TOWN OF CLAY
NEW YORK

STATUTORY FINANCIAL STATEMENTS

For the Year Ended
December 31, 2017

TOWN OF CLAY, NEW YORK
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Independent Auditor's Report

To the Town Board
Town of Clay, New York

We have audited the accompanying statutory basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Clay, New York, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town of Clay's statutory basis 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 practices prescribed by the New York State Office of the Comptroller for reporting to that office, a comprehensive basis of accounting other than 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 of 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 opinion.

Opinion

In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the respective assets, liabilities, and fund balance/net position of the governmental activities, and each major fund of the Town of Clay, New York, as of December 31, 2017, and the respective revenues and expenditures for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The statutory basis financial statements are prepared in conformity with accounting practices prescribed by the New York State Office of the Comptroller for reporting to that office, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and allowed by the State of New York. Our opinion is not modified with respect to that matter.

Other-Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Clay, New York's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, on our consideration of the Town of Clay, New York's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Clay, New York's internal control over financial reporting and compliance.

D'Arcangelo + Co., LLP

November 15, 2018

Syracuse, New York

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Town Board
Town of Clay, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Clay, New York as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Town of Clay, New York's statutory basis basic financial statements, and have issued our report thereon dated November 15, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

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

Purpose of this Report

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

D'Arcangelo + Co., LLP

November 15, 2018

Syracuse, New York

TOWN OF CLAY, NEW YORK
SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS
For the Year Ended December 31, 2017

A. Material Weakness

None

B. Significant Deficiencies

See Status of Prior Year Findings and Recommendations

TOWN OF CLAY, NEW YORK
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
For the Year Ended December 31, 2017

A. Material Weakness

None

B. Significant Deficiencies

Segregation of Duties

Condition: During our review of cash receipts, payroll, and disbursements, we noted that not all authorizing, recording, and reconciling functions are properly segregated.

Cause: One employee may collect, record, and prepare the deposit for cash receipts.

Criteria: An important element of effective internal controls is segregation of duties. Proper segregation of duties provides for a system of checks and balances such that the functions by one employee are subject to review either through the performance of an interrelated function of another employee or through monitoring of the function by a supervisor.

Effect: Employees have the ability to perpetrate an error or irregularity and conceal it.

Recommendation: Duties should be segregated to the point that it is cost beneficial.

Status: Same condition noted in current year.

Bank Account Reconciliations

Condition: The Town's disbursement account is not being reconciled to the accounting records of the Town on a timely basis.

Cause: Bank reconciliations on the disbursement account should be performed each month to detect any discrepancies between the accounting records of the Town and the bank, besides those due to normal timing differences. Such discrepancies might exist due to an error on the part of the Town or the bank.

Criteria: Cash is the most vulnerable asset of an entity. Bank reconciliations provide the necessary control mechanism to help protect this valuable resource through uncovering any irregularities in the accounting records of the Town and the bank. Timely bank reconciliations also assist management in monitoring cash flows.

Effect: Without performance of a proper bank reconciliation, there is a higher risk that fraud or error may occur and go undetected.

Recommendation: A formal bank reconciliation procedure should be established and implemented so that the Town's disbursement bank account is reconciled to the accounting system on a monthly basis. In addition, the person responsible for preparing or approving the bank reconciliation should not be the same person responsible for accounting for and authorizing bank transactions.

Status: The disbursement account reconciled to the Town's accounting records at December 31, 2017.

TOWN OF CLAY, NEW YORK
BALANCE SHEET-GOVERNMENTAL FUNDS, FIDUCIARY, AND ACCOUNT GROUPS-STATUTORY BASIS
December 31, 2017

Assets	Governmental Funds				Fiduciary	Account Groups		Total
	General Town-Wide	General Town-Outside	Special Revenue Funds	Capital Projects	Trust and Agency Fund	General Fixed Assets	General Long-Term Debt	(Memorandum Only)
Assets								
Unrestricted Cash	$ 7,681,779	$ 2,348,342	$ 11,153,802	$ 429,718	$ 892,088	$	$	$ 22,505,729
Restricted Cash	111,721	1,364,950	61,870					1,538,541
Due from Other Funds	56,731	20,158	149,575					226,464
Due from Other Governments	639,939							639,939
Rents Receivable			589,410					589,410
Land						1,392,879		1,392,879
Buildings						6,858,661		6,858,661
Improvements Other Than Buildings						235,900		235,900
Equipment						12,604,861		12,604,861
Amount to be Provided for in Future Budgets							8,110,507	8,110,507
Service Award Program Assets					3,034,750			3,034,750
Total Assets	8,490,170	3,733,450	11,954,657	429,718	3,926,838	21,092,301	8,110,507	57,737,641
Deferred Outflow of Resources								
Deferred Outflow- Pension							1,542,418	1,542,418
Total Assets and Deferred Outflows	$ 8,490,170	$ 3,733,450	$ 11,954,657	$ 429,718	$ 3,926,838	$ 21,092,301	$ 9,652,925	$ 59,280,059
Liabilities								
Accounts Payable	$ 84,000	$ 4,797	$ 372,164	$	$	$	$	$ 460,961
Accrued Liabilities	31,420	8,059	73,427					112,906
Agency Liabilities					3,754,472			3,754,472
Due to Other Funds			54,098		172,366			226,464
Investment in General Fixed Assets						21,092,301		21,092,301
Net Pension Liability- Proportionate Share							1,376,407	1,376,407
Bond Anticipation Notes Payable				850,000				850,000
Noncurrent Liabilities								
Other Postemployment Benefits							5,152,861	5,152,861
Serial Bonds Payable							2,910,000	2,910,000
Total Liabilities	115,420	12,856	499,689	850,000	3,926,838	21,092,301	9,439,268	35,936,372
Deferred Inflow of Resources								
Deferred Inflow- Pension							213,657	213,657
Deferred Inflow- Water			92,314					92,314
Total Deferred Inflows			92,314				213,657	305,971
Fund Equity								
Restricted	111,721	1,364,950	61,870					1,538,541
Assigned	950,000	2,616,512	6,908,017					10,474,529
Unassigned (Deficit)	7,313,029	(260,868)	4,392,767	(420,282)				11,024,646
Total Fund Equity (Deficit)	8,374,750	3,720,594	11,362,654	(420,282)				23,037,716
Total Liabilities, Deferred Inflows and Fund Equity	$ 8,490,170	$ 3,733,450	$ 11,954,657	$ 429,718	$ 3,926,838	$ 21,092,301	$ 9,652,925	$ 59,280,059

