 lower than in 2017, which is the result of lower claims payouts and has a direct correlation to the related liability as of the end of the year, which was slightly higher by \$57,000. This combination resulted in approximately \$393,000 higher expense than in 2017.

Statistical Information on Town-Wide, Governmental and Business-Type Entities

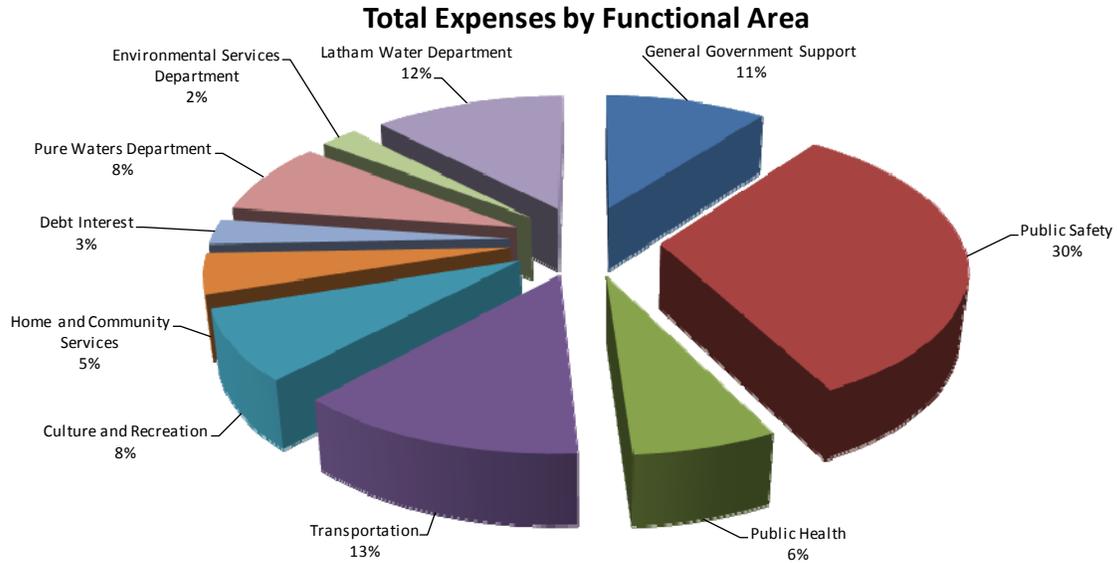
2018 Summary of Town-Wide Revenues (Accrual Basis)



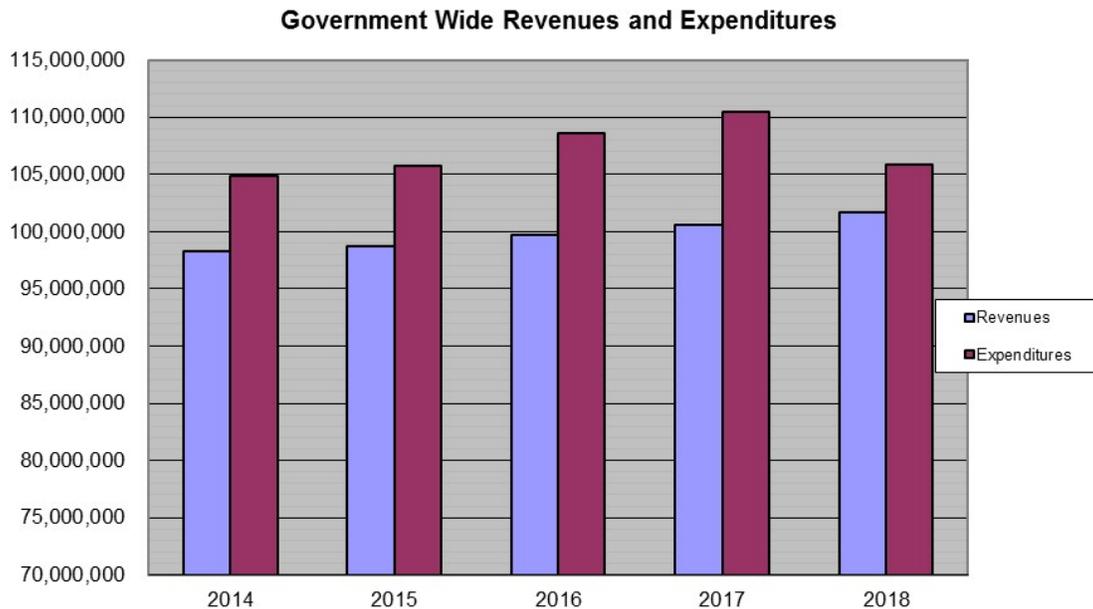
Town of Colonie, New York

Management's Discussion and Analysis
December 31, 2018

2018 Summary of Town-Wide Expenses (Accrual Basis) - Continued



Town-Wide Revenues and Expenditures for the Past Five Years (Accrual Basis)



The above graph shows the government-wide revenues and expenses over the last five years (accrual basis), which does not reflect expenditures for investment in capital assets or debt principal repayment. The Town closely monitors the budget and attempts to identify new sources of revenue, and identify areas of savings through restructuring and attrition. This practice continues to allow the Town the ability to work toward establishing the fund balance levels that are recommended by both the New York State Comptroller's Office and debt rating services.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Town-Wide Revenues and Expenditures for the Past Five Years (Accrual Basis) - Continued

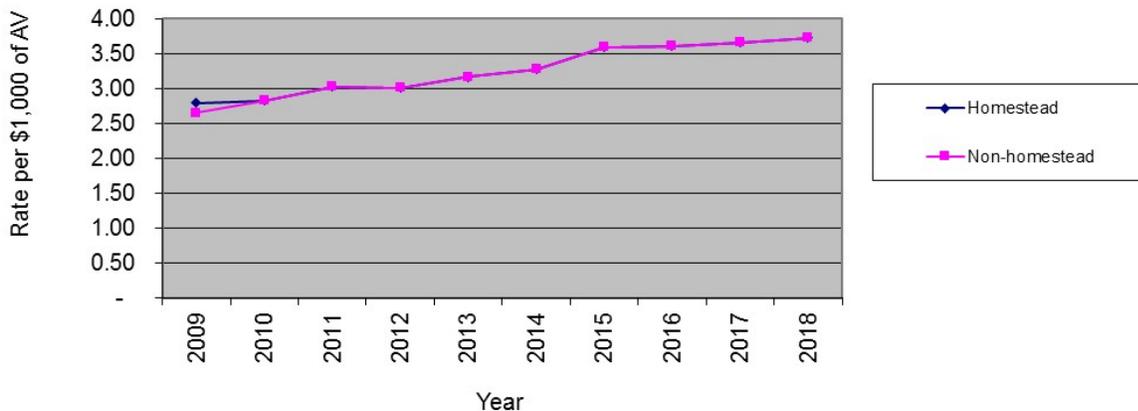
As discussed in the financial highlights section, the Town annually recognizes the impact of its proportionate share of the net pension liability of the New York Employee and Police and Fire Retirement Systems and obligations from other postemployment benefits within its financial statements. These \$6.9 and \$123.3 million liabilities have been systematically recognized since 2008, and significantly skew the comparison of revenue and expenditures.

Over the same time period identified above, the Town has managed to implement an infrastructure improvement and replacement plan while managing to keep its outstanding debt (total Bonds, BANs, and RANs) to \$111.5 million. This has been accomplished by implementing a capital review committee which reviews and prioritizes the projects to be financed. This committee attempts to limit new borrowings to a level at or below the principal being paid off in a given year. The committee feels this is a conservative approach and will assist the Town in limiting its overall debt exposure.

The graph below shows the real property taxes (levied from 2009 to 2018 for both homestead and non-homestead:

Tax Rates

Property Tax Rate History



It should be noted that the Town elected to rescind the homestead tax option in 2010, which makes the homestead and non-homestead rates equal. It should also be noted that the Town has complied with the New York State Tax Levy Cap Legislation since it was implemented in 2012.

Budgetary Highlights

Both the General Town-wide and Highway Fund budget to actual comparisons can be found in the supplementary section of this report on pages 82 and 83. The following are a few significant budgetary items during 2018.

Within the General Town-wide Fund, sales taxes were higher than originally budgeted by \$2.1 million due to improved economic conditions during 2018, which compensated for revenues that came in lower than anticipated. It also allowed the Town the ability to reduce the estimated transfer from the Environmental Services Fund by about \$953,000. As a result of an increase in ambulance rates and call volume, departmental income effectively met budget and compensated for the Recreation Department that did not attain budgeted levels due to weather conditions during 2018.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Budgetary Highlights - Continued

While some areas of the expenditures exceeded the originally budgeted amounts, the Town was able to make budget modifications to amend the budget without a negative impact.

The Highway Fund experienced a more severe winter during 2018 than in 2017 and, therefore, required a larger sales tax allocation to balance the fund's budget. The Highway Fund also received \$137,000 more in New York State Consolidated Highway Improvement Aid in 2018 than was originally budgeted. Departmental income was also more than budgeted, but this is dependent upon development projects within the Town and fluctuates from year to year.

In all funds, any areas of over expenditure were able to be offset by areas that were under budget in 2018.

Capital Assets and Debt

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2018, amounted to approximately \$119,500,000 (net of accumulated depreciation and disposals), a \$400,000 net decrease over 2017. This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure, landfill improvements, and construction in progress.

A breakdown of this year's significant investments is as follows:

General Fund(s)

\$ 9,000	Town Hall facility improvements
17,000	Public Operations Center facility improvements
85,000	Municipal Training Center airbank replacement
17,000	Emergency Medical Services station improvements
131,000	Mohawk View Town Park concession/pavilion improvements
862,000	Town Pool splash pad installation
20,000	Computer hardware (2 items)
23,000	General Services vehicle
32,000	DPW Facilities Management vehicle
315,000	Emergency Medical Services ambulances (2 items)
71,000	Emergency Medical Services equipment (4 items)
423,000	Police vehicles (8 items)
78,000	Police equipment (8 items)
101,000	Recreation equipment (3 items)
205,000	Recreation pocket parks equipment replacement (10 parks)

Library Fund

\$ 1,598,000	Library facility improvements
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Highway

\$ 22,000	Flail mower
160,000	Loader
27,000	Truck
7,000	Salt shed improvements

Miscellaneous Special Revenue

\$ 476,000	Pool splash pad installation
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Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Capital Assets and Debt - Continued

Pure Waters District

\$ 760,000	Sewer treatment plant improvements
354,000	Sewer pump station improvements
15,000	Vehicles and equipment (2 units)

Latham Water District

\$ 277,000	Water pump station improvements
1,688,000	Water distribution system improvements
327,000	Water storage system rehabilitations
7,000	Water source, reservoir rehabilitation/interconnect
149,000	Vehicles and equipment (4 units)

Typically, the Town finances most of the annual capital investment through the issuance of bond anticipation notes, which are then rolled into serial bonds and installment purchase debt. The Town's outstanding indebtedness for bonds, bonds anticipation notes, and installment purchase debt within governmental and business-type activities at December 31, 2018, is approximately \$108,512,000, an increase of \$5,058,000 over the previous year, or 4.9%. This total includes approximately \$1.5 million of unamortized premium on the issuance of bonds that will be amortized against interest expense over the next 15 years.

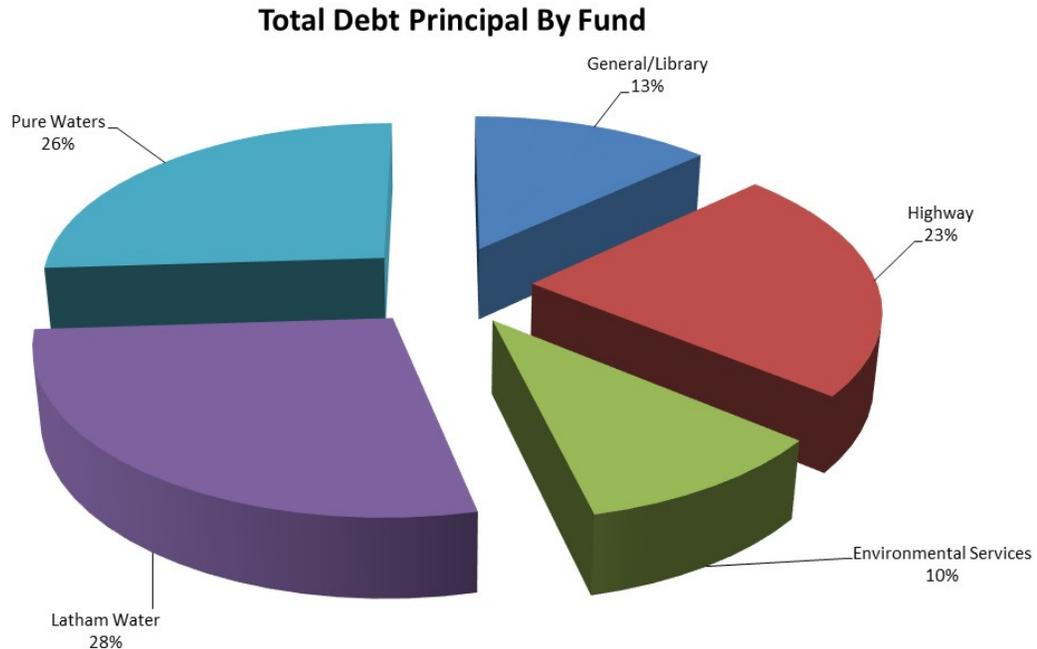
As of December 31, 2018, a summary of the Town's unused debt limit is as follows:

Town's legal debt limit	<u>\$ 615,762,147</u>
Town's indebtedness	106,648,000
Less legal exclusion	<u>38,922,475</u>
Net indebtedness	<u>67,725,525</u>
Deduct net indebtedness	<u>67,725,525</u>
Town's unused debt limit	<u>\$ 548,036,622</u>
Percent of legal indebtedness used	11.00%

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

2018 Summary of Total Outstanding Debt by Fund



As of December 31, 2018, the Town's debt was rated A, with a positive outlook, by Standard and Poor's Rating Services and A3 by Moody's Investor Service. As of January 2019, the Standard and Poor's Rating Services increased the rating to A+ with a positive outlook. Both rating services place the Town's debt within the upper medium quality investment grade.

Liquidity and Capital Resources

After a long period of fiscal instability, the Town continues to take steps to maintain and strengthen its financial stability. This includes strict monitoring of the annual budget, elimination of unnecessary expenditures within the budget, maximization of revenue opportunities, potential sale of unused/underused Town property, reducing staffing levels through attrition, and identifying opportunities for shared services with other municipalities all in an attempt to maintain the services provided to our community.

The Town has contracted with Capital Region Landfills, Inc. (Company), a wholly-owned subsidiary of Waste Connections, Inc. to manage the Environmental Services Department. Under the contract, the Company will manage, maintain, and operate the Town's solid waste facility for a period of 25 years. The revenue from this agreement allowed the Town to eliminate a portion of the deficit in the General Fund and the proceeds provided for the necessary future debt services payments. Additionally, any improvements done to the solid waste facility and closure/post-closure care costs will come at no cost to the Town, thereby saving taxpayers in excess of \$20,000,000. With the permitting of Area 7 of the Landfill, the Town is expected to receive an additional upfront payment sometime in late 2019.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2018

Economic Factors for Future Budgets

Retirement Costs - The Town of Colonie, New York, like many other towns in New York State, is challenged on a fiscal level by increasing retirement costs. The Town participates in the New York State Retirement System, a cost sharing and multiple public employers' system. Due to enhanced benefits offered by the State, coupled with the prolonged market turndown, spending has increased as follows:

2011	\$ 7,516,293
2012	8,513,767
2013	9,590,643
2014	9,765,109
2015	9,203,239
2016	8,419,035
2017	8,383,658
2018	8,270,473

In an effort to mitigate the sizeable increases in costs, the Town had opted into the New York State Retirement System's annual amortization program. This program allows municipalities to amortize annual increases in excess of 1% over a ten-year period. When the costs decrease by more than 1%, the excess contributions made by the municipality will be used by the Retirement System to repay outstanding amortizations and eventually build a cash reserve to offset future amortizations. As of December 31, 2018, the Town has outstanding debt related to these amortizations totaling approximately \$6,904,000. The Town has fully ended the practice of amortizing the retirement system payments as of December 31, 2018. It will also look to prepay the existing amortizations as opportunities arise.

