

PRELIMINARY OFFICIAL STATEMENT

NEW ISSUE

BOND RATING: S&P Global Ratings “AA-” Stable Outlook

SERIAL BOND

See “BOND RATING” herein

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.

The Bonds will be designated as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Code.

\$6,000,000
TOWN OF OWEGO
TIOGA COUNTY, NEW YORK
GENERAL OBLIGATIONS
CUSIP BASE #: 69068T

\$6,000,000 Public Improvement (Serial) Bonds, 2019
(referred to herein as the “Bonds”)

Dated: April 4, 2019

Due: April 1, 2020-2044

MATURITIES**

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>
2020	\$ 65,000	%	%		2029	\$ 215,000*	%	%		2038	\$ 285,000*	%	%	
2021	165,000				2030	225,000*				2039	300,000*			
2022	170,000				2031	230,000*				2040	305,000*			
2023	175,000				2032	235,000*				2041	320,000*			
2024	185,000				2033	245,000*				2042	330,000*			
2025	190,000				2034	255,000*				2043	340,000*			
2026	195,000				2035	260,000*				2044	350,000*			
2027	200,000				2036	270,000*								
2028	210,000*				2037	280,000*								

* The Bonds maturing in the years 2028-2044 are subject to redemption prior to maturity as described herein under the heading “Optional Redemption.”

** Subject to change pursuant to the accompanying Notice of Bond Sale in order to achieve substantially level or declining annual debt service.

The Bonds are general obligations of the Town of Owego, Tioga County, New York (the “Town”), all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, subject to applicable statutory limits imposed by Chapter 97 of the Laws of 2011 of the State of New York. See “TAX LEVY LIMITATION LAW” and “NATURE OF THE OBLIGATION” herein.

The Bonds will be issued as registered bonds and may be registered, at the option of the purchaser, in the name of the purchaser or in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which, if so elected by the purchaser, will act as securities depository for the Bonds. If the Bonds are issued in book-entry form, individual purchases will be in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on April 1, 2020, October 1, 2020 and semi-annually thereafter on April 1 and October 1 in each year until maturity. Principal and interest will be paid by the Town to DTC, which will in turn remit such principal and interest to its participants, for subsequent distribution to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein. If the Bonds are issued in registered certificated form, the Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Paying agent fees, if any, in such case are to be paid by the purchaser. The Bonds may not be converted into coupon bonds or be registered to bearer.

Proposals for the Bonds shall be for not less than \$6,000,000 and accrued interest, if any, on the total principal amount of the Bonds. Proposals must be accompanied by a good faith deposit in the form of a wire transfer or certified or cashier’s check, payable to the order of the Town of Owego, Tioga County, New York, in the amount of \$120,000.

The Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of the approving legal opinion as to the validity of the Bonds of Orrick, Herrington & Sutcliffe, LLP, Bond Counsel, New York, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or as may be agreed upon, on or about April 4, 2019.

ELECTRONIC BIDS for the Bonds must be submitted via Fiscal Advisors Auction website (“Fiscal Advisors Auction”) accessible via www.fiscaladvisorsauction.com on March 21, 2019 until 11:00 A.M., Prevailing Time, pursuant to the Notice of Bond Sale. No other form of electronic bidding services will be accepted. No bid will be received after the time for receiving bids specified above. Bids may also be submitted by facsimile at (315) 930-2354. Once the bids are communicated electronically via Fiscal Advisors Auction or facsimile to the Town, each bid will constitute an irrevocable offer to purchase the Bonds pursuant to the terms provided in the Notice of Bond Sale.

March 14, 2019

THE TOWN DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 (“THE RULE”), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER, AS MORE FULLY DESCRIBED IN THE NOTICE OF BOND SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. FOR A DESCRIPTION OF THE TOWN’S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS AS DESCRIBED IN THE RULE, SEE “APPENDIX C – CONTINUING DISCLOSURE UNDERTAKING” HEREIN.

TOWN OF OWEGO TIOGA COUNTY, NEW YORK

TOWN OFFICIALS



A H W A G A
TOWN OF OWEGO

DONALD CASTELLUCCI, JR.
Town Supervisor

TOWN BOARD

DEAN MORGAN
Deputy Supervisor & Councilman

CRAIG JOCHUM
WAYNE T. MOULTON

BARBARA J. ROBERTS

MARY C. KENNEDY
Town Clerk

VACANT
Town Bookkeeper

IRENE GRAVEN, ESQ.
Town Attorney



FISCAL ADVISORS & MARKETING, INC.
Municipal Advisor



ORRICK, HERRINGTON & SUTCLIFFE LLP
Bond Counsel

No person has been authorized by the Town to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates, and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town.

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PREPARED WITH THE ASSISTANCE OF



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OFFICIAL STATEMENT
of the
TOWN OF OWEGO
TIOGA COUNTY, NEW YORK

Relating To
\$6,000,000 Public Improvement (Serial) Bonds, 2019

This Official Statement, which includes the cover page and appendices, has been prepared by the Town of Owego, Tioga County, New York (the "Town," "County," and "State," respectively), in connection with the sale by the Town of its aggregate principal amount of \$6,000,000 Public Improvement (Serial) Bonds, 2019 (referred to herein as the "Bonds").

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

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

NATURE OF THE OBLIGATION

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

Holders of any series of notes or bonds of the Town may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Bonds will be general obligations of the Town and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the Town has power and statutory authorization to levy ad valorem taxes on all real property within the Town subject to such taxation by the Town, subject to applicable statutory limitations.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the Town is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the Town's power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "TAX LEVY LIMITATION LAW" herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

"A pledge of the city's faith and credit is both a commitment to pay and a commitment of the city's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the Town's "faith... and credit" is secured by a promise both to pay and to use in good faith the city's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit" are used and they are not tautological. That is what the words say and this is what the courts have held they mean... So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the Town's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted... While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term “faith and credit” in its context is “not qualified in any way”. Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, “with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in Quirk, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

THE BONDS

Description of the Bonds

The Bonds are general obligations of the Town, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the Town is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, subject to applicable statutory limitations. See “NATURE OF THE OBLIGATION” and “TAX LEVY LIMITATION LAW” herein.

The Bonds will be dated April 4, 2019 and will mature in the principal amounts and on the dates as set forth on the cover page. The Bonds are subject to redemption prior to maturity as described herein under the heading "Optional Redemption." The “Record Date” of the Bonds will be the fifteenth day of the calendar month preceding each such interest payment date. Interest will be calculated on a 30-day month and 360-day year basis.

The Bonds will be issued as registered bonds and, when issued, if issued in book-entry only form, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on April 1, 2020, October 1, 2020 and semi-annually thereafter on April 1 and October 1 in each year until maturity. Principal and interest will be paid by the Town to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. If the Bonds are issued in registered certificated form, the Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Paying agent fees, if any, in such case are to be paid by the purchaser. The Bonds may not be converted into coupon bonds or be registered to bearer.

Optional Redemption

The Bonds maturing on or before April 1, 2027 shall not be subject to redemption prior to maturity. The Bonds maturing on or after April 1, 2028 shall be subject to redemption prior to maturity as a whole or in part (and by lot if less than all of a maturity is to be redeemed) at the option of the Town on April 1, 2027 or on any date thereafter at par (100.0%), plus accrued interest to the date of redemption.

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

Purpose of Issue

The Bonds are issued pursuant to the Constitution and statutes of New York State, including among others, the Town Law and the Local Finance Law, and a bond resolution adopted by the Town Board on December 19, 2017 authorizing the construction of a new shared service building for various departments of the Town.

The proceeds of the Bonds will provide \$6,000,000 in new money for the aforementioned purposes.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds, if requested. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

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

Source: The Depository Trust Company.

THE TOWN CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE TOWN WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE TOWN MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Town and discharging its responsibilities with respect thereto under applicable law, or the Town may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof for any single maturity. Principal of the Bonds when due will be payable upon presentation at the office of a bank or trust company located and authorized to do business in the State as a fiscal agent bank to be named by the Town upon termination of the book-entry-only system. Interest on the Bonds will be payable on April 1, 2020, October 1, 2020, and semi-annually thereafter on April 1 and October 1 in each year until maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the fifteenth day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Bond Determinations Certificate of the Town Supervisor authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the fifteenth day of the calendar month preceding an interest payment date and such interest payment date.

THE TOWN

General Information

The Town is located in Tioga County, in the Southern Tier of New York State. The Town is the largest town in Tioga County and the Village of Owego is the County seat. The Town is divided into the north and south sides by the Susquehanna River. The hamlets located within the Town are Apalachin, Campville, Gaskill Corners, South Owego, Gibson Corners, Waits and Flemingville. The school districts servicing the town are Owego Apalachin Central School District, Union Endicott Central School District, Vestal Central School District, Newark Valley Central School District and Maine Endwell Central School District.

Major highways within and in close proximity to the Town include U.S. Route 11, Interstate 81, which extends north to Canada and south to Tennessee, Interstate 88, which runs northeast to Albany, Route 86 ("The Southern Tier Expressway"), which runs east-west and connects with Interstate 87 north of New York City and Interstate 90 near Erie, Pennsylvania, and New York State Routes 7, 12 and 26. Bus service is provided to and from the Town by Trailways, and the Short Line – Coach USA.

Electric utility and natural gas services are provided by the New York State Electric and Gas Corporation ("NYSEG"), police protection is provided by the Village of Owego, the County and State agencies. Water and sewer facilities are provided by Suez water.

Several businesses have announced new plans for operations and others have recently opened within the Town.

- Lockheed Martin has announced a new expansion that will allow for additional manufacturing space in which they will work on electronics for flight systems. Projections are 130 new jobs and a \$19.2 million investment.
- On September 20, 2016, Lockheed Martin opened a new bioenergy facility in the Town. The system, which is now completing commissioning, uses Concord Blue's advanced technology that will convert waste into clean, renewable energy.
- Upstate Shredding has proposed a \$7.5 million dollar project to expand its metal recycling operation and will add 25 jobs and was recently approved by the Town's Zoning Board of Appeals. The expansion is being aided by a \$1 million grant from Empire State Development and includes an upgrade to the existing shredder and the ability to separate media.

Population Trends

<u>Year</u>	<u>Town of Owego</u>	<u>Tioga County</u>	<u>New York State</u>
2000	20,365	51,784	18,976,457
2010	19,883	51,125	19,378,102
2016	19,245	46,649	19,745,289
2017 (Estimate)	19,092	49,322	19,849,399

Source: U.S. Census Bureau.

Major Employers

<u>Name</u>	<u>Type</u>	<u>Employees</u>
Lockheed Martin Corp.	Manufacturing	2,276
Owego-Apalachin Central School District	Education	631
Tioga County	Government	403
FS Lopke Contracting, Inc.	Mining	200
Upstate Shredding	Recycling	126

Source: Town officials.

Selected Wealth and Income Indicators

Per capita income statistics are available for the Town, County and State. Listed below are select figures from the 2000 US Census Report, and the 2006-2010 and 2013-2017 American Community Surveys.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2013-2017</u>	<u>2000</u>	<u>2006-2010</u>	<u>2013-2017</u>
Town of:						
Owego	\$ 21,996	\$ 29,083	\$ 34,618	\$ 53,735	\$ 53,933	\$ 84,794
County of:						
Tioga	18,673	24,596	30,252	46,509	59,907	72,992
State of:						
New York	23,389	30,948	31,177	51,691	67,405	70,850

Note: 2014-2018 American Community Survey estimates are not available as of the date of this Official Statement.

Unemployment Rate Statistics

Unemployment statistics are not available for the Town as such. The smallest area for which such statistics are available (which includes the Town) is the County. The information set forth below with respect to the County is included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that the County or State is necessarily representative of the Town, or vice versa.

	<u>Annual Averages</u>						
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Tioga County	7.9%	7.1%	6.1%	5.5%	5.1%	5.2%	4.6%
State of New York	8.5%	7.7%	6.3%	5.3%	4.8%	4.7%	4.2%

	<u>2018 Monthly Figures</u>											
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
Tioga County	6.6%	6.6%	6.0%	4.9%	4.0%	4.2%	4.1%	4.0%	3.7%	3.4%	3.3%	4.0%
New York State	5.1%	5.1%	4.8%	4.3%	3.7%	4.2%	4.2%	4.1%	3.8%	3.6%	3.5%	3.8%

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted).

Form of Town Government

The chief executive officer and the chief fiscal officer of the Town is the Supervisor who is elected to a term of four years and is eligible for re-election. The Supervisor is also a member of the Town Board. In addition to the Supervisor, there are four members of the Town Board who are elected to four-year terms, which terms are staggered such that two Board members (council people) are elected every two years. There is no limitation as to the number of terms which may be served by members of the Town Board.

Financial Organization

As the Chief Fiscal Officer, the Town Supervisor is directly responsible for all financial and budgetary transactions of the Town. The duties include administration, direction and control of the following divisions: Accounting, Purchasing, Accounts Payable, Accounts Receivable, Audit and Control, Budgeting, and Payroll/Personnel as specified in New York State Town Law.

The Town receives its operating revenue through two tax rates. The town wide rate is paid by everyone in the Town including those people living in the Village of Owego. The town outside rate is paid only by those people who live outside the Village. These two tax rates are needed because the people in the Village do not receive some Town services (i.e. snow plowing, road repair, etc.) and legally cannot be charged for them. They instead pay for the following services through their Village taxes.

Budgetary Procedures

The Town Supervisor is the Chief Fiscal Officer of the Town. The Town has a part time professional Budget Officer. The Budget Officer develops a tentative budget, which is presented to the Town Board in the fall of each year. During the next four weeks the Town Board further develops the budget into a preliminary budget, which is presented at a public hearing in early November. After final revisions are made by the Town Board, a budget is adopted. All modifications of the budget must be approved by the governing board.

The Town's 2016 budget includes an increase in property tax levy of 3.3%, which was above the New York State tax levy limit of 0.73%.

The Town's 2017 budget includes a decrease in property tax levy of 0.007%, which was below the New York State tax levy limit of 0.68%.

The Town's 2018 budget includes an increase in property tax levy of 0.02%, which was below the New York State tax levy limit of 1.84%.

The Town's 2019 budget includes an increase in property tax levy of 1.97%, which is below the New York State tax levy limit of 2.5%.

A public hearing was held by the Town Board on March 5, 2019 to consider a local law that will override the tax levy limit for the 2020 budget. The Town does not plan on voting on an override of the tax levy limit until November 2019 if an override is necessary. As of the date of this Official Statement, the Town is hopeful the 2020 budget will be below the tax levy limit.

Investment Policy

Pursuant to the statutes of the State of New York, the Town is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the Town; (6) obligations of a New York public corporation which are made lawful investments by the Town pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of Town moneys held in certain reserve funds established pursuant to law, obligations issued by the Town. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either, a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the Town's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America, (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America, (4) obligations of the State of New York, (5) repurchase agreements are permitted to the extent that all repurchase agreements must be entered into subject to a Master Repurchase Agreement with collateral held by a third party bank, (6) obligations issued, or fully insured or guaranteed as to the payment of principal in interest, by the United States of America, or (7) obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporations of the State of New York.

Employees

The Town employs a total of approximately 14 employees, excluding part-time and seasonal. The Town provides services through employees which are represented by the following unions:

<u>Number of Employees</u>	<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
20	Teamsters Local 693	December 31, 2019
14	Town Employee Association	December 31, 2019

Source: Town officials.

Status and Financing of Employee Pension Benefits

Substantially all employees of the Town are members of the New York State and Local Employees' Retirement System ("ERS"). The ERS is generally also known as the "Common Retirement Fund". The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems.

The ERS is non-contributory with respect to members hired prior to July 27, 1976 (Tier 1 & 2); members hired from July 27, 1976 through December 31, 2009 (Tier 3 & 4) contribute 3% for the first 10 years of service and then become non-contributory; members hired from January 1, 2010 through March 31, 2012 (Tier 5) must contribute 3% for their entire careers; members hired April 1, 2012 (Tier 6) or after will contribute between 3 and 6 percent for their entire careers based on their annual wage.

For ERS, Tier 5 provides for:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62
- Requiring employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police & firefighters at 15% of non-overtime wages.

For ERS, Tier 6 provides for:

- Increase in contribution rates of between 3% and 6% base on annual wage
- Increase in the retirement age from 62 years to 63 years
- A readjustment of the pension multiplier
- A change in the period for final average salary calculation from 3 years to 5 years

The Town's payments to ERS since the 2014 fiscal year have been as follows:

<u>Fiscal Year</u>	<u>ERS</u>
2014	\$ 430,434
2015	316,518
2016	339,215
2017	302,652
2018	307,316
2019 (Budgeted)	294,244

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The Town does not have any early retirement incentives outstanding or contemplated at this time.

Historical Trends and Contribution Rates. Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A chart of average ERS rates (2016 to 2020) is shown below:

<u>Year</u>	<u>ERS</u>
2016	18.2%
2017	15.5
2018	15.3
2019	14.9
2020	14.6

Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program that establishes a minimum contribution for any employer equal to 4.5% of pensionable salaries for required contributions due December 15, 2003 and for all years thereafter where the actual rate would otherwise be 4.5% or less. In addition, it instituted a billing system that will advise employers over one year in advance concerning actual pension contribution rates.

Amortized Pension Contribution Option. Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a "graded" rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year's amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer's graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

Stable Rate Pension Contribution Option. The 2013-14 Adopted State Budget included a provision that authorized local governments, including the Town, with the option to "lock-in" long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS. For 2014 and 2015 the rate is 12.0% for ERS; the rates applicable to 2016 and thereafter are subject to adjustment. The pension contribution rates under this program would reduce near-term payments for employers, but require higher than normal contributions in later years, than "Smoothing" contributions.

The Town is not amortizing or smoothing any pension payments, nor does it intend to do so in the foreseeable future.

The investment of monies and assumptions underlying same, of the Retirement Systems covering the Town's employees is not subject to the direction of the Town. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the Town which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

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Other Post-Employment Benefits

Healthcare Benefits. School districts and boards of cooperative educational services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

OPEB. Other Post-Employment Benefits ("OPEB") refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 75. GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending December 31, 2018. This Statement replaces the requirements of Statements 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 Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The Town is required to adopt the provisions of Statement No. 75 for the year ending December 31, 2018.