The Accompanying Notes are an Integral Part of These Financial Statements.

TOWN OF CLAY, NEW YORK
STATEMENT OF REVENUES, EXEPENDITURES,
AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS-STATUTORY BASIS
For the Year Ended December 31, 2017

	Governmental Funds				Total
	General	General	Special	Capital	Governmental
Revenues	Town-Wide	Town-Outside	Revenue Funds	Projects	Funds
Real Property Taxes	$ 1,908,931	$ 644,066	$ 17,943,119	$	$ 20,496,116
Other Real Property Tax Items	115,608	8,936	93,769		218,313
Nonproperty Tax Items	1,006,023				1,006,023
Departmental Income	15,623	352,082	2,118,116		2,485,821
Service Revenue			3,723		3,723
Intergovernmental Charges	321,458		138,665		460,123
Use of Money and Property	8,364	2,182	13,178	244	23,968
Licenses and Permits	18,697				18,697
Fines and Forfeitures	274,566				274,566
Sale of Property and Compensation for Loss	1,763	100	93,223		95,086
Miscellaneous	24,501		11,705	109,924	146,130
Interfund Revenue	888,117	37,200	509,088		1,434,405
Local Aid			142,028		142,028
State Aid	1,699,331	100,000	353,703		2,153,034
Total Revenues	6,282,982	1,144,566	21,420,317	110,168	28,958,033
Expenditures					
General Government Support	2,339,670	11,633		20,614	2,371,917
Public Safety	140,546	40,844	2,991,388		3,172,778
Transportation	54,999		5,860,186	462,044	6,377,229
Social Services	70,171				70,171
Home and Community Services	22,934	642,480	7,548,481	99,253	8,313,148
Culture and Recreation	1,117,060		967,795		2,084,855
Employee Benefits	983,667	244,234	2,192,650		3,420,551
Debt Service - Principal	203,200		491,343		694,543
Debt Service - Interest	72,357		54,009		126,366
Total Expenditures	5,004,604	939,191	20,105,852	581,911	26,631,558
Excess (Deficit) Revenues Over Expenditures	1,278,378	205,375	1,314,465	(471,743)	2,326,475
Other Financing Sources (Uses)					
Interfund Transfers From	1,179				1,179
Bond Anticipation Notes Redeemed from Appropriations				449,543	449,543
Total Other Financing Sources	1,179			449,543	450,722
Excess (Deficit) Revenues Over Expenditures and Other Financing Sources	1,279,557	205,375	1,314,465	(22,200)	2,777,197
Fund Equity (Deficit), Beginning of Year	7,095,193	3,515,219	10,048,189	(398,082)	20,260,519
Fund Equity (Deficit), End of Year	$ 8,374,750	$ 3,720,594	$ 11,362,654	$ (420,282)	$ 23,037,716

The Accompanying Notes are an Integral Part of These Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

The Town of Clay, New York is governed by NYS Town Law, other general laws of the State of New York, and various local laws. The Board of Trustees is the legislative body responsible for overall operations; The Supervisor serves as Chief Executive Officer.

The basic services of the Town are general support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, and home and community services.

The financial reporting entity consists of: (a) the primary government, which is the Town of Clay, New York; (b) organizations for which the primary government is financially accountable, and (c) other 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 from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

(b) Basis of Presentation

The Town has elected to prepare its financial statements on the statutory basis required by the New York State Office of the State Comptroller (OSC) for annual reports to that office. This statutory basis varies from accounting principles generally accepted in the United States of America (GAAP) primarily in that under GAAP:

- Financial statements include two statements, Balance Sheet – Governmental Funds, Fiduciary, and Account Groups – Statutory Basis, and the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds – Statutory Basis, collectively referred to the "government-wide" financial statements which are presented on the full accrual basis of accounting.

- Capital assets other than land are depreciated and reported in the "government-wide" statement of net position at their net book value, and depreciation expense is allocated to the major function on the statement of activities.

- A schedule of funding progress in accordance with GASB 45 is required supplementary information.