In addition to retirement costs, health insurance premiums, inclusive of dental and vision insurance, continue to increase each year due to market pressures and the increasing cost of health care. The Town shares health insurance premiums with its employees. The Town has seven bargaining units plus non-bargaining employees. The contribution toward the premium is different depending on the bargaining unit the employee is associated with. The contribution is either based on percentage of premium or salary. In addition, the Town has worked to negotiate equal co-pays across all employees at about 10% of premium. The Town was successful in negotiating into several of the bargaining unit contracts a 15% co-pay for new employees to the Town effective in 2013. It has also changed to an experience rated plan in order to keep premiums low. It is also participating in a study to see if entering a county-wide health care consortium would provide any future savings to the Town.

The Town has expended the following health insurance premiums for active and retired employees:

2011	\$ 7,980,735
2012	8,203,005
2013	7,998,256
2014	8,542,833
2015	8,578,735
2016	9,136,690
2017	10,087,141
2018	10,846,866

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact Town of Colonie Comptroller, Memorial Town Hall, Latham, New York 12110.

Town of Colonie, New York
Government-Wide Financial Statements
Statement of Net Position

	December 31, 2018		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 20,263,312	\$ 14,529,361	\$ 34,792,673
Cash and cash equivalents, restricted	2,938,161	946,229	3,884,390
Investments, restricted	3,215,908	-	3,215,908
Other receivables, net	2,065,416	6,819,061	8,884,477
Management agreement proceeds, current portion	-	1,100,000	1,100,000
Internal balances	2,699,083	(2,699,083)	-
Due from fiduciary funds	461,215	-	461,215
State and Federal aid receivables	477,987	-	477,987
Due from other governments	8,618,907	153,830	8,772,737
Other assets	18,715	-	18,715
NONCURRENT ASSETS			
Management agreement proceeds, less current portion	-	13,761,838	13,761,838
Capital assets, net of depreciation	51,513,445	67,982,253	119,495,698
Total assets	92,272,149	102,593,489	194,865,638
DEFERRED OUTFLOWS OF RESOURCES			
Deferred resources related to pensions and LOSAP	19,943,547	2,170,889	22,114,436
Deferred resources related to OPEB	7,615,538	1,284,210	8,899,748
Deferred resources related to defeased bonds	302,353	638,992	941,345
	<u>27,861,438</u>	<u>4,094,091</u>	<u>31,955,529</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	4,604,647	15,995	4,620,642
Accrued liabilities	1,036,974	138,865	1,175,839
Retainage payable	120,611	146,761	267,372
Other liabilities	1,264,383	245,093	1,509,476
Unearned revenue	497,634	14,124	511,758
Revenue anticipation note payable	3,000,000	-	3,000,000
Current portion of due to other governments	6,015,893	1,187,189	7,203,082
Accrued interest	407,231	662,399	1,069,630
Current portion of bonds anticipation notes payable	827,000	10,000	837,000
Current portion of bonds payable	3,036,845	5,089,040	8,125,885
Current portion of installment purchase debts	159,580	-	159,580
Current portion of pension related debt	1,153,940	139,368	1,293,308
NONCURRENT LIABILITIES			
Bond anticipation notes payable, less current portion	5,800,000	5,921,000	11,721,000
Bonds payable, less current portion	29,230,046	58,269,397	87,499,443
Installment purchase debts, less current portion	168,783	-	168,783
Judgments and claims	84,962	70,396	155,358
Landfill closure and post-closure costs	-	15,432,085	15,432,085
Due to other governments, less current portion	78,578	-	78,578
Pension related debt, less current portion	5,027,382	583,105	5,610,487
Compensated absences	4,190,535	631,684	4,822,219
Net pension liabilities	6,294,049	577,862	6,871,911
LOSAP pension liability	4,712,306	-	4,712,306
Other postemployment benefits liability	104,176,383	19,077,972	123,254,355
Total liabilities	181,887,762	108,212,335	290,100,097
DEFERRED INFLOWS OF RESOURCES			
Deferred resources related to pensions and LOSAP	15,869,587	1,861,814	17,731,401
NET POSITION			
Net investment in capital assets	12,411,191	(1,307,185)	11,104,006
Restricted	598,452	875,833	1,474,285
Unrestricted (deficit)	(90,633,405)	(2,955,217)	(93,588,622)
TOTAL NET POSITION	\$ (77,623,762)	\$ (3,386,569)	\$ (81,010,331)

See accompanying Notes to Financial Statements.

Town of Colonie, New York
Government-Wide Financial Statements
Statement of Activities

Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government support	\$ 10,896,317	\$ 1,078,518	\$ -	\$ -	\$ (9,817,799)	\$ -	\$ (9,817,799)
Public safety	34,090,847	2,256,891	118,069	216,831	(31,499,056)	-	(31,499,056)
Public health	6,793,236	5,469,208	-	-	(1,324,028)	-	(1,324,028)
Transportation	13,724,647	798,835	700,154	-	(12,225,658)	-	(12,225,658)
Economic assistance and opportunity	2,642	-	-	-	(2,642)	-	(2,642)
Culture and recreation	8,357,944	1,347,080	102,463	429,325	(6,479,076)	-	(6,479,076)
Home and community services	4,827,969	954,400	2,793,771	-	(1,079,798)	-	(1,079,798)
Debt interest	1,101,321	-	-	-	(1,101,321)	-	(1,101,321)
Total governmental activities	<u>79,794,923</u>	<u>11,904,932</u>	<u>3,714,457</u>	<u>646,156</u>	<u>(63,529,378)</u>	<u>-</u>	<u>(63,529,378)</u>
Business-type activities							
Pure Waters Department	9,460,487	240,311	-	-	-	(9,220,176)	(9,220,176)
Environmental Services Department	2,994,590	335,982	-	-	-	(2,658,608)	(2,658,608)
Latham Water Department	13,551,588	12,100,268	-	-	-	(1,451,320)	(1,451,320)
Total business-type activities	<u>26,006,665</u>	<u>12,676,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,330,104)</u>	<u>(13,330,104)</u>
Total	<u>\$ 105,801,588</u>	<u>\$ 24,581,493</u>	<u>\$ 3,714,457</u>	<u>\$ 646,156</u>	<u>(63,529,378)</u>	<u>(13,330,104)</u>	<u>(76,859,482)</u>
GENERAL REVENUES							
					26,957,220	11,244,332	38,201,552
					25,365,382	-	25,365,382
					218,980	113,127	332,107
					1,596,529	3,903,180	5,499,709
					(5,710)	10,094	4,384
					104,596	8,735	113,331
					2,459,055	-	2,459,055
					348,978	-	348,978
					3,103,429	-	3,103,429
					60,148,459	15,279,468	75,427,927
					2,000,000	(2,000,000)	-
					62,148,459	13,279,468	75,427,927
					<u>(1,380,919)</u>	<u>(50,636)</u>	<u>(1,431,555)</u>
					NET POSITION, beginning of year, as restated (Note 1o)	<u>(76,242,843)</u>	<u>(3,335,933)</u>
					<u>\$ (77,623,762)</u>	<u>\$ (3,386,569)</u>	<u>\$ (81,010,331)</u>

See accompanying Notes to Financial Statements.

Town of Colonie, New York
Fund Financial Statements
Balance Sheet - Governmental Funds

	December 31, 2018					
	Major Funds					
	General Fund	Special Miscellaneous Revenue Fund	Highway Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 386,199	\$ 10,694,452	\$ 191,212	\$ 6,660,796	\$ 2,330,653	\$ 20,263,312
Cash and cash equivalents, restricted	899,112	-	1,396,568	-	642,481	2,938,161
Investments, restricted	-	-	-	-	3,215,908	3,215,908
State and Federal aid receivables	-	-	-	427,684	50,303	477,987
Due from other governments	7,183,746	-	1,178,162	-	256,999	8,618,907
Other accounts receivable, net	1,999,634	-	3,746	-	62,036	2,065,416
Due from other funds	8,000,062	-	195	-	70,589	8,070,846
Other assets	9,840	-	-	-	8,875	18,715
Total assets	\$ 18,478,593	\$ 10,694,452	\$ 2,769,883	\$ 7,088,480	\$ 6,637,844	\$ 45,669,252
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
LIABILITIES						
Accounts payable	\$ 4,567,764	\$ -	\$ -	\$ 36,360	\$ 523	\$ 4,604,647
Accrued liabilities	854,676	-	71,183	-	111,115	1,036,974
Other liabilities	7,294	-	107,000	-	110,629	224,923
Revenue anticipation note payable	3,000,000	-	-	-	-	3,000,000
Bond anticipation notes payable	-	-	-	827,000	-	827,000
Due to other governments	4,692,502	401,826	386,369	-	456,618	5,937,315
Due to other funds	3,342,507	-	342,250	1,009,946	215,845	4,910,548
Unearned revenue	231,486	-	-	-	266,148	497,634
Total liabilities	16,696,229	401,826	906,802	1,873,306	1,160,878	21,039,041
DEFERRED INFLOWS OF RESOURCES						
Revenue earned but unavailable	-	-	-	-	22,251	22,251
FUND BALANCE						
Restricted	537,285	-	-	-	3,341,765	3,879,050
Committed, assigned, and unassigned	1,245,079	10,292,626	1,863,081	5,215,174	2,112,950	20,728,910
Total fund balance	1,782,364	10,292,626	1,863,081	5,215,174	5,454,715	24,607,960
Total liabilities, deferred inflows of resources, and fund balance	\$ 18,478,593	\$ 10,694,452	\$ 2,769,883	\$ 7,088,480	\$ 6,637,844	\$ 45,669,252

See accompanying Notes to Financial Statements.

Town of Colonie, New York

Reconciliation of Total Fund Balance Shown in the Governmental Funds to the Statement of Net Position

	<u>December 31, 2018</u>
Total fund balance in the fund financial statements for the governmental funds	\$ 24,607,960
This amount differs from the amount of net position shown in the statement of net position due to the following:	
<i>Assets</i>	
Capital assets, net of accumulated depreciation, are included as assets in the government-wide financial statements.	51,513,445
<i>Liabilities</i>	
Current liabilities for interest payable on long-term debt are included in the government-wide financial statements.	(407,231)
Liabilities for retainage payable on construction commitments are included in the government-wide financial statements.	(120,611)
Liabilities for the retirement system for early incentive programs, long-term due to other governments, compensated absences, net pension liabilities, and other postemployment benefit obligations are included in the government-wide financial statements:	
Due to the retirement system for amortization programs	(6,181,322)
Due to other governments, long-term	(157,156)
Due to employees for compensated absences	(4,190,535)
Net pension liabilities and LOSAP pension liability	(11,006,355)
Due to employees for other postemployment benefits	<u>(104,176,383)</u>
	(125,711,751)
Bonded, long-term bond anticipation notes, and installment purchase debt liabilities are included in the government-wide financial statements.	(38,395,254)
Liabilities for judgments and claims are included in the government-wide financial statements.	(84,962)
The internal service fund is used by management to charge the costs of workers' compensation insurance to individual funds. The liabilities of the internal service fund not related to business-type activities are included in governmental activities in the government-wide financial statements.	(1,039,460)
<i>Deferred Outflows and Inflows of Resources</i>	
The valuation of pension obligations can result in changes in actuarial assumptions, differences between expected and actual experiences, differences between projected and actual investment earnings and changes in proportion, and differences between employer contributions and proportionate share of contributions. These items are reported as deferred outflows and inflows of resources:	
Deferred outflows	27,861,438
Deferred inflows	<u>(15,869,587)</u>
	11,991,851
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	22,251
<i>Interfund Activity</i>	
Amounts due between the various governmental activities are eliminated in the government-wide financial statements:	
Due from other funds	1,638,630
Due to other funds	<u>(1,638,630)</u>
	-
Total net position per statement of net position	<u><u>\$ (77,623,762)</u></u>

See accompanying Notes to Financial Statements.

Town of Colonie, New York
Fund Financial Statements
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Governmental Funds

	Year Ended December 31, 2018					Total Governmental Funds
	Major Funds				Non-Major Governmental Funds	
	General Fund	Special Miscellaneous Revenue Fund	Highway Fund	Capital Projects Fund		
REVENUES						
Real property taxes and tax items	\$ 19,878,902	\$ -	\$ -	\$ -	\$ 7,078,318	\$ 26,957,220
Sales and use tax	12,971,016	-	10,031,738	-	2,362,628	25,365,382
Departmental income	7,083,542	1,266,952	236,524	-	884,118	9,471,136
Intergovernmental charges	170,267	-	10,306	-	-	180,573
Interest and use of property	1,591,903	13,011	13,874	54,813	142,527	1,816,128
Licenses and permits	76,825	-	1,900	-	1,343,994	1,422,719
Fines and forfeitures	827,311	-	-	-	-	827,311
Miscellaneous	53,980	-	1,352	5,320	79,316	139,968
Interfund revenues	2,564,190	-	-	-	-	2,564,190
State aid	2,819,332	-	700,154	429,325	505,142	4,453,953
Federal aid	216,318	-	-	-	2,793,771	3,010,089
Total revenues	<u>48,253,586</u>	<u>1,279,963</u>	<u>10,995,848</u>	<u>489,458</u>	<u>15,189,814</u>	<u>76,208,669</u>
EXPENDITURES						
General government support	7,748,948	-	-	25,136	216,032	7,990,116
Public safety	15,579,038	-	-	499,044	5,604,083	21,682,165
Public health	4,340,150	-	-	12,405	4,399	4,356,954
Transportation	487,957	24,497	6,403,273	2,186,492	797,248	9,899,467
Economic assistance and opportunity	2,642	-	-	-	-	2,642
Culture and recreation	3,815,578	-	-	10,089	1,977,483	5,803,150
Home and community services	141,131	-	-	-	4,035,221	4,176,352
Employee benefits	15,623,324	-	2,198,570	-	2,265,387	20,087,281
Debt service, principal	1,966,629	-	1,699,439	172,000	53,333	3,891,401
Debt service, interest	357,731	-	657,913	-	19,202	1,034,846
Capital outlay	254,516	476,208	-	3,860,074	-	4,590,798
Total expenditures	<u>50,317,644</u>	<u>500,705</u>	<u>10,959,195</u>	<u>6,765,240</u>	<u>14,972,388</u>	<u>83,515,172</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of serial bonds	-	-	-	6,000,000	-	6,000,000
Proceeds from issuance of bond anticipation notes	-	-	-	-	-	-
Bond anticipation notes redeemed from appropriations	-	-	-	-	-	-
Proceeds from issuance of installment purchase debts	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	209,010	-	209,010
Sale of property and compensation for loss	74,205	-	37,298	40,051	20,232	171,786
Transfers in (out) from other funds	2,191,004	-	-	(191,004)	-	2,000,000
Total other financing sources (uses)	<u>2,265,209</u>	<u>-</u>	<u>37,298</u>	<u>6,058,057</u>	<u>20,232</u>	<u>8,380,796</u>
NET CHANGE IN FUND BALANCE	201,151	779,258	73,951	(217,725)	237,658	1,074,293
FUND BALANCE, beginning of year	<u>1,581,213</u>	<u>9,513,368</u>	<u>1,789,130</u>	<u>5,432,899</u>	<u>5,217,057</u>	<u>23,533,667</u>
FUND BALANCE, end of year	<u>\$ 1,782,364</u>	<u>\$ 10,292,626</u>	<u>\$ 1,863,081</u>	<u>\$ 5,215,174</u>	<u>\$ 5,454,715</u>	<u>\$ 24,607,960</u>

See accompanying Notes to Financial Statements.

Town of Colonie, New York

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Change in Net Position Shown in the Statement of Activities

	Year Ended December 31, 2018
	2018
Net change in fund balance, total governmental funds	\$ 1,074,293
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities those expenditures are reported as capital asset additions.	4,608,417
Governmental funds do not report depreciation expense. This is the total depreciation expense reported in the statement of activities.	(3,285,600)
Governmental funds do not recognize the effects of disposing of capital assets which are not fully depreciated. This is the remaining net book value of capital assets disposed of reported in the statement of activities.	(256,458)
Governmental funds do not recognize the effect of revenues that do not provide current financial resources in the fund financial statements.	3,193
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as an expenditure in governmental funds.	(92,257)
Bond, long-term bond anticipation notes, and installment purchase debt proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and installment purchased debt principal is an expenditure in the governmental funds, but the repayments reduce the long-term liabilities in the statement of net position. This difference is the net of debt proceeds and principal repayments reported in the governmental funds.	(2,161,395)
Certain expenses reported in the governmental funds were reclassified as prepaid expenses in the statement of activities, and payables were reported in the statement of activities for expenses that will be recognized in the governmental funds in following years.	1,149,218
Governmental funds do not recognize the effect of the changes in the net pension liability and other postemployment benefit obligations in the fund financial statements.	
Net pension liabilities and LOSAP pension liability	(428,872)
Other postemployment benefit obligations	(1,930,788)
	(2,359,660)
The internal service fund is used by management to charge the costs of workers' compensation insurance to individual funds. The net expenditures of the internal service fund not applicable to business-type activities is reported within governmental activities in the government-wide financial statements.	(60,670)
Governmental activities changes in net position per statement of activities	\$ (1,380,919)

See accompanying Notes to Financial Statements.