GASB 45. Prior to GASB 75, GASB Statement No. 45 ("GASB 45") required municipalities and school districts to account for OPEB liabilities much like they already accounted for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covered accounting for pensions, GASB 45 did not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") was determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 did not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC.

The Town contracted with Armory Associates, an actuarial firm, to prepare its post-retirement benefits valuation in accordance with GASB 45. Based on the actuarial valuation dated January 01, 2017, the following tables shows the components of the Town's annual OPEB cost, the amount actuarially contributed to the plan, changes in the Town's net OPEB obligation and funding status for the fiscal years ending December 31, 2016 and December 31, 2017:

Actuarial Accrued Liability and Annual OPEB Cost:	2016	2017
Annual required contribution (ARC)	\$ 921,895	\$ 1,147,577
Interest on net OPEB obligation	187,011	179,967
Adjustment to ARC	<u>(302,585)</u>	<u>(331,505)</u>
Annual OPEB cost (expense)	806,321	996,039
Contributions made	<u>(249,994)</u>	<u>(367,053)</u>
Increase in net OPEB obligation	556,327	628,986
Net OPEB obligation - beginning of year	<u>4,675,283</u>	<u>5,231,610</u>
Net OPEB obligation - end of year	<u>\$ 5,231,610</u>	<u>\$ 5,860,596</u>
Percentage of annual OPEB cost contributed	31.0%	36.9%

Funding Status:

Actuarial Accrued Liability (AAL)	\$ 8,394,056	\$ 10,733,706
Actuarial Value of Assets	<u>0</u>	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 8,394,056</u>	<u>\$ 10,733,706</u>
Funded Ratio (Assets as a Percentage of AAL)	0%	0%

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 996,036	36.9%	\$ 5,860,596
2016	806,321	31.0	5,231,610

Source: 2016 and 2017 audited financial reports of the Town. The above table is not audited.

There is no authority in current State law to establish a trust account or reserve fund for this liability. The Town has reserved \$0 towards its OPEB liability. The Town meets this liability on a pay-as-you-go basis.

The aforementioned liability and ARC is recognized and disclosed in accordance with GASB 45 standards in the Town's financial statements.

Actuarial Valuations are required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

In April 2015, the State Comptroller announced legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The proposed legislation would allow the following:

- Authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, help fund their OPEB liabilities;
- Establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the state and participating eligible local governments;
- Designate the president of the Civil Service Commission as the trustee of the state's OPEB trust and the governing boards as trustee for local governments; and
- Allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

Under the State Comptroller's proposal, there are no restrictions on the amount a government can deposit into the trust. The proposed legislation was not enacted into law in the last two legislative sessions. It is not possible to predict whether the Comptroller's proposed legislation will be reintroduced or enacted if introduced.

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose for which the Bonds are to be issued, is the Town Law and the Local Finance Law.

The Town is in compliance with the procedure for the validation of the Bonds provided in Title 6 of Article 2 of the Local Finance Law.

No principal or interest upon any obligation of this Town is past due.

The fiscal year of the Town is January 1 through December 31.

Except for as shown under "STATUS OF INDEBTEDNESS – Estimated Overlapping Indebtedness", this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the Town.

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Financial Statements

The Town retains an independent certified public accounting firm for a continuous independent audit of all financial transactions of the Town. The Audited Financial report for Fiscal Year ended December 31, 2017 is attached hereto as "APPENDIX – E". The financial affairs of the Town are also subject to annual audits by the State Comptroller.

The Town complies with the Uniform System of Accounts as prescribed for towns in New York State by the State Comptroller. This System differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

Beginning with the fiscal year ending December 31, 2003, the Town was required to issue its audited financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management's Discussion and Analysis. The Town is and has been in compliance with GASB Statement No. 34 for all years required.

New York State Comptroller Report of Examination

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the Town has complied with the requirements of various State and Federal statutes. These audits can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

The State Comptroller's office released an audit report of the Town on November 20, 2015. The purpose of the audit was to assess the Town's financial condition for the period January 1, 2012 through December 31, 2014.

Key Findings

- The Board did not develop reasonable revenue estimates for the general funds' budgets because they were not based on a historical trend of actual results.
- The Town accumulated almost \$2.7 million in the town-wide general fund and more than \$1.5 million in the town-outside village general fund.

Key Recommendations

- Develop reasonable revenue estimates that are based on a historical trend of actual results.
- Formally develop a plan to use the significant accumulated fund balances to finance capital or other one time expenditures, including estimated funding and use of reserves

A copy of the complete report can be found on the State Comptroller's official website in the section regarding completed municipal audits. The Town provided a response to the State Comptroller's Audit on November 2, 2015.

There are no State Comptroller's audits of the Town that are currently in progress or pending release.

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The State Comptroller's Fiscal Stress Monitoring System

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

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

The reports of the State Comptroller for the past three years for the Town are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2017	Not Assigned*	Not Assigned*
2016	No Designation	12.5%
2015	No Designation	15.8%

* The Town's 2017 Annual Financial Report Update Document was filed with the State Comptroller's Office on December 21, 2018. As of the date of this Official Statement, the State Comptroller's Office has not assigned a stress designation for the 2017 fiscal year.

Source: Website of the Office of the New York State Comptroller.

TAX INFORMATION

Taxable Valuations

<u>Fiscal Year Ending December 31:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Assessed Valuation	\$ 831,594,748	\$ 832,429,205	\$ 834,063,905	\$ 835,820,480	\$ 834,484,794
New York State Equalization Rate	80.00%	77.00%	75.90%	75.90%	74.90%
Total Taxable Full Valuation	\$ 1,039,493,435	\$ 1,081,076,890	\$ 1,098,898,426	\$ 1,101,212,754	\$ 1,114,131,901

Tax Rate Per \$1,000 (Assessed)

<u>Fiscal Year Ending December 31:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	\$ 3.86	\$ 3.93	\$ 3.92	\$ 3.98	\$ 4.57

Tax Collection Procedure

Taxes and assessments are payable during January without penalty. Beginning February 1, one per centum is added; beginning March 1 two per centum is added; beginning April 1 three per centum is added. After April the tax roll is returned to the County and taxes plus penalties are payable to the County Treasurer. The Town retains the total amount of Town, highway, and special district levies from the total collections and returns the balance plus the uncollected items to the County, assuring the Town of receiving 100% of its tax levy. The County holds annual tax sales.

Tax Levy and Tax Collection Record

<u>Fiscal Year Ending December 31:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Tax Levy	\$ 16,193,060	\$ 16,881,656	\$ 17,393,898	\$ 17,852,031	\$ 18,145,286
Total Amount Uncollected ⁽¹⁾	1,421,649	1,311,433	1,639,589	1,646,087	N/A
% Uncollected	8.78%	7.77%	9.43%	9.22%	N/A

Ten Largest Taxpayers – 2019 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>
Lockheed Martin	Manufacturer	\$ 157,162,670
Central New York Oil and Gas	Storage Well	116,480,218
NYSEG	Utility	20,263,204
Millennium Pipeline	Gas Pipeline	11,517,916
Southern Tier Hotel, LLC ⁽¹⁾	Hotel	5,161,000
Norfolk Southern RR	Railroad	4,185,799
Inergy Pipeline East, LLC	Gas Transport	3,151,929
Owego RE: Holdings LLC	Supermarket	3,041,000
Everest Hotel Group	Hotel	2,151,000
55 Motor Ave, LLC	NBH Shopping Center	1,535,450

⁽¹⁾ Southern Tier Hotel LLC has filed a claim to reduce their assessed valuation. The maximum loss of revenue for the Town as a result of the claim is approximately \$17,000.

The ten larger taxpayers listed above have a total taxable assessed valuation of \$324,650,186 which represents 38.9% of the tax base of the Town.

Other than noted above, the Town does not have pending or outstanding tax certioraris that are known or expected to have a material impact on the Town.

Source: Town tax rolls.

Additional Tax Information

Real property in the Town is assessed by the Town.

Veterans' and senior citizens' exemptions are offered to those who qualify.

The assessment roll of the Town is constituted approximately as follows: 18% Commercial and Industrial and 82% Residential.

The total property tax bill of a typical \$101,000 market value residential property located in the Town is approximately \$4,773 including County, School District and special purpose Town taxes.

TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and Buffalo, the latter four of which are indirectly affected by applicability to their respective city). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It expires on June 15, 2020 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index ("CPI"), over the amount of the prior year's tax levy. Certain adjustments are required for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A town may exceed the tax levy limitation for the coming fiscal year only if the governing body of such town first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law, to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System, and the Teachers' Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality, prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

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

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

Real Property Tax Rebate. Chapter 59 of the Laws of 2014 ("Chapter 59"), includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved "government efficiency plan" which demonstrates "three-year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies".

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 did not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they did provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law. The implications of this for future tax levies and for operations and services of the Town are uncertain at this time.

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

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

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is authorized and utilized, no installment may be more than fifty per centum in excess of the smallest prior installment. The Town is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its notes and such required annual installments on its bonds.

Debt Limit. The Town has the power to contract indebtedness for any Town purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven per centum of the average full valuation of taxable real estate of the Town and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Pursuant to Article VIII of the State Constitution and Title 9 of Article 2 of the Local Finance Law, the debt limit of the Town is calculated by taking 7% of the latest five-year average of the full valuation of all taxable real property.

Statutory Procedure

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

Pursuant to the Local Finance Law, the Town authorizes the issuance of bonds by the adoption of a bond resolution, approved by at least two-thirds of the members of the Town Board, the finance board of the Town. Customarily, the Town Board has delegated to the Supervisor, as chief fiscal officer of the Town, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose for which the Town is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied within the authorization of such obligations and an action contesting such validity, is commenced within twenty days after the date of such publication or,
- (3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions the Town complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

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

Statutory Law in the State permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided, generally, that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein, and "Details of Outstanding Indebtedness" herein).

In general, the Local Finance Law contains provisions providing the Town with the power to issue certain other short-term general obligations indebtedness including revenue and tax anticipation notes, budget, deficiency and capital notes (see "Details of Outstanding Indebtedness" herein).

Debt Outstanding End of Fiscal Year

<u>Years Ending December 31:</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Bonds	\$ 7,902,000	\$ 7,567,000	\$ 7,225,000	\$ 6,874,000	\$ 6,746,000
Bond Anticipation Notes	0	725,000	0	0	0
Other Debt ⁽¹⁾	<u>744,471</u>	<u>601,820</u>	<u>456,113</u>	<u>307,286</u>	<u>155,271</u>
Total Debt Outstanding	\$ 8,646,471	\$ 8,893,820	\$ 7,681,113	\$ 7,181,286	\$ 6,901,271

⁽¹⁾ Represents a capital leases which are not general obligation debt. See “Capital Lease Payable” herein.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the Town evidenced by bonds and notes as of March 13, 2019:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
Bonds	2019-2040	<u>\$ 6,746,000</u>
	Total Indebtedness	<u>\$ 6,746,000</u>

The proceeds of the Bonds will increase net indebtedness by \$6,000,000.

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of March 13, 2019:

Five-Year Average Full Valuation of Taxable Real Property.....	\$ 1,086,962,681
Debt Limit - 7% thereof	76,087,388

Inclusions:

Bonds.....	\$ 6,746,000	
Bond Anticipation Notes	<u>0</u>	
Total Inclusions		<u>\$ 6,746,000</u>

Exclusions:

Appropriations	\$ 277,000	
Water Debt ⁽¹⁾	<u>2,966,000</u>	
Total Exclusions		<u>\$ 3,243,000</u>

Total Net Indebtedness Subject to Debt Limit.....	<u>\$ 3,503,000</u>
Net Debt-Contracting Margin	<u>\$ 72,584,388</u>
The percent of debt contracting power exhausted is	4.60%

⁽¹⁾ Water Debt is excluded pursuant to Article VIII, Section 5B of the New York State Constitution.

The proceeds of the Bonds will increase net indebtedness of the Town by \$6,000,000.

Bonded Debt Service

A schedule of Bonded Debt Service may be found in “APPENDIX – B” to this Official Statement.

Cash Flow Borrowings

The Town has not found it necessary to issue revenue anticipation notes, tax anticipation notes, budget notes, nor deficiency notes in the past and does not reasonably expect to issue such notes in the foreseeable future.

Capital Lease Payable

The Town entered into a capital lease on September 11, 2014 for the purchase of dump trucks in the amount of \$744,741 with an interest rate of 2.121% and a maturity of September 11, 2019. The schedule of future payments on the lease is shown below.

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal</u> <u>and Interest</u>
2019	\$ 155,271	\$ 3,326	\$ 158,597

Estimate of Obligations to be Issued

On September 4, 2018 the Town Board approved a resolution authorizing the issuance of \$1,595,000 bonds for the increase and improvement of consolidated water district number 1. As of the date of this Official Statement, no amount has been issued pursuant to this authorization.

On July 3, 2018 the Town Board approved a resolution authorizing the issuance of \$638,600 bonds for the construction of a new water distribution line, sanitary sewer force main, and sewer line to Town facilities. As of the date of this Official Statement, no amount has been issued pursuant to this authorization.

Estimated Overlapping Indebtedness

In addition to the Town, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the Town. The estimated outstanding indebtedness of such political subdivisions is as follows:

<u>Municipality</u>	<u>Status of</u> <u>Debt as of</u>	<u>Gross</u> <u>Indebtedness</u> ⁽¹⁾	<u>Estimated</u> <u>Exclusions</u>	<u>Net</u> <u>Indebtedness</u>	<u>Town</u> <u>Share</u>	<u>Applicable</u> <u>Indebtedness</u>
County of:						
Tioga	12/31/2016	\$ 15,225,000	\$ - ⁽²⁾	\$ 15,225,000	42.53%	\$ 6,475,193
School District:						
Maine Endwell	6/30/2017	52,819,084	46,427,975 ⁽³⁾	6,391,109	1.20%	76,693
Newark Valley	6/30/2017	16,864,500	14,857,625 ⁽³⁾	2,006,876	12.41%	249,053
Owego-Apalachin	6/30/2017	43,525,172	16,418,429 ⁽³⁾	27,106,743	84.65%	22,945,858
Union Endicott	6/30/2017	49,031,620	41,676,877 ⁽³⁾	7,354,743	12.48%	917,872
Vestal	6/30/2017	31,945,154	22,521,334 ⁽³⁾	9,423,820	9.84%	927,304
Village of:						
Owego	5/31/2017	-	- ⁽²⁾	-	100.00%	-
					Total:	<u>\$ 30,664,669</u>

⁽¹⁾ Bonds and bond anticipation notes are as of the close of the respective fiscal years and are not adjusted to include subsequent bond sales, if any.

⁽²⁾ Pursuant to applicable constitutional and statutory provisions, this indebtedness is deductible from gross indebtedness for debt limit purposes.

⁽³⁾ Estimated State Building aid.

Source: Most recent available official statement or continuing disclosure statement of the respective municipality or school district.

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Debt Ratios

The following table sets forth certain ratios relating to the Town's indebtedness as of March 13, 2019:

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 3,503,000	\$ 183.48	0.31%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	34,167,669	1,786.63	3.07

(a) The 2017 estimated population of the Town is 19,092. (See "THE TOWN – Population" herein.)

(b) The Town's full valuation of taxable real estate for 2019 is \$1,114,131,901. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)

(c) See "Debt statement Summary" for the calculation of Net Indebtedness, herein.

(d) Estimated net overlapping indebtedness is \$30,664,669. (See "Estimated Overlapping Indebtedness" herein.)

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

General Municipal Law Contract Creditors' Provision. Each Bond when duly issued and paid for will constitute a contract between the Town and the holder thereof. Under current law, provision is made for contract creditors of the Town to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the Town upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Bonds in the event of a default in the payment of the principal of and interest on the Bonds.

Execution/Attachment of Municipal Property. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the Town may not be enforced by levy and execution against property owned by the Town.

Authority to File for Municipal Bankruptcy. The Federal Bankruptcy Code allows public bodies, such as the Town, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

The State has consented that any municipality in the State may file a petition with the United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the Bonds should the Town be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of Bonds to receive interest and principal from the Town could be adversely affected by the restructuring of the Town's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the Town (including the Bonds) to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the Town under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

State Debt Moratorium Law. There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of obligations.

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law described below enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the Town.

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an "emergency financial control board" for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law ("Title 6-A") effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such "additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder." Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims including debt service due or overdue must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing, that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a "material change in circumstances" the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the Flushing National Bank case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, on a certificate of necessity of the governor reciting facts which in the judgment of governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the “FRB”), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to \$5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time, there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The Town has not requested FRB assistance, nor does it reasonably expect to do so in the foreseeable future. School districts and fire districts are not eligible for FRB assistance.

Constitutional Non-Appropriation Provision. There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: “If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness.” This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service, but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See “General Municipal Law Contract Creditors’ Provision” herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

Default Litigation. In prior years, certain events and legislation affecting a holder’s remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. See “NATURE OF THE OBLIGATION” and “State Debt Moratorium Law” herein.

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

MARKET AND RISK FACTORS

There are various forms of risk associated with investing in the Bonds. The following is a discussion of certain events that could affect the risk of investing in the Bonds. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential investment risk.

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

The Town is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the Town, in any year, the Town may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the Town. In some years, the Town has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations.

There are a number of general factors which could have a detrimental effect on the ability of the Town to continue to generate revenues, particularly property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in tax certiorari proceedings could result in a significant reduction in the assessed valuation of taxable real property in the Town. Unforeseen developments could also result in substantial increases in Town expenditures, thus placing strain on the Town's financial condition. These factors may have an effect on the market price of the Bonds.

If a holder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. If and when a holder of any of the Bonds should elect to sell a Bond prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Bonds. Recent global financial crises have included limited periods of significant disruption. In addition, the price and principal value of the Bonds is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Bonds and other debt issued by the Town. Any such future legislation would have an adverse effect on the market value of the Bonds (See "TAX MATTERS" herein).