(c) Use of Estimates

In preparing the financial statements in conformity with accounting practices prescribed by New York State Office of the State Comptroller, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Fund Accounting

The Town uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based upon the determination of financial position and changes in financial position. The following are the Town's governmental fund types:

1. General Town-Wide- is the principal operating fund of the Town. It is used to account for and report all financial resources except those required to be accounted for in another fund. This fund operates within the financial limits of an annual budget adopted by the Board.

2. General Town-Outside- used only by towns that contain a village to record transactions which are required by statute to be charged to the area of the town outside the village.

3. Special Revenue Funds- are used to account for the proceeds of specific revenue sources, (other than capital projects) that are legally restricted or assigned to expenditures for specific purposes. Special Revenue Funds of the Town are:

Highway Fund	Library Fund
Drainage Fund	Fire Protection Fund
Lighting Fund	Refuse Fund
Sewer Fund	Water Fund
Special Revenue Fund (Parcel Clean-up and Parkland)	

4. Capital Projects Fund- accounts for financial resources to be used for the acquisition or construction of capital facilities, other than those financed by proprietary funds and equipment purchases financed in whole or in part from the proceeds of obligations

5. Debt Service Fund- used to account for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the Town in a trustee or custodial capacity.

Trust and Agency Fund- is used by the Town to account for assets held in a trustee capacity or as an agent for subsequent distribution or transmittal to other governments, persons, or funds. These include expendable trusts, non-expendable trusts, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Account Groups

Account groups are used to establish accounting control and long-term debt accountability for the Town's general fixed assets. The account groups are not funds. They are concerned only with the measurement of financial position and not with the results of operations.

General Fixed Assets Account Group- is used to account for land, construction in progress, buildings and improvements, and machinery and equipment of the Town.

General Long-Term Debt Account Group- is used to account for long-term obligations of the Town, including bonds, most obligations under lease/purchase and other financing arrangements, compensated absences, and other long-term obligations.

(e) Basis of Accounting-Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financial uses) in net current assets. Nonexchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, sales and mortgage taxes grants, and donations.

The governmental funds and agency funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (i.e., when they become measurable and available). "Measurable" means that amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes to be available if the revenues are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as expenditure when paid. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Property taxes, franchise taxes, license, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measureable and available only when cash is received by the Town.

(f) Budgetary Data

Budgets are adopted on the statutory basis as required by the New York State Office of the State Comptroller. Annual appropriated budgets are adopted for the General Fund. The Town's budget policies are as follows:

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Trustees as a result of selected new revenue source not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

(g) Cash, Cash Equivalents, and Cash Reserves

The Town's cash consists of cash on hand and demand deposits. New York State law governs the Town's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town is required to collateralize its cash deposits in excess of the FDIC limit. This collateral is in the form of government and government agencies' securities pledged by the bank, under a third-party trust agreement. At December 31, 2017, the collateral was sufficient to secure the Town's deposits that exceeded the FDIC limit.

(h) Property Taxes

Real property taxes for the Town and special districts are levied annually by the County Legislature, based upon budget requirements, and become due January 1st. The collection of taxes is effectively guaranteed by the county, and the town receives the total amount levied in the year to which the levy applies.

(i) Interfund Transactions

The operations of the Town include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Town typically loans resources between funds for the purpose of providing cash flow.

These interfund receivables and payables are expected to be repaid within one year and are classified as "due from other funds" and "due to other funds" on the balance sheet. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying balance sheet when it is the Town's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables, payables is provided subsequently in these notes to the financial statements.

(j) Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. Management determines the allowance for uncollectible amounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. At December 31, 2017, management determined no allowance for uncollectible amounts was necessary.

(k) Capital Assets

Capital assets are reported at historical cost where available. In certain cases, historical costs have been estimated based on appraisals conducted by an independent appraisal company. Donated assets are reported at estimated fair value at the time received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. No depreciation expense is recorded in governmental funds.

(l) Deferred Outflows of Resources

In addition to assets, the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund equity that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. The item is for the pensions reported in the Balance Sheet-Governmental Funds, Fiduciary, and Account Groups- Statutory Basis. This represents the effect of the net change in the Town's proportion of the collective net pension liability and difference during the measurement period between the Town's contributions and its proportionate share of total contributions not included in pension expense.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Unearned Revenues

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when the Town receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the Town has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

(n) Employee Benefits

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contacts. Upon retirement, resignation, or death, employees may be eligible to receive the value of unused accumulated sick leave.

Eligible Town employees participate in the New York State Employees' Retirement System.

(o) Accrued Liabilities and Long-Term Obligations

The balance sheet reports payables and accrued liabilities of the governmental funds to the extent that they are due and payable within a current period and are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability to the extent they are due for payment in the subsequent year.

Long-term obligations represent the Town's future obligations or future economic outflows. The liabilities are reported in the General Long-Term Debt Account Group on the Balance Sheet.

(p) Deferred Inflows of Resources

In addition to liabilities, the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the Balance Sheet-Governmental Funds, Fiduciary, and Account Groups- Statutory Basis. The governmental funds report unavailable revenues from metered water sales. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is related to pensions reported in the Balance Sheet- Governmental Funds, Fiduciary, and Account Groups- Statutory Basis. This represents the effect of the net change in the Town's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the Town's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

(q) Fund Balance

The Town has adopted the Governmental Accounting Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement establishes accounting and financial reporting standards for governments that report governmental funds as well as criteria for classifying fund balances into specifically defined classifications. Fund balances for governmental funds should be 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 fund balance classifications fall into two categories, Restricted and Unrestricted, and are as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Fund Balance

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.