Town of Colonie, New York
Fund Financial Statements
Statement of Net Position - Proprietary Funds

	December 31, 2018				
	Environmental Services Department	Pure Waters Department	Latham Water Department	Total Business-Type Activities	Workers' Compensation Internal Service Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
CURRENT ASSETS					
Cash and cash equivalents	\$ 28,955	\$ 7,366,230	\$ 7,134,176	\$ 14,529,361	\$ -
Cash and cash equivalents, restricted	23,417	476,662	446,150	946,229	-
Other receivables, net	398,337	19,324	6,401,400	6,819,061	-
Management agreement proceeds, current portion	1,100,000	-	-	1,100,000	-
Due from other governments	29,812	-	124,018	153,830	-
Due from governmental activities	-	2,176,999	1,094,919	3,271,918	-
NONCURRENT ASSETS					
Management agreement proceeds, less current portion	13,761,838	-	-	13,761,838	-
Capital assets, net	3,673,362	22,747,948	41,560,943	67,982,253	-
Total assets	<u>19,015,721</u>	<u>32,787,163</u>	<u>56,761,606</u>	<u>108,564,490</u>	<u>-</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred resources related to pensions	-	685,544	1,485,345	2,170,889	-
Deferred resources related to OPEB	-	430,678	853,532	1,284,210	-
Deferred resources related to defeased bonds	262,651	286,271	90,070	638,992	-
	<u>262,651</u>	<u>1,402,493</u>	<u>2,428,947</u>	<u>4,094,091</u>	<u>-</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
CURRENT LIABILITIES					
Accounts payable	-	190	15,805	15,995	-
Accrued expenses	-	52,406	86,459	138,865	-
Retainage payable	-	-	146,761	146,761	-
Other liabilities	-	-	-	-	1,284,554
Unearned revenue	-	-	14,124	14,124	-
Due to governmental activities	5,970,806	195	-	5,971,001	-
Due to other governments	-	730,570	456,619	1,187,189	-
Accrued interest	87,349	289,194	285,856	662,399	-
Current portion of bond anticipation notes payable	-	10,000	-	10,000	-
Current portion of bonds payable	1,115,183	1,733,051	2,240,806	5,089,040	-
Current portion of pension related debt	-	44,002	95,366	139,368	-
NONCURRENT LIABILITIES					
Bond anticipation notes payable, less current portion	-	2,725,000	3,196,000	5,921,000	-
Bonds payable, less current portion	9,935,353	23,980,315	24,353,729	58,269,397	-
Judgments and claims	-	28,529	41,867	70,396	-
Landfill closure and post-closure costs	15,432,085	-	-	15,432,085	-
Pension related debt, less current portion	-	182,722	400,383	583,105	-
Compensated absences	-	266,026	365,658	631,684	-
Net pension liability	-	182,483	395,379	577,862	-
Other postemployment benefits obligation	-	6,388,756	12,689,216	19,077,972	-
Total liabilities	<u>32,540,776</u>	<u>36,613,439</u>	<u>44,784,028</u>	<u>113,938,243</u>	<u>1,284,554</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred resources related to pensions	-	587,942	1,273,872	1,861,814	-
NET POSITION					
Net investment in capital assets	(7,377,174)	(5,700,418)	11,770,407	(1,307,185)	-
Restricted	23,417	448,133	404,283	875,833	-
Unrestricted (deficit)	(5,908,647)	2,240,560	957,963	(2,710,124)	(1,284,554)
Total net position	<u>\$ (13,262,404)</u>	<u>\$ (3,011,725)</u>	<u>\$ 13,132,653</u>	<u>\$ (3,141,476)</u>	<u>\$ (1,284,554)</u>
Adjustments to reflect the consolidation of internal service fund activities related to business-type activities				<u>(245,093)</u>	
Net assets of business-type activities				<u><u>\$ (3,386,569)</u></u>	

See accompanying Notes to Financial Statements.

Town of Colonie, New York

Fund Financial Statements Statement of Revenues, Expenditures, and Changes in Net Position - Proprietary Funds

Year Ended December 31, 2018

	Environmental Services Department	Pure Waters Department	Latham Water Department	Total Business-Type Activities	Workers' Compensation Internal Service Fund
OPERATING REVENUES					
Charges for services	\$ 334,196	\$ 231,360	\$ 12,085,852	\$ 12,651,408	\$ 1,133,370
Ad valorem tax	-	9,840,517	1,403,815	11,244,332	-
Miscellaneous services	1,786	8,951	14,416	25,153	-
Total operating revenues	<u>335,982</u>	<u>10,080,828</u>	<u>13,504,083</u>	<u>23,920,893</u>	<u>1,133,370</u>
OPERATING EXPENSES					
Personal services	-	1,832,367	3,579,961	5,412,328	-
Employee benefits	76,644	1,117,961	2,459,864	3,654,469	1,190,747
Other postemployment benefits	-	154,763	309,259	464,022	-
Supplies, materials, and services	41,084	4,025,515	4,094,362	8,160,961	-
Insurance	84,954	97,183	134,713	316,850	-
Depreciation	1,452,631	1,473,134	2,183,811	5,109,576	-
Closure and post-closure costs	917,632	-	-	917,632	-
Provision for uncollectible receivables	-	-	4,449	4,449	-
Total operating expenses	<u>2,572,945</u>	<u>8,700,923</u>	<u>12,766,419</u>	<u>24,040,287</u>	<u>1,190,747</u>
Operating income (loss)	<u>(2,236,963)</u>	<u>1,379,905</u>	<u>737,664</u>	<u>(119,394)</u>	<u>(57,377)</u>
NONOPERATING REVENUES (EXPENSES)					
Use of property	3,579,049	-	324,131	3,903,180	-
Gain on sale of capital assets	-	7,983	2,111	10,094	-
Compensation for losses	-	64	8,671	8,735	-
Interest expense	(498,288)	(767,141)	(704,243)	(1,969,672)	-
Interest income	282	62,729	50,116	113,127	-
Total nonoperating revenues (expenses)	<u>3,081,043</u>	<u>(696,365)</u>	<u>(319,214)</u>	<u>2,065,464</u>	<u>-</u>
Income (loss) before transfers	<u>844,080</u>	<u>683,540</u>	<u>418,450</u>	<u>1,946,070</u>	<u>(57,377)</u>
TRANSFERS					
Operating transfers out	(2,000,000)	-	-	(2,000,000)	-
CHANGE IN NET POSITION	<u>(1,155,920)</u>	<u>683,540</u>	<u>418,450</u>	<u>(53,930)</u>	<u>(57,377)</u>
NET POSITION, beginning of year, as originally stated	(12,106,484)	(932,565)	18,385,037		(1,227,177)
Effect of adoption of GASB 75	-	(2,762,700)	(5,670,834)		-
NET POSITION, beginning of year, as restated	(12,106,484)	(3,695,265)	12,714,203		(1,227,177)
NET POSITION, end of year	<u>\$ (13,262,404)</u>	<u>\$ (3,011,725)</u>	<u>\$ 13,132,653</u>		<u>\$ (1,284,554)</u>
Adjustments to reflect the consolidation of internal service fund activities related to business-type activities				3,294	
Change in net assets of business-type activities				<u>\$ (50,636)</u>	

See accompanying Notes to Financial Statements.

Town of Colonie, New York
Fund Financial Statements
Statement of Cash Flows - Proprietary Funds

	Year Ended December 31, 2018				
	Environmental Services Department	Pure Waters Department	Latham Water Department	Total Business-Type Activities	Workers' Compensation Internal Service Fund
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Cash received from providing services	\$ 466,827	\$ 10,098,420	\$ 14,016,494	\$ 24,581,741	\$ 1,133,370
Cash paid for contractual expenses	(127,824)	(4,104,496)	(4,181,381)	(8,413,701)	-
Cash paid for personal services and employee benefits	(76,644)	(3,015,438)	(6,207,661)	(9,299,743)	(1,133,370)
	<u>262,359</u>	<u>2,978,486</u>	<u>3,627,452</u>	<u>6,868,297</u>	<u>-</u>
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES					
Interfund transfers out	(2,000,000)	-	-	(2,000,000)	-
Compensation for losses	-	64	8,671	8,735	-
Change in due from/to other funds	1,896,577	(1,320,354)	(2,407,217)	(1,830,994)	-
	<u>(103,423)</u>	<u>(1,320,290)</u>	<u>(2,398,546)</u>	<u>(3,822,259)</u>	<u>-</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	-	(1,279,161)	(2,387,322)	(3,666,483)	-
Proceeds from sale of capital assets, net	-	7,983	18,870	26,853	-
Proceeds from the issuance of bond anticipation notes	-	2,695,000	3,196,000	5,891,000	-
Payments of debt principal (BANs and Bonds)	(1,302,271)	(1,449,048)	(1,972,016)	(4,723,335)	-
Interest paid	(487,875)	(729,871)	(649,301)	(1,867,047)	-
Use of property	1,634,214	-	324,131	1,958,345	-
	<u>(155,932)</u>	<u>(755,097)</u>	<u>(1,469,638)</u>	<u>(2,380,667)</u>	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES					
Interest income	282	62,729	50,116	113,127	-
	<u>282</u>	<u>62,729</u>	<u>50,116</u>	<u>113,127</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	3,286	965,828	(190,616)	778,498	-
CASH AND CASH EQUIVALENTS, beginning of year	49,086	6,877,064	7,770,942	14,697,092	-
CASH AND CASH EQUIVALENTS, end of year	\$ 52,372	\$ 7,842,892	\$ 7,580,326	\$ 15,475,590	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (2,236,963)	\$ 1,379,905	\$ 737,664	\$ (119,394)	\$ (57,377)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Provision for bad debts	-	-	4,449	4,449	-
Depreciation	1,452,631	1,473,134	2,183,811	5,109,576	-
(Increase) decrease in					
Other receivables, net	130,845	17,592	35,284	183,721	-
Due from other governments	(1,786)	-	470,059	468,273	-
Deferred outflows of resources	-	(572,685)	(1,161,216)	(1,733,901)	-
Increase (decrease) in					
Accounts payable	-	(30,507)	(720)	(31,227)	-
Accrued expenses	-	1,940	(6,222)	(4,282)	-
Other liabilities	-	-	-	-	57,377
Due to other governments	-	46,331	(10,075)	36,256	-
Unearned revenue	-	-	2,619	2,619	-
Landfill closure and post-closure costs	917,632	-	-	917,632	-
Judgments and claims	-	(2,272)	4,651	2,379	-
Pension related debt	-	(42,534)	(92,185)	(134,719)	-
Compensated absences	-	(14,090)	1,376	(12,714)	-
Net pension liability	-	(362,213)	(784,793)	(1,147,006)	-
Other postemployment benefits obligation	-	585,441	1,162,791	1,748,232	-
Deferred inflows of resources	-	498,444	1,079,959	1,578,403	-
	<u>\$ 262,359</u>	<u>\$ 2,978,486</u>	<u>\$ 3,627,452</u>	<u>\$ 6,868,297</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

Town of Colonie, New York
Fund Financial Statements
Statement of Net Position - Fiduciary Funds

	December 31, 2018
	Agency
ASSETS	
Cash and cash equivalents	\$ 3,474,144
Letters of credit	159,860
Due from other governments	8,420
	\$ 3,642,424
LIABILITIES	
Due to other governments	1,779
Due to other activities	461,215
Developer escrow funds	2,908,394
Bail deposits	116,671
Other liabilities	154,365
	\$ 3,642,424

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies

The financial statements of the Town of Colonie, New York (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

a. Reporting Entity

The Town is a municipal corporation which performs local governmental functions within its jurisdiction, including public safety, public works, highway, sewer, water, landfill, recreation, health and planning, and economic assistance and opportunity. The Town charter was adopted in 1895. The Town is governed by an elected Town Supervisor and a six-member Town Board.

The financial reporting entity consists of: (a) the primary government, which is the Town of Colonie, (b) organizations for which the primary government is financially accountable, and (c) organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to influence operations significantly, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Town and/or its citizens, or whether the activity is conducted within geographic boundaries of the Town and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities.

Based on the application of these criteria, the Town has no component units that should be included in the reporting entity.

The following organizations are not part of the Town and are thus excluded from the Town's financial reporting entity:

i. Town of Colonie Industrial Development Agency

The Town of Colonie Industrial Development Agency (IDA) was created in 1977 by the Town under the provisions of Chapter 232 of the 1977 Laws of New York State for the purpose of encouraging economic growth in the Town. The IDA is a legally separate organization for which the Town, by statute, appoints the members of the IDA Board. IDA Board members have complete responsibility for management of the IDA and accountability for fiscal matters. Neither the Town nor the IDA is liable for IDA bonds or notes.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

a. *Reporting Entity - Continued*

i. *Town of Colonie Industrial Development Agency - Continued*

Town Departments provide staff support and office space to the IDA. Under the terms of an annual agreement, the IDA paid the Town \$50,000 in support services provided during the year ended December 31, 2018.

ii. *Town of Colonie Local Development Corporation*

The Town of Colonie Local Development Corporation (LDC) was created in 2010 by the Town under Sections 402 and 1411 of the Not-For-Profit Corporation Laws of New York State for the purpose of encouraging growth in the Town. The LDC is a legally separate organization for which the Town, by statute, appoints the members of the LDC Board. LDC Board members have complete responsibility for management of the LDC and accountability for fiscal matters. Neither the Town nor the LDC is liable for LDC bonds or notes.

Town Departments provide staff support and office space to the LDC. Under the terms of an annual agreement, the LDC paid the Town \$2,000 in support services provided during the year ended December 31, 2018.

iii. *School Boards and Districts*

The five School Boards and Districts within the geographical limits of the Town are not considered part of the Town's reporting entity. The School Boards' members are elected by the general public, and the Town does not provide funding to the Districts. The Districts report their activities independently.

iv. *Fire Districts*

The six Fire Districts within the geographical limits of the Town are not considered part of the Town's reporting entity. The Fire Commission members are elected by the general public, and the Town does not provide funding to the Districts. The Districts report their activities independently.

b. *Government-wide and Fund Financial Statements*

The government-wide statements include the statement of net position and the statement of activities and report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs, and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

b. Government-wide and Fund Financial Statements - Continued

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

c. Basis of Accounting - Measurement Focus

The government-wide, proprietary, and fiduciary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Sales tax is recognized in the period in which it is earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position. Operating statements present increases and decreases in net position.

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means the amount of the transaction can be determined. 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 property tax, sales tax, and other tax revenue reported in the governmental funds to be available if collected within 60 days, and other revenues to be available if collected within 180 days, after the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments and claims, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Latham Water, Environmental Services, and Pure Waters Funds are ad valorem tax and charges to customers for sales and services. The revenues within the Workers' Compensation Internal Service Fund are interfund charges for self-insured workers' compensation costs paid. Operating expenses for these proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

c. Basis of Accounting - Measurement Focus - Continued

The Town reports the following major governmental funds:

General Fund - is the general operating fund of the Town. All financial transactions related to revenues and expenditures for delivery of those services traditionally provided by municipal governments, which are not accounted for in other funds, are accounted for in the General Fund.

Highway Fund - is for maintenance of the Town's roadways and their infrastructure costs, such as paving, storm sewer management, snow removal, and leaf and brush.

Special Miscellaneous Revenue Fund - is used to account for the receipt and disbursement of resources related to the Town's four mitigation areas.

Capital Projects Fund - is used to account for the receipt and disbursement of resources for the construction of capital assets.

The Town reports the following proprietary funds:

Major Enterprise Funds

Pure Waters Department - is used to account for the activities of the Town's sewer system.

Environmental Services Department - is used to account for the activities of the Town's landfill.

Latham Water Department - is used to account for the activities of the Town's water department.

Internal Service Fund

Workers' Compensation - is used to account for the activities related to the Town's self-insured workers' compensation costs.

Additionally, the Town reports the following fiduciary fund:

Agency Fund - is a fiduciary fund used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments.

d. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues, expenses/expenditures, and other financing sources (uses) during the reporting year. Actual results could differ from those estimates.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

e. Fair Value Measurements

Certain assets are reported at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The framework for measuring fair value includes 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) and the lowest priority to unobservable inputs (Level 3). The three levels of inputs used to measure fair value are as follows:

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

Level 2 Inputs to the valuation methodology include:

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

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

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

The 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.