The Town, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the Town faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. No assurances can be given that such security and operational control measures implemented would be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage Town digital networks and systems and the costs of remedying any such damage could be substantial.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in "APPENDIX – D".

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Town has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) or any other matters coming to the attention of Bond Counsel after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to and may not be relied upon in connection with any such actions, events or matters.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds may otherwise affect an Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, legislative proposals have been made in recent years that would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

The legality of the authorization and issuance of the Bonds is covered by the approving legal opinion of Bond Counsel. The proposed form of Bond Counsel's opinion is attached hereto at "APPENDIX – D".

LITIGATION

The Town is subject to a number of lawsuits in the ordinary conduct of its affairs. The Town does not believe, however, that such suits, individually or in the aggregate are likely to have a material adverse effect on the financial condition of the Town.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the Town threatened against or affecting the Town to restrain or enjoin the issuance, sale or delivery of the Bonds or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Bonds or any proceedings or authority of the Town taken with respect to the authorization, issuance or sale of the Bonds or contesting the corporate existence or boundaries of the Town.

CONTINUING DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the Town will enter into a Continuing Disclosure Undertaking Certificate, a description of which is attached hereto as "APPENDIX – C".

Historical Compliance

The Town is in compliance in all material respects within the last five years with all previous undertakings made pursuant to the Rule 15c2-12.

BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its underlying rating of "AA-" with a stable outlook to the Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. A rating reflects only the view of the rating agency assigning such rating and any desired explanation of the significance of such rating should be obtained from S&P, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 553-0038, Fax: (212) 553-1390.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the rating of the Bonds may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor") is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the Town on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Bonds. The advice on the plan of financing and the structuring of the Bonds was based on materials provided by the Town and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the Town or the information set forth in this Official Statement or any other information available to the Town with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement. The fees to be paid by the Town to the Municipal Advisor are partially contingent on the successful closing of the Bonds.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP (an acronym that refers to Committee on Uniform Security Identification Procedures) identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the Town provided, however; the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates in good faith, no assurance can be given that the facts will materialize as so opined or estimated. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders of the Bonds.

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the Town management's beliefs as well as assumptions made by, and information currently available to, the Town's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the Town's files with the repositories. When used in Town documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Bonds.

Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the Town, expressed no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the Town for use in connection with the offer and sale of the Bonds, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Bonds, the Town will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the Town.

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

The Town hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

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

The Town will act as Paying Agent for the Bonds. The Town contact information is as follows: Donald Castellucci, Jr., Town Supervisor, Town of Owego, 2354 NY State Route 434, Apalachin, New York 13732, Phone: (607) 687-0123, Fax: (607) 687-2507, Email: dcastellucci@townofowego.gov.

Additional copies of the Notice of Private Competitive Bond Sale and the Official Statement may be obtained upon request from the offices of Fiscal Advisors & Marketing, Inc., Phone: (315) 752-0051, or at www.fiscaladvisors.com.

TOWN OF OWEGO

Dated: March 14, 2019

DONALD CASTELLUCCI, JR.
Town Supervisor

GENERAL FUND

Balance Sheets

Fiscal Year Ending December 31:	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>ASSETS</u>					
Cash and Short-term Investments	\$ 3,649,657	\$ 4,001,517	\$ 4,414,405	\$ 4,908,287	\$ 4,779,703
Receivables:					
Accounts	-	-	-	-	-
State and Federal	307,416	148,830	717,805	-	-
Other receivables, net	63,622	256,458	62,491	67,104	67,945
Due from Other Funds	-	-	-	20,000	154,986
Due from Other Governments	-	-	-	-	198,924
Prepaid Expenses	44,567	36,582	35,973	33,227	33,229
Restricted Assets	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 4,065,262</u>	<u>\$ 4,443,387</u>	<u>\$ 5,230,674</u>	<u>\$ 5,028,618</u>	<u>\$ 5,234,787</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$ 73,072	\$ 5,204	\$ 44,532	\$ 4,944	\$ 4,410
Accrued Liabilities	42,514	11,614	16,367	20,119	19,522
Retained Percentages	-	-	-	-	-
Other Liabilities	-	-	-	-	-
Due to Other Funds	-	-	-	20,000	20,000
Due to Other Governments	145	145	145	145	145
Overpayments	-	18,492	3,114	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>115,731</u>	<u>35,455</u>	<u>64,158</u>	<u>45,208</u>	<u>44,077</u>
<u>FUND EQUITY</u>					
Nonspendable	\$ 44,567	\$ 36,582	\$ 35,973	\$ 33,227	\$ 33,229
Restricted:	226,454	204,157	219,452	242,648	279,164
Committed	-	-	-	-	-
Assigned	1,186,242	1,842,111	2,094,461	979,729	1,245,128
Unassigned	2,492,268	2,325,082	2,816,630	3,727,806	3,633,189
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND EQUITY	<u>3,949,531</u>	<u>4,407,932</u>	<u>5,166,516</u>	<u>4,983,410</u>	<u>5,190,710</u>
TOTAL LIABILITIES and FUND EQUITY	<u>\$ 4,065,262</u>	<u>\$ 4,443,387</u>	<u>\$ 5,230,674</u>	<u>\$ 5,028,618</u>	<u>\$ 5,234,787</u>

Source: Audited financial reports of the Town. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending December 31:	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>REVENUES</u>					
Real Property Tax Items	\$ 1,156,904	\$ 1,224,344	\$ 1,231,584	\$ 1,295,563	\$ 1,326,548
Non-Property Tax Items	403,213	385,497	395,407	195,039	200,256
Departmental Income	32,301	124,985	178,903	227,282	265,267
Use of Money & Property	29,011	25,363	31,709	24,959	26,552
Licenses and Permits	26,196	25,892	24,455	24,221	23,239
Fines and Forfeitures	86,194	88,351	101,206	112,995	147,283
Sale of Property and					
Compensation for Loss	11,536	11,142	1,478	42	1,236
Miscellaneous	19,886	116,111	929,897	430,308	28,076
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	480,446	523,827	805,179	572,934	378,930
Revenues from Federal Sources	189,215	230,562	1,553,407	804,664	235,521
Total Revenues	<u>\$ 2,434,902</u>	<u>\$ 2,756,074</u>	<u>\$ 5,253,225</u>	<u>\$ 3,688,007</u>	<u>\$ 2,632,908</u>
<u>EXPENDITURES</u>					
General Government Support	\$ 919,306	\$ 854,475	\$ 2,829,122	\$ 1,033,396	\$ 1,204,787
Public Safety	77,761	80,351	75,090	82,865	77,000
Health	1,084	1,106	1,141	1,152	1,172
Transportation	148,525	153,009	180,368	180,684	161,263
Economic Assistance and					
Opportunity	-	-	-	-	-
Culture and Recreation	1,052,188	1,037,389	590,732	714,844	392,343
Home and Community Services	149,769	156,831	157,187	161,183	217,571
Employee Benefits	638,986	655,039	632,577	660,109	650,818
Debt Service	13,254	12,096	11,857	11,657	16,060
Total Expenditures	<u>\$ 3,000,873</u>	<u>\$ 2,950,296</u>	<u>\$ 4,478,074</u>	<u>\$ 2,845,890</u>	<u>\$ 2,721,014</u>
Excess of Revenues Over (Under)					
Expenditures	<u>\$ (565,971)</u>	<u>\$ (194,222)</u>	<u>\$ 775,151</u>	<u>\$ 842,117</u>	<u>\$ (88,106)</u>
Other Financing Sources (Uses):					
Operating Transfers In	26,155	27,400	24,300	21,500	18,000
Operating Transfers Out	(131,155)	(309,000)	(346,300)	(106,500)	(113,000)
Insurance recoveries	-	-	5,250	1,467	-
Total Other Financing	<u>(105,000)</u>	<u>(281,600)</u>	<u>(316,750)</u>	<u>(83,533)</u>	<u>(95,000)</u>
Excess of Revenues and Other					
Sources Over (Under) Expenditures					
and Other Uses	<u>(670,971)</u>	<u>(475,822)</u>	<u>458,401</u>	<u>758,584</u>	<u>(183,106)</u>
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year	5,096,324	4,425,353	3,949,531	4,407,932	5,166,516
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 4,425,353</u>	<u>\$ 3,949,531</u>	<u>\$ 4,407,932</u>	<u>\$ 5,166,516</u>	<u>\$ 4,983,410</u>

Source: Audited financial reports of the Town. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending December 31:

	2017			2018	2019
	Original Budget	Final Budget	Actual	Adopted Budget	Adopted Budget
REVENUES					
Real Property Tax Items	\$ 1,334,626	\$ 1,334,626	\$ 1,320,387	\$ 1,341,587	\$ 1,372,594
Non-Property Tax Items	155,000	155,000	466,767	155,000	165,000
Departmental Income	182,200	182,757	245,613	182,050	182,050
Use of Money & Property	24,348	24,348	31,331	24,348	24,348
Licenses and Permits	18,300	18,300	20,803	18,180	18,180
Fines and Forfeitures	105,200	105,200	140,316	105,200	115,200
Sale of Property and Compensation for Loss	557	-	1,204	13,000	-
Miscellaneous	-	-	13,737	-	1,000
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	358,755	363,425	419,373	275,000	300,000
Revenues from Federal Sources	56,267	56,267	-	365,000	120,000
Total Revenues	\$ 2,235,253	\$ 2,239,923	\$ 2,659,531	\$ 2,479,365	\$ 2,298,372
EXPENDITURES					
General Government Support	\$ 1,158,454	\$ 1,258,118	\$ 912,810	\$ 1,381,511	\$ 1,119,058
Public Safety	117,717	117,721	91,707	136,950	131,749
Health	1,794	1,794	1,280	1,796	1,526
Transportation	190,233	190,278	164,214	196,419	185,877
Economic Assistance and Opportunity	-	-	-	-	-
Culture and Recreation	360,706	369,603	280,687	407,736	514,411
Home and Community Services	189,278	193,343	164,285	198,088	192,638
Employee Benefits	920,248	920,251	641,543	977,094	915,572
Debt Service	15,705	15,705	15,705	90,948	31,132
Total Expenditures	\$ 2,954,135	\$ 3,066,813	\$ 2,272,231	\$ 3,390,542	\$ 3,091,963
Excess of Revenues Over (Under) Expenditures	\$ (718,882)	\$ (826,890)	\$ 387,300	\$ (911,177)	\$ (793,591)
Other Financing Sources (Uses):					
Other Budgetary Purposes	-	-	-	-	-
Operating Transfers Out	(205,500)	(205,500)	(180,000)	(235,500)	(535,600)
Total Other Financing	(205,500)	(205,500)	(180,000)	(235,500)	(535,600)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(924,382)	(1,032,390)	207,300	(1,146,677)	(1,329,191)
FUND BALANCE					
Fund Balance - Beginning of Year	924,382	1,032,390	4,983,410	1,146,677	1,329,191 ⁽¹⁾
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ 5,190,710	\$ -	\$ -

⁽¹⁾ Includes \$20,000 of fund balance the Town appropriated at the March 5th, 2019 Town Board meeting.

BONDED DEBT SERVICE

Fiscal Year Ending December 31st	Principal	Interest	Total	Principal of the Bonds	Total Principal all Issues
2019	\$ 504,000	\$ 285,208.62	\$ 789,208.62	\$ -	\$ 504,000
2020	487,000	264,440.52	751,440.52	65,000	552,000
2021	494,000	244,087.44	738,087.44	165,000	659,000
2022	478,000	223,742.18	701,742.18	170,000	648,000
2023	467,000	203,694.60	670,694.60	175,000	642,000
2024	418,000	183,791.30	601,791.30	185,000	603,000
2025	401,000	165,665.10	566,665.10	190,000	591,000
2026	400,000	148,294.60	548,294.60	195,000	595,000
2027	413,000	130,603.88	543,603.88	200,000	613,000
2028	417,000	112,484.28	529,484.28	210,000	627,000
2029	419,000	94,177.38	513,177.38	215,000	634,000
2030	430,000	75,621.30	505,621.30	225,000	655,000
2031	440,000	56,489.44	496,489.44	230,000	670,000
2032	294,000	40,951.64	334,951.64	235,000	529,000
2033	87,000	29,228.84	116,228.84	245,000	332,000
2034	93,000	25,147.44	118,147.44	255,000	348,000
2035	93,000	20,929.44	113,929.44	260,000	353,000
2036	95,000	16,645.32	111,645.32	270,000	365,000
2037	100,000	12,178.00	112,178.00	280,000	380,000
2038	102,000	7,549.60	109,549.60	285,000	387,000
2039	102,000	2,877.20	104,877.20	300,000	402,000
2040	12,000	270.00	12,270.00	305,000	317,000
2041	-	-	-	320,000	320,000
2042	-	-	-	330,000	330,000
2043	-	-	-	340,000	340,000
2044	-	-	-	350,000	350,000
TOTALS	\$ 6,746,000	\$ 2,344,078.12	\$ 9,090,078.12	\$ 6,000,000	\$ 12,396,000

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2001B Sewer 14 - Tobey Road			2001B Sewer Plant No. 1		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 10,000	\$ 5,006.00	\$ 15,006.00	\$ 125,000	\$ 89,400.00	\$ 214,400.00
2020	10,000	4,491.00	14,491.00	125,000	82,989.00	207,989.00
2021	10,000	3,977.00	13,977.00	130,000	76,418.00	206,418.00
2022	10,000	3,454.00	13,454.00	130,000	69,613.00	199,613.00
2023	10,000	2,921.00	12,921.00	130,000	62,705.00	192,705.00
2024	10,000	2,391.00	12,391.00	135,000	55,664.00	190,664.00
2025	10,000	1,860.00	11,860.00	135,000	48,490.00	183,490.00
2026	5,000	1,461.00	6,461.00	135,000	41,316.00	176,316.00
2027	5,000	1,196.00	6,196.00	140,000	34,010.00	174,010.00
2028	5,000	930.00	5,930.00	140,000	26,570.00	166,570.00
2029	5,000	664.00	5,664.00	140,000	19,131.00	159,131.00
2030	5,000	399.00	5,399.00	145,000	11,558.00	156,558.00
2031	5,000	133.00	5,133.00	145,000	3,853.00	148,853.00
TOTALS	\$ 100,000	\$ 28,883.00	\$ 128,883.00	\$ 1,755,000	\$ 621,717.00	\$ 2,376,717.00

Fiscal Year Ending Dec 31st	2002A EFC-SB ⁽¹⁾ Hick & Glann Rd Sewer			2003 RD SB ⁽²⁾ Sewer District Ext #15		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 20,000	\$ 2,478.00	\$ 22,478.00	\$ 5,000	\$ 7,088.00	\$ 12,088.00
2020	20,000	1,462.00	21,462.00	5,000	6,863.00	11,863.00
2021	20,000	498.00	20,498.00	5,000	6,638.00	11,638.00
2022	-	-	-	6,000	6,390.00	12,390.00
2023	-	-	-	6,000	6,120.00	12,120.00
2024	-	-	-	6,000	5,851.00	11,851.00
2025	-	-	-	6,000	5,580.00	11,580.00
2026	-	-	-	7,000	5,288.00	12,288.00
2027	-	-	-	7,000	4,973.00	11,973.00
2028	-	-	-	7,000	4,658.00	11,658.00
2029	-	-	-	7,000	4,343.00	11,343.00
2030	-	-	-	8,000	4,005.00	12,005.00
2031	-	-	-	8,000	3,646.00	11,646.00
2032	-	-	-	8,000	3,285.00	11,285.00
2033	-	-	-	9,000	2,903.00	11,903.00
2034	-	-	-	9,000	2,498.00	11,498.00
2035	-	-	-	9,000	2,093.00	11,093.00
2036	-	-	-	10,000	1,666.00	11,666.00
2037	-	-	-	10,000	1,216.00	11,216.00
2038	-	-	-	11,000	743.00	11,743.00
2039	-	-	-	11,000	248.00	11,248.00
TOTALS	\$ 60,000	\$ 4,438.00	\$ 64,438.00	\$ 160,000	\$ 86,095.00	\$ 246,095.00

⁽¹⁾ Issued as part of State Clean Water and Drinking Water Revolving Fund. Revenue Bonds Pooled Loan financing of New York State Environmental Facilities Corporation.

⁽²⁾ Issued through the United States Department of Agriculture/Rural Development as low interest, long term loan.

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2003 USDA - SB ⁽²⁾			2003 EFC SB ⁽¹⁾		
	Water District Ext #13			Water District Ext #15		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 5,000	\$ 7,358.00	\$ 12,358.00	\$ 10,000	\$ 1,610.00	\$ 11,610.00
2020	5,000	7,133.00	12,133.00	10,000	1,162.00	11,162.00
2021	5,000	6,908.00	11,908.00	10,000	703.00	10,703.00
2022	5,000	6,683.00	11,683.00	10,000	236.00	10,236.00
2023	5,000	6,458.00	11,458.00	-	-	-
2024	6,000	6,210.00	12,210.00	-	-	-
2025	6,000	5,940.00	11,940.00	-	-	-
2026	6,000	5,670.00	11,670.00	-	-	-
2027	6,000	5,400.00	11,400.00	-	-	-
2028	7,000	5,108.00	12,108.00	-	-	-
2029	7,000	4,793.00	11,793.00	-	-	-
2030	7,000	4,478.00	11,478.00	-	-	-
2031	8,000	4,140.00	12,140.00	-	-	-
2032	8,000	3,780.00	11,780.00	-	-	-
2033	8,000	3,420.00	11,420.00	-	-	-
2034	9,000	3,038.00	12,038.00	-	-	-
2035	9,000	2,633.00	11,633.00	-	-	-
2036	10,000	2,206.00	12,206.00	-	-	-
2037	10,000	1,756.00	11,756.00	-	-	-
2038	11,000	1,283.00	12,283.00	-	-	-
2039	11,000	788.00	11,788.00	-	-	-
2040	12,000	270.00	12,270.00	-	-	-
TOTALS	\$ 166,000	\$ 95,453.00	\$ 261,453.00	\$ 40,000	\$ 3,711.00	\$ 43,711.00

Fiscal Year Ending Dec 31st	2004A			2004B		
	Water District #17			Water District #20		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 20,000	\$ 800.00	\$ 20,800.00	\$ 15,000	\$ 4,000.00	\$ 19,000.00
2020	-	-	-	15,000	3,400.00	18,400.00
2021	-	-	-	15,000	2,763.00	17,763.00
2022	-	-	-	15,000	2,125.00	17,125.00
2023	-	-	-	15,000	1,487.00	16,487.00
2024	-	-	-	20,000	850.00	20,850.00
TOTALS	\$ 20,000	\$ 800.00	\$ 20,800.00	\$ 95,000	\$ 14,625.00	\$ 109,625.00

⁽¹⁾ Issued as part of State Clean Water and Drinking Water Revolving Fund. Revenue Bonds Pooled Loan financing of New York State Environmental Facilities Corporation.