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. The Town has established the following restricted fund balances:

- ***General Reserve***

  The General Reserve is used to finance all or part of the cost of town objectives or purposes having periods of probable usefulness of at least 5 years and for which a specific reserve fund may not be established by New York State Town Law. The reserve is accounted for in the General Town-Wide Fund.

- ***Capital Reserve***

  The Capital Reserve is used to finance all or part of the cost of construction, reconstruction, or acquisition of allowable capital improvements and equipment acquisitions. The reserve is accounted for in the General Town- Outside Fund.

- ***Judgments and Claims Reserve***

  The Reserve for Judgments and Claims is used to pay for all or part of the cost of judgments and compromised or settled claims against the town, and awards or sums payable pursuant to a determination by a court or other governing body. The reserve is accounted for in the General Town-Wide fund.

- ***Repair Reserve***

  The Repair Reserve is used to pay for certain repairs to capital improvements or equipment. The reserve is accounted for in the Special Revenue Funds.

Unrestricted Fund Balance

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 specific purpose, but are not restricted or committed in any matter.

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.

The Town considers fund balance spent in the order of restricted, committed, assigned, and unassigned.

Note 6 provides further details regarding the Town's fund balance classifications.

(r) Total (Memorandum Only) Columns

Included in the financial statements are columns captioned "Total (Memorandum Only)" to indicate that they are presented only for information purposes. Adjustments to eliminate interfund transactions have not been recorded in arriving at such amounts, and the memorandum totals are not intended to fairly present the financial position or results of operations of the Town taken as a whole.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Future Changes in Accounting Standards

GASB has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which is effective for the year ended December 31, 2018. This Statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployement Benefit Plans Other than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

(t) Subsequent Events

The Town has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through August __, 2018, the date the financial statements were available to be issued.

2. INTERFUND TRANSACTIONS

Interfund balances as of December 31:

	2017	
	Receivable	Payable
General Town-Wide	$ 56,731	$
General Town-Outside	20,158	
Highway	88,252	
Water	7,225	
Trust & Agency		172,366
	$ 172,366	$ 172,366

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, is as follows:

	Balance 12/31/2016	Additions	Disposals	Balance 12/31/2017
Land	$ 1,392,879	$	$	$ 1,392,879
Improvements	255,800		19,900	235,900
Buildings	6,858,661			6,858,661
Machinery and Equipment	12,356,185	707,594	458,918	12,604,861
Total Capital Assets	$ 20,863,525	$ 707,594	$ 478,818	$ 21,092,301

4. BOND ANTICIPATION NOTES PAYABLE (BANs)

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. BANs may be excluded from the current liabilities of the fund and included in the long-term debt account group when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated by a post-balance sheet issuance of long-term debt or by an acceptable financing agreement.

		Date of Issue	Amount Issued	Interest Rate (%)	Balance 12/31/2016	Issued	Redeemed	Balance 12/31/2017
Highway Equipment	2015-01	09/14	$230,000	2.24	$ 115,000		$ 115,000	$
Highway Equipment	2015-02	09/14	$ 87,000	2.24	43,500		43,500	
Highway Equipment	2015-03	09/14	$120,000	2.24	60,000		60,000	
Highway Equipment	2016-01	09/16	$463,446	2.24	463,446		153,446	310,000
Highway Equipment	2016-02	09/16	$ 66,597	2.24	66,597		34,597	32,000
Computer Software	2016-03	09/16	$ 86,000	2.24	86,000		43,000	43,000
Highway Equipment	2017-01	10/17	$465,000	1.71		465,000		465,000
					$ 834,543	$ 465,000	$ 449,543	$ 850,000

5. LONG-TERM LIABILITIES

Long-term liability balances and activity for the year ending December 31, 2017, are summarized below:

	2016	Additions	Reductions	2017	Due Within One Year
Bonds Payable	$ 3,155,000	$	$ 245,000	$ 2,910,000	$ 255,000
Other Postemployment Benefits	3,920,245	1,692,781	460,165	5,152,861	
Total	$ 7,075,245	$ 1,692,781	$ 705,165	$ 8,062,861	$ 255,000

A summary of the Town's bond payable is as follows:

	Date of Issue	Amount Issued	Interest Rate (%)	Date of Maturity	Outstanding Amount 12/31/2017
Public Improvement Refunding Serial Bonds	05/12	$4,100,000	2.0-4.0	08/27	$ 2,910,000

5. LONG-TERM LIABILITIES (CONTINUED)

The maturity schedule for the Town's bond payable is as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2018	$ 255,000	$ 100,375	$ 355,375
2019	260,000	92,725	352,725
2020	270,000	82,325	352,325
2021	280,000	76,250	356,250
2022	280,000	69,600	349,600
2023-2027	1,565,000	192,800	1,757,800
Total	$2,910,000	$ 614,075	$3,524,075

6. FUND BALANCE

The following is the disaggregation of the fund balance that is reported in summary on the Governmental Fund's Balance Sheet at December 31, 2017:

	General Town-Wide	General Town-Outside	Special Revenue Funds	Capital Projects	Total
Restricted for					
General	$ 111,721	$	$	$	$ 111,721
Capital		1,364,950			1,364,950
Repairs			61,870		61,870
Total Restricted	111,721	1,364,950	61,870		1,538,541
Assigned					
Appropriated for ensuing year's budget	950,000	200,000	870,340		2,020,340
Unappropriated		2,416,512	6,037,677		8,454,189
Total Assigned	950,000	2,616,512	6,908,017		10,474,529
Unassigned (Deficit)	7,313,029	(260,868)	4,392,767	(420,282)	11,024,646
Total	$ 8,374,750	$ 3,720,594	$ 11,362,654	$ (420,282)	$ 23,037,716

7. NEW YORK STATE RETIREMENT SYSTEMS

(a) Plan Description & Benefits Provided

The Town participates in the New York State and Local Employees' Retirement System (ERS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan 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. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

7. NEW YORK STATE RETIREMENT SYSTEMS (CONTINUED)

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 maintains records and accounts, and prepares financial statements using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

(b) Contributions

The System is noncontributory for employees who joined prior to July 28, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. Employees who joined on or after January 1, 2010, but before April 1, 2012, are required to contribute 3% of their annual salary for their entire working career. Those who joined on or after April 1, 2012 contribute at a rate ranging from 3% to 6% based on their total annualized salary. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	ERS
2016	$ 632,134
2017	$ 636,379
2018	$ 635,247

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

At December 31, 2017, the Town reported a liability of $1,376,407 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2017 and 2016, the Town's proportion of the net pension liability was 0.0146485 and 0.0147911 percent.

For the year ended December 31, 2017, the Town recognized pension expense of $197,279. At December 31, 2017 the Town reported deferred outflows and inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	ERS
Differences Between Expected and Actual Experience	$ 34,491
Changes of Assumptions	470,231
Net Difference Between Projected and Actual Earnings on Pensions Plan Investments	274,924
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	127,525
Contributions Subsequent to the Measurement Date	635,247
Total	$ 1,542,418

Deferred Inflows of Resources	ERS
Differences Between Expected and Actual Experience	$ 209,015
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	4,642
Total	$ 213,657

7. NEW YORK STATE RETIREMENT SYSTEMS (CONTINUED)

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

Year Ended June 30,	ERS
2018	$ 301,615
2019	$ 301,615
2020	$ 264,694
2021	$(174,410)
2022	$ 0
Thereafter	$ 0

(d) Actuarial Assumptions

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2016 valuation were as follows:

Investment Rate of Return (Net of Investment Expense, including Inflation)	7.00%
Salary Scale	3.80%
Decrement Tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation Rate	2.50%

Annuitant mortality rates are based on April 1, 2011 - March 31, 2016 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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, 2017 are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36.00%	4.55%
International Equity	14.00%	6.35%
Private Equity	10.00%	7.75%
Real Estate	10.00%	5.80%
Absolute Return Strategies	2.00%	4.00%
Opportunistic Portfolio	3.00%	5.89%
Real Assets	3.00%	5.54%
Bonds and Mortgages	17.00%	1.31%
Cash	1.00%	-0.25%
Inflation-Indexed Bonds	4.00%	1.50%
	100.00%	

7. NEW YORK STATE RETIREMENT SYSTEMS (CONTINUED)

(e) Discount Rate

The discount rate used to calculate the total pension asset/liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the 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 asset/liability.

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

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Proportionate Share of the Net Pension Liability (Assets)			
ERS	$4,395,970	$ 1,376,407	$(1,176,628)

(g) Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued ERS financial report.

8. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS

(a) Plan Description

The Town provides eligible pre-65 retirees and dependents postemployment medical coverage through the New York State Teamsters Council Health & Hospital Fund Blue PPO Option 1 Plan. Post-65 coverage is provided through the MVP Gold Plan. These members must enroll in Medicare Parts A & B. The Town also provides dental coverage through NYS Teamsters. The benefit levels, employee contributions and employer contributions are governed by the Town's contractual agreements.

All employees must attain a minimum of fifteen (15) years of service to the Town and must be eligible to retire into the New York State Retirement System to become eligible for postemployment medical and dental benefits. All current and future retirees contribute 20% of the medical and/or dental premium for individual or family coverage. Exceptions have been given to one retiree who contributes 50%, and two retirees who receive 100% paid coverage.

Surviving spouses may continue coverage at 20% of the individual premium cost for medical and dental coverage. Participants may receive coverage throughout their lifetime.

The Town of Clay does not provide Medicare Part B premium reimbursements to retirees or their dependents.

8. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

(b) Funding Policy

The obligations of the Plan members, employers, and other entities are established by action of the Town pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement, as stated above. The District's annual other postemployment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The employer currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you go basis. The costs of administering the Plan are paid by the Town. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Town's net OPEB obligation.