The investments held within the Town's Length of Service Award Program (LOSAP) at December 31, 2018 are categorized as Level 1 in the fair value hierarchy with fair value determined by the active markets. Cash deposits are reported at carrying amounts which reasonably estimate fair value. The composition of benefit trust investments, investment information, and fair values is presented in Note 11.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Town believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

f. Cash and Cash Equivalents

The Town's cash and cash equivalents are defined as restricted and unrestricted short-term, highly liquid investments that are readily convertible to known amounts of cash at maturity (with maturity being no greater than 90 days when purchased).

Restricted cash and cash equivalents consist of funds restricted by the Town Board to reserve for future capital purposes and insurance claims; in addition to funds received as contributions for specific purposes which will benefit the Town.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

f. Cash and Cash Equivalents - Continued

New York State statutes require that collateral be maintained for cash and cash equivalents at 100% of all deposits not covered by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2018, the Town has adequate coverage for all the available bank balances either through the FDIC or securities held by an agent of the Town in the Town's name.

g. Investments

Investments of the Benefit Trust Fund are for the Town's Length of Service Award Programs (LOSAP) and are reported at fair value.

Investment policies provide for an investment manager who has full discretion of assets allocated subject to the overall investment policy guidelines. Overall investment guidelines provide for diversification and allow investment in money markets, obligations of the United States government and its agencies, fixed income, and equity mutual funds.

Asset allocation guidelines for the benefit trusts are as follows:

	<u>Limit</u>
Money markets	As needed
Obligations of the United States of America and/or its agencies	0% - 100%
Mutual funds investing in any type of fixed investments	20% - 50%
Mutual funds or trusts investing in blue chip stocks of the United States of America	10% - 30%

The Fire Protection District Fund addresses credit risk and concentration of credit risk with the asset allocation guidelines stated above.

h. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities, business-type activities, and fiduciary funds are reported in the government-wide financial statements as internal balances.

All accounts receivable are shown net of allowances for uncollectible revenues.

The Town provides for uncollectible accounts for the governmental and proprietary fund types based on a review of accounts by management. In both the fund and government-wide financial statements, allowances of \$3,551,771 and \$12,452 were reported for ambulance and water receivables, respectively, at December 31, 2018.

i. Capital Assets, Net

Within the government-wide financial statements, capital assets (buildings and improvements, machinery and equipment, infrastructure, landfill improvements, and construction in progress) are reported in the applicable governmental or business-type activities columns. For the fund financial statements, capital assets are reported only in the proprietary funds. In the governmental funds, capital asset acquisition and construction costs are reflected as expenditures. Capital assets are valued at historical cost or at an estimated historical cost where no historical records exist. Donated capital assets are valued at the estimated fair value as of the date of donation.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

i. Capital Assets, Net - Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 5,000	Straight-line	5-40 years
Machinery and equipment	5,000	Straight-line	4-25 years
Infrastructure	100,000	Straight-line	25-40 years
Landfill improvements	100,000	Modified units of production/consumption	Based upon remaining capacity

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value. There were no impairments of long-lived assets as of December 31, 2018.

j. Compensated Absences

Employees earn vacation time as they provide service. Pursuant to collective bargaining agreements, employees may accumulate (subject to certain limitations) unused time earned and upon retirement, termination, or death may be compensated for such accumulated time. Additionally, employees may accumulate compensation pay for overtime to be utilized as paid time off or cash payments at a future date.

For governmental activities, the current portion of leave time that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability in the governmental fund that will pay it. The long-term portion of leave time is accrued in the government-wide statement of net position as a non-current liability. For business-type funds, the full liability is recognized at both the fund and government-wide level.

k. Long-Term Liabilities

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. The current year's debt principal and interest payments are recognized as expenditures.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

l. Landfill Closure and Post-Closure Costs

State and federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and post-closure costs in the Environmental Services Department Fund as a liability in each period based on landfill capacity used as of each balance sheet date, as determined by the Town's independent engineering firm. The \$15,432,085 accrued landfill closure and post-closure costs at December 31, 2018 represents the cumulative amount reported to date based on the use of the full capacity of Cells 1 through 6. These amounts are based on what it would cost to perform all closure and post-closure care in 2018. Actual cost may differ due to inflation, changes in technology, or changes in regulations.

During August 2011, the Town entered into a contract with a private company (Company) to manage, maintain, and operate the Town's solid waste facility for a period of 25 years with the option to extend the contract for up to five additional five-year renewal periods. As outlined in the contract, the Company will assume the liability for all future closure and post-closure care costs, and has established financial assurances (e.g., reserve account, performance bond) as required and verified by the New York State Department of Environmental Conservation. The financial assurances that have been established protect the Town in the event the Company were to default on this contract. See Notes 2b and 6 in conjunction with this footnote.

In April 2018, the Town received a final expansion permit for Area 7, with a total permitted airspace capacity of 10,090,000 cubic yards and a projected operational life of 18.9 years. The landfill operator began construction of Area 7 Cell #1 in late July 2018, and its construction certification was received in April 2019. Area 7 Cell #1 has an airspace capacity of 866,773 cubic yards, representing 8.6% of the landfill Area 7 capacity and a projected operational lifespan of 1.6 years at the maximum permitted disposal rate. The cost of construction of Cell 7 will be borne entirely by the operator, and be recorded as contributed capital upon completion of construction. As of December 31, 2018, Cell 7 was still under construction so there is no estimated closure or post-closure costs liability for this Cell, nor recognition of contributed capital.

m. Deferred Outflows and Inflows of Resources

See Note 5 for discussion on deferred outflows of resources related to bond refunding.

See Note 12 for discussion on deferred outflows of resources related to other postemployment benefits

See Note 9 and 11 for discussion on deferred outflows and inflows of resources related to pensions and Length of Service Award Programs (LOSAP) pension liabilities.

n. Fund Balance

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The five fund balance classifications are as follows:

Nonspendable - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

n. Fund Balance - Continued

Restricted - Amounts that have restraints that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action, such as legislation, resolution, or ordinance by the government's highest level of decision-making authority.

Assigned - Amounts that are constrained only by the government's *intent* to be used for a specified purpose, but are not restricted or committed in any manner.

Unassigned - The residual amount in the General Fund after all of the other classifications have been established. In a special revenue fund, if expenditures and other financing uses exceed the amounts restricted, committed, or assigned for those purposes, then a negative unassigned fund balance will occur.

Currently, the Town Board is the highest level of decision-making authority, and restricts fund balance through formal resolutions in accordance with General Municipal Law. Assignment of fund balance is done by the Town Supervisor's and Comptroller's authorization. The Town considers funds to be expended in the order of restricted, committed, assigned, and unassigned.

Note 7 provides details regarding the Town's fund balance classifications.

o. Adoption of New Accounting Standards

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* replaces the requirements of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information. These requirements are effective for fiscal years beginning after June 15, 2017. The Town implemented the provisions of this accounting standard.

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statement No. 67, No. 68 and No. 73* addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Town implemented the provisions of this accounting standard.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

o. Adoption of New Accounting Standards - Continued

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and “negative” goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this statement are effective for reporting periods beginning after June 15, 2017. The Town implemented the provisions of this accounting standard.

GASB Statement No. 86, *Certain Debt Extinguishments* improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for reporting periods beginning after June 15, 2017. The Town implemented the provisions of this accounting standard.

As a result of adopting GASB 75 and related guidance, the Town now reports its Net Other Postemployment Benefits Liability along with related deferred outflows and inflows of resources, and benefits expense within both the governmental activities and business-type activities of the entity wide financial statements and the proprietary fund financial statements. The adoption of GASB 75 is retroactive. Accordingly, the entity-wide financial statements and proprietary funds have restated their opening net position as of December 31, 2018 as follows:

	Net Position As Originally Stated	Adjustments	Net Position As Restated
Government-Wide			
Governmental Activities	\$ (31,946,888)	\$ (44,295,955)	\$ (76,242,843)
Business-Type Activities	\$ 5,097,601	\$ (8,433,534)	\$ (3,335,933)

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

o. Adoption of New Accounting Standards - Continued

	<u>Net Position As Originally Stated</u>	<u>Adjustments</u>	<u>Net Position As Restated</u>
Proprietary Funds			
Pure Waters District	<u>\$ (932,565)</u>	<u>\$ (2,762,700)</u>	<u>\$ (3,695,265)</u>
Latham Water District	<u>\$ 18,385,037</u>	<u>\$ (5,670,834)</u>	<u>\$ 12,714,203</u>

p. Subsequent Events

The Town has evaluated subsequent events for potential recognition or disclosure through September 19, 2019, the date the financial statements were available to be issued.

Note 2 - Stewardship, Compliance, and Accountability

a. Budgetary Information

Annual budgets are adopted on a basis consistent with U.S. GAAP for all governmental funds except for the Special Miscellaneous Revenue Fund and the Capital Projects Fund. The Capital Projects funds adopt project-length budgets. The Special Miscellaneous Revenue Fund is not budgeted due to annual fluctuations of activity. All annual appropriations lapse at fiscal year-end.

The appropriated budget is prepared by fund, function, and department. The Town Comptroller may make transfers of appropriations within a department. Town Council approval is required for the transfer of appropriations between departments. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level.

Encumbrance accounting is employed in governmental funds. Encumbrances, if any, outstanding at year-end are reported as assigned fund balance within the governmental fund financial statements and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no significant encumbrances outstanding at December 31, 2018.

b. Fund Deficit

The Town has a deficit net position of \$13,262,404 in the Environmental Services Department Fund as of December 31, 2018. In August 2011, the Town entered into a contract with a private company (Company) to manage, maintain, and operate the Town's solid waste facility for a period of 25 years with the option to extend the contract for up to five additional five-year renewal periods.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 2 - Stewardship, Compliance, and Accountability - Continued

b. Fund Deficit - Continued

As part of the agreement, the Company assumed the liability for all future closure and post-closure costs, and has established financial assurances as required and verified by the New York State Department of Environmental Conservation. The financial assurances that have been established protect the Town in the event the Company were to default on this contract. Essentially, this is a funded deficit because as the closure and post-closure liability is paid, the deficit will be eliminated.

The Town has a deficit net position of \$3,011,725 in the Pure Waters Department Fund as of December 31, 2018. This is the result of the required recognition of the net other postemployment benefits and net pension liabilities and the related deferred outflows and inflows of \$6,042,959. While the Fund is required to report this liability within its financial statements, it pays these liabilities on a pay-as-you-go basis. The Town does not increase user fees in order to fund pay-as-you-go liabilities.

The Town has a deficit net position of \$1,284,554 in the Workers' Compensation Internal Service Fund as of December 31, 2018. This will be eliminated through future payment of workers' compensation claims as they are incurred.

Note 3 - Capital Assets, Net of Accumulated Depreciation

A summary of changes in the capital assets of the governmental activities is as follows:

	Balance January 1, 2018	Additions	Disposals/ Retirements	Balance December 31, 2018
Capital assets not being depreciated				
Land	\$ 18,556,148	\$ -	\$ -	\$ 18,556,148
Construction in progress	463,473	3,112,175	(1,635,479)	1,940,169
	<u>19,019,621</u>	<u>3,112,175</u>	<u>(1,635,479)</u>	<u>20,496,317</u>
Capital assets, being depreciated				
Buildings and improvements	32,034,004	1,718,514	-	33,752,518
Machinery and equipment	35,362,731	1,338,226	(748,976)	35,951,981
Infrastructure	17,889,270	-	-	17,889,270
	<u>85,286,005</u>	<u>3,056,740</u>	<u>(748,976)</u>	<u>87,593,769</u>
Less accumulated depreciation for				
Buildings and improvements	(19,506,379)	(928,038)	-	(20,434,417)
Machinery and equipment	(28,285,650)	(1,620,826)	658,457	(29,248,019)
Infrastructure	(6,157,469)	(736,736)	-	(6,894,205)
	<u>(53,949,498)</u>	<u>(3,285,600)</u>	<u>658,457</u>	<u>(56,576,641)</u>
Capital assets being depreciated, net	<u>31,336,507</u>	<u>(228,860)</u>	<u>(90,519)</u>	<u>31,017,128</u>
	<u>\$ 50,356,128</u>	<u>\$ 2,883,315</u>	<u>\$ (1,725,998)</u>	<u>\$ 51,513,445</u>

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 3 - Capital Assets, Net of Accumulated Depreciation - Continued

A summary of changes in the capital assets of the business-type activities is as follows:

	Balance January 1, 2018	Additions	Disposals/ Retirements	Balance December 31, 2018
Capital assets not being depreciated				
Land	\$ 3,708,251	\$ -	\$ -	\$ 3,708,251
Construction in progress	9,977,638	3,412,036	(12,301,147)	1,088,527
	<u>13,685,889</u>	<u>3,412,036</u>	<u>(12,301,147)</u>	<u>4,796,778</u>
Capital assets being depreciated				
Landfill improvements	30,540,654	-	-	30,540,654
Buildings and improvements	55,034,572	7,704,678	-	62,739,250
Machinery and equipment	8,799,725	164,333	(229,094)	8,734,964
Infrastructure	44,146,254	4,596,469	-	48,742,723
	<u>138,521,205</u>	<u>12,465,480</u>	<u>(229,094)</u>	<u>150,757,591</u>
Less accumulated depreciation for				
Landfill improvements	(29,228,512)	(1,312,142)	-	(30,540,654)
Buildings and improvements	(28,817,962)	(1,223,914)	-	(30,041,876)
Machinery and equipment	(4,287,966)	(604,202)	212,334	(4,679,834)
Infrastructure	(20,340,434)	(1,969,318)	-	(22,309,752)
	<u>(82,674,874)</u>	<u>(5,109,576)</u>	<u>212,334</u>	<u>(87,572,116)</u>
Capital assets being depreciated, net	<u>55,846,331</u>	<u>7,355,904</u>	<u>(16,760)</u>	<u>63,185,475</u>
	<u>\$ 69,532,220</u>	<u>\$ 10,767,940</u>	<u>\$ (12,317,907)</u>	<u>\$ 67,982,253</u>

Depreciation expense was charged to programs as follows:

Primary Government

Governmental activities	
General government	\$ 466,873
Public safety	527,254
Public health	569,706
Transportation	1,160,770
Culture and recreation	465,740
Home and community services	95,257
Total depreciation expense, governmental activities	<u>\$ 3,285,600</u>

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 3 - Capital Assets, Net of Accumulated Depreciation - Continued

Business-type activities	
Environmental Services Department	\$ 1,452,631
Pure Waters Department	1,473,134
Latham Water Department	<u>2,183,811</u>
Total depreciation expense, business-type activities	<u><u>\$ 5,109,576</u></u>

Note 4 - Interfund Balances and Activity

A summary of interfund receivables and payables is as follows:

	General	Highway	Non- Major	Pure Waters	Latham Water	Total Payable to
General	\$ -	\$ -	\$ 70,589	\$ 2,176,999	\$ 1,094,919	\$ 3,342,507
Highway	342,250	-	-	-	-	342,250
Capital projects	1,009,946	-	-	-	-	1,009,946
Non-major funds	215,845	-	-	-	-	215,845
Environmental services	5,970,806	-	-	-	-	5,970,806
Pure Waters	-	195	-	-	-	195
Agency	461,215	-	-	-	-	461,215
Total payable from	<u>\$ 8,000,062</u>	<u>\$ 195</u>	<u>\$ 70,589</u>	<u>\$ 2,176,999</u>	<u>\$ 1,094,919</u>	<u>\$ 11,342,764</u>

A summary of the interfund transfers in and out are as follows:

General Fund, transfer in	\$ 2,191,004
Capital Projects Fund, transfer out	(191,004)
Environmental Services Department, transfer out	<u>(2,000,000)</u>
	<u><u>\$ -</u></u>

Interfund receivables and payables result from cash advances made between funds to cover capital expenses and cash flow shortages. The amount transferred out of the Capital Projects was from operating surpluses. The Environmental Services Fund is expected to receive a payment from the third-party administrator (see Note 6) related to the operation of the new cell in the landfill. This payment is expected to be used, in part, to pay the interfund payable to the General Fund.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 5 - Indebtedness

General long-term debt of the Town is issued principally as serial bonds, which are due at various times through 2036. The bonds are issued primarily to finance acquisition or construction of capital facilities. These bonds are guaranteed by the full faith and credit of the Town and are being repaid from applicable taxes and user charges. Principal and interest payments are included in the expenditures of the related governmental funds. The Town has utilized 11.0% of its constitutional debt limit as of December 31, 2018.

The Town had issued refunding bonds of \$4,550,000 and \$14,420,000 to advance refund, and defeased \$19,425,000 of the outstanding portions of the Town's 2007 (\$1,975,000), 2008 (\$12,700,000) and 2009 (\$4,750,000) public improvement serial bonds. This refunding will produce an estimated future cash flow gain of \$3,637,000, with an estimated present value gain of \$3,010,000. At December 31, 2018, approximately \$4,325,000 of these defeased bonds were outstanding. The assets and liabilities related to these obligations are not reported in the accompanying financial statements.