⁽²⁾ Issued through the United States Department of Agriculture/Rural Development as low interest, long term loan.

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2010 EFC SB ⁽¹⁾ Digester Covers			2010 USDA - SB ⁽²⁾ Water Reservoirs		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 55,000	\$ 56,810.62	\$ 111,810.62	\$ 177,000	\$ 99,188.00	\$ 276,188.00
2020	55,000	55,214.52	110,214.52	180,000	92,550.00	272,550.00
2021	55,000	53,500.44	108,500.44	182,000	85,800.00	267,800.00
2022	55,000	51,677.18	106,677.18	185,000	78,976.00	263,976.00
2023	60,000	49,671.60	109,671.60	179,000	72,038.00	251,038.00
2024	60,000	47,499.30	107,499.30	181,000	65,326.00	246,326.00
2025	60,000	45,257.10	105,257.10	184,000	58,538.00	242,538.00
2026	60,000	42,921.60	102,921.60	187,000	51,638.00	238,638.00
2027	65,000	40,398.88	105,398.88	190,000	44,626.00	234,626.00
2028	65,000	37,718.28	102,718.28	193,000	37,500.00	230,500.00
2029	65,000	34,984.38	99,984.38	195,000	30,262.00	225,262.00
2030	65,000	32,231.30	97,231.30	200,000	22,950.00	222,950.00
2031	70,000	29,267.44	99,267.44	204,000	15,450.00	219,450.00
2032	70,000	26,086.64	96,086.64	208,000	7,800.00	215,800.00
2033	70,000	22,905.84	92,905.84	-	-	-
2034	75,000	19,611.44	94,611.44	-	-	-
2035	75,000	16,203.44	91,203.44	-	-	-
2036	75,000	12,773.32	87,773.32	-	-	-
2037	80,000	9,206.00	89,206.00	-	-	-
2038	80,000	5,523.60	85,523.60	-	-	-
2039	80,000	1,841.20	81,841.20	-	-	-
TOTALS	\$ 1,395,000	\$ 691,304.12	\$ 2,086,304.12	\$ 2,645,000	\$ 762,642.00	\$ 3,407,642.00

Fiscal Year Ending Dec 31st	2018 Statutory Installment Bond Lighting District (LED Replacement)		
	Principal	Interest	Total
2019	\$ 62,000	\$ 11,470.00	\$ 73,470.00
2020	62,000	9,176.00	71,176.00
2021	62,000	6,882.00	68,882.00
2022	62,000	4,588.00	66,588.00
2023	62,000	2,294.00	64,294.00
TOTALS	\$ 310,000	\$ 34,410.00	\$ 344,410.00

⁽¹⁾ Issued as part of State Clean Water and Drinking Water Revolving Fund. Revenue Bonds Pooled Loan financing of New York State Environmental Facilities Corporation.

⁽²⁾ Issued through the United States Department of Agriculture/Rural Development as low interest, long term loan.

CONTINUING DISCLOSURE UNDERTAKING WITH RESPECT TO THE BONDS

In accordance with the requirements of Rule 15c2-12 as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission"), the Town has agreed to provide, or cause to be provided,

- (i) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the Final Official Statement dated March 21, 2019 of the Town relating to the Bonds under the headings "THE TOWN", "TAX INFORMATION", "STATUS OF INDEBTEDNESS", "LITIGATION" and all Appendices (other than "APPENDIX – C & D" and other than any related to bond insurance) by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ending December 31, 2018, and (ii) a copy of the audited financial statements, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ending December 31, 2018; such audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time or, within sixty days following receipt by the Town of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the Town of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;
- (ii) within 10 business days after the occurrence of such event, notice of the occurrence of any of the following events with respect to the Bonds, to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule:
 - (a) principal and interest payment delinquencies
 - (b) non-payment related defaults; if material
 - (c) unscheduled draws on debt service reserves reflecting financial difficulties
 - (d) unscheduled draws on credit enhancements reflecting financial difficulties
 - (e) substitution of credit or liquidity providers, or their failure to perform
 - (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - (g) modifications to rights of Bondholders; if material
 - (h) bond calls, if material, and tender offers
 - (i) defeasances
 - (j) release, substitution, or sale of property securing repayment of the Bonds; if material
 - (k) rating changes
 - (l) bankruptcy, insolvency, receivership or similar event of the Town;

- (m) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (o) incurrence of a financial obligation (as defined in the Rule) of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Town, any of which affect security holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Town, any of which reflect financial difficulties.

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Bonds.

With respect to event (d) the Town does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds.

For the purposes of the event identified in (l) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

- (iii) in a timely manner, to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of its failure to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, on or before the date specified.

The Town reserves the right to terminate its obligations to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, and notices of material events, as set forth above, if and when the Town no longer remains an obligated person with respect to the Bonds within the meaning of the Rule. The Town acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Bonds (including holders of beneficial interests in the Bonds). The right of holders of the Bonds to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the Town's obligations under its continuing disclosure undertaking and any failure by the Town to comply with the provisions of the undertaking will neither be a default with respect to the Bonds nor entitle any holder of the Bonds to recover monetary damages.

The Town reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Town, provided that, the Town agrees that any such modification will be done in a manner consistent with the Rule.

A Continuing Disclosure Undertaking Certificate to this effect shall be provided to the purchaser at closing.

FORM OF BOND COUNSEL'S OPINION

April 4, 2019

Town of Owego,
County of Tioga,
State of New York

Re: Town of Owego, Tioga County, New York
\$6,000,000 Public Improvement (Serial) Bonds, 2019

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$6,000,000 Public Improvement (Serial) Bonds, 2019 (the "Obligations"), of the Town of Owego, Tioga County, New York (the "Obligor"), dated April 4, 2019, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of ____ hundredths per centum (____%) per annum as to bonds maturing in ____, payable on April 1, 2020, October 1, 2020 and semi-annually thereafter on April 1 and October 1, and maturing in the amount of \$ ____ on April 1, 2020, \$ ____ on April 1, 2021, \$ ____ on April 1, 2022, \$ ____ on April 1, 2023, \$ ____ on April 1, 2024, \$ ____ on April 1, 2025, \$ ____ on April 1, 2026, \$ ____ on April 1, 2027, \$ ____ on April 1, 2028, \$ ____ on April 1, 2029, \$ ____ on April 1, 2030, \$ ____ on April 1, 2031, \$ ____ on April 1, 2032, \$ ____ on April 1, 2033, \$ ____ on April 1, 2034, \$ ____ on April 1, 2035, \$ ____ on April 1, 2036, \$ ____ on April 1, 2037, \$ ____ on April 1, 2038, \$ ____ on April 1, 2039, \$ ____ on April 1, 2040, \$ ____ on April 1, 2041, and \$ ____ on April 1, 2042, \$ ____ on April 1, 2043 and \$ ____ on April 1, 2044.

The Obligations maturing on or before April 1, 2027 shall not be subject to redemption prior to maturity. The Obligations maturing on or after April 1, 2028 shall be subject to redemption prior to maturity as a whole or in part (and by lot if less than all of a maturity is to be redeemed) at the option of the Town on April 1, 2027 or on any date thereafter at par, plus accrued interest to the date of redemption.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, subject to applicable statutory limitations; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

Orrick, Herrington & Sutcliffe LLP

**TOWN OF OWEGO
TIOGA COUNTY, NEW YORK**

AUDITED FINANCIAL REPORT

For the Year Ended December 31, 2017

Such Audited Financial Statements and opinion were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

TOWN OF OWEGO

Owego, New York

FINANCIAL REPORT

December 31, 2017



Certified Public Accountants | Business Advisors

TOWN OF OWEGO

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INDEPENDENT AUDITOR'S REPORT

Town Board
Town of Owego
Owego, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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 Town'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 Town'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.

INSERO & Co. CPAs, LLP

Oneonta | Ulster | Cortland | Watkins Glen | (800) 232-9547 | www.insero.com

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedule of Funding Progress, the Schedules of Contributions and Proportionate Share of Net Pension Liability, and the applicable notes on pages 4-4i and 39-47 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 Owego's basic financial statements. The Combining Balance Sheet - Non-Major Governmental Funds and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds on pages 48-49 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining non-major governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 Balance Sheet - Non-Major Governmental Funds, and the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds, are fairly stated in all material respects in relation to the 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 October 8, 2018 on our consideration of the Town's internal control over financial reporting and 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 the 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.

Respectfully Submitted,

A handwritten signature in black ink that reads "Inero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Inero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 8, 2018

TOWN OF OWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Our discussion and analysis of the Town of Owego's (the Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the Town's financial statements, which begin on page 5.

FINANCIAL HIGHLIGHTS

- ❖ The Town ended the year with a total net position of \$25,536,941, an increase of \$1,581,323 from the prior year net position of \$23,955,618. Year-end net position was composed of \$2,739,370 in restricted, \$17,525,250 in net investment in capital assets, and \$5,272,321 in unrestricted net position. Unrestricted net position increased \$501,145 and restricted net position increased \$49,041 compared to the prior year, while net investment in capital assets increased \$1,031,137. Changes from the prior year are primarily attributable to results of operations, debt principal payments, and capital outlay exceeding depreciation expense for the current year.
- ❖ The Town's expenses were \$1,581,323 less than the \$11,018,104 generated in tax and other revenues for governmental programs. This compares to 2016 when revenue exceeded expenses by \$1,177,965.
- ❖ Capital additions during 2017 amounted to \$2,425,448 for the purchase of various equipment, vehicles, and infrastructure improvements. Depreciation expense was \$1,873,960 for the year.
- ❖ The Town's debt decreased \$(499,827) during the current fiscal year based on principal payments on serial bonds and installment purchase debt during the year.
- ❖ The Town's other long-term obligations increased \$140,340 during the current fiscal year, for a total ending balance of \$6,512,101. The increase is primarily attributable to an increase of \$628,986 in other post-employment benefits (OPEB) liability, partially offset by a decrease of \$(487,862) in the Town's proportionate share of the ERS retirement pension plan net pension liability.
- ❖ At the close of the current fiscal year, the Town's governmental funds reported combined fund balances of \$14,018,350; an increase of \$1,246,754 from the prior year. Of this amount, unassigned fund balance of \$3,633,189 is available for spending at the government's discretion.
- ❖ The General Fund recorded an increase in fund balance of \$207,300 in 2017, compared to a decrease of \$(183,106) in 2016. Fund balance was \$5,190,710 and \$4,983,410 at December 31, 2017 and 2016, respectively.
- ❖ Resources available for appropriation in the General Fund, were \$419,608 more than budgeted. Actual expenditures, including encumbrances, and interfund transfers out, were \$721,631 less than budgeted, resulting in a favorable budget variance of \$1,141,239.

TOWN OF OWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 5 and 6) provide information about the Town as a whole and present a longer-term view of the Town's finances. Governmental Fund financial statements start on page 7. For Governmental Activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Governmental Fund financial statements also report the Town's operations in greater detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside the government. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements, the annual report contains budgetary comparison information, Schedule of Town's Contributions – NYSLRS Pension Plans, Schedule of Town's Proportionate Share of the Net Pension Liability, Schedule of Funding Progress, and other information in the form of combining statements for those funds that are not considered Major Funds and, therefore, are not presented individually in the basic financial statements.

Reporting the Town as a Whole

Our analysis of the Town as a whole begins on page 5, with the Government-wide statements. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer the question of whether the Town, as a whole, is better off or worse off, as a result of the year's activities. These statements include *all* assets and liabilities, and deferred outflows and inflows of resources, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. One can think of the Town's net position, the difference between assets and liabilities, as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's infrastructure, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, all of the Town's activities, which are governmental in nature, are reported in one column, including public safety, transportation, home and community services, culture and recreation, and general administration. Property and sales taxes, and state and federal grants finance most of these activities.

TOWN OF OWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Reporting the Town's Most Significant Funds

Governmental Fund Financial Statements

Analysis of the Town's Major Funds begins on page 7. The Governmental Fund financial statements provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants.

Governmental Funds: All of the Town's services are reported in the Governmental Funds, which focus on how money flows into and out of those funds, and the balances left at year end that are available for spending. These funds are reported using *modified accrual accounting*, which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund statements provide a detailed short-term view of the Town's general governmental operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between Governmental *Activities* (reported in the Government-wide statements) and Governmental *Funds* is explained in a reconciliation following the Governmental Fund financial statements.

The Town as Trustee: The Town is the trustee, or fiduciary, for other assets that are held on behalf of others. All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 11. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

THE TOWN AS A WHOLE

The Town's *combined* net position for fiscal year ended December 31, 2017 increased \$1,581,323 from \$23,955,618 to \$25,536,941. A portion of the Town's net position, \$17,525,250 or 68.63%, reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$2,739,370 or 10.73% represents resources subject to external restrictions on how they may be used, such as capital resources, and are reported as restricted net position. The remaining category of total net position, unrestricted; in the amount of \$5,272,321 or 20.64%, may be used to meet the government's ongoing obligations and services to creditors and citizens.

TOWN OF OWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Our analysis below focuses on the net position (Figure 1), and changes in net position (Figure 2), of the Town's Governmental Activities.

Figure 1 - Net Position

	Governmental Activities		Dollar Change	Percent Change
	2016	2017	2016-2017	2016-2017
Current assets	\$ 10,968,931	\$ 11,972,215	\$ 1,003,284	9.1%
Capital assets, net	24,175,226	24,706,536	531,310	2.2%
Other noncurrent assets	2,679,789	2,728,545	48,756	1.8%
Total Assets	37,823,946	39,407,296	1,583,350	4.2%
Pensions	1,225,644	641,542	(584,102)	(47.7%)
Total Deferred Outflows of Resources	1,225,644	641,542	(584,102)	(47.7%)
Current liabilities	1,402,104	1,194,578	(207,526)	(14.8%)
Noncurrent liabilities	13,553,047	13,208,372	(344,675)	(2.5%)
Total Liabilities	14,955,151	14,402,950	(552,201)	(3.7%)
Pensions	138,821	108,947	(29,874)	(21.5%)
Total Deferred Inflows of Resources	138,821	108,947	(29,874)	(21.5%)
Net investment in capital assets	16,494,113	17,525,250	1,031,137	6.3%
Restricted	2,690,329	2,739,370	49,041	1.8%
Unrestricted	4,771,176	5,272,321	501,145	10.5%
Total Net Position	\$ 23,955,618	\$ 25,536,941	\$ 1,581,323	6.6%

Current assets primarily increased due to increases in cash of \$767,167, as well as increases in amounts due from state and federal governments for expenditures incurred on NY Rising grant program, and amounts due for water rents. The long-term portion of restricted cash, which consists of reserve accounts, increased, as did funds reserved for various purposes. This was due to Board approved additions to reserves primarily through the approved 2017 budget. Capital assets increased because capital outlay exceeded depreciation expense for the current year.

Current liabilities increased due to recognition of \$173,972 of prior year unearned revenues resulting from an advance on federal and state funds which were expended through the Sewer Fund in the current year, as well as decreases in accounts payable. The decrease in non-current liabilities is due to debt principal payments and a decrease in the Town's proportionate share of the net pension liability partially offset by increases in the Town's other postemployment benefit obligation.

Decreases in deferred outflows and deferred inflows of resources are related to changes in the actuarially determined proportionate share of the pension systems plans net pension liability and related deferred outflows and inflows of resources.

Net investments in capital assets increased, based on an increase in net capital assets and decrease in related debt.

Net position of the Town's Governmental Activities increased by 6.6%. Unrestricted - the part of net position that can be used to finance day-to-day operations without constraints - increased from the prior year by 10.5%.

TOWN OF OWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Figure 2 demonstrates the operations of the Town's activities.

Figure 2 - Changes in Net Position

	Governmental Activities		Dollar Change 2016-2017	Percent Change 2016-2017
	2016	2017		
REVENUES				
Program Revenues:				
Charges for services	\$ 3,608,162	\$ 3,708,945	\$ 100,783	2.8%
Operating grants and contributions	856,993	294,411	(562,582)	(65.6%)
Capital grants	537,546	895,923	358,377	66.7%
General Revenues:				
Property taxes and tax items	3,541,949	3,534,798	(7,151)	(0.2%)
Sales and other taxes	1,853,044	1,991,767	138,723	7.5%
State sources	415,156	478,359	63,203	15.2%
Use of money and property	34,613	43,733	9,120	26.3%
Other	(65,749)	70,168	135,917	(206.7%)
Total Revenues	\$ 10,781,714	\$ 11,018,104	\$ 236,390	2.2%
PROGRAM EXPENSES				
General government	\$ 1,619,314	\$ 1,270,809	\$ (348,505)	(21.5%)
Public safety	138,492	151,800	13,308	9.6%
Public health	2,263	1,280	(983)	(43.4%)
Transportation	4,208,365	4,315,751	107,386	2.6%
Culture and recreation	494,571	448,704	(45,867)	(9.3%)
Home and community services	2,823,503	2,955,154	131,651	4.7%
Interest on long-term debt	317,241	293,283	(23,958)	(7.6%)
Total Expenses	\$ 9,603,749	\$ 9,436,781	\$ (166,968)	(1.7%)
CHANGE IN NET POSITION	\$ 1,177,965	\$ 1,581,323	\$ 403,358	34.2%

Governmental Activities

Revenues for the Town's activities increased \$236,390 or 2.2%. Charges for services increased as a result of increases in water and sewer rent revenues. Operating grants decreased as a result of decreases in federal and state emergency disaster funding which was used for buyouts of flood damaged properties in prior years. Capital grants increased due to increases in funding for highway projects in the current year, as well as a NY Rising grant for construction of a new shared services building. The Town's tax revenue remained consistent with the prior year as there was no significant tax increase in the current year levy. Sales tax increased due to additional sales tax allocations from the county. State sources increased due to an additional grant received in the current year. Other general revenues increased due to a significant loss recorded on sale of disposed assets in the prior year.