(c) Annual OPEB Cost and Net OPEB Obligation

	Total
Annual Required Contribution (ARC)	$ 1,761,513
Interest on OPEB Obligation	137,209
Adjustment to ARC	(205,941)
Annual OPEB Cost (Expense)	1,692,781
Contributions Made	(460,165)
Change in Net OPEB Obligation	1,232,616
Net OPEB Obligation at the Beginning of the Year	3,920,245
Net OPEB Obligation at the End of the Year	$ 5,152,861

(d) Trend Information

Fiscal Year Ending	Annual Net OPEB Cost	OPEB Expense Contributed	% of Expense Contributed	Net OPEB Obligation
December 31, 2015	$ 1,671,830	$ 363,961	21.77%	$ 2,592,127
December 31, 2016	$ 1,740,630	$ 412,512	23.70%	$ 3,920,245
December 31, 2017	$ 1,692,781	$ 460,165	27.18%	$ 5,152,861

(e) Funding Status

	Total
Actuarial Accrued Liability (AAL)	$ 18,708,180
Actuarial Value of Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	$ 18,708,180
Funded Ratio (Assets as a Percentage of AAL)	0%
Covered Payroll	$ 4,078,999
UAAL as a Percentage of Covered Payroll	459%

8. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

(f) Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. For this reason, the results in this report should be viewed as estimates. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The projections of benefits are based on the types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the employer and Plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and Plan members in the future. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial measurement date was January 1, 2017.

(g) Additional Information

Actuarial Cost Method	Projected Unit Credit
Amortization Period	30
Amortization Method	Level Dollar Open
Remaining Amortization Period at December 31, 2017 (Years)	23
Amortization Discount	3.5%
Fiscal Year Ultimate Medical Trend Rate Reached	12/31/2084
Method Used to Determine Actuarial Value of Assets	N/A
Projected Salary Increase	4%
Healthcare Cost Trend Rate	8% initial; 4.20% ultimate

9. LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

The Town established a defined benefit LOSAP for the active volunteer firefighters of the Town of Clay Fire Department. The program took effect on March 1, 1991. The program was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally-funded, pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Town is the sponsor of the program.

The Town's financial statements are for the year ended December 31, 2017. However, the information contained in this note is based on information for the LOSAP for the plan year ended on February 28, 2018, which is the most recent plan year for which complete information is available.

Under Section 4579(e)(11) of the Internal Revenue Code, Service Award Programs for volunteer firefighters and EMS volunteers are referred to as LOSAP.

Participation, Vesting, and Service Credit

Active volunteer firefighters who have reached the age of 18 and who are current active members on the Emergency Service organization's membership roster are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is 62. In general, and 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 points in accordance with the method used by the sponsor to determine active status. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of firefighting service rendered prior to the establishment of the program.

9. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (CONTINUED)

Benefits

A participant's benefit under the program is paid as a life annuity guaranteed for ten years. Equal to $20 multiplied by the firefighter's total number of years of firefighting service. The number of years of firefighters service use to compute the benefit cannot exceed 30 years, except in the case of death or disability, in which benefits are payable when the participant reached the entitlement age. The program provides statutorily mandated death and disability benefits.

Fiduciary Investment and Control

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

The governing Board has designated VFIS to assist in the administration of the program. The designated program administrator's functions include those services listed in the service fee agreement. Disbursements of program assets for the payment of benefits or administrative expenses must be approved. The following is an explanation of the process for approving disbursements:

Payment of Benefits:

1. Entitlement benefits-VFIS prepares and submits to the Plan Administrator (Sponsor) a Verification of Benefits statement and an Annuity Enrollment form for participants active at entitlement age and for vested participants upon terminations from the plan. Following review for accuracy, the Plan Administrator signs and returns the paperwork to VFIS to disburse entitlement benefits.

2. Death benefits- Upon notification form the Plan Administrator (Sponsor) of a participant's death, VFIS prepares a Verification of Benefits statement and a lump-sum death benefit form. Following review for accuracy, the Plan Administrator signs and returns the paperwork accompanied by a death certificate to VFIS authorizing VFIS to disburse a death benefit.

3. Disability benefits- Upon notification from the Plan Administrator (Sponsor) of a participant's total and permanent disability, VFIS prepares a Verification of Benefits statement, a physician statement form, and a lump-sum disability benefit form. Following review for accuracy, the Plan Administrator signs and returns the paperwork authorizing VFIS to disburse a disability benefit.

Payment of Administrative Expenses:

- Per the executed service fee agreement, the Plan Administrator agrees to payment as contracted.

- Program assets are required to be held in trust by LOSAP legislation, 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. Program assets are held in compliance with GML 11-A 217(j).

- Authority to invest program assets is vested in the Hartford Life Insurance Company. Subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" rule.

The Sponsor is required to retain an actuary to determine the amount of the Sponsor's contributions to the plan. The actuary retained by the Sponsor for this purpose is VFIS. Portions of the following information are derived from a report prepared by the actuary with a valuation date of March 1, 2017 for the plan year ending February 28, 2018.

Prior service costs have been amortized and paid. The program assets are less than the actuarial present value of accrued benefits.

9. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (CONTINUED)

Program Financial Condition

The Sponsor is required to retain an actuary to determine the amount of the Sponsor's contributions to the plan. The actuary retained by the Sponsor for this purpose is VFIS. Portions of the following information are derived from a report prepared by the actuary with a valuation date of March 1, 2017 for the plan year ending February 29, 2018.

Prior service costs have been amortized and paid. The program assets are less than the actuarial present value of accrued benefits.