The 2017 refunding bonds were issued at a premium of \$1,694,157, which is being amortized as an adjustment to interest expense over the life of the new bonds and is reported within bonds payable. \$105,885 of this premium was recognized as a reduction to interest expense during 2018. The difference between the reacquisition prices and the net carrying values of the refunded bonds generated deferred accounting losses, resulting in deferred outflows of resources of \$1,038,726, which is being amortized as an adjustment to interest expense over the life of the new bonds. Interest expense of \$64,921 was recognized during 2018.

Installment purchase debts (IPDs) represent the remaining principal installments due on the purchase of equipment within the General and the Highway Funds. The IPDs are issued to finance the acquisition of capital equipment. Principal and interest payments are included in the expenditures of the related governmental funds.

Due to other governments represents an amount due to the North Colonie Central School District under a long-term repayment agreement for a payment in lieu of taxes. It is a seven-year agreement with fixed principal payments and bears interest at the prime rate in effect at December 31st of each year of the agreement.

Compensated absences, judgments, and claims for governmental activities typically have been liquidated from the General Fund and the Special Revenue Funds.

The pension related debt is the amount of the required annual contribution to the New York State Retirement System that has been deferred under Chapter 260. The contributions will be paid over a ten-year period at interest rates ranging from 3% to 5%. (see Note 9).

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 5 - Indebtedness - Continued

A summary of the changes in governmental activities' long-term liabilities for the year ended December 31, 2018, is as follows:

	Balance January 1, 2018	Issuance/ Additions	Payments/ Decreases	Balance December 31, 2018	Due Within One Year
	(Restated)				
General obligation bonds (Bonds)	\$ 28,377,565	\$ 6,000,000	\$ (2,786,866)	\$ 31,590,699	\$ 2,990,211
Unamortized premium on bonds	<u>722,826</u>	-	<u>(46,634)</u>	<u>676,192</u>	<u>46,634</u>
Subtotal Bonds	29,100,391	6,000,000	(2,833,500)	32,266,891	3,036,845
Revenue anticipation note (RAN)	3,200,000	3,000,000	(3,200,000)	3,000,000	3,000,000
Bond anticipation notes (BANs)	7,290,000	3,796,000	(4,459,000)	6,627,000	827,000
Installment purchase debts (IPDs)	<u>523,320</u>	-	<u>(194,957)</u>	<u>328,363</u>	<u>159,580</u>
Total RAN, BANs, IPDs, and Bonds	40,113,711	12,796,000	(10,687,457)	42,222,254	7,023,425
Judgments and claims	24,495	125,619	(65,152)	84,962	-
Due to other governments	235,734	-	(78,578)	157,156	78,578
Pension related debt (see Note 9)	7,297,440	-	(1,116,118)	6,181,322	1,153,940
Net pension liability (see Note 9)	15,210,423	-	(8,916,374)	6,294,049	-
Compensated absences	4,025,874	471,351	(306,690)	4,190,535	-
Net other postemployment benefits liability (see Note 12)	94,630,057	9,546,326	-	104,176,383	-
LOSAP pension liability, defined benefit plan (see Note 11)	2,566,107	400,138	(156,695)	2,809,550	-
LOSAP pension liability, defined contribution plans (see Note 11)	<u>1,968,082</u>	<u>11,981</u>	<u>(77,307)</u>	<u>1,902,756</u>	<u>-</u>
	<u>\$ 166,071,923</u>	<u>\$ 23,351,415</u>	<u>\$ (21,404,371)</u>	<u>\$ 168,018,967</u>	<u>\$ 8,255,943</u>

A summary of the governmental activities' indebtedness under bonds, installment purchase debts, bond anticipation notes, and revenue anticipation notes payable is as follows:

Interest Rate	Date Issued	Maturity Date	Amount of Original Issue	Outstanding December 31, 2018	Annual Principal Installments
Revenue Anticipation Notes					
2.40%	Oct. 2018	Jan. 2019	\$ 3,000,000	<u>\$ 3,000,000</u>	\$ 3,000,000
Bond Anticipation Notes					
1.653%	Mar. 2018	Mar. 2019	6,627,000	<u>6,627,000</u>	6,627,000
Installment Purchase Debts					
2.95%	2013	2020	176,990	54,291	23,135 - 27,540
1.71%	2016	2019	36,015	9,079	8,776 - 9,234
1.71%	2016	2019	24,112	6,078	5,876 - 6,182
2.91%	2016	2019	133,350	33,802	31,917 - 34,785
3.29%	2017	2020	104,700	52,323	24,918 - 27,459
3.36%	2017	2020	27,206	13,596	6,468 - 7,142
3.36%	2017	2020	138,939	55,545	33,032 - 36,475
4.35%	2017	2022	155,718	<u>103,649</u>	23,217 - 28,852
				<u>328,363</u>	
General Obligation Bonds					
3.0-4.5%	2012	2031	8,190,385	4,391,664	804,200 - 75,000
2.0-3.5%	2014	2021	3,235,000	905,000	105,000 - 460,000
2.0-4.0%	2014	2033	6,599,200	4,781,200	85,700 - 457,200
2.25-3.0%	2016	2035	10,880,000	9,555,000	145,000 - 830,000
2.0-5.0%	2017	2033	6,424,000	5,957,835	35,000 - 830,000
3.0-3.5%	2018	3036	6,000,000	<u>6,000,000</u>	85,000 - 600,000
				<u>31,590,699</u>	
				<u>\$ 41,546,062</u>	

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 5 - Indebtedness - Continued

A summary of the changes in business-type activities' long-term indebtedness for the year ended December 31, 2018, is as follows:

	Balance January 1, 2018 (Restated)	Issuance/ Additions	Payments	Balance December 31, 2018	Due Within One Year
General obligation bonds (Bonds)	\$ 54,787,435	\$ 12,150,000	\$ (4,438,135)	\$ 62,499,300	\$ 5,029,789
Unamortized premium on bonds	918,388	-	(59,251)	859,137	59,251
Subtotal Bonds	55,705,823	12,150,000	(4,497,386)	63,358,437	5,089,040
Bond anticipation notes (BANs)	12,475,200	5,891,000	(12,435,200)	5,931,000	10,000
Total Bonds and BANs payable	68,181,023	18,041,000	(16,932,586)	69,289,437	5,099,040
Judgments and claims	68,017	10,487	(8,108)	70,396	-
Landfill closure and post-closure costs (see Note 11)	14,514,453	961,031	(43,399)	15,432,085	-
Pension related debt (see Note 9)	857,192	-	(134,719)	722,473	139,368
Net pension liability (see Note 9)	1,724,868	-	(1,147,006)	577,862	-
Compensated absences	644,398	44,959	(57,673)	631,684	-
Net other postemployment benefits liability (see Note 12)	17,329,740	1,748,232	-	19,077,972	-
	<u>\$ 103,319,691</u>	<u>\$ 20,805,709</u>	<u>\$ (18,323,491)</u>	<u>\$ 105,801,909</u>	<u>\$ 5,238,408</u>

A summary of the business-type activities' indebtedness under bonds and bond anticipation notes is as follows:

Interest Rate	Date Issued	Maturity Date	Amount of Original Issue	Outstanding December 31, 2018	Annual Principal Installments
Bond Anticipation Notes					
1.653%	Mar. 2018	Mar. 2019	\$ 5,931,000	<u>\$ 5,931,000</u>	\$ 12,475,200
Bonds Payable					
3.41%	1999/2002	2027	6,900,000	3,090,000	210,000 - 395,000
4.125%	2003	2025	3,875,300	1,040,000	226,000 - 307,000
1.20%	2004	2025	19,767,387	8,045,000	1,275,000
1.20%	2004	2025	3,307,082	1,295,000	200,000
3.0-5.5%	2012	2030	10,117,200	6,750,000	542,000 - 250,000
3.0-4.5%	2012	2031	4,438,815	2,958,336	804,200 - 75,000
2.0-4.0%	2014	2033	6,162,080	5,053,800	269,080 - 367,600
2.25-3.0%	2016	2035	11,652,000	10,595,000	497,000 - 680,000
2.0-4.0%	2017	2033	2,260,000	4,015,000	60,000 - 475,000
2.0-5.0%	2017	2033	9,555,000	7,507,164	35,000 - 830,000
3.0-3.5%	2018	3036	12,150,000	<u>12,150,000</u>	455,000 - 755,000
				<u>62,499,300</u>	
				<u>\$ 68,430,300</u>	

In March 2019, the bond anticipation notes were partially repaid in the amount of \$837,000, and partially redeemed through the issuance of a bond anticipation note for \$11,721,000, which matures in March 2020. Accordingly, except for the amounts partially repaid, these bond anticipation notes were excluded from the governmental fund financial statements.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 5 - Indebtedness - Continued

Annual debt service requirements to amortize general long-term debt, exclusive of bond and revenue anticipation notes which are expected to be refinanced during 2019 are as follows:

	Governmental Activities		Business-type Activities	
	Bonds and IPDs		Bonds	
	Principal	Interest	Principal	Interest
Year ending December 31,				
2019	\$ 3,149,791	\$ 1,089,719	\$ 5,029,789	\$ 2,110,207
2020	3,378,013	900,075	5,146,693	1,762,322
2021	3,056,972	792,300	5,274,479	1,592,482
2022	2,757,425	695,669	5,305,201	1,412,291
2023	2,706,638	604,512	5,448,362	1,237,745
2024 through 2028	11,540,689	1,769,753	21,314,312	4,101,578
2029 through 2033	5,039,534	385,580	12,055,464	1,413,728
2034 through 2036	290,000	8,700	2,925,000	118,075
	<u>\$ 31,919,062</u>	<u>\$ 6,246,308</u>	<u>\$ 62,499,300</u>	<u>\$ 13,748,428</u>

Note 6 - Deferred Service Concession Arrangement Receipts

The Town has entered into an agreement with Capital Region Landfills, Inc. (Company) under which the Company will manage, maintain, operate, and retain fees from the Town's solid waste facility for a period of twenty-five years. The Company is required to operate and maintain the solid waste facility in accordance with the terms of this solid waste facility operating agreement; this agreement also regulates the rates at which fees may be charged and increased. The Town received from the Company a lump-sum payment of \$23 million, received quarterly payments of \$575,000 for the first five years, September 2011 through September 2016, of the agreement and is receiving minimum quarterly payments of \$275,000 thereafter for twenty years. The Town used the up-front-payment to establish an escrow fund to provide for the payment of debt service on bonds related to the solid waste facility in the amount of \$12,938,924, and the balance was transferred to the General Fund to assist in deficit fund balance reduction.

Additionally, under the agreement the Company assumed the liability for all future closure and post-closure costs, and has established financial assurances as required and verified by the New York State Department of Environmental Conservation. The financial assurances that have been established protect the Town in the event the Company were to default on this contract.

The Town reports the solid waste facility within the Environmental Services Department Fund with capital assets reported at a carrying value of \$3,673,362 and the deferred inflow of resources having been fully recognized at December 31, 2018, pursuant to the service concession arrangement. The Town has reported a receivable for the present value of future quarterly payments. At December 31, 2018, \$1,100,000 is reported as a current receivable and \$13,761,838 as a noncurrent receivable. The receivable will decline as payments are received. Revenue is recognized based on consumption of the remaining landfill capacity, which has been fully utilized as of December 31, 2018 (see Note 11).

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 7 - Fund Balances

The specific purposes that comprise the classifications of fund balances at December 31, 2018 are as follows:

	General Fund	Special Miscellaneous Revenue Fund	Highway Fund	Capital Projects Fund	Non-Major Funds	Total
Restricted for						
Police asset forfeiture	\$ 484,079	\$ -	\$ -	\$ -	\$ -	\$ 484,079
DARE program donations	53,206	-	-	-	-	53,206
Length of service award program	-	-	-	-	3,280,598	3,280,598
Library program/supply donations	-	-	-	-	57,462	57,462
Community development programs	-	-	-	-	3,705	3,705
Total restricted fund balances	<u>537,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,341,765</u>	<u>3,879,050</u>
Committed to						
Green space acquisition	-	-	-	-	381,823	381,823
Highway infrastructure	-	-	1,371,280	-	-	1,371,280
Judgment and claims	20,657	-	25,288	-	39,017	84,962
Operations of the fund	-	10,292,626	-	-	-	10,292,626
Assigned to						
Youth court program	101,998	-	-	-	-	101,998
Capital improvements	242,899	-	-	-	65,507	308,406
Operations of the fund	-	-	466,513	5,215,174	1,626,603	7,308,290
Unassigned	879,525	-	-	-	-	879,525
Total unrestricted fund balances	<u>1,245,079</u>	<u>10,292,626</u>	<u>1,863,081</u>	<u>5,215,174</u>	<u>2,112,950</u>	<u>20,728,910</u>
Total fund balances	<u>\$ 1,782,364</u>	<u>\$ 10,292,626</u>	<u>\$ 1,863,081</u>	<u>\$ 5,215,174</u>	<u>\$ 5,454,715</u>	<u>\$ 24,607,960</u>

Note 8 - Property Taxes

Property taxes to be used for general purposes are levied on all properties within the Town. In addition, certain water and refuse services are levied against those properties benefited by this service.

Property taxes are levied by December 31 and are payable in January. The Town's property taxes are levied together with Albany County and certain special districts. The Town and the special districts receive their full levy out of the first amounts collected. Albany County assumes enforcement responsibility for all uncollected taxes levied in the Town. Accordingly, the total levy is considered measurable and available, and there is no allowance for uncollectible property taxes at December 31.

The taxable assessed value of real property included in the general Town-wide tax levy of 2018 is \$5,956,984,423. The effective tax rate on this value is \$3.729647 per thousand. The Town utilizes a full value method of assessing property values which is intended to approximate market.

Note 9 - Retirement Systems

Plan Description

The Town of Colonie participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) which are collectively referred to as New York State and Local Retirement System (the System). These are cost-sharing multi-employer defined benefit retirement systems. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 9 - Retirement Systems - Continued

Plan Description - Continued

The New York State Constitution provides that pension membership is a contractual relationship, and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

The Town also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report 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.

Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

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

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2% of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the NYSRSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20% of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% of the average of the previous two years.

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

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2% of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over 30 years. Tiers 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tiers 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 9 - Retirement Systems - Continued

Benefits Provided - Continued

Tiers 3, 4, and 5

Final average salary is the average of the wages earned in the three highest consecutive years. For Tiers 3, 4, and 5 members, each year of final average salary is limited to no more than 10% of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2% of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10% of the average of the previous four years.

Special Plans

The 25-Year Plans allow retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75% of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tiers 3, 4, 5, and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 9 - Retirement Systems - Continued

Benefits Provided - Continued

Post-Retirement Benefit Increases

A cost-of-living-adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50% of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1% or exceed 3%.

Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3% of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tiers 5 and 6 members are required to contribute for all years of service.

Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed in computing the employer's contributions based on salaries paid during the System's fiscal year ending March 31. Each year, the Comptroller renders a billing to participating employers requesting payment of amounts due in advance for the plan year April 1 to March 31. The NYSRSSL allows participating employers to pay their annual contributions on either December 15 of the current year, or February 1 of the following year. The Town elected to pay its contribution billed in 2018 on February 1, 2019.

The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2018	\$ 4,683,265	\$ 3,587,208
2017	4,786,602	3,597,056
2016	4,833,902	3,585,133

Contributions made to the Systems were equal to 100% of the contributions required for each year, less the applicable amortizations in 2017 and 2016.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 9 - Retirement Systems - Continued

Funding Policy - Continued

Chapter 57 of the Laws of 2010 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For State fiscal year (SFY) 2010-11, the amount in excess of the graded rate of 9.5% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent SFYs, the graded rate will increase or decrease by up to 1% depending on the gap between the increase or decrease in the Systems' average rate and the previous graded rate.
- The interest rate will be set annually, and will be comparable to taxable fixed income investments of a similar duration.
- For SFYs in which the Systems' average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

Chapter 57 of the Laws of 2013 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for up to 12 years in accordance with the following stipulations:

- The maximum amount an employer can amortize is the difference between the normal annual contribution (total bill, excluding payments for deficiency, group life, previous amortization, incentive costs, and prior year adjustments) and the graded contribution.
- For subsequent SFYs, the graded rate will increase or decrease by up to one-half of 1% depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- The interest rate will be set annually, and will be comparable to a 12-year United States Treasury Bond plus 1%.
- For SFYs in which the Systems' average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

These laws require participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts related to the Systems' fiscal years when the local employer opts to participate in the programs. The total unpaid liability at the end of the fiscal year was \$6,903,795, of which \$722,473 is reported in the various proprietary funds and \$6,181,322 on the statement of net position for the governmental activities.