Total expenses decreased \$(166,968) or (1.7%). General governmental expenses decreased primarily as a result of uncapitalized expenses in the previous year. Transportation expenses increased due to additional uncapitalized road and snow removal expenses in the current year. Culture and recreation expenses decreased as a result of decreased expenditures relating to the parks in the current year. Home and community services increased due to additional costs associated with water and sewer funds in the current year.

TOWN OF OWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Figures 3 and 4 show the sources of revenue for 2017 and 2016.

Figure 3
Revenue by Source
2017

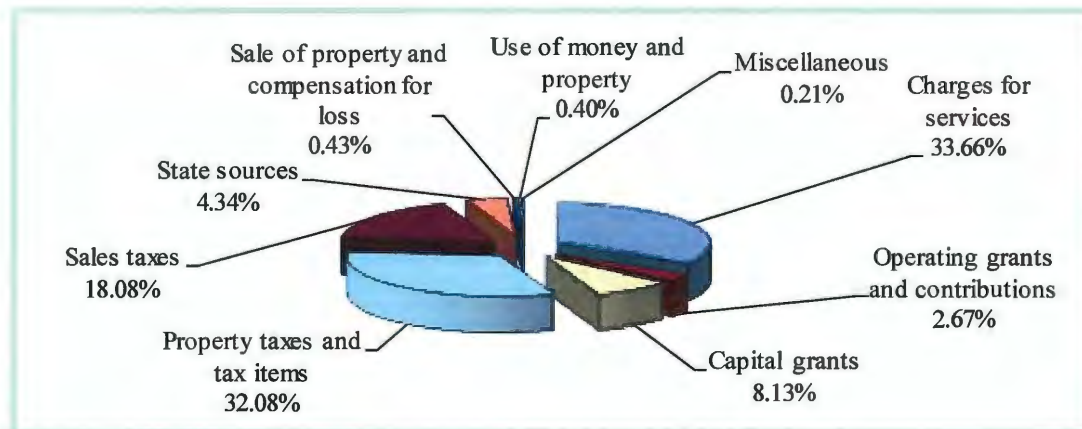
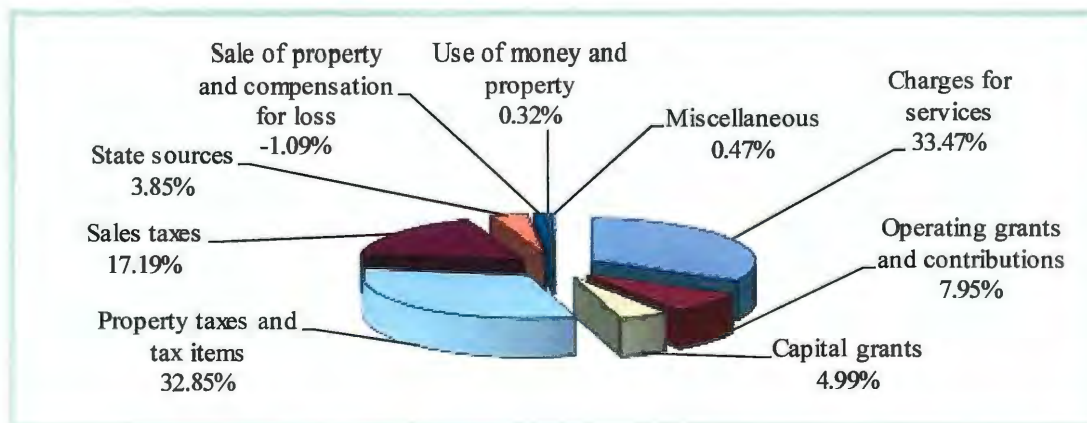


Figure 4
Revenue by Source
2016



The cost of all Governmental Activities this year was \$9,436,781. However, as shown in the Statement of Activities, the amount that was ultimately financed for these activities through Town property, payments in lieu of taxes and state sources was \$4,537,502, because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Overall, the Town's governmental program revenues, including fees for services and grants, were \$4,899,279. The Town paid for the remaining "public benefit" portion of Governmental Activities with \$6,118,825 in taxes and other revenues, such as interest and general revenues.

TOWN OF OWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

The total cost and revenue comparison of the Governmental Activities for each of the Town's largest programs follows. Note that the Town's home and community service activities, which provide water and sewer services, include debt service costs in their fee structures. Because the principal portion of debt service costs are not expenses of this function, the excess revenue generated by these activities is used to make debt principal and interest payments. The difference between the cost and revenue shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Figure 5
Program Cost and Revenue Comparison
Governmental Activities
2017

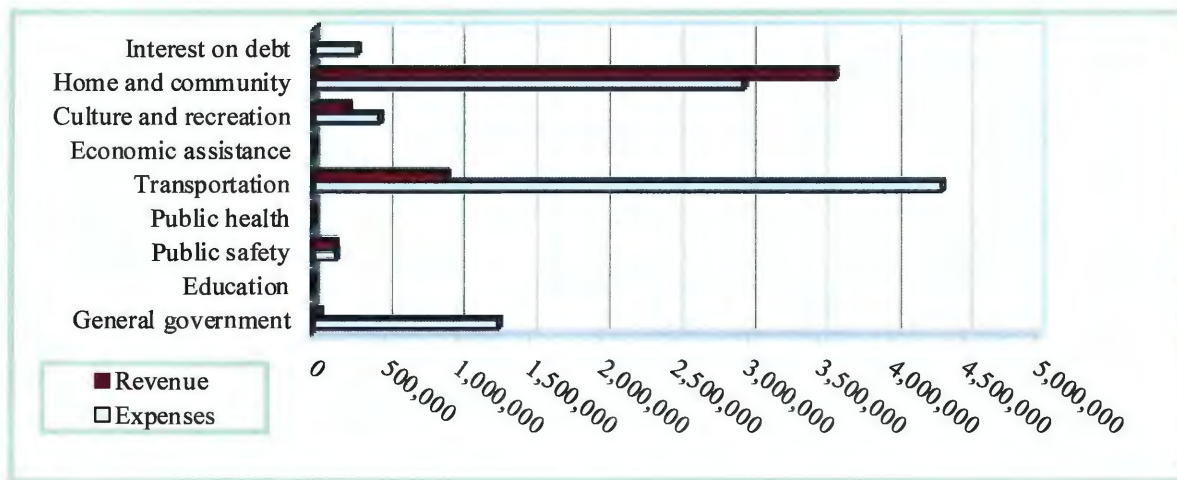
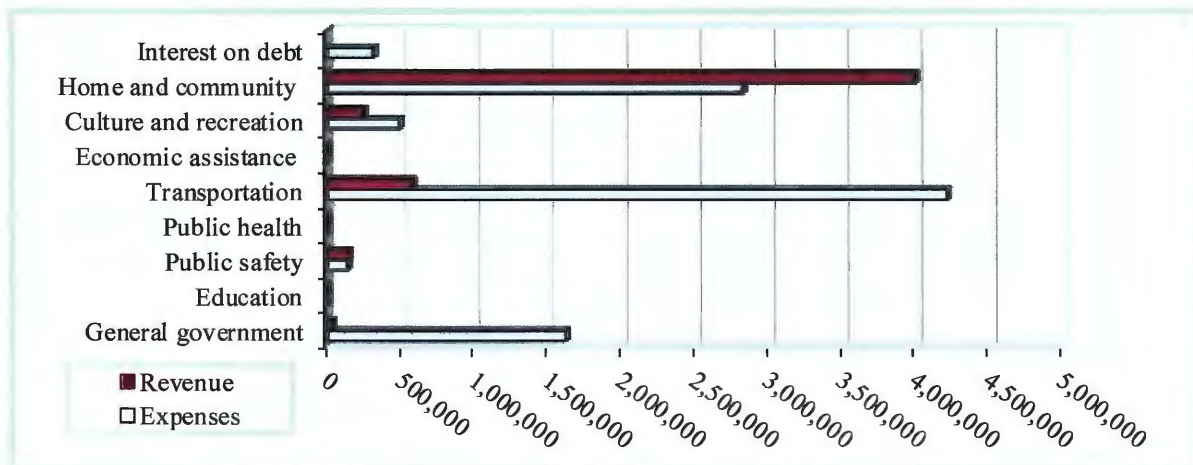


Figure 6
Program Cost and Revenue Comparison
Governmental Activities
2016



TOWN OF OWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

THE TOWN'S FUNDS

As the Town completed the year, its Governmental Funds, as presented in the balance sheets on pages 7-7a, reported a combined fund balance of \$14,018,350; which is greater than last year's total of \$12,771,596. The increase was primarily due to revenues in excess of expenditures in the general and special revenue funds. Figure 7 shows the changes in fund balances during the year for the Town's funds.

**Figure 7
Governmental Funds
Fund Balances at Year Ended**

	2016	2017	Dollar Change 2016-2017	Percent Change 2016-2017
Major Funds:				
General Fund	\$ 4,983,410	\$ 5,190,710	\$ 207,300	(4.2%)
Special Revenue Funds:				
Highway Fund	1,932,110	2,125,556	193,446	10.0%
Water Fund	2,156,892	2,698,305	541,413	25.1%
Sewer Fund	3,602,637	3,908,288	305,651	8.5%
Nonmajor Funds:				
Special Revenue Funds:				
Street Lighting Fund	86,007	84,666	(1,341)	(1.6%)
Miscellaneous Special Revenue Fund	10,540	10,825	285	2.7%
Totals	\$ 12,771,596	\$ 14,018,350	\$ 1,246,754	9.8%

General Fund Budgetary Highlights

Over the course of the year, the Town Board and management of the Town revised the Town budget several times. These budget amendments consisted of transfers between functions, encumbrances from the prior fiscal year and acceptance of grant awards.

Resources available for appropriation, were \$419,608 above the final budgeted amount. The most significant positive variances were the result of increased sales tax allocations to the Town from the county, as well as departmental income and fines and forfeitures which resulted from amounts collected in excess of budgeted amounts.

The actual charges to appropriations (expenditures), including interfund transfers of \$180,000 were below the final budgeted amounts by \$721,631. The most significant positive variations were the result of general governmental support, culture and recreation, and employee benefit expenses which were significantly less than budgeted amounts.

TOWN OF OWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2017, the Town had \$63,930,993 in cost invested in a broad range of capital assets, including buildings, machinery and equipment, roads and bridges, net of accumulated depreciation of \$(39,224,457). The net amount of \$24,706,536 represents a net increase of \$531,310 over the prior year.

Figure 8
Capital Assets Net of Accumulated Depreciation

	Governmental Activities		Dollar Change	Percent Change
	2016	2017	2016-2017	2016-2017
Land	\$ 1,128,203	\$ 1,194,951	\$ 66,748	5.9%
Construction-in-progress	1,340,430	1,137,723	(202,707)	(15.1%)
Buildings and improvements	1,479,023	1,399,641	(79,382)	(5.4%)
Machinery and equipment	3,176,866	2,904,561	(272,305)	(8.6%)
Infrastructure	17,050,704	18,069,660	1,018,956	6.0%
Totals	\$ 24,175,226	\$ 24,706,536	\$ 531,310	2.2%

Capital asset activity for the year ended December, 2017 included the following:

Construction in progress	\$ 656,967
Land	66,748
Infrastructure	1,491,535
Equipment	210,198
Total additions	2,425,448
Less net book value of disposed equipment	(20,178)
Less depreciation expense	(1,873,960)
Net Increase	\$ 531,310

Debt Administration

Debt (bonds, BANs, and installment purchase debt), considered a liability of Governmental Activities, decreased by \$(499,827), bringing total debt to \$7,181,286 as of December 31, 2017, as shown in Figure 9. Of the amount of debt outstanding, \$3,992,286 is subject to the constitutional debt limit and represented 6.86% of the Town's statutory debt limit.

Figure 9
Major Outstanding Debt at Year Ending

	Governmental Activities		Dollar Change	Percent Change
	2016	2017	2016-2017	2016-2017
Serial bonds	\$ 7,225,000	\$ 6,874,000	\$ (351,000)	(4.9%)
Installment purchase debt	456,113	307,286	(148,827)	(32.6%)
Totals	\$ 7,681,113	\$ 7,181,286	\$ (499,827)	(6.5%)

TOWN OF OWEGO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following is a summary of currently known facts, decisions, or conditions that are expected to have a significant effect on the Town's financial position.

- ❖ Pension, Workers' Compensation, Health Care, and Fuel Costs: Increased contributions to the New York State Pension System will stabilize for 2019, along with reasonable increases in workers' compensation costs and health care costs for our employees and retirees. It is still anticipated these costs will continue to put a strain on the Town's budget for the foreseeable future. With the economy improving, the volatility of the cost of fuel, blacktop, and other petroleum products and increased costs of all construction materials and equipment will also add strain to the Town's budget and the number of projects that can be completed.
- ❖ The volatility of sales tax and mortgage tax revenue continues to challenge the budget process in an unpredictable economy. However, with the economy beginning to rise we expect both sales and mortgage tax revenues to be well within the 2018 adopted budget.
- ❖ The Town is looking into various mitigation measures to prevent devastating effects from flooding. At the present time, the Town has been awarded a grant from NY Rising Communities. The grant will cover \$3 million toward the construction of a highway garage, parks department and utilities offices. This is no longer a shared service facility, as the Village of Owego has decided to remove themselves from the project. This facility will relocate 3 town departments out of the flood plain. The Town's responsibility for the new structure will be approximately \$8 million. This project is ready to go out to bid and construction is expected to begin in 2019.
- ❖ The Town's large FEMA projects are progressing. There is currently 1 project not yet complete. The Town is will be going out to bid in October 2018 on that project at Waste Water Treatment Plant #2. The Town is also working with FEMA on using funds from two other PW's for mitigation work.
- ❖ The Town has applied for 25% funding through the WAI Grant Program. This project, Davis House Sanitary Sewer Overflow Mitigation and is estimated at \$800,000. The Town has applied for 50% funding through the Consolidated Funding Application. This Project is for a new salt shed which is estimated at approximately \$1 million dollars. The Town has applied for 60% funding through WAI Grant. This is for two projects, the State Route 434-water main replacement project in Apalachin and Water District #3 well replacement in Crestview Heights at a estimated cost of \$1.4 million dollars.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about the report or need any additional financial information, contact Donald Castellucci, Jr., Town of Owego Supervisor, 2354 State Route 434, Apalachin, New York 13732.

TOWN OF OWEGO

STATEMENT OF NET POSITION DECEMBER 31, 2017

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents - Unrestricted	\$ 10,577,854
Cash and cash equivalents - Restricted	10,825
Due from state and federal governments	134,986
Due from other governments	198,924
Other receivables, net	972,210
Prepaid expenses	77,416
Total Current Assets	11,972,215
Noncurrent Assets	
Restricted cash and cash equivalents	2,728,545
Capital assets, nondepreciable	2,332,674
Capital assets, depreciable, net of accumulated depreciation	22,373,862
Total Noncurrent Assets	27,435,081
Total Assets	39,407,296
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	641,542
Total Deferred Outflows of Resources	641,542
LIABILITIES	
Current Liabilities	
Accounts payable	50,755
Accrued liabilities	54,767
Due to other governments	145
Interest payable	27,153
Unearned revenues	567,763
Overpayments	8,980
Current portion of long-term obligations:	
Bonds payable	333,000
Installment purchase debt	152,015
Total Current liabilities	1,194,578
Noncurrent Liabilities	
Bonds payable	6,541,000
Installment purchase debt	155,271
Other postemployment benefits liability	5,860,596
Net pension liability - Proportionate share	629,030
Compensated absences	22,475
Total Noncurrent Liabilities	13,208,372
Total Liabilities	14,402,950
DEFERRED INFLOWS OF RESOURCES	
Pensions	108,947
Total Deferred Inflows of Resources	108,947
NET POSITION	
Net investment in capital assets	17,525,250
Restricted for debt service	990,915
Restricted for repairs and replacements	1,682,002
Restricted for insurance	55,628
Restricted for culture and recreation	10,825
Unrestricted	5,272,321
Total Net Position	\$ 25,536,941

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF OWEGO

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for	Operating	
	Expenses	Services	Grants and Contributions	Total Government
			Grants and Contributions	
FUNCTIONS/PROGRAMS				
Governmental Activities				
General governmental support	\$ 1,270,809	\$ 34,895	\$	\$ (1,235,914)
Public safety	151,800	140,346		(11,454)
Public health	1,280			(1,280)
Transportation	4,315,751	1,998	12,532	(3,405,298)
Culture and recreation	448,704	224,545	8,455	(215,704)
Home and community services	2,955,154	3,307,161	273,424	625,431
Interest on debt	293,283			(293,283)
Total Functions and Programs	\$ 9,436,781	\$ 3,708,945	\$ 294,411	\$ 895,923 (4,537,502)
GENERAL REVENUES				
Real property taxes				3,014,660
Real property tax items				520,138
Nonproperty tax items				1,991,767
State sources				478,359
Use of money and property				43,733
Miscellaneous local sources				22,578
Sale of property and compensation for loss				47,590
Total General Revenues				6,118,825
Change in Net Position				1,581,323
Net Position - Beginning of Year				23,955,618
Net Position - End of Year				\$ 25,536,941

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF OWEGO

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2017

	Major Funds	
	General Fund	Capital Projects Fund
ASSETS		
Assets		
Cash and cash equivalents - Unrestricted	\$ 4,500,539	\$
Cash and cash equivalents - Restricted	279,164	
Due from other funds	154,986	
Due from state and federal governments		134,986
Due from other governments	198,924	
Other receivables, net	67,945	
Prepaid expenses	33,229	
Total Assets	\$ 5,234,787	\$ 134,986
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 4,410	\$
Accrued liabilities	19,522	
Due to other funds	20,000	134,986
Due to other governments	145	
Overpayments		
Unearned revenues	.	
Total Liabilities	44,077	134,986
Fund Balances		
Nonspendable	33,229	
Restricted	279,164	
Assigned	1,245,128	
Unassigned	3,633,189	
Total Fund Balances	5,190,710	-
Total Liabilities and Fund Balances	\$ 5,234,787	\$ 134,986

See Independent Auditor's Report and Notes to Financial Statements

Major Funds			Total Non-Major Governmental Funds	Total Governmental Funds
Special Revenue Funds				
Highway Fund	Water Fund	Sewer Fund		
\$ 1,870,361	\$ 1,291,678	\$ 2,830,610	\$ 84,666	\$ 10,577,854
285,770	1,033,164	1,130,447	10,825	2,739,370
				154,986
				134,986
				198,924
	380,628	523,637		972,210
27,031	7,136	10,020		77,416
\$ 2,183,162	\$ 2,712,606	\$ 4,494,714	\$ 95,491	\$ 14,855,746
\$ 34,141	\$	\$ 12,204	\$	\$ 50,755
23,465	5,426	6,354		54,767
				154,986
				145
	8,875	105		8,980
		567,763		567,763
57,606	14,301	586,426	-	837,396
27,031	7,136	10,020		77,416
285,770	1,033,164	1,130,447	10,825	2,739,370
1,812,755	1,658,005	2,767,821	84,666	7,568,375
				3,633,189
2,125,556	2,698,305	3,908,288	95,491	14,018,350
\$ 2,183,162	\$ 2,712,606	\$ 4,494,714	\$ 95,491	\$ 14,855,746

TOWN OF OWEGO

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2017

Total Governmental Fund Balances **\$ 14,018,350**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Capital assets at historical cost	\$ 63,930,993	
Less accumulated depreciation	<u>(39,224,457)</u>	24,706,536

The Town's proportion of the collective net pension liability is not reported in the funds.