Program Financial Condition as of March 1, 2017	Clay	Moyer's Corners
Assets and Liabilities		
Actuarial Present Value of Benefits at March 1, 2017	$ 2,102,829	$ 4,957,031
Less: Assets Available for Benefits	(950,412)	(2,074,211)
Total Unfunded Benefits	$ 1,152,417	$ 2,882,820
Receipts and Disbursements		
Plan Net Assets, Beginning of Year, February 28, 2016	$ 820,979	$ 1,825,650
Add		
Plan Contributions	127,067	257,375
Unrealized Gain on Investments	38,592	66,934
Less Plan Benefit Withdrawals	(22,549)	(71,058)
Administrative Fee	(3,550)	(4,690)
Plan Net Assets, End of Year, March 1, 2017	$ 960,539	$ 2,074,211
Contributions		
Amount of Sponsor's Contribution Recommended by Actuary (Minimum)	$ 97,829	$ 235,512
Amount of Sponsor's Actual Contribution	$ 102,948	$ 236,550
Administrative Fees		
Fees Paid to Designated Program Administrator:	$ (3,550)	$ (4,690)

Funding Methodology and Actuarial Assumptions

The actuarial valuation methodology used by the actuary to determine the Sponsor's contributions is the unit credit cost method. The assumption used by the actuary to determine the Sponsor's contribution and the actuarial present value of benefits is:

Assumed rate of return on investment	4.75%

10. DEFICIT FUND BALANCE

At December 31, 2017, the Capital Projects Fund had a deficit of $420,282 due to short term financing of capital projects. This will be eliminated once permanent financing is obtained in subsequent years.

11. COMMITMENTS AND CONTINGENCIES

(a) Grant Programs

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal and State governments. Audits may result in disallowed claims and a request for a return of funds. Based on past audits, the Town believes disallowances, if any, will be immaterial.

(b) Tax Certiorari Proceedings

From time to time, the Town is involved in tax certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed calculation may result in a refund of real property taxes previously paid by the claimant. For any unsettled proceedings at December 31, 2017, it is not possible to estimate the amount of refunds, if any, that the Town may be required to make for taxes collected through December 31, 2017, which could affect future operating budgets of the Town.

12. TAX ABATEMENTS

The County of Onondaga Industrial Development Agency enters into various property tax abatement programs for the purpose of economic development. The Town property tax revenue was reduced by $26,287. The Town received Payment in Lieu of Tax (PILOT) payments totaling $96,992.

TOWN OF CLAY, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET TO ACTUAL
GENERAL TOWN-WIDE
For the Year Ended December 31, 2017

	Original Budget	Final Budget	General Town-Wide	Final Budget Variance
Revenues				
Real Property Taxes	$ 1,908,931	$ 1,908,931	$ 1,908,931	$
Other Real Property Tax Items			115,608	115,608
Nonproperty Tax Items	750,000	750,000	1,006,023	256,023
Departmental Income	45,150	45,150	323,454	278,304
Intergovernmental Charges			13,627	13,627
Use of Money and Property	1,000	1,000	8,364	7,364
Licenses and Permits	12,500	12,500	18,697	6,197
Fines and Forfeitures	225,000	225,000	274,566	49,566
Sale of Property and Compensation for Loss			1,763	1,763
Miscellaneous			24,501	24,501
Interfund Revenue	550,000	550,000	888,117	338,117
State Aid	1,116,250	1,116,250	1,699,331	583,081
Appropriated Fund Balance	900,000	900,000		(900,000)
Total Revenues	5,508,831	5,508,831	6,282,982	774,151
Expenditures				
General Government Support	2,795,296	2,795,296	2,339,670	455,626
Public Safety	144,505	144,505	140,546	3,959
Transportation	110,000	110,000	54,999	55,001
Social Services	83,631	83,631	70,171	13,460
Culture and Recreation	1,001,719	1,001,719	1,139,994	(138,275)
Employee Benefits	1,098,118	1,098,118	983,667	114,451
Debt Service - Principal	203,200	203,200	203,200	
Debt Service - Interest	72,362	72,362	72,357	5
Total Expenditures	5,508,831	5,508,831	5,004,604	504,227
Excess Revenues Over Expenditures			1,278,378	1,278,378
Other Financing Sources (Uses)				
Interfund Transfers From			1,179	
Excess Revenues Over Expenditures and Other Financing Sources			1,279,557	
Fund Equity, Beginning of Year			7,095,193	
Fund Equity, End of Year			$ 8,374,750	

See Independent Auditor's Report.

TOWN OF CLAY, NEW YORK
SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS
December 31, 2017

Fiscal Year Ending	Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability-Projected Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as % of Covered Payroll [(b)-(a)]/(c)
December 31, 2017	January 01, 2017	$ 0	$ 18,708,180	$ 18,708,180	0%	$ 4,078,999	458.65%
December 31, 2016	January 01, 2014	$ 0	$ 17,556,496	$ 17,556,496	0%	$ 3,960,193	443.32%
December 31, 2015	January 01, 2014	$ 0	$ 16,523,194	$ 16,523,194	0%	$ 3,960,193	417.23%

TOWN OF CLAY, NEW YORK
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Year Ended December 31, 2017

ERS Pension Plan

	2017	2016	2015	2014
Town's Proportion of the Net Pension Liability	0.0146485%	0.0147911%	0.0147892%	0.0147892%
Town's Proportionate Share of the Net Pension Liability	$ 1,376,407	$ 2,374,012	$ 499,615	$ 668,303
Town's Covered-Employee Payroll	$ 4,137,885	$ 4,147,690	$ 3,973,449	$ 3,872,368
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	33%	57%	13%	17%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.7%	90.7%	97.9%	97.2%

Information is presented only for the years available.