For the years ended December 31, 2010 through 2016, the Town opted to amortize the allowable portions of both the annual ERS and PFRS retirement payment over a ten-year period. For the year ended December 31, 2017 the Town opted to amortize only the allowable portion of the annual PFRS retirement payment over a ten-year period. The Town opted to not amortize the allowable portion of the ERS and PFRS retirement payments for 2018. The principal amount amortized was \$7,149,426 for the ERS plan and \$5,571,816 for the PFRS plan. The principal and interest payments began in December 2011 and will end in February 2028, with interest ranging from 3% to 5% per annum.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 9 - Retirement Systems - Continued

Funding Policy - Continued

The maturity schedule for this debt is as follows:

	Principal	Interest	Total
Payable February 1,			
2020	\$ 1,293,308	\$ 227,187	\$ 1,520,495
2021	1,337,250	183,246	1,520,496
2022	1,323,920	137,780	1,461,700
2023	1,113,065	93,674	1,206,739
2024	885,269	57,639	942,908
2025	546,321	28,338	574,659
2026	266,807	11,584	278,391
2027	95,652	3,637	99,289
2028	42,203	1,199	43,402
	\$ 6,903,795	\$ 744,284	\$ 7,648,079

Of the total unpaid principal balance of \$6,903,795 for the above amortizations, \$5,610,487 is included in the statement of net position as a non-current liability, and \$1,293,308 is shown as a current liability as December 31, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the Town reported liabilities of \$3,041,380 and \$3,830,531 for its proportionate share of the net pension liabilities for ERS and PFRS, respectively. The net pension liabilities were measured as of March 31, 2018, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities was based on a projection of the Town's long-term share of contributions to the pension plans relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2018, the Town's proportion of the ERS and PFRS was 0.0942349% and 0.3789765%, respectively.

For the year ended December 31, 2018, the Town recognized total pension expense of \$4,535,307 and \$4,167,475 for ERS and PFRS, respectively.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 9 - Retirement Systems - Continued

*Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources
Related to Pensions - Continued*

At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,455,265	\$ 1,743,947
Change in assumptions	4,535,837	-
Net difference between projected and actual investment earnings on pension plan investments	6,678,430	13,306,708
Employer contributions made subsequent to the measurement date	5,535,489	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	339,081	676,801
Subtotal	19,544,102	15,727,456
	Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	206,105	170,317
Change in assumptions	383,170	-
Net difference between projected and actual investment earnings on pension plan investments	839,299	1,656,693
Employer contributions made subsequent to the measurement date	667,366	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	74,949	34,804
Subtotal	2,170,889	1,861,814
Total	\$ 21,714,991	\$ 17,589,270

The amount of deferred outflows and inflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending December 31, 2019.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 9 - Retirement Systems - Continued

*Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources
Related to Pensions - Continued*

The cumulative net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Governmental Activities	Business Type Activities	Total
For the year ending December 31,			
2019	\$ 1,271,276	\$ 138,696	\$ 1,409,972
2020	1,059,983	109,671	1,169,654
2021	(2,684,171)	(415,121)	(3,099,292)
2022	(1,462,733)	(191,537)	(1,654,270)
2023	96,802	-	96,802
	<u>\$ (1,718,843)</u>	<u>\$ (358,291)</u>	<u>\$ (2,077,134)</u>

Actuarial Assumptions

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018.

Significant actuarial assumptions used in the April 1, 2017 valuation, which are the same for ERS and PFRS unless noted otherwise, were as follows:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.5%
Salary Scale	3.8% in ERS, 4.5% in PFRS, indexed by service
Investment rate of return, including inflation	7.0% compounded annually, net of investment expenses
Decrement	Developed from the Plan's August 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

Annuitant mortality rates are based on April 1, 2010 through March 31, 2015 ERS and PFRS's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 through March 31, 2015.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 9 - Retirement Systems - Continued

Actuarial Assumptions - Continued

The long-term expected 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 the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2018 are summarized below.

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.50%
Real estate	10.00%	5.55%
Absolute return strategies	2.00%	3.75%
Opportunistic portfolio	3.00%	5.68%
Real assets	3.00%	5.29%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	-0.25%
Inflation-indexed bonds	4.00%	1.25%
	100.00%	

Discount Rate

The discount rate used to calculate the total pension liabilities was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made as the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Governmental Activities	\$ 37,402,617	\$ 6,294,049	\$ (19,915,123)
Business-Type Activities	4,372,261	577,862	(2,632,048)
Total net pension liability (asset)	\$ 41,774,878	\$ 6,871,911	\$ (22,547,171)

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 9 - Retirement Systems - Continued

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the ERS and PFRS as of March 31, 2018 were as follows (dollars in thousands):

	ERS	PFRS	Total
Employers' total pension liability	\$ 183,400,590	\$ 32,914,423	\$ 216,315,013
Plan net position	180,173,145	31,903,666	212,076,811
Employers' net pension liability	\$ 3,227,445	\$ 1,010,757	\$ 4,238,202
Ratio of plan net position to the employers' total pension liability	98.24%	96.93%	98.04%

Note 10 - Deferred Compensation Plan

The Town offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457. The Plan permits the participants to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

The market value of Plan assets held by the related trust at December 31, 2018 totaling \$44,254,107 is not recorded in these financial statements, as they are not an asset of the Town. The Plan issues a publicly available financial report that includes financial statements and any required supplementary information. That report may be obtained by writing to the Town of Colonie Comptroller, 534 Loudon Road, Latham, New York 12110.

Note 11 - Volunteer Firefighter Service Award Programs

The Town sponsors, and is the program administrator for volunteer firefighter service award programs for four fire protection districts within the Town: Fuller Road, Latham, Maplewood, and Shaker Road-Loudonville Fire Districts.

Length of Service Awards Programs (LOSAP)

The Town established three separate defined contribution service award programs effective January 1, 1991, for the active volunteer firefighter members of the Fuller Road Fire Department, Inc. (Fuller Road), Shaker Road-Loudonville Fire Department (Shaker Road), and Maplewood Volunteer Fire Department, Inc. (Maplewood). A defined benefit service award program for the active members of the Latham-S.W. Pitts Hose Company, Inc. (Latham) was also established effective January 1, 1991. The programs were established pursuant to Article 11-A of New York State General Municipal Law. The programs provide municipally-funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters.

Under Section 457(e)(11) of the Internal Revenue Code, Service Award Programs for volunteer firefighters and EMS volunteers are referred to as "LOSAP" - Length of Service Award Programs.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 11 - Volunteer Firefighter Service Award Programs - Continued

Defined Contribution Program Description

(a) Participation, Vesting, and Service Credit

In a defined contribution LOSAP, each participant has an individual program account. The program account balance of a participation volunteer is credited with a "service award" contribution as of the end of each year during which the volunteer was active enough to earn a year of service award program service credit. The participant is paid his or her account balance upon attainment of the "entitlement age." The amount paid will vary depending upon the number of years of service credit earned by the volunteer and the investment income (less administrative and/or investment expenses not paid by the Town) earned by the program assets and allocated to the participant's program account.

Active volunteer firefighters who have reached the age of 18 and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a non-forfeitable right to be paid their program account balance after being credited with five years of firefighting service or upon attaining the program's entitlement age while an active volunteer. The Fuller Road and Shaker Road programs' entitlement age is 62, and the Maplewood program's entitlement age is 55. An active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain firefighter activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of active volunteer firefighting service rendered prior to the establishment of the program as an active volunteer firefighter member of Fuller Road, Shaker Road, or Maplewood.

(b) Defined Contribution Benefits

A participant's benefit under the program is his or her program account balance paid upon attainment of the entitlement age in a lump sum to the participant. The annual contribution paid by the Town and credited to the account of a participant who earned fifty points during a calendar year for Fuller Road, Shaker Road, and Maplewood is currently \$700. The maximum number of years of service credit a participant may earn for the Fuller Road and Shaker Road programs is 40 years, and for the Maplewood program, the maximum is 30 years.

Currently, there are two other optional forms of payment of a volunteer's earned service award under the programs (five or ten-year installment payments). Except in the case of death or total and permanent disablement, service awards commence to be paid as of the January next following the date a participant attains the entitlement age. Volunteers who continue to be active after attaining the entitlement age continue to have the opportunity to earn program credit and to thereby be paid additional service awards. The program provides death and disability benefits equal to the participant's program account balance at the time of death or disablement. The program does not provide extra line-of-duty death or disability benefits. All death and disability benefits are "self-insured" and are paid from the program trust fund.

For a complete explanation of the defined contribution program, see the Program Document, a copy of which is available from the Town Attorney.

For the year ended December 31, 2018, the Town had defined contribution LOSAP pension expense of \$11,981 on the accrual basis of accounting.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 11 - Volunteer Firefighter Service Award Programs - Continued

Defined Benefit Program Description

(a) Participation, Vesting, and Service Credit

Active volunteer firefighters who have reached the age of 18 and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a non-forfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program's entitlement age while an active volunteer. The program's entitlement age is age 60. An active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain firefighter activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of active volunteer firefighting service rendered prior to the establishment of the program as an active volunteer firefighter member of Latham.

(b) Defined Benefit Benefits

A participant's service award benefit is paid as a ten-year certain and continuous monthly payment life annuity. The amount payable each month equals \$10 multiplied by the total number of years of service credit earned under the point system for years prior to 2006 plus \$15 multiplied by the total number of years of service credit earned by the volunteer under the point system for years after 2006. The maximum number of years of service credit a participant may earn is 40 years under the program. Currently, there is one other form of payment of a volunteer's earned service award under the program (an actuarially equivalent lump sum). Except in the case of death or total and permanent disablement, service awards commence to be paid when a participant attains the entitlement age. Volunteers who continue to be active after attaining the entitlement age and beginning to be paid a service award continue to have the opportunity to earn program credit and to thereby increase their service award payments.

The program provides death and disability benefits equal to the actuarial value of the participant's earned service award at the time of death or disablement (the minimum death benefit payable is \$10,000 if the participant was an active volunteer at death). The program does not provide extra line-of-duty death or disability benefits. All death and disability benefits are "self-insured" and are paid from the program trust fund.

For a complete explanation of the defined benefit program, see the Program Document, a copy of which is available from the Town Attorney.

At the December 31, 2017 measurement date, the following participants were covered by the benefit terms.

Inactive participants:	
Currently receiving benefit payments	44
Entitled to but not yet receiving benefit payments	19
Active Participants	<u>57</u>
	<u>120</u>

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 11 - Volunteer Firefighter Service Award Programs - Continued

Defined Benefit Program Description - Continued

(c) Funding Methodology and Actuarial Assumptions

The assets available for benefits totaled \$1,571,575 and the actuarial present value of accrued benefits was \$2,034,470 at December 31, 2018, for a funding percentage of 77%, or unfunded benefits of \$462,895. However, the Plan has an unfunded liability for separately amortized costs for the 2010 program amendments in the amount of \$502,530, which will be amortized over the next twelve years.

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the Attained Age Normal Cost method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return on program investments	5.0%
Tables used for:	
Post-Entitlement Age mortality	RP-2014 Male Mortality Table without projection
Pre-Entitlement Age mortality*	RP-2014 Mortality Table without Projection for calculation of Pre-EA Self-insured death benefit only
Pre-Entitlement Age disability*	None
Pre-Entitlement Age withdrawal*	None
Pre-Entitlement Age service credit accruals	100%

* For program cost calculation purposes, all pre-entitlement age active volunteer firefighter participants are assumed to: serve to the entitlement age; remain active and earn 50 points each year; and begin to be paid service awards upon attainment of the entitlement age.

Fiduciary Investment and Control

After the end of each calendar year, each fire department prepares and certifies a list of names of all persons who were active volunteer members of the fire department during the year indicating which volunteers earned 50 points. The certified lists are delivered to the Town for the Town Board's review and approval. The fire departments must maintain the point system records to verify each volunteer's points on forms provided and/or approved by the Town Board.

The Town Board has retained Penflex, Inc. to assist in the administration of the program. The services provided by Penflex, Inc. are described in an agreement between Penflex, Inc. and the Town, which is available at the Town Attorney's office.

Based on the certified calendar year volunteer firefighter listings, Penflex, Inc. determines and certifies in writing to the Town the amount of the service award to be paid to a participant or to a participant's designated beneficiary. The person(s) authorized by the Town Board then authorizes, in writing, the custodian of the Town's LOSAP trust funds to pay the service award. No service award benefit payment is made without the written certification from Penflex, Inc. and the written directive from the authorized representative of the Town Board.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 11 - Volunteer Firefighter Service Award Programs - Continued

Fiduciary Investment and Control - Continued

Penflex, Inc. bills the Town for the services it provides. Invoices are authorized for payment by the Town in the same manner as any other invoice presented to the Town for payment. The Town pays Penflex, Inc.'s invoices from the LOSAP trust fund, in which case the Town reimburses the trust fund for the amounts paid to Penflex, Inc. to provide services for the defined benefit program (there is no reimbursement for Penflex, Inc.'s administrative costs paid under the defined contribution program).

Program assets are required to be held in trust by Article 11-A, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. The Town Board created a Service Award Program Trust Fund through the adoption of a Trust Document, a copy of which is available from the Town Attorney. The Town Board is the program trustee.

Authority to invest program assets is vested in the program trustee. Program assets are invested in accordance with a statutory prudent person rule and in accordance with the written investment policy statement adopted by the Town Board.

The Town Board is required to retain an actuary to determine the amount of the Town's contributions to the plan. The actuary retained by the Town for this purpose is Kati Young of Penflex, Inc. Ms. Young is an Associate of the American Society of Actuaries. Portions of the following information are derived from a report prepared by the actuary dated July 24, 2019.

The Town Board has retained RBC Wealth Management to provide investment management and custodial services. The assets for all four programs are pooled into one investment account. RBC Wealth Management is a member of the Securities Investor Protection Corporation (SIPC). Cash and securities held at a member brokerage firm are insured by the SIPC up to \$500,000 per customer, including a maximum of \$250,000 for cash. Assets held in the RBC Bank Deposit program, \$54,299 as of December 31, 2018, are not covered by SIPC, but are fully insured by the Federal Deposit Insurance Corporation (FDIC) as of December 31, 2018.

Contributions

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

The Town lags the contributions due to each program by fourteen months. For example, the contribution due for the program year ended December 31, 2017, was paid in February 2019, with interest. A summary of the sponsor's required contribution for program year ended December 31, 2018, and scheduled to be paid in February 2019 and 2020, is as follows:

	<u>2020</u>	<u>2019</u>
Fuller Road	\$ 23,937	\$ 31,493
Shaker Road	46,725	51,756
Maplewood	19,242	20,580
Latham	-	159,583
	<u>\$ 89,904</u>	<u>\$ 263,412</u>

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 11 - Volunteer Firefighter Service Award Programs - Continued

Assets Held in Trust

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

The Town's benefit trust is reported within the Town's Fire Protection Fund and includes the following cash, cash equivalents, and investments:

	December 31, 2018		
	Fair Value	Cost	% Total Cost
Cash and cash equivalents	\$ 54,299	\$ 54,299	1.6%
Equities			
United States	664,997	632,704	19.0%
International	449,881	471,022	14.1%
Fixed income securities			
Corporate obligations	356,212	355,814	10.7%
Mutual funds	1,050,516	1,067,109	32.0%
Mixed asset securities			
Mutual funds	694,302	757,241	22.7%
	\$ 3,270,207	\$ 3,338,189	100.0%

As summary of the financial activity of the LOSAP plan for the year ended December 31, 2018, is as follows.

	Fuller Road	Maplewood	Shaker Road	Latham	Total
Additions					
Town contributions	\$ 25,342	\$ 20,116	\$ 49,125	\$ 191,981	\$ 286,564
Interest and earnings	22,458	6,826	37,046	62,719	129,049
Net decrease in the fair value of investments	(46,567)	(14,345)	(77,157)	(130,846)	(268,915)
Investment fees	(3,681)	(1,137)	(6,046)	(10,340)	(21,204)
	(2,448)	11,460	2,968	113,514	125,494
Deductions					
Benefits	12,768	24,855	27,072	171,261	235,956
Administrative fees	3,994	3,557	5,061	7,589	20,201
	16,762	28,412	32,133	178,850	256,157
Change in net assets held in trust	(19,210)	(16,952)	(29,165)	(65,336)	(130,663)
Net assets held in trust, beginning of year	653,313	230,514	1,084,256	1,796,494	3,764,577
Net assets held in trust, end of year	\$ 634,103	\$ 213,562	\$ 1,055,091	\$ 1,731,158	\$ 3,633,914

The net assets above include the receivable for the contribution to the benefit trust noted above.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 11 - Volunteer Firefighter Service Award Programs - Continued

Assets Held in Trust - Continued

The LOSAP pension liability for the defined contribution plans equal the net assets held in trust at December 31, 2018 of \$1,902,756.