ERS net pension liability - Proportionate share	(629,030)
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Deferred outflows of resources represents a consumption of net position that applies to future periods and, therefore, is not reported in the Governmental Funds. Deferred inflows of resources represents an acquisition of net position that applies to future periods and, therefore, is not reported in the Governmental Funds.

ERS deferred inflows - Pension	\$ (108,947)	
ERS deferred outflows - Pension	<u>641,542</u>	532,595

Certain accrued expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the Governmental Funds.

Accrued interest payable	\$ (27,153)	
Other postemployment benefits liability	(5,860,596)	
Compensated absences	(22,475)	
Bonds payable	(6,874,000)	
Installment purchase debt	<u>(307,286)</u>	<u>(13,091,510)</u>

Net Position of Governmental Activities **\$ 25,536,941**

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF OWEGO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

	Major Funds	
	General Fund	Capital Projects Fund
REVENUES		
Real property taxes	\$ 885,900	\$
Real property tax items	434,487	
Nonproperty tax items	466,767	
Departmental income	245,613	
Intergovernmental charges		
Use of money and property	31,331	
Licenses and permits	20,803	
Fines and forfeitures	140,316	
Sale of property and compensation for loss	1,204	
Miscellaneous local sources	13,737	
State sources	419,373	296,528
Federal sources		
Total Revenues	2,659,531	296,528
EXPENDITURES		
Current		
General governmental support	912,810	
Public safety	91,707	
Public health	1,280	
Transportation	164,214	
Culture and recreation	280,687	
Home and community services	164,285	
Employee benefits	641,543	
Debt service		
Principal	15,000	
Interest	705	
Capital outlay		296,528
Total Expenditures	2,272,231	296,528
Excess of Revenue (Expenditures)	387,300	-
OTHER FINANCING SOURCES (USES)		
Interfund transfers in		
Interfund transfers (out)	(180,000)	
Total Other Financing (Uses) Sources	(180,000)	-
Excess of Revenues and Other Financing Sources over (Expenditures) and Other (Uses)	207,300	-
Fund Balances, Beginning of Year	4,983,410	-
Fund Balances, End of Year	\$ 5,190,710	\$ -

See Independent Auditor's Report and Notes to Financial Statements

Major Funds			Total Non-Major Governmental Funds	Total Governmental Funds
Special Revenue Funds				
Highway Fund	Water Fund	Sewer Fund		
\$ 2,071,099	\$	\$	\$ 57,661	\$ 3,014,660
	60,599	25,052		520,138
1,525,000				1,991,767
	1,423,848	1,867,759		3,537,220
1,000				1,000
4,885	4,495	7,415	102	48,228
900		3,150		24,853
				140,316
51,361	2,349	14,668		69,582
	2,310		5,778	21,825
602,528		43,493		1,361,922
9,399		229,931		239,330
4,266,172	1,493,601	2,191,468	63,541	10,970,841
13,310	7,297	7,518		940,935
				91,707
				1,280
3,557,439			59,097	3,780,750
			5,500	286,187
	592,566	1,349,176		2,106,027
523,381	116,502	215,578		1,497,004
148,827	111,000	225,000		499,827
9,769	124,823	88,545		223,842
				296,528
4,252,726	952,188	1,885,817	64,597	9,724,087
13,446	541,413	305,651	(1,056)	1,246,754
180,000				180,000
				(180,000)
180,000	-	-	-	-
193,446	541,413	305,651	(1,056)	1,246,754
1,932,110	2,156,892	3,602,637	96,547	12,771,596
\$ 2,125,556	\$ 2,698,305	\$ 3,908,288	\$ 95,491	\$ 14,018,350

TOWN OF OWEGO

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balances - Total Governmental Funds **\$ 1,246,754**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 2,425,448	
Net book value of disposed assets	(20,178)	
Depreciation expense	<u>(1,873,960)</u>	531,310

Debt related proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal payments on bonds	\$ 351,000	
Principal payments on installment purchase debt	<u>148,827</u>	499,827

Changes in the Town's proportionate share of net pension liability have no effect on current financial resources, and therefore, is not reported in the Governmental Funds. In addition, changes in the Town's deferred outflows and deferred inflows of resources related to pensions do not affect current financial resources and are, also, not reported in the Governmental Funds.

Deferred outflows - Pensions	\$ (584,102)	
Net pension liability - Proportionate share	487,862	
Deferred inflows - Pensions	<u>29,874</u>	(66,366)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds. This is the change in the following:

Interest payable	\$ (2,000)	
Other postemployment benefits liability	(628,986)	
Compensated absences	<u>784</u>	<u>(630,202)</u>

Change in Net Position of Governmental Activities **\$ 1,581,323**

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF OWEGO

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUND DECEMBER 31, 2017

	Agency Funds
ASSETS	
Cash and cash equivalents - Unrestricted	\$ <u>141,126</u>
Total Assets	\$ <u>141,126</u>
LIABILITIES	
Agency liabilities	\$ <u>141,126</u>
Total Liabilities	\$ <u>141,126</u>

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 Summary of Significant Accounting Policies

The basic financial statements of the Town of Owego (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

Financial Reporting Entity

The Town, which was established in 1791, is governed by Town Law, other general municipal laws of the State of New York, and various local laws. The Town Board is the legislative body responsible for overall operations, the Town Supervisor serves as chief executive officer and as chief fiscal officer.

The following basic services are provided: highways and streets, water and sewer services, sanitation, health, culture and recreation, public improvements, planning and zoning, and general administration.

Street lighting is provided by the Town in 11 separate areas of the Town called lighting districts. It is funded by means of a tax on the real property situated within each district.

There are three Fire Protection Districts in areas of the Town (Owego, Apalachin, and Newark Valley), which are excluded from the Town's reporting entity. Fire protection within these Districts is the responsibility of the respective Fire Protection District. These Fire Protection Districts submit the amount needed for the year to Tioga County and the fees are added to the tax bills. The Town collects the money, places it in the Agency Fund, and pays the Fire Protection Districts. Amounts for 2017 are:

Owego	\$ 1,368,244
Apalachin	977,519
Newark Valley	37,782

All Governmental Activities and functions performed for the Town are its direct responsibility. The basic financial statements include all funds of the primary government, which is the Town, organizations for which the primary government is financially accountable, and other organizational entities determined to be included in the Town's reporting entity in accordance with GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus."

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, as amended by GASB Statement Nos. 39 and 61:

- The primary government, which is the Town of Owego.
- Organizations for which the primary government is financially accountable, and;
- 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 basic financial statements to be misleading or incomplete.

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Basic Financial Statements

The Town's basic financial statements include both Government-wide (reporting the Town as a whole) and Governmental Fund financial statements (reporting the Town's Major Funds). The Government-wide and Governmental Fund financial statements categorize primary activities as governmental. The Town's general governmental support, public safety, transportation, culture and recreation, and home and community services are classified as Governmental Activities.

Government-wide Financial Statements

The Government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of activities for the primary government (Governmental). Government-wide financial statements do not include the activities reported in the Fiduciary Funds. The focus of the Government-wide financial statements addresses the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

In the Government-wide Statement of Net Position, the Governmental Activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts - net investment in capital assets, restricted, and unrestricted. The Town first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reports both the gross and net cost for each of the Town's functions or programs. Gross expenses are direct expenses, including depreciation, that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. These expenses are offset by program revenues - charges paid by the recipients of the goods or services offered by the programs, grants, and contributions - that are restricted to meeting the program or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The net cost represents the extent to which each function or program is self-financing or draws from the general revenues of the Town.

Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

Governmental Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the Governmental Fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

The Town records its transactions in the funds described below:

Governmental Funds

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 on determination of financial position and changes in financial position under the modified accrual basis of accounting. The following are the Town's Governmental Funds:

Major Funds

- General Fund - Principal operating fund which includes all operations not required to be recorded in other funds.
- Capital Projects Fund - Accounts for financial resources to be used for the acquisition, construction, or renovation of major capital facilities.
- Special Revenue Funds - Used to account for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. The following three funds are major special revenue funds:
 - Highway Funds - Town-wide and Part-town Funds were established pursuant to Highway Law, Section 141, to account for revenues and expenditures for highway purposes. Highway Law, Section 277 requires expenditures for repairs and improvements be financed by the area outside the village. Therefore, a town with a village must maintain two Highway Funds. Currently, the Town-wide Fund is inactive.
 - Sewer Fund - Accounts for revenues derived from charges for sewer usage and the application of such revenues toward related operating expenses and debt retirement.
 - Water Fund - Accounts for revenues derived from charges for water consumption and the application of such revenues toward related operating expenses and debt retirement.

Non-Major Funds

- Special Revenue Funds - Used to account for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. The following funds are non-major special revenue funds:
 - Special District Fund - Street Lighting Fund - Used to record transactions for operation and maintenance of the Town's lighting districts.
 - Miscellaneous Special Revenue Fund - Used to record revenues and expenditures relating to a culture and recreation program.

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Fiduciary Fund Types

Fiduciary Fund types are used to account for assets held by the local government in a trustee or custodial capacity. The following is the Town's Fiduciary Fund:

- Agency Fund - Accounts for money and/or property received and held in the capacity of trustee, custodian, or agent.

Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

Accrual Basis

The Government-wide financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets and liabilities, including capital assets, as well as infrastructure assets, long-term liabilities, and deferred inflows are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual Basis

The Governmental Fund financial statements are prepared using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges. The Town considers property tax receivables collected within 60 days after year end to be available and recognizes them as revenues of the current year. All other revenues deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when the asset is received. Exceptions to this general rule are 1) principal and interest on indebtedness are not recognized as an expenditure until due, and 2) compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Revenues

Substantially all Governmental Fund revenues are accrued. Property tax receivables expected to be received later than 60 days after year end are reported as a deferred inflow of resources.

Property Taxes

Town real property taxes are levied annually on January 1, and become a lien on that date. Taxes are collected during the period January 1, to January 31, at face value and from February 1, to April 30, with interest added. The Town Receiver of taxes collects all real estate taxes for Town and County purposes. The Town Receiver distributes the collected tax money to the Town Supervisor prior to distributing the balance collected to the County on May 1. The Town thereby is assured of 100% tax collection. Responsibility for the collection of unpaid taxes rests with the County. Uncollected tax liens are sold annually by the County.

Sales Tax Revenue

A 4.00% sales tax is levied in the County of Tioga, New York, under the general authority of Article 29 of the Tax Law. This tax is administered and collected by the State Tax Commission in the same manner as that relating to the state imposed 4% sales tax. Of the first 3% collected, the County retained 50% of 2017 total collections and the remaining 50% was divided among the Towns, and Villages, on the basis of population. The Town's share is divided and allocated between incorporated villages (located wholly or partially within the Town) and the area of the Town outside said villages, on the basis of population. In 2017, sales taxes apportioned to the Town aggregated \$1,781,881; of which \$198,924 remained receivable at December 31, 2017.

Aid and Incentives for Municipalities (AIM) Program

The AIM program provides direct, unrestricted aid to cities, towns, and villages throughout the state. The state will pay the Town throughout the year, normally in September. For the year ended December 31, 2017 the Town received AIM funding of \$145,531.

State Grants

The Town receives grants from the state and recognizes receivables and revenue when the applicable eligibility requirements including time requirements are met. State grants are normally paid on a reimbursement basis for which the Town has to first incur allowable costs under the applicable program to be reimbursed by the state. Grant monies received in advance of meeting eligibility requirements are recorded as unearned revenue by the Town until such eligibility requirements are met.

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 Summary of Significant Accounting Policies - Continued

Federal Sources

The Town receives grants from the federal government, either through direct reimbursement or as a pass-through entity (such as the state) and recognizes receivables and revenue when the applicable eligibility requirements including time requirements are met. Federal grants are normally paid on a reimbursement basis for which the Town has to first incur allowable costs under the applicable program to be reimbursed through the grant. Grant monies received in advance of meeting the eligibility requirements are recorded as unearned revenue by the Town until such eligibility requirements are met. Federal grants are subject to single audit act requirements and to audit by the appropriate federal agency for compliance with grant requirements.

Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments having maturities of three months or less are considered cash equivalents.

Investments

Investments are stated at fair value.

Receivables

Amounts due from state and federal governments represent amounts owed to the Town to reimburse it for expenditures incurred pursuant to state and federal programs. Other receivables represent amounts owed to the Town, which include sewer rents, water rents, and assessments. No provision has been made for uncollectible accounts for amounts due from the state and federal governments and other receivables, as it is believed such amounts would be immaterial.

Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlay which significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Governmental capital assets purchased or acquired with an original cost of at least \$5,000 and having a useful life of greater than one year are capitalized. The estimated useful lives for governmental capital assets are as follows:

	Life	Threshold
Land and land improvements	20 years	\$ 20,000
Buildings	30-40 years	20,000
Infrastructure	10-40 years	10,000
Machinery and equipment	8-15 years	5,000

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Prepaid Expenses

Prepaid expenses represent payments made by the Town for which benefits extend beyond year-end. The prepaid expenses for the year ended December 31, 2017 represent both payments to vendors, and to the New York State Retirement system to reflect costs applicable to future accounting periods. Prepaid expense is reported as an asset on the statement of net position and balance sheet using the consumption method.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows related to pensions in the Statements of Net Position. The types of deferred outflows related to pensions are described in Note 6.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows for unavailable resources and those related to pensions which are further described in Note 6.

Insurance and Risk Management

The Town maintains insurance coverage for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. No settlements exceeded insurance coverage in any of the past three years.

Vacation, Sick Leave, and Compensatory Absences

The Town's policy is to allow employees to carryover one week of vacation benefits, which must be taken in the subsequent year. Sick day accumulation may not exceed 200 days for each employee with no vesting benefits; all days accumulated are lost upon termination.

Vested accumulated vacation pay is recorded in the Statement of Net Position as a non-current liability inasmuch as it will be funded from future resources or budgets. Payment of vacation leave recorded in the Statement of Net Position is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes sufficient resources will be made available for the payments of vacation benefits when such payment becomes due.

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Other Postemployment Benefits

In addition to providing pension benefits, the Town provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Town's employees may become eligible for these benefits if they reach normal retirement age while working for the Town. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Town pays a portion of the cost of benefits and recognizes the cost by recording the insurance premiums as an expenditure in the year paid. See Note 7 for more information on the Town's other post-employment benefits liability.

Equity Classifications - Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

Equity Classifications - Governmental Fund Financial Statements

The Town reports its fund balance in accordance with Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 54 classifies fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowment principal.

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 Summary of Significant Accounting Policies - Continued

Equity Classifications - Governmental Fund Financial Statements – Continued

- **Restricted** - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the Town's legally adopted reserves are reported here.
- **Committed** - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- **Assigned** - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- **Unassigned** - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

The Board of the Town has not adopted any resolutions to commit or assign fund balance. Currently, fund balances are assigned by the Town Supervisor for encumbrances and the Board, by resolution, approves fund balance appropriations for next year's budget. The Town applies expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance. The Town's fund balance policy establishes minimum fund balances of \$2,500,000 for the General Fund, and \$500,000 for the Highway Fund.

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the Town's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Use of Estimates

The presentation of financial statements in conformity with the prescribed basis of accounting as applied to governmental units requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Standards

The Town adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) effective for the year ended December 31, 2017:

- GASB has issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68," effective for the year ended December 31, 2017.
- GASB has issued Statement No. 80, "Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14," effective for the year ended December 31, 2017.
- GASB has issued Statement No. 81, "Irrevocable Split-Interest Agreements," effective for the year ended December 31, 2017.

Future Changes in Accounting Standards

- GASB has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ending December 31, 2018. This statement replaces the requirements of Statements 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 Postemployment Benefit Plans Other than Pension Plans," establishes new accounting and financial reporting requirements for OPEB plans, effective for the year ending December 31, 2018.
- GASB has issued Statement No. 82, "Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73," effective for the year ending December 31, 2018, 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.
- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ending December 31, 2019.

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Future Changes in Accounting Standards

- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending December 31, 2019.
- GASB has issued Statement No. 85, "Omnibus 2017," effective for the year ending December 31, 2018.
- GASB has issued Statement No. 86, "Certain Debt Extinguishment Issues," effective for the year ending December 31, 2018.
- GASB has issued Statement No. 87, "Leases," effective for the year ending December 31, 2020.
- GASB has issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements," effective for the year ending December 31, 2019.