TOWN OF CLAY, NEW YORK
SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS
For the Year Ended December 31, 2017

ERS Pension Plan

	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	$ 635,247	$ 636,379	$ 632,134	$ 740,233	$ 780,980	$ 787,981
Contributions in Relation to the Contractually Required Contribution	635,247	636,379	632,134	740,233	780,980	787,981
Contribution Deficiency (Excess)	$	$	$	$	$	$
Town's Covered-ERS Employee Payroll	$ 4,197,911	$ 4,137,885	$ 4,147,690	$ 3,973,449	$ 3,872,368	$ 3,754,826
Contributions as a Percentage of Covered-Employee Payroll	15.13%	15.38%	15.24%	18.63%	20.17%	20.99%

Information is presented only for the years available.

TOWN OF CLAY, NEW YORK
COMBINING BALANCE SHEET-SPECIAL REVENUE FUNDS
December 31, 2017

Assets	Special Revenue	Highway	Library	Drainage	Fire	Lighting	Refuse	Sewer	Water	Total Special Revenue Funds
Unrestricted Cash	$ 231,175	$ 4,614,785	$ 27,398	$ 1,358,756	$ 327,068	$ 298,071	$ 822,944	$ 1,790,178	$ 1,683,427	$ 11,153,802
Restricted Cash								61,870		61,870
Due from Other Funds	54,099	88,251							7,225	149,575
Rents Receivable									589,410	589,410
Total Assets	$ 285,274	$ 4,703,036	$ 27,398	$ 1,358,756	$ 327,068	$ 298,071	$ 822,944	$ 1,852,048	$ 2,280,062	$ 11,954,657
Liabilities, Deferred Inflows, and Fund Equity										
Liabilities										
Accounts Payable	$	$ 10,275	$	$	$	$	$ 204,727	$	$ 157,162	$ 372,164
Accrued Liabilities		69,785							3,642	73,427
Due to Other Funds	54,098									54,098
Total Liabilities	54,098	80,060					204,727		160,804	499,689
Deferred Inflow of Resources										
Deferred Inflow- Water									92,314	92,314
Fund Equity										
Restricted								61,870		61,870
Assigned	262,236	625,000	27,335	1,290,177	305,512	259,461	608,977	1,603,058	1,926,261	6,908,017
Unassigned	(31,060)	3,997,976	63	68,579	21,556	38,610	9,240	187,120	100,683	4,392,767
	231,176	4,622,976	27,398	1,358,756	327,068	298,071	618,217	1,852,048	2,026,944	11,362,654
Total Liabilities, Deferred Inflows and Fund Equity	$ 285,274	$ 4,703,036	$ 27,398	$ 1,358,756	$ 327,068	$ 298,071	$ 822,944	$ 1,852,048	$ 2,280,062	$ 11,954,657

TOWN OF CLAY, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance-Special Revenue Funds
For the Year Ended December 31, 2017

Revenues	Special Revenue	Highway	Library	Drainage	Fire	Lighting	Refuse	Sewer	Water	Total Special Revenue Funds
Real Property Taxes	$	$ 6,398,292	$ 967,795	$ 2,005,096	$ 3,481,371	$ 1,062,073	$ 2,968,920	$ 959,266	$ 100,306	$ 17,943,119
Other Real Property Tax Items		93,769								93,769
Departmental Income	72,982								2,045,134	2,118,116
Service Revenue									3,723	3,723
Intergovernmental Charges		138,665								138,665
Use of Money and Property	143	7,572	63	1,383	290	435	1,218	1,182	892	13,178
Sale of Property and Compensation for Loss		86,223							7,000	93,223
Miscellaneous	11,705									11,705
Interfund Revenue		507,506			683			899		509,088
Local Aid		141,328		700						142,028
State Aid		353,703								353,703
Total Revenues	84,830	7,727,058	967,858	2,007,179	3,482,344	1,062,508	2,970,138	961,347	2,157,055	21,420,317
Expenditures										
General Government Support										
Public Safety					2,991,388					2,991,388
Transportation		4,812,288				1,047,898				5,860,186
Home and Community Services	55,947			1,938,600			2,963,298	749,916	1,840,720	7,548,481
Culture and Recreation			967,795							967,795
Employee Benefits		1,577,679			492,400				122,571	2,192,650
Debt Service - Principal		406,543						19,900	64,900	491,343
Debt Service - Interest		16,721						8,733	28,555	54,009
Total Expenditures	55,947	6,813,231	967,795	1,938,600	3,483,788	1,047,898	2,963,298	778,549	2,056,746	20,105,852
Excess (Deficit) Revenues Over Expenditures and Other Financing Sources	28,883	913,827	63	68,579	(1,444)	14,610	6,840	182,798	100,309	1,314,465
Fund Equity, Beginning of Year	202,293	3,709,149	27,335	1,290,177	328,512	283,461	611,377	1,669,250	1,926,635	10,048,189
Fund Equity, End of Year	$ 231,176	$ 4,622,976	$ 27,398	$ 1,358,756	$ 327,068	$ 298,071	$ 618,217	$ 1,852,048	$ 2,026,944	$ 11,362,654