LOSAP Pension Liability, LOSAP Pension Expense, Deferred Outflows of Resources, and Deferred inflows of Resources Related to Pensions - Defined Benefit Plan

At December 31, 2018, the Town's LOSAP pension liability was \$2,809,550. The LOSAP pension liability was measured and was determined by an actuarial valuation as of December 31, 2017.

The following table shows the components of the changes in the Town's LOSAP pension liability:

LOSAP service costs	\$	54,056
Interest on the LOSAP pension liability		94,301
Changes of benefit terms		-
Differences between expected and actual experience in the measurement of the LOSAP pension liability		37,483
Changes of assumptions or other inputs		214,298
Benefit payments		<u>(156,695)</u>
Net change in LOSAP pension liability		243,443
LOSAP pension liability, <i>beginning of year</i>		<u>2,566,107</u>
LOSAP pension liability, <i>end of year</i>		<u><u>\$ 2,809,550</u></u>

For the year ended December 31, 2018, the Town had defined benefit LOSAP pension expense of \$165,856 on the accrual basis of accounting.

At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to LOSAP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 37,811	\$ -
Change in assumptions	182,784	142,131
Benefit payments and administrative expenses made subsequent to the measurement date	<u>178,850</u>	<u>-</u>
Total	<u><u>\$ 399,445</u></u>	<u><u>\$ 142,131</u></u>

The amount of deferred outflows of resources resulting from benefit payments and administrative expenses made subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending December 31, 2019.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 11 - Volunteer Firefighter Service Award Programs - Continued

LOSAP Pension Liability, LOSAP Pension Expense, Deferred Outflows of Resources, and Deferred inflows of Resources Related to Pensions - Defined Benefit Plan - Continued

The remaining cumulative net amounts reported as deferred outflows of resources and deferred inflows of resources related to LOSAP pensions will be recognized in LOSAP pension expense as follows:

For the year ending December 31,

2019	\$ 10,817
2020	10,817
2021	10,817
2022	10,817
2023	10,817
Thereafter	<u>24,379</u>
	<u><u>\$ 78,464</u></u>

Actuarial Assumptions

The LOSAP pension liability at December 31, 2018 was determined by using an actuarial valuation as of December 31, 2017. Significant actuarial assumptions used in the December 31, 2017 valuation, were as follows:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.25%
Salary Scale	None assumed
Investment rate of return	5.0%, net of investment expenses
Mortality	RP-2014 Male Mortality Table, without projection for mortality improvement

Discount Rate

The discount rate used to calculate the LOSAP pension liability was 3.16%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 11 - Volunteer Firefighter Service Award Programs - Continued

Sensitivity of the LOSAP Pension Liability to the Discount Rate Assumption

The following presents the Town's LOSAP pension liability, as of the December 31, 2017 measurement date, calculated using the discount rate of 3.16%, as well as what the Town's LOSAP pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.16%) or 1 percentage point higher (4.16%) than the current rate:

	<u>1% Decrease (2.16%)</u>	<u>Current Assumption (3.16%)</u>	<u>1% Increase (4.16%)</u>
LOSAP pension liability	<u>\$ 3,272,845</u>	<u>\$ 2,809,550</u>	<u>\$ 2,437,735</u>

Note 12 - Postemployment Benefits Other Than Pensions

Plan Description and Benefits Provided - The Town provides a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare insurance and prescription drug coverage for eligible retirees and their spouses through the Town's Plan, which covers both active and retired members. Benefit provisions are established through negotiations between the Town and the unions representing employees and are renegotiated at the end of each of the bargaining periods.

Employees Covered by Benefit Terms - A summary of active employees and retired employees covered under this benefit plan as of December 31, 2018 is as follows:

Retired participants:		
Currently receiving benefit payments	363	
Entitled to but not yet receiving benefit payments	-	
Active Participants	<u>490</u>	
		<u>853</u>

Funding Policy - Contribution requirements also are negotiated between the Town and union representatives. The Town contributes a percent of the cost of current-year premiums for eligible retired Plan members and their spouses. The Town is not required to fund the benefit plan other than on a pay-as-you-go amount necessary to provide current benefits to retirees. For the year ended December 31, 2018, the Town contributed \$10,072,225 to the Plan for both active and retired members. Plan members receiving benefits contribute a percent of their premium costs. Total member contributions were \$1,686,742 for the year ended December 31, 2018. The benefit plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the benefit plan.

OPEB Liability, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the Town reported a liability of \$123,254,355 for its OPEB liability, of which \$19,077,972 is reported in the various proprietary funds and \$104,176,383 on the statement of net position for the governmental activities. The OPEB liability was measured as of January 1, 2018 with an actuarial valuation date of January 1, 2017. For the year ended December 31, 2018, the Town recognized OPEB expense of \$9,118,438.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 12 - Postemployment Benefits Other Than Pensions - Continued

OPEB Liability, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB - Continued

At December 31, 2018, the Town reported deferred outflows of resources related to OPEB from the following sources:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 4,555,877	\$ -
Employer contributions made subsequent to the measurement date	3,059,661	-
Subtotal	7,615,538	-
	Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	834,324	-
Employer contributions made subsequent to the measurement date	449,886	-
Subtotal	1,284,210	-
Total	\$ 8,899,748	\$ -

The amount of deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction in the OPEB liability in the year ending December 31, 2019. The remaining cumulative net amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Governmental Activities	Business Type Activities	Total
For the year ending December 31,			
2019	\$ 879,513	\$ 161,066	\$ 1,040,579
2020	879,513	161,066	1,040,579
2021	879,513	161,066	1,040,579
2022	879,513	161,066	1,040,579
2023 and thereafter	1,037,825	190,060	1,227,885
	\$ 4,555,877	\$ 834,324	\$ 5,390,201

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 12 - Postemployment Benefits Other Than Pensions - Continued

Actuarial Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	January 1, 2017
Measurement Date	January 1, 2018
Reporting Date	December 31, 2018
Actuarial Cost Method	Entry age normal - level percent of pay
Discount Rate	3.44%, as of the measurement date. Source: Bond Buyer Weekly 20-Bond GO Index
Health Care Cost Trend Rates	Society of Actuaries Long-Run Medical Cost Trend Model
Inflation Rate	2.2%
Salary Scale	2.0%
Mortality improvement, actives	RPH-2014 Mortality Table for employees, sex distinct, with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2017.
Mortality improvement, retired	RPH-2014 Mortality Table for health annuitants, sex distinct, with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2017.

Schedule of Changes in OPEB Liability

The following table shows the components of the changes in the OPEB liability:

Service cost	\$ 3,764,237
Interest	4,313,622
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the OPEB liability	-
Changes of assumptions or other inputs	6,430,780
Benefit payments	<u>(3,214,081)</u>
Net change in OPEB liability	11,294,558
OPEB liability, <i>beginning of year</i>	<u>111,959,797</u>
OPEB liability, <i>end of year</i>	<u><u>\$ 123,254,355</u></u>

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 12 - Postemployment Benefits Other Than Pensions - Continued

Sensitivity of the OPEB Liability to Changes in the Discount Rate and Health Care Trend Rate Assumptions

The following presents the OPEB liability calculated using the discount rate of 3.44%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.44%) or 1 percentage point higher (4.44%) than the current rate:

	<u>1% Decrease (2.44%)</u>	<u>Current Discount Rate (3.44%)</u>	<u>1% Increase (3.44%)</u>
Governmental Activities	\$ 122,902,399	\$ 104,176,383	\$ 89,309,890
Business-Type Activities	<u>22,507,295</u>	<u>19,077,972</u>	<u>16,355,450</u>
OPEB liability	<u>\$ 145,409,694</u>	<u>\$ 123,254,355</u>	<u>\$ 105,665,340</u>

The following presents the OPEB liability calculated using the current health care cost trend rates as well as what the OPEB liability would be if it were calculated using health care cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Governmental Activities	\$ 87,033,205	\$ 104,176,383	\$ 126,491,919
Business-Type Activities	<u>15,938,517</u>	<u>19,077,972</u>	<u>23,164,649</u>
OPEB liability	<u>\$ 102,971,722</u>	<u>\$ 123,254,355</u>	<u>\$ 149,656,568</u>

Note 13 - Workers' Compensation

The Town is exposed to various risks of losses related to injuries of employees. The Town assumes the risk of loss relating to workers' compensation. The Town has established a liability account in the Internal Service Fund to account for losses, claims, and judgments, relating to this exposure. The Town purchases insurance for claims in excess of \$350,000. Settled claims have not exceeded the annual self-insurance funding in any of the past three fiscal years.

Claims and judgments are recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Claim liabilities were \$1,284,554 at December 31, 2018, and are included in other liabilities within the Workers' Compensation Internal Service Fund.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 13 - Workers' Compensation - Continued

Workers' compensation liabilities per fund for 2018 were:

	Balance January 1, 2018	Current Year Claims and Changes in Estimates	Claim Payments	Balance December 31, 2018
General Fund	\$ 739,201	\$ 256,090	\$ (281,666)	\$ 713,625
Highway Fund	239,589	171,691	(85,778)	325,502
Non-major Funds	-	3,866	(3,533)	333
Environmental Services Department	142,465	(2,945)	(73,699)	65,821
Pure Waters Department	10,043	4,898	(12,474)	2,467
Latham Water Department	95,879	133,771	(52,844)	176,806
Total	<u>\$ 1,227,177</u>	<u>\$ 567,371</u>	<u>\$ (509,994)</u>	<u>\$ 1,284,554</u>

Note 14 - Tax Abatements

The Town negotiates property tax abatement agreements on an individual basis. The Town has one tax abatement agreement in effect as of December 31, 2018 which is related to retention of low income senior housing. There was substantially no abatement of Town taxes for 2018.

The Town is also subject to tax abatements granted by the Town of Colonie Industrial Development Agency (IDA), an entity created by the Town of Colonie to encourage economic development within the Town. Through the IDA, companies can apply for a sales tax, mortgage recording tax, or property tax exemption. As of December 31, 2018, there are two active tax abatement agreement through the IDA, which are property tax abatements for two senior citizen housing communities. The taxes abated during 2018 amounted to \$88,504.

Note 15 - Commitments and Contingencies

a. Grant Programs

The Town participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs may be conducted, in accordance with grantor requirements, on a periodic basis. Accordingly, the Town's compliance with applicable grant requirements will be established at some future date. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Town believes, based upon its review of current activity and prior experience, the amount of such disallowances, if any, will be minimal.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 15 - Commitments and Contingencies - Continued

b. Construction Commitments

The Town has active construction and infrastructure improvement projects as of December 31, 2018. These projects include various sewer pump station and water plant, pump station, and storage improvement projects. At year-end, the Town's commitments with contractors are as follows:

Project	Total Commitment	Remaining Commitment
Capital Projects		
Town pool filtration system improvements	\$ 340,193	\$ 13,998
Mohawk River Park concession improvements	109,287	3,550
William K. Sanford Library improvements (5)	1,544,660	294,637
Latham Water Department		
Osborne Round Tank and Standpipe improvements	1,972,600	14,000
Newtonville Tank improvements	753,090	78,900
Mohawk View Lowlift Pump Station improvements	1,308,320	1,208,320
Mohawk View Treatment Plant wetland remediation	451,413	100,803
	\$ 6,479,563	\$ 1,714,208

c. Litigation

Various suits and claims against the Town are presently pending involving claims for personal injury, tax appeals, and miscellaneous other cases. The Town is self-insured for up to \$1,000,000 for general liability claims. The Town purchases commercial insurance for claims in excess of the self-insured amount. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Of the pending or threatened litigation as of December 31, 2018, certain cases are covered by insurance: the remainder is self-insured for which the Town has designated a portion of the fund balance of the General, Highway, other non-major governmental, and a judgment and claims liability has been recognized. In the opinion of the Town attorney, after considering all relevant facts, including discussions with outside counsel in certain instances, such litigation will not in the aggregate have a material adverse effect on the financial position, results of operations, or cash flows of the Town. The Town estimates the cost of these matters and records a liability for claims if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. At December 31, 2018, the Town recorded an insurance reserve of \$84,962 in the Governmental Funds and \$70,396 in the caption "Judgments and Claims" in the Proprietary Funds.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 15 - Commitments and Contingencies - Continued

c. Litigation - Continued

Changes in the Town's claim liability amount during 2018 were:

Fund	Beginning Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year-End
General Fund	\$ 1,014	\$ 80,246	\$ (60,603)	\$ 20,657
Highway	20,336	5,137	(184)	25,289
Other non-major	3,145	40,236	(4,365)	39,016
Pure Water	30,801	5,228	(7,500)	28,529
Latham Water	37,216	5,259	(608)	41,867
Total	<u>\$ 92,512</u>	<u>\$ 136,106</u>	<u>\$ (73,260)</u>	<u>\$ 155,358</u>

d. Environmental Risks

Certain facilities are subject to federal, state, and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the Town expect such compliance to have, any material effect upon the capital expenditures or financial condition of the Town. The Town believes that its current practices and procedures for control and disposition of regulated wastes comply with applicable federal, state, and local requirements.

The Latham Water Department has an active wetland remediation project ongoing related to mercury contamination at the Mohawk View Water Treatment Plant. The total estimated cost of the project, including remediation and ongoing monitoring, is estimated to be approximately \$400,000, of which \$351,000 was incurred during 2015, and \$15,000 was incurred during 2016, approximately \$2,500 was incurred in each of 2017 and 2018. The balance is included in accrued expenses on the Latham Water Department's statement of net position. Annual wetland review and reporting is required through December 31, 2018.

Note 16 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 83, *Certain Asset Retirement Obligations (GASB 83)*. GASB 83 requires a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets to recognize a liability and a corresponding deferred outflow of resources. Statement 83 is effective for reporting periods beginning after June 15, 2018.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 16 - Accounting Standards Issued But Not Yet Implemented - Continued

GASB Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87, *Leases* (GASB 87). This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (GASB 88). This statement improves the information that is disclosed in notes to financial statements related to debt. Additionally it clarifies which liabilities should be included when disclosing information related to debt, and defines debt for disclosure purposes. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89). This statement established accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirement of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests* (GASB 90). This statement clarifies the accounting and financial reporting requirements for a majority equity interest in an organization that remains legally separate after acquisition. Under GASB 90, a government entity should report its majority equity interest in a legally separate organization as an investment if that equity interest meets the GASB's definition of an investment. In many instances, a majority equity interest that meets the definition of an investment should be measured using the equity method. GASB 90 also established guidance for remeasuring assets and liabilities of wholly acquired governmental organization that remain legally separate. That guidance brings the reporting of those acquisitions in line now with existing standards that apply to acquisitions that do not remain legally separate. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

Town of Colonie, New York

Notes to Financial Statements December 31, 2018

Note 16 - Accounting Standards Issued But Not Yet Implemented - Continued

GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91). This statement improves financial reporting by providing a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. This is achieved by clarifying the existing definition of a conduit debt obligation; establishing that conduit debt obligations are not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

Management has not estimated the extent of the potential impact of these statements on the Town's financial statements.

Note 17 - Subsequent Events

- a. The Town fully repaid the revenue anticipation notes outstanding at December 31, 2018, including \$22,000 of accrued interest, when they matured in January 2019.
- b. Public Improvement Refunding Serial Bonds Series 2019 were issued on February 20, 2019 in the amount of \$6,995,000. The bonds have principal and interest payments on May 1st and November 1st from 2019 to 2031, and bear interest at 4%. They were issued to advance refund the outstanding balances of the Various Purposes Serial Bonds Series 2012 in the amount of \$7,350,000. As a result of this refunding, the Town will save approximately \$548,000 between 2019 and 2031. Additionally, as a result of this refunding the Town will recognize an additional \$550,953 in unamortized premium on issuance and deferred outflow of resources related to defeased bonds of \$355,000.
- c. Bond Anticipation Note 2019 was issued on March 14, 2019 in the amount of \$24,187,000, matures in March 2020, and bears interest at an effective rate of 1.97%. It was issued to refinance \$11,721,000 of existing bond anticipation notes series 2018 and provide financing for the purchase of capital equipment and construction/improvement of capital facilities in the amount of \$12,466,000.