The Town will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

***Note 2* Cash and Investments**

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

Collateral is required for demand and time deposits and certificates of deposit at 105% of all deposits not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal government. Underlying securities must have a market value of at least 110% of the cost of the repurchase agreement.

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 2* Cash and Investments - Continued**

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. While the Town does not have a specific policy for custodial credit risk, New York State statutes govern the Town's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name.

At December 31, 2017, the Town's aggregate bank balances of \$13,569,035 are either insured or collateralized with securities held by the pledging financial institution in the Town's name.

***Note 3* Restricted Cash**

Total restricted cash of \$2,739,370 is comprised of \$1,686,009 reserved for repairs and replacements, \$990,914 for future debt service, \$10,825 for cultural and recreation purposes, and \$51,622 for self-insurance.

***Note 4* Other Receivables**

Other receivables at December 31, 2017, consists of:

	Description	Amount
General Fund	Franchise Fees	\$ 53,666
	Town Courts	10,641
	Other Clerk Fees	<u>3,638</u>
Total General Fund		<u>67,945</u>
Water Fund	Water Rents	380,628
Sewer Fund	Sewer Rents	<u>523,637</u>
Total		\$ <u>972,210</u>

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 5 Capital Assets

A summary of changes in capital assets at December 31, 2017, is as follows.

Governmental Activities	Balance at 12/31/2016	Additions	Disposals/Re- classifications	Balance at 12/31/2017
Non-depreciable Capital Assets:				
Land	\$ 1,128,203	\$ 66,748	\$	\$ 1,194,951
Construction in process	1,340,430	656,967	(859,674)	1,137,723
Total Non-depreciable Capital Assets	<u>2,468,633</u>	<u>723,715</u>	<u>(859,674)</u>	<u>2,332,674</u>
Depreciable Capital Assets:				
Buildings	5,326,894		-	5,326,894
Machinery and equipment	6,833,303	210,198	(192,050)	6,851,451
Infrastructure	47,068,765	1,491,535	859,674	49,419,974
Total Depreciable Capital Assets	<u>59,228,962</u>	<u>1,701,733</u>	<u>667,624</u>	<u>61,598,319</u>
Total Historical Cost	<u>61,697,595</u>	<u>2,425,448</u>	<u>(192,050)</u>	<u>63,930,993</u>
Less Accumulated Depreciation:				
Buildings	(3,847,871)	(79,382)		(3,927,253)
Machinery and equipment	(3,656,437)	(462,325)	171,872	(3,946,890)
Infrastructure	<u>(30,018,061)</u>	<u>(1,332,253)</u>		<u>(31,350,314)</u>
Total Accumulated Depreciation	<u>(37,522,369)</u>	<u>(1,873,960)</u>	<u>171,872</u>	<u>(39,224,457)</u>
Governmental Activities Capital Assets, Net	\$ 24,175,226	\$ 551,488	\$ (20,178)	\$ 24,706,536

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government support	\$ 26,009
Public safety	2,167
Transportation	1,196,959
Culture and recreation	42,830
Home and community services	605,995
Total	\$ 1,873,960

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS)

Plan Descriptions and Benefits Provided

Employees' Retirement System (ERS)

The Town participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits.

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

Employees' Retirement System (ERS) - Continued

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. 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. 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, 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, New York 12244.

The System is noncontributory except for employees who joined 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 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Summary of Significant Accounting Policies

The System's financial statements from which the System's fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the System's annual reports.

Contributions

Contributions for the current year and two preceding plan years were equal to 100% of the contributions required, and were as follows:

	2017	2016	2015
ERS	\$ 302,652	\$ 339,215	\$ 360,518

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

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

At December 31, 2017, the Town reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Town's proportionate share of the net pension liability was based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was derived from a report provided to the Town by the ERS System.

	<u>ERS</u>
Actuarial valuation date	4/1/2016
Net pension liability	\$ 9,396,223,126
Town's proportionate share of the Plan's total net pension liability	629,030
Town's share of the Plan's total net pension liability	0.0066945%

For the year ended December 31, 2017, the Town recognized pension expense of \$372,519 for ERS in the financial statements. At December 31, 2017 the Town reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	<u>ERS</u>
Deferred Outflows of Resources	
Differences between expected and actual experience	\$ 15,763
Changes of assumptions	214,900
Net differences between projected and actual earnings on pension plan investments	125,643
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	54,749
Town's contributions subsequent to the measurement date	<u>230,487</u>
Total	\$ <u>641,542</u>

Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 95,522
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	<u>13,425</u>
Total	\$ <u>108,947</u>

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

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

Town contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. 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	ERS
2018	\$ 131,259
2019	131,259
2020	118,553
2021	(78,963)
2022	-
Thereafter	-

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS
Measurement date	March 31, 2017
Actuarial valuation date	April 1, 2016
Investment rate of return	7.0%
Salary increases	3.8%
Cost of living	1.3%
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System 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.

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

Actuarial Assumptions - Continued

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

Measurement date	<u>NYSLRS</u> March 31, 2017
Asset Type:	
Domestic equities	4.55%
International equities	6.35%
Real estate	5.80%
Private equity/Alternative investments	7.75%
Absolute return strategies	4.00%
Opportunistic portfolio	5.89%
Real assets	5.54%
Cash	-0.25%
Inflation-indexed bonds	1.50%
Mortgages and bonds	1.31%

Discount Rate

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

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

Discount Rate - Continued

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

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability	\$ 2,008,999	\$ 629,030	\$ (537,730)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective valuation dates were as follows:

	<u>Dollars in Thousands</u>
	<u>ERS</u>
Valuation date	March 31, 2017
Employers' total pension liability	\$ 177,400,586
Plan net position	(168,004,363)
Employers' net pension liability	\$ 9,396,223
Ratio of Plan Net Position to the Employers' Total Pension Liability	94.7%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of December 31, 2017 represent the projected employer contribution for the period of April 1, 2017 through December 31, 2017 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. There were no accrued retirement contributions as of December 31, 2017.

Effect on Net Position

Changes in the net pension liability and deferred outflows and inflows of resources for the year ended December 31, 2017 resulted in the following effect on net position:

ERS:	Beginning Balance	Change	Ending Balance
Net pension liability	\$ (1,116,892)	\$ 487,862	\$ (629,030)
Deferred outflows of resources	1,225,644	(584,102)	641,542
Deferred inflows of resources	(138,821)	29,874	(108,947)
Total	\$ (30,069)	\$ (66,366)	\$ (96,435)

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 7 Other Postemployment Benefits

The Town is in compliance with GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." In the past, the Town reported the cost of retiree health care on a "pay-as-you-go" basis.

For financial reporting purposes, a full actuarial valuation should be performed triennially for plans with a total membership fewer than 200. The most recent full actuarial valuation was performed as of January 1, 2017 for the year ended December 31, 2017.

The Town of Owego Healthcare Plan (the Plan) is a single-employer defined benefit Healthcare Plan administered by the Town of Owego. The Plan provides medical, dental, and life insurance benefits to eligible retirees and their spouses. The Town of Owego assigns the authority to establish and amend benefit provisions to the Town Board. The Plan does not issue a stand-alone financial report.

The contribution requirements of Plan members and the Town are established and may be amended by the Town Board. The Town Board has negotiated several collective bargaining agreements, which include obligations of Plan members and the Town. The required contribution is based on projected pay-as-you-go financing requirements. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit. The expected employer contribution of \$367,053 represents an actuarially determined estimate of premiums and claims paid on behalf of 33 retirees.

The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 22 years.

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 to the Town of Owego Healthcare Plan:

Normal cost	\$	444,031
Amortization of UAAL		703,546
Total Annual Required Contribution		<u>1,147,577</u>
Interest on net OPEB obligation		179,967
Adjustment to annual required contribution		<u>(331,505)</u>
Annual OPEB Cost (Expense)		996,039
Estimated contributions made on behalf of retirees		<u>(367,053)</u>
Decrease in Net OPEB Obligation		628,986
Net OPEB Obligation - January 1, 2017		<u>5,231,610</u>
Net OPEB Obligation - December 31, 2017	\$	<u><u>5,860,596</u></u>

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 7 Other Postemployment Benefits - Continued

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 is as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Cost Contributed		Net OPEB Obligation
12/31/2017	\$	996,039	36.9%	\$	5,860,596
12/31/2016		806,321	31.0%		5,231,610
12/31/2015		768,847	32.5%		4,675,283

As of December 31, 2017, the actuarial accrued liability for benefits was \$10,733,706; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$2,150,272 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 499%.

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2017 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 3.4% investment rate of return, which is a rate of the expected long-term investment rate of return on the employer's own investments calculated based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of 5.5% initially, reduced to an ultimate rate of 3.8% after 2077. This rate includes a 2.9% rate of inflation, 1.7% payroll growth assumption, and a 1.2% trend rate. The actuarial value of assets was determined by using techniques that spread the effects of short-term volatility percentage in the market value of investments over a 30-year period.

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 8* Short-term Debt - Bond Anticipation Notes**

Revenue Anticipation Notes (RANs)

The Town may issue Revenue Anticipation Notes (RANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The Town did not issue any RANs for the year ended December 31, 2017.

Bond Anticipation Notes (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. Such notes may be classified as long-term debt when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The Town issues BANs to finance capital improvements. The Town did not issue any BANs for the year ended December 31, 2017.

***Note 9* Long-term Debt and Other Long-term Obligations**

At December 31, 2017, the total outstanding indebtedness (bonds and installment purchase debt) of the Town aggregated \$7,181,286. Of the amount of debt outstanding, \$3,992,286 is subject to the constitutional debt limit and represented 6.86% of the Town's statutory debt limit.

Serial Bonds and Notes

The Town borrows money in order to acquire land or equipment or to construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Government-wide financial statements. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

Installment Purchase Debt

Represents remaining installments due on the purchase of equipment and is liquidated by the Highway Fund.

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 9 Long-term Debt and Other Long-term Obligations - Continued

Debt Maturity Schedule

The following is a summary of bonds outstanding at December 31, 2017 with corresponding maturity schedules:

Description of Issue	Original Date of Issue	Original Amount	Interest Rate	Date of Final Maturity	Balance December 31, 2017
EFC Bond #6363-03	07/1/2001	\$ 3,700,997	2.62-5.31%	5/15/2031	\$ 110,000
EFC Bond #6363-02	07/1/2001	240,193	2.62-5.31%	5/15/2031	1,880,000
EFC Bond #6363-04	10/15/2002	109,872	1.85-4.98%	10/15/2021	20,000
EFC Bond #6363-05	10/15/2002	230,037	1.85-4.98%	10/15/2021	60,000
EFC Bond - Water District	03/13/2003	122,752	1.03-4.71%	4/5/2022	170,000
USDA Bond - Sewer District	06/20/2003	214,000	4.50%	6/20/2040	165,000
USDA Bond - Water District	06/20/2003	209,000	4.50%	6/20/2039	50,000
Serial Bond - Water District	11/15/2004	240,000	2.25%	4/15/2019	40,000
Serial Bond - Water District	11/15/2004	245,000	2.25%	4/15/2024	110,000
Serial Bond - Environmental	06/10/2010	1,810,000	0.38-4.60%	4/1/2039	1,450,000
Serial Bond - Water District	12/15/2010	3,239,000	3.75%	12/1/2044	2,819,000
Total Serial Bonds and Notes					<u>6,874,000</u>
 Installment Purchase Debt	 09/11/2014	 744,741	 2.12%	 9/11/2019	 <u>307,286</u>
Total Indebtedness					<u>\$ 7,181,286</u>

Interest paid on certain serial bonds varies from year to year, in accordance with the interest rates specified in the bond agreements.

The following is a summary of maturing debt service requirements for general obligation bonds and notes:

Year	Serial Bonds		Installment Purchase		Total
	Principal	Interest	Principal	Interest	
2018	\$ 333,000	\$ 205,264	\$ 152,015	\$ 6,581	\$ 696,860
2019	337,000	197,220	155,271	3,326	692,817
2020	320,000	189,187			509,187
2021	327,000	181,615			508,615
2022	311,000	173,628			484,628
2023-2027	1,512,000	739,595			2,251,595
2028-2032	1,476,000	513,054			1,989,054
2033-2037	1,040,000	321,540			1,361,540
2038-2042	905,000	145,293			1,050,293
2043-2044	313,000	17,700			330,700
Totals	<u>\$ 6,874,000</u>	<u>\$ 2,684,096</u>	<u>\$ 307,286</u>	<u>\$ 9,907</u>	<u>\$ 9,875,289</u>

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 9 Long-term Debt - Continued

Interest paid on long-term debt during the year was:

Interest paid (expenditure)	\$ 223,842
Less interest accrued in prior year	(25,153)
Add interest accrued in current year	27,153
Plus interest subsidy on EFC bonds	<u>67,441</u>
Total	<u>\$ 293,283</u>

Changes in Indebtedness

The following is a summary of changes in the Town's indebtedness for the year ended December 31, 2017.

Description	Balance January 1, 2017	New Issues/ Additions	Maturities/ Payments	Balance December 31, 2017	Amount Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 7,225,000	\$ -	\$ (351,000)	\$ 6,874,000	\$ 333,000
Installment purchase debt	456,113	-	(148,827)	307,286	152,015
Total Indebtedness	<u>\$ 7,681,113</u>	<u>\$ -</u>	<u>\$ (499,827)</u>	<u>\$ 7,181,286</u>	<u>\$ 485,015</u>

Capital Leases (Installment Purchase Debt)

The capital lease was entered into on September 11, 2014, in the amount of \$744,741, with an interest rate of 2.121% and a maturity of September 11, 2019. The net book value of assets associated with the lease was \$513,347 at December 31, 2017.

Note 10 Other Non-Current Liabilities

In addition to the above long-term debt, the Town had the following noncurrent liabilities:

- **Compensated Absences:** Represents the liability for accumulated vacation, unused compensatory absences, and one half of accumulated sick leave, and is liquidated by the General, Water, Sewer, and Highway Funds.
- **Other Postemployment Benefit Liabilities -** Represents the expected obligation for the postretirement health care benefits program. See Note 7 for further information.
- **Net Pension Liability -** Represents the Town's proportionate share of the expected obligation for the New York State Retirement System. See Note 6 for further information.

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 10 Other Non-Current Liabilities - Continued

The following is a summary of the Town's long-term debt and obligations for the year ended December 31, 2017:

Description	Balance January 1, 2017	New Issues/ Additions	Maturities/ Payments	Balance December 31, 2017	Amount Due Within One Year
Other Long-term Obligations:					
Compensated absences	\$ 23,259	\$	\$ (784)	\$ 22,475	\$ -
Other postemployment benefit liabilities	5,231,610	996,039	(367,053)	5,860,596	-
Net pension liability	1,116,892		(487,862)	629,030	-
Total Other Long-term Obligations	\$ 6,371,761	\$ 996,039	\$ (855,699)	\$ 6,512,101	\$ -

Note 11 Interfund Receivables and Payables

During the course of normal operations, the Town has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The Governmental Funds financial statements generally reflect such transactions as transfers.

The Town also loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

Interfund receivable and payable balances at December 31, 2017 are as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenue	Interfund Expense
General Fund	\$ 154,986	\$ 20,000		\$ 180,000
Capital Projects Fund		134,986		
Part-town Highway Fund			180,000	
Total	\$ 154,986	\$ 154,986	\$ 180,000	\$ 180,000

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 12 Fund Equity

Reserves

Reserve Funds have been established for the following purposes:

Purpose	Balance 12/31/2017
General Fund:	
Town Hall - Capital	\$ 99,126
Crestview/P. Knoll - Capital	4,707
Computers - Capital	14,747
Land - Capital	27,557
General Fund - Town Outside:	
Acquisition and construction - Capital	41,105
Park equipment - Capital	53,057
Park road - Capital	24,432
9/11 Memorial Fund - Capital	9,954
Park building - Capital	473
Self-insurance	4,006
Total General Fund	<u>279,164</u>
Special Revenue Funds:	
Highway Fund:	
Bridges - Capital	146,284
Machinery - Capital	84,319
Highway equipment - Capital	42,262
Highway garage - Capital	12,905
Total Highway Fund	<u>285,770</u>
Water Fund:	
Repair	131,836
Equipment for water tank painting	532,640
Debt	368,688
Total Water Fund	<u>1,033,164</u>
Sewer Fund:	
Repair	260,751
Equipment for sewer construction - Capital	55,909
Debt	622,226
Sewer district upgrade	139,939
Self-insurance	51,622
Total Sewer Fund	<u>1,130,447</u>
Non-Major Funds:	
Culture and Recreation	<u>10,825</u>
Total	\$ <u>2,739,370</u>

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 13 Contingencies

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Note 14 Fund Balance Detail

At December 31, 2017, fund balances in the governmental funds were classified as follows:

	General Fund	Capital Projects Fund	Part-town Highway Fund	Water Fund	Sewer Fund	Non-Major Funds
Nonspendable						
Prepaid expenses	\$ 33,229	\$ -	\$ 27,031	\$ 7,136	\$ 10,020	\$ -
Total Nonspendable Fund Balance	\$ 33,229	\$ -	\$ 27,031	\$ 7,136	\$ 10,020	\$ -
Restricted						
Repair reserve	\$ -	\$ -	\$ -	\$ 77,355	\$ 260,751	\$ -
Bonded debt reserve				368,688	622,226	
Culture and recreation						10,825
Capital reserve	279,164		285,770	54,481	55,909	
Insurance					51,622	
Sewer district upgrade					139,939	
Restricted for water tank painting				532,640		
Total Restricted Fund Balance	\$ 279,164	\$ -	\$ 285,770	\$ 1,033,164	\$ 1,130,447	\$ 10,825
Assigned						
Appropriated for next years budget	\$ 1,146,677	\$ -	\$ 452,685	\$ 452,685	\$ 452,685	\$ 6,927
Encumbered for:						
General government	71,941		1,209	604	604	
Transportation			6,500			
Culture and recreation	26,000					
Home and community	510			24,624	295,290	
Remaining Fund Balance			1,352,361	1,180,092	2,019,242	77,739
Total Assigned Fund Balance	\$ 1,245,128	\$ -	\$ 1,812,755	\$ 1,658,005	\$ 2,767,821	\$ 84,666
Unassigned	\$ 3,633,189	\$ -	\$ -	\$ -	\$ -	\$ -
Total Fund Balances	\$ 5,190,710	\$ -	\$ 2,125,556	\$ 2,698,305	\$ 3,908,288	\$ 95,491

TOWN OF OWEGO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 15 Tax Abatements

For the year ended December 31, 2017, the Town was subject to property tax abatements negotiated by the Tioga County Industrial Development Agency (TCIDA).

TCIDA enters into PILOT agreements with businesses within Tioga County under New York State General Municipal Law 858. Economic development agreements entered into by TCIDA can include the abatement of county, local, and school district taxes. In this case, negotiated abatements have resulted in reductions of property taxes, which TCIDA administers as a temporary reduction in the assessed value of the property involved. The abatement agreements generally stipulate a percentage reduction of property taxes, but sometimes stipulate a dollar value reduction in lieu of a percentage reduction.

Information relevant to disclosure of the program and all PILOT agreements for the year ended December 31, 2017 is as follows:

	<u>Taxable Assessed Value</u>	<u>Combined Tax Rates</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Taxes Abated</u>
Tioga County Industrial Development Agency					
CNYOG - Parcel I	\$ 87,979,800	3.93	\$ 345,500	\$ 345,500	\$ -
CNYOG - Parcel II	9,354,700	3.93	36,736	29,389	7,347
CNYOG 2	17,820,000	3.93	69,980	27,992	41,988
Sanmina	5,218,000	3.93	20,491	10,536	9,955
Lockheed Martin	27,168,000	3.93	106,690	-	106,690
231 Main Street	443,100	1.06	472	94	378
Total PILOT Agreements	\$ 147,983,600		\$ 579,869	\$ 413,511	\$ 166,358

Note 16 Subsequent Events

On September 4, 2018 the Town approved the issuance of \$1,595,000 in serial bonds to pay for the Consolidated Water District #1 Improvement Project.

TOWN OF OWEGO

BUDGETARY COMPARISON SCHEDULE GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Encumbrances	Variance
REVENUES					
Real property taxes	\$ 885,900	\$ 885,900	\$ 885,900	\$	\$
Real property tax items	448,726	448,726	434,487		(14,239)
Nonproperty tax items	155,000	155,000	466,767		311,767
Departmental income	182,200	182,757	245,613		62,856
Use of money and property	24,348	24,348	31,331		6,983
Licenses and permits	18,300	18,300	20,803		2,503
Fines and forfeitures	105,200	105,200	140,316		35,116
Sale of property and compensation for loss	557		1,204		1,204
Miscellaneous local sources			13,737		13,737
State sources	358,755	363,425	419,373		55,948
Federal sources	56,267	56,267			(56,267)
Total Revenues	<u>2,235,253</u>	<u>2,239,923</u>	<u>2,659,531</u>	<u>-</u>	<u>419,608</u>
EXPENDITURES					
Current					
General governmental support	1,158,454	1,258,118	912,810	71,941	273,367
Public safety	117,717	117,721	91,707		26,014
Public health	1,794	1,794	1,280		514
Transportation	190,233	190,278	164,214		26,064
Culture and recreation	360,706	369,603	280,687	26,000	62,916
Home and community services	189,278	193,343	164,285	510	28,548
Employee benefits	920,248	920,251	641,543		278,708
Debt service (principal and interest)	<u>15,705</u>	<u>15,705</u>	<u>15,705</u>	<u></u>	<u>-</u>
Total Expenditures	<u>2,954,135</u>	<u>3,066,813</u>	<u>2,272,231</u>	<u>98,451</u>	<u>696,131</u>
Excess of (Expenditures) Revenue	<u>(718,882)</u>	<u>(826,890)</u>	<u>387,300</u>	<u>(98,451)</u>	<u>1,115,739</u>
OTHER FINANCING SOURCES (USES)					
Interfund transfers (out)	<u>(205,500)</u>	<u>(205,500)</u>	<u>(180,000)</u>	<u></u>	<u>25,500</u>
Total Other Financing (Uses)	<u>(205,500)</u>	<u>(205,500)</u>	<u>(180,000)</u>	<u>-</u>	<u>25,500</u>
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	<u>(924,382)</u>	<u>(1,032,390)</u>	<u>207,300</u>	<u>\$ (98,451)</u>	<u>\$ 1,141,239</u>
Appropriated Fund Balances	<u>924,382</u>	<u>1,032,390</u>			
Net Increase	<u>\$ -</u>	<u>\$ -</u>	<u>207,300</u>		
Fund Balance, Beginning of Year			<u>4,983,410</u>		
Fund Balance, End of Year			<u>\$ 5,190,710</u>		

See Independent Auditor's Report and Notes to Required Supplementary Information

TOWN OF OWEGO

BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE FUND HIGHWAY FUND FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Encumbrances	Variance
REVENUES					
Real property taxes	\$ 2,071,099	\$ 2,071,099	\$ 2,071,099	\$	\$
Nonproperty tax items	1,275,000	1,275,000	1,525,000		250,000
Intergovernmental charges			1,000		1,000
Use of money and property	1,000	1,000	4,885		3,885
Licenses and permits	350	350	900		550
Sale of property and compensation for loss		13,994	51,361		37,367
State sources	550,000	633,586	602,528		(31,058)
Federal sources			9,399		9,399
Total Revenues	<u>3,897,449</u>	<u>3,995,029</u>	<u>4,266,172</u>	<u>-</u>	<u>271,143</u>
EXPENDITURES					
Current					
General governmental support	13,750	14,656	13,310	1,209	137
Transportation	3,485,823	3,563,939	3,557,439	6,500	-
Employee benefits	741,304	741,304	523,381		217,923
Debt service (principal and interest)	<u>158,597</u>	<u>158,597</u>	<u>158,596</u>		<u>1</u>
Total Expenditures	<u>4,399,474</u>	<u>4,478,496</u>	<u>4,252,726</u>	<u>7,709</u>	<u>218,061</u>
Excess of (Expenditures) Revenue	<u>(502,025)</u>	<u>(483,467)</u>	<u>13,446</u>	<u>(7,709)</u>	<u>489,204</u>
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	75,000	75,000	180,000		105,000
Interfund transfers (out)		(32,000)			32,000
Total Other Financing (Uses)	<u>75,000</u>	<u>43,000</u>	<u>180,000</u>	<u>-</u>	<u>137,000</u>
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	<u>(427,025)</u>	<u>(440,467)</u>	<u>193,446</u>	<u>\$ (7,709)</u>	<u>\$ 626,204</u>
Appropriated Fund Balances	<u>427,025</u>	<u>440,467</u>			
Net Increase	<u>\$ -</u>	<u>\$ -</u>	<u>193,446</u>		
Fund Balance, Beginning of Year			<u>1,932,110</u>		
Fund Balance, End of Year			<u>\$ 2,125,556</u>		

See Independent Auditor's Report and Notes to Required Supplementary Information

TOWN OF OWEGO

BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE FUND WATER FUND FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Encumbrances	Variance
REVENUES					
Real property tax items	\$ 60,599	\$ 60,599	\$ 60,599	\$	\$ -
Departmental income	1,335,160	1,335,167	1,423,848		88,681
Use of money and property			4,495		4,495
Sale of property and compensation for loss		160	2,349		2,189
Miscellaneous local sources			2,310		2,310
Total Revenues	<u>1,395,759</u>	<u>1,395,926</u>	<u>1,493,601</u>	<u>-</u>	<u>97,675</u>
EXPENDITURES					
Current					
General governmental support	27,778	27,901	7,297	604	20,000
Home and community services	768,477	805,197	592,566	24,624	188,007
Employee benefits	205,130	205,130	116,502		88,628
Debt service (principal and interest)	<u>311,824</u>	<u>311,824</u>	<u>235,823</u>		<u>76,001</u>
Total Expenditures	<u>1,313,209</u>	<u>1,350,052</u>	<u>952,188</u>	<u>25,228</u>	<u>372,636</u>
Excess of (Expenditures) Revenue	<u>82,550</u>	<u>45,874</u>	<u>541,413</u>	<u>(25,228)</u>	<u>470,311</u>
OTHER FINANCING SOURCES (USES)					
Interfund transfers (out)	(181,500)	(181,500)			181,500
Total Other Financing (Uses)	<u>(181,500)</u>	<u>(181,500)</u>	<u>-</u>	<u>-</u>	<u>181,500</u>
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	<u>(98,950)</u>	<u>(135,626)</u>	<u>541,413</u>	<u>\$ (25,228)</u>	<u>\$ 651,811</u>
Appropriated Fund Balances	<u>98,950</u>	<u>135,626</u>			
Net Increase	<u>\$ -</u>	<u>\$ -</u>	<u>541,413</u>		
Fund Balance, Beginning of Year			<u>2,156,892</u>		
Fund Balance, End of Year			<u>\$ 2,698,305</u>		

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TOWN OF OWEGO

BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE FUND SEWER FUND FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Encumbrances	Variance
REVENUES					
Real property tax items	\$ 25,052	\$ 28,652	\$ 25,052	\$	\$ (3,600)
Departmental income	1,859,950	1,856,350	1,867,759		11,409
Use of money and property			7,415		7,415
Licenses and permits	50	50	3,150		3,100
Sale of property and compensation for loss		13,705	14,668		963
State sources	187,500	187,500	43,493		(144,007)
Federal sources	562,500	562,500	229,931		(332,569)
Total Revenues	<u>2,635,052</u>	<u>2,648,757</u>	<u>2,191,468</u>	<u>-</u>	<u>(457,289)</u>
EXPENDITURES					
Current					
General governmental support	32,778	32,778	7,518	604	24,656
Home and community services	1,920,064	1,954,398	1,349,176	295,290	309,932
Employee benefits	263,227	263,227	215,578		47,649
Debt service (principal and interest)	<u>313,710</u>	<u>313,710</u>	<u>313,545</u>		<u>165</u>
Total Expenditures	<u>2,529,779</u>	<u>2,564,113</u>	<u>1,885,817</u>	<u>295,894</u>	<u>382,402</u>
Excess of (Expenditures) Revenue	<u>105,273</u>	<u>84,644</u>	<u>305,651</u>	<u>(295,894)</u>	<u>(74,887)</u>
OTHER FINANCING SOURCES (USES)					
Interfund transfers (out)	(122,040)	(122,040)			122,040
Total Other Financing (Uses)	<u>(122,040)</u>	<u>(122,040)</u>	<u>-</u>	<u>-</u>	<u>122,040</u>
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	<u>(16,767)</u>	<u>(37,396)</u>	<u>305,651</u>	<u>\$ (295,894)</u>	<u>\$ 47,153</u>
Appropriated Fund Balances	<u>16,767</u>	<u>37,396</u>			
Net Increase	<u>\$ -</u>	<u>\$ -</u>	<u>305,651</u>		
Fund Balance, Beginning of Year			<u>3,602,637</u>		
Fund Balance, End of Year			<u>\$ 3,908,288</u>		

See Independent Auditor's Report and Notes to Required Supplementary Information

TOWN OF OWEGO

SCHEDULE OF TOWN'S CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	2017	2016	2015
Contractually required contribution	\$ 302,652	\$ 339,215	\$ 360,518
Contributions in relation to the contractually required contribution	(302,652)	(339,215)	(360,518)
Contribution deficiency (excess)	-	-	-
Town's covered payroll	2,085,969	2,016,747	2,004,067
Contributions as a percentage of covered payroll	14.5%	16.8%	18.0%

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2014	2013	2012	2011	2010	2009	2008
\$ 430,434	\$ 333,034	\$ 359,804	\$ 205,195	\$ 154,437	\$ 169,196	\$ 199,499
(430,434)	(333,034)	(359,804)	(205,195)	(154,437)	(169,196)	(199,499)
-	-	-	-	-	-	-
2,071,525	2,069,013	1,994,820	2,107,533	2,118,877	2,156,788	2,101,058
20.8%	16.1%	18.0%	9.7%	7.3%	7.8%	9.5%

TOWN OF OWEGO

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY NYSLRS PENSION PLAN FOR THE YEARS ENDED DECEMBER 31,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.0066945%	0.0069587%	0.0072583%
Town's proportionate share of the net pension liability	\$ 629,030	\$ 1,116,892	\$ 245,204
Town's covered payroll during the measurement period	2,027,173	1,985,468	2,059,864
Town's proportionate share of the net pension liability as a percentage of its covered payroll	31.0%	56.3%	11.9%
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%

See Independent Auditor's Report and Notes to Required Supplementary Information

TOWN OF OWEGO

SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED DECEMBER 31, 2017

Actuarial Valuation Date	Year End	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2017	12/31/2017	\$ -	\$ 10,733,706	\$ 10,733,706	0.0%	\$ 2,150,272	499%
1/1/2014	12/31/2016	-	8,394,056	8,394,056	0.0%	2,376,009	353%
1/1/2014	12/31/2015	-	7,951,907	7,951,907	0.0%	2,071,675	384%
1/1/2014	12/31/2014	-	7,539,454	7,539,454	0.0%	2,192,574	344%
1/1/2012	12/31/2013	-	11,001,640	11,001,640	0.0%	2,144,601	513%
1/1/2012	12/31/2012	-	10,353,225	10,353,225	0.0%	2,232,289	464%

See Independent Auditor's Report and Notes to Required Supplementary Information

TOWN OF OWEGO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 Budget Basis of Accounting

Except as indicated below, budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered a disbursement in the financial plan or expenditure in GAAP based financial statements. Encumbrances reserve a portion of the applicable appropriation for purchase orders, contracts, and other commitments not expended at year end, thereby ensuring that appropriations are not exceeded.

Note 2 Budget Policies

Budget policies are as follows:

- No later than September 30, a tentative budget is submitted by the Town Clerk to the Town Board for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- After public hearings are conducted to obtain taxpayer comments, no later than November 20, the governing board adopts the budget.
- All modifications of the budget must be approved by the governing board.

Note 3 Reconciliation of the Budget Basis to GAAP

No adjustment is necessary to convert the excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis, as encumbrances are not added to actual expenditures, but are reported in a separate column.

Note 4 Schedule of Funding Progress

The Schedule of Funding Progress, presented as required supplementary information presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 5 Schedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of the Town's Proportionate Share of the Net Pension Liability, required supplementary information, presents three years of information. This schedule will present ten years of information as it becomes available from the pension plans.

TOWN OF OWEGO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Schedules of Town's Contributions - NYSLRS Pension Plans and Schedules of the Town's Proportionate Share of the Net Pension Liability

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits for the April 1, 2016 actuarial valuation.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2016 actuarial valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2016 actuarial valuation determines the employer rates for contributions payable in fiscal year 2017. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary scale	3.8% in ERS, indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% annually

TOWN OF OWEGO

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2017

	Special Revenue Funds		
	Special District	Miscellaneous	Total
	Fund	Special	Non-Major
	Street	Revenue	Governmental
	Fund	Fund	Funds
ASSETS			
Assets			
Cash and cash equivalents - Unrestricted	\$ 84,666	\$	\$ 84,666
Cash and cash equivalents - Restricted		10,825	10,825
Total Assets	\$ 84,666	\$ 10,825	\$ 95,491
LIABILITIES AND FUND BALANCES			
Fund Balances			
Restricted		10,825	10,825
Assigned	84,666		84,666
Total Fund Balances	84,666	10,825	95,491
Total Liabilities and Fund Balances	\$ 84,666	\$ 10,825	\$ 95,491

See Independent Auditor's Report

TOWN OF OWEGO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue Funds		
	Special District		
	Fund	Miscellaneous	Total
	Street	Special	Non-Major
	Lighting	Revenue	Governmental
	Fund	Fund	Funds
REVENUES			
Real property taxes	\$ 57,661	\$	\$ 57,661
Use of money and property	95	7	102
Miscellaneous local sources		5,778	5,778
Total Revenues	57,756	5,785	63,541
EXPENDITURES			
Current			
Transportation	59,097		59,097
Culture and recreation		5,500	5,500
Total Expenditures	59,097	5,500	64,597
Excess of (Expenditures) Revenue	(1,341)	285	(1,056)
Fund Balances, Beginning of Year	86,007	10,540	96,547
Fund Balances, End of Year	\$ 84,666	\$ 10,825	\$ 95,491

See Independent Auditor's Report



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Certified Public Accountants | Business Advisors

**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 Owego
Owego, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Owego (the Town), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 8, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency. [2017-001]

Compliance and Other Matters

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

Town of Owego's Response to Finding

Town of Owego's response to the finding identified in our audit are described in the accompanying Schedule of Findings and Responses. Town of Owego's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in black ink that reads "Inero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Inero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 8, 2018

TOWN OF OWEGO

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2017

2017-001 - Audit Adjustments

Condition:

During our current year audit, numerous audit adjustments were required to correct the books and records. Professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Audit adjustments that, either individually or in the aggregate, may have a significant effect on the Town's financial reporting process were reviewed, approved, and posted by management.

Criteria:

Management is charged with maintaining fiscal integrity and stewardship. This includes providing accurate and timely financial information.

Cause/Effect:

During the year ending December 31, 2017 and into the subsequent year, the Town experienced turnover in the bookkeeper position. For several months, the Town was without a bookkeeper or utilized a temporary bookkeeper. This turnover resulted in a lack of experience and familiarity with the Town's accounting system. In addition, the Town implemented new accounting software and experienced difficulty in extracting needed information and reconciling certain accounts. These two factors resulted in multiple accounting errors, for which audit adjustments were proposed.

Recommendation:

We recommend the Town continue to work with the software vendor to resolve software issues as they arise. To enhance her knowledge and skills, we further recommend continued training for the bookkeeper in government accounting.

Management Response:

Management is continuing to work with the software vendor as issues arise. Management has also provided the bookkeeper training available through the New York State Office of the Comptroller on governmental accounting. Prior to the issuance of this report, management has contracted with a consultant to assist with bookkeeping and filing of the Annual Update Document as well as training the bookkeeper.