Town of Colonie, New York

Required Supplementary Information - Statement of Revenues and Expenditures - Budget to Actual - General Fund

	Year Ended December 31, 2018					
	2018 Adopted Budget	2018 Modified Budget	Difference Adopted vs. Modified Positive (Negative)	2018 Actual	Variance With Actual vs. Modified Positive (Negative)	2019 Adopted Budget
REVENUES						
Real property taxes and tax items	\$ 19,845,180	\$ 19,845,180	\$ -	\$ 19,878,902	\$ 33,722	\$ 21,036,259
Sales and use tax	10,839,851	11,031,016	191,165	12,971,016	1,940,000	11,333,951
Departmental income	6,908,938	7,170,153	261,215	7,083,542	(86,611)	7,945,100
Intergovernmental charges	227,000	227,000	-	170,267	(56,733)	222,000
Interest and use of property	1,526,200	1,526,200	-	1,591,903	65,703	1,580,200
Licenses and permits	69,500	69,500	-	76,825	7,325	76,300
Fines and forfeitures	1,100,000	1,100,000	-	827,311	(272,689)	1,040,000
Sale of property and compensation for loss	42,750	56,615	13,865	74,205	17,590	50,750
Miscellaneous	33,429	33,429	-	53,980	20,551	35,000
Interfund revenues	3,188,000	3,188,000	-	2,564,190	(623,810)	3,183,000
State aid	2,813,800	2,846,300	32,500	2,819,332	(26,968)	2,820,700
Federal aid	-	320,250	320,250	216,318	(103,932)	-
Interfund transfers	2,950,000	3,145,000	195,000	2,191,004	(953,996)	2,950,000
Total revenues	<u>49,544,648</u>	<u>50,558,643</u>	<u>1,013,995</u>	<u>50,518,795</u>	<u>(39,848)</u>	<u>52,273,260</u>
EXPENDITURES						
General government support	7,765,575	7,877,303	111,728	7,760,903	116,400	8,358,604
Public safety	15,379,977	15,827,746	447,769	15,808,335	19,411	16,164,778
Public health	4,249,319	4,348,072	98,753	4,345,475	2,597	4,311,610
Transportation	567,301	488,826	(78,475)	487,957	869	574,219
Economic assistance and opportunity	2,000	2,650	650	2,642	8	5,000
Culture and recreation	4,165,934	3,924,789	(241,145)	3,823,517	101,272	4,255,044
Home and community services	138,742	141,142	2,400	141,131	11	143,410
Employee benefits	15,162,400	15,623,535	461,135	15,623,324	211	16,139,860
Debt service	2,113,400	2,324,580	211,180	2,324,360	220	2,320,735
Total expenditures	<u>49,544,648</u>	<u>50,558,643</u>	<u>1,013,995</u>	<u>50,317,644</u>	<u>240,999</u>	<u>52,273,260</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,151</u>	<u>\$ 201,151</u>	<u>\$ -</u>

See Independent Auditor's Report.

Town of Colonie, New York

Required Supplementary Information - Statement of Revenues and Expenditures - Budget to Actual - Highway Fund

	Year Ended December 31, 2018					
	2018 Adopted Budget	2018 Modified Budget	Difference Adopted vs. Modified Positive (Negative)	2018 Actual	Variance With Actual vs. Modified Positive (Negative)	2019 Adopted Budget
REVENUES						
Sales and use tax	\$ 9,762,738	\$ 9,998,018	\$ 235,280	\$ 10,031,738	\$ 33,720	\$ 10,491,692
Departmental income	5,000	205,000	200,000	236,524	31,524	10,000
Intergovernmental charges	4,208	4,208	-	10,306	6,098	10,000
Interest and use of property	11,000	11,000	-	13,874	2,874	11,000
Licenses and permits	4,000	4,000	-	1,900	(2,100)	4,000
Sale of property and compensation for loss	47,500	47,500	-	37,298	(10,202)	47,500
Miscellaneous	5,000	5,000	-	1,352	(3,648)	5,000
State aid	563,100	700,200	137,100	700,154	(46)	563,414
Total revenues	10,402,546	10,974,926	572,380	11,033,146	58,220	11,142,606
EXPENDITURES						
Transportation	5,746,356	6,415,786	669,430	6,403,273	12,513	5,997,148
Employee benefits	2,345,250	2,198,760	(146,490)	2,198,570	190	2,495,400
Debt service	2,310,940	2,360,380	49,440	2,357,352	3,028	2,650,058
Total expenditures	10,402,546	10,974,926	572,380	10,959,195	15,731	11,142,606
Excess of revenues over expenditures	\$ -	\$ -	\$ -	\$ 73,951	\$ 73,951	\$ -

See Independent Auditor's Report.

Town of Colonie, New York

Required Supplementary Information - Schedule of Other Postemployment Benefits Liability

	2018
Other Postemployment Benefit (OPEB) Liability	
Service Cost	\$ 3,764,237
Interest	4,313,622
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the OPEB liability	-
Changes of assumptions or other inputs	6,430,780
Benefit payments, including implicit subsidy fulfilled	(3,214,081)
Net change in OPEB liability	11,294,558
OPEB liability, <i>beginning of year</i>	111,959,797
OPEB liability, <i>end of year</i>	\$ 123,254,355
Town's covered-employee payroll	\$ 35,122,719
OPEB liability as a percentage of its covered-employee payroll	350.9%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Town of Colonie, New York

Required Supplementary Information - Schedule of Proportionate Share of the Net Pension Liability

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
New York State and Local Employees' Retirement System				
Town's proportion of the net pension liability	0.0942349%	0.0966159%	0.0990777%	0.0997614%
Town's proportionate share of the net pension liability	\$ 3,041,380	\$ 9,078,249	\$ 15,902,253	\$ 3,370,185
Town's covered-employee payroll	\$ 25,627,097	\$ 25,536,062	\$ 25,446,349	\$ 26,548,015
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	11.87%	35.55%	62.49%	12.69%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.68%	97.95%
New York State and Local Police and Fire Retirement System				
Town's proportion of the net pension liability	0.3789765%	0.3790816%	0.3725068%	0.3797182%
Town's proportionate share of the net pension liability	\$ 3,830,531	\$ 7,857,042	\$ 11,029,134	\$ 1,045,211
Town's covered-employee payroll	\$ 11,135,229	\$ 10,795,982	\$ 10,460,438	\$ 10,901,149
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	34.40%	72.78%	105.44%	9.59%
Plan fiduciary net position as a percentage of the total pension liability	96.93%	93.46%	90.24%	99.00%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Town of Colonie, New York

Required Supplementary Information - Schedule of Pension Contributions

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
New York State and Local Employees' Retirement System										
Contractually required contribution	\$4,683,265	\$4,786,602	\$4,833,902	\$5,692,677	\$5,851,485	\$5,754,801	\$5,128,227	\$4,934,048	\$3,026,457	\$2,210,160
Contributions in relation to the contractually required contribution	4,683,265	4,786,602	4,833,902	5,692,677	5,851,485	5,754,801	5,128,227	4,934,048	3,026,457	2,210,160
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Town's covered-employee payroll	25,627,097	25,536,062	25,446,349	26,548,015	24,847,159	24,829,042	25,408,353	26,990,499	27,527,758	26,414,837
Contribution as a percentage of covered-employee payroll	18.3%	18.7%	19.0%	21.4%	23.5%	23.2%	20.2%	18.3%	11.0%	8.4%
New York State and Local Police and Fire Retirement System										
Contractually required contribution	\$3,587,208	\$3,597,056	\$3,585,133	\$3,510,652	\$3,913,624	\$3,835,842	\$3,385,540	\$3,027,083	\$2,471,081	\$2,109,293
Contributions in relation to the contractually required contribution	3,587,208	3,597,056	3,585,133	3,510,652	3,913,624	3,835,842	3,385,540	3,027,083	2,471,081	2,109,293
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Town's covered-employee payroll	11,135,229	10,795,982	10,460,438	10,901,149	10,161,966	10,034,899	9,433,133	9,639,197	9,510,819	9,264,178
Contribution as a percentage of covered-employee payroll	32.2%	33.3%	34.3%	32.2%	38.5%	38.2%	35.9%	31.4%	26.0%	22.8%

See Independent Auditor's Report.

Town of Colonie, New York

Supplementary Information - Schedule of Changes in LOSAP Pension Liability

	2018	2017
Length of Service Award Program (LOSAP) Pension Liability		
Service Cost	\$ 54,056	\$ 73,478
Interest	94,301	88,318
Changes in benefit terms	-	-
Differences between expected and actual experience in the measurement of the LOSAP pension liability	37,483	8,087
Changes of assumptions or other inputs	214,298	(196,797)
Benefit payments	(156,695)	(186,879)
Net change in LOSAP pension liability	243,443	(213,793)
LOSAP pension liability, <i>beginning of year</i>	2,566,107	2,779,900
LOSAP pension liability, <i>end of year</i>	\$ 2,809,550	\$ 2,566,107
Town's covered-employee payroll	Not Applicable	Not Applicable
LOSAP pension liability as a percentage of its covered-employee payroll	Not Applicable	Not Applicable

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Trust Assets - There are no assets accumulated in a trust that meets the criteria in paragraph of Governmental Accounting Standards Board Statement No. 73 to pay related benefits

Changes in assumptions and other inputs - The discount rate used to measure the total pension liability was based on the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate index and was 3.16% and 3.71% as of December 31, 2018 and 2017, respectively.

Town of Colonie, New York

Supplementary Information - Non-major Governmental Funds

The Town maintains seven special revenue funds that are not considered major governmental funds. These non-major special revenue funds include the following:

- The General-Town Outside Villages Fund was created to account for the assets, liabilities, fund balance, and activities of certain services provided to residents who are not located within one of the two villages contained in the Town and is funded primarily by sales taxes.
- The Community Development Special Grant Fund was created to account for the assets, liabilities, deferred inflows of resources, fund balance, and activities of the Town's Section 8 Housing Choice Voucher, HOME, Community Development Block Grant, and Housing Development Programs and is funded by various state and federal grants.
- The Library Fund was created to account for the assets, liabilities, fund balance, and activities of the William K. Sanford Town Library and is funded principally through property taxes.
- The Drainage District Fund was created to account for the assets, liabilities, fund balance, and activities of the Albany Street Drainage District for a drainage project and is funded through a special assessment on the property owners in the District.
- The Fire Protection District Funds were created to account for the activities of fire protection service contracts between the Town and four nonprofit fire companies and is funded through property taxes. It also accounts for the accumulation of the assets and activities of the Town sponsored volunteer length of service program for these four fire protection districts.
- The Refuse and Garbage District Fund was created to account for the assets, liabilities, fund balance, and activities of the Maplewood portion of the Town for separate refuse and garbage collection services and is funded through a special assessment on the property owners in the District.
- The Water District Fund was created to account for the assets, liabilities, fund balance, and activities of the Maplewood portion of the Town for separate water transmission services and is funded through a special assessment on the property owners in the District.

The following are financial statements for these non-major governmental funds:

Town of Colonie, New York

Supplementary Information - Combining Balance Sheet Non-major Governmental Funds

December 31, 2018

	Nonmajor Funds						Total Non-Major Governmental Funds	
	General, Outside Village	Community Development Special Grant	Library	Drainage District	Fire Protection District	Refuse and Garbage District		Water District
ASSETS								
Cash and cash equivalents	\$ 813,177	\$ 989,602	\$ 464,489	\$ 38,834	\$ -	\$ 14,514	\$ 10,037	\$ 2,330,653
Cash and cash equivalents, restricted	419,814	101,835	66,533	-	54,299	-	-	642,481
Investments, restricted	-	-	-	-	3,215,908	-	-	3,215,908
State and Federal aid receivables	-	46,466	3,837	-	-	-	-	50,303
Due from other governments	256,999	-	-	-	-	-	-	256,999
Other accounts receivable, net	38,269	22,251	-	-	1,516	-	-	62,036
Due from other funds	-	-	70,589	-	-	-	-	70,589
Other assets	-	-	-	-	8,875	-	-	8,875
Total assets	<u>\$ 1,528,259</u>	<u>\$ 1,160,154</u>	<u>\$ 605,448</u>	<u>\$ 38,834</u>	<u>\$ 3,280,598</u>	<u>\$ 14,514</u>	<u>\$ 10,037</u>	<u>\$ 6,637,844</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE								
LIABILITIES								
Accounts payable	\$ -	\$ 523	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 523
Accrued liabilities	77,245	-	33,870	-	-	-	-	111,115
Other liabilities	12,755	97,874	-	-	-	-	-	110,629
Due to other governments	280,996	-	175,622	-	-	-	-	456,618
Due to other funds	193,365	19,859	-	-	-	2,621	-	215,845
Unearned revenue	221,320	-	44,828	-	-	-	-	266,148
Total liabilities	<u>785,681</u>	<u>118,256</u>	<u>254,320</u>	<u>-</u>	<u>-</u>	<u>2,621</u>	<u>-</u>	<u>1,160,878</u>
DEFERRED INFLOWS OF RESOURCES								
Revenue earned but unavailable	-	22,251	-	-	-	-	-	22,251
FUND BALANCE								
Restricted	-	3,705	57,462	-	3,280,598	-	-	3,341,765
Committed, assigned, and unassigned	742,578	1,015,942	293,666	38,834	-	11,893	10,037	2,112,950
Total fund balances	<u>742,578</u>	<u>1,019,647</u>	<u>351,128</u>	<u>38,834</u>	<u>3,280,598</u>	<u>11,893</u>	<u>10,037</u>	<u>5,454,715</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,528,259</u>	<u>\$ 1,160,154</u>	<u>\$ 605,448</u>	<u>\$ 38,834</u>	<u>\$ 3,280,598</u>	<u>\$ 14,514</u>	<u>\$ 10,037</u>	<u>\$ 6,637,844</u>

See Independent Auditor's Report.

Town of Colonie, New York

Supplementary Information - Combining Revenues, Expenditures, and Changes in Fund Balance Non-major Governments Funds

Year Ended December 31, 2018

	Nonmajor Funds						Total Non-Major Governmental Funds	
	General, Outside Village	Community Development Special Grant	Library	Drainage District	Fire Protection District	Refuse and Garbage District		Water District
REVENUES								
Real property taxes and tax items	\$ -	\$ -	\$ 2,712,267	\$ -	\$ 4,318,551	\$ 32,500	\$ 15,000	\$ 7,078,318
Sales and use tax	2,362,628	-	-	-	-	-	-	2,362,628
Departmental income	636,143	216,206	31,769	-	-	-	-	884,118
Interest and use of property	2,919	7,034	3,525	-	129,049	-	-	142,527
Licenses and permits	1,343,994	-	-	-	-	-	-	1,343,994
Miscellaneous	1,909	-	77,407	-	-	-	-	79,316
State aid	481,229	-	23,913	-	-	-	-	505,142
Federal aid	-	2,793,771	-	-	-	-	-	2,793,771
Total revenues	<u>4,828,822</u>	<u>3,017,011</u>	<u>2,848,881</u>	<u>-</u>	<u>4,447,600</u>	<u>32,500</u>	<u>15,000</u>	<u>15,189,814</u>
EXPENDITURES								
General government support	216,032	-	-	-	-	-	-	216,032
Public safety	1,267,909	-	-	-	4,336,174	-	-	5,604,083
Public health	4,399	-	-	-	-	-	-	4,399
Transportation	797,248	-	-	-	-	-	-	797,248
Culture and recreation	-	-	1,977,483	-	-	-	-	1,977,483
Home and community services	938,591	3,049,640	-	-	-	32,413	14,577	4,035,221
Employee benefits	1,285,395	36,152	707,884	-	235,956	-	-	2,265,387
Debt service, principal	-	-	50,100	3,233	-	-	-	53,333
Debt service, interest	-	-	19,202	-	-	-	-	19,202
Total expenditures	<u>4,509,574</u>	<u>3,085,792</u>	<u>2,754,669</u>	<u>3,233</u>	<u>4,572,130</u>	<u>32,413</u>	<u>14,577</u>	<u>14,972,388</u>
OTHER FINANCING SOURCES								
Sale of property and compensation for loss	-	-	20,232	-	-	-	-	20,232
NET CHANGE IN FUND BALANCE	319,248	(68,781)	114,444	(3,233)	(124,530)	87	423	237,658
FUND BALANCE, beginning of year	<u>423,330</u>	<u>1,088,428</u>	<u>236,684</u>	<u>42,067</u>	<u>3,405,128</u>	<u>11,806</u>	<u>9,614</u>	<u>5,217,057</u>
FUND BALANCE, end of year	<u>\$ 742,578</u>	<u>\$ 1,019,647</u>	<u>\$ 351,128</u>	<u>\$ 38,834</u>	<u>\$ 3,280,598</u>	<u>\$ 11,893</u>	<u>\$ 10,037</u>	<u>\$ 5,454,715</u>