

TOWN OF
TONAWANDA
ERIE COUNTY, NEW YORK



**BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION,
SUPPLEMENTARY INFORMATION, AND
FEDERAL AWARDS INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2014

AND INDEPENDENT AUDITORS' REPORTS

Anthony E. Caruana, Supervisor

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Town Board
Town of Tonawanda, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Tonawanda, New York (the "Town"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2014, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Supplementary Information, as listed in the table of contents and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated June 29, 2015, on our consideration of Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



June 29, 2015

TOWN OF TONAWANDA, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2014

As management of the Town of Tonawanda, New York (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2014. This document should be read in conjunction with additional information that we have furnished in the Town's financial statements which follow this narrative.

Financial Highlights

- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$38,500,217 (*net position*). This consists of \$81,239,107 net investment in capital assets and \$9,445,845 restricted for specific purposes, offset by an unrestricted net deficit of \$52,184,735.
- The Town's governmental activities net position decreased \$13,880,011 during the year ended December 31, 2014.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$19,787,137, a decrease of \$3,192,050 in comparison with the prior year. Excluding the Capital Projects Fund unassigned fund deficit of \$16,301,570, the Town had unrestricted fund balances of \$24,206,551; the remainder is subject to external restrictions (restricted) or is not available for spending (nonspendable).
- The General Fund reported a net decrease in fund balance this year of \$5,807. At December 31, 2014, unassigned fund balance for the General Fund was \$3,071,892, or 11.4 percent of total General Fund expenditures and transfers out.
- During the year ended December 31, 2014, the Town paid \$2,036,366 of its bond indebtedness and issued \$6,819,553 of Environmental Facilities Corporation notes payable.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statement, only in more detail. The proprietary funds financial statements provide separate information for the insurance program.

The proprietary funds financial statements can be found on pages 20-22.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Town maintains one fiduciary fund, the Agency Fund. The fiduciary fund financial statement can be found on page 23 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-51 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Town's progress in funding its obligation to provide postemployment benefits to its employees and the Town's budgetary comparison for the General Fund, General—Town Outside Village Fund, Highway—Town Outside Village Fund, Sewer District Fund, and Water District Fund. Required Supplementary Information and a related note to the required supplementary information can be found on pages 52-58 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented along with other supplementary information immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 59-62 of this report.

The Federal Awards Information can be found on pages 63-71 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$38,500,217 at the close of the 2014 fiscal year, as compared to \$52,380,228 at the close of the 2013 fiscal year. Table 1 on the following page, presents a condensed statement of net position at December 31, 2014 and December 31, 2013.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental Activities	
	December 31,	
	2014	2013
Current assets	\$ 62,519,253	\$ 65,699,952
Capital assets	144,185,318	136,356,083
Total assets	<u>206,704,571</u>	<u>202,056,035</u>
Current liabilities	29,443,796	29,027,387
Noncurrent liabilities	130,818,512	112,936,525
Total liabilities	<u>160,262,308</u>	<u>141,963,912</u>
Deferred inflows of resources	<u>7,942,046</u>	<u>7,711,895</u>
Net position:		
Net investment in capital assets	81,239,107	81,174,737
Restricted	9,445,845	10,925,822
Unrestricted	<u>(52,184,735)</u>	<u>(39,720,331)</u>
Total net position	<u>\$ 38,500,217</u>	<u>\$ 52,380,228</u>

The largest portion of the Town's net position, \$81,239,107, reflects its investment in capital assets (such as 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 capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$9,445,845, represents resources that are subject to external restrictions on how they may be used. There is unrestricted net deficit totaling \$52,184,735.

The Town had a favorable ratio of current assets to current liabilities of 2.12 at December 31, 2014, a decrease from 2.27 at December 31, 2013. Such a ratio implies that the Town has sufficient assets on-hand to meet its current liabilities outstanding at December 31, 2014.

Table 2, as presented below, shows the changes in net position for the years ended December 31, 2014 and December 31, 2013:

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

	Year Ended December 31,	
	2014	2013
Program revenues:		
Charges for services	\$ 28,821,666	\$ 26,045,006
Operating grants and contributions	2,075,966	2,414,349
Capital grants and contributions	1,535	2,553,929
General revenues	<u>59,058,528</u>	<u>59,866,291</u>
Total revenues	<u>89,957,695</u>	<u>90,879,575</u>
Program expenses	<u>103,837,706</u>	<u>98,871,466</u>
Change in net assets	(13,880,011)	(7,991,891)
Net position—beginning of year	<u>52,380,228</u>	<u>60,372,119</u>
Net position—end of year	<u>\$ 38,500,217</u>	<u>\$ 52,380,228</u>

Overall revenues decreased 1.0 percent from the 2013 fiscal year primarily due to decreases in capital grants and contributions and miscellaneous revenues offset by increases in charges for services and sale of property and compensation for loss. Overall expenses increased 5.0 percent from 2013 primarily as a result of increases in home and community services, general government support, and public safety expenditures.

A summary of sources of revenues of the primary government for the years ended December 31, 2014 and December 31, 2013 is presented below in Table 3:

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended December 31,		Increase/(decrease)	
	2014	2013	Dollars	Percent (%)
Charges for services	\$ 28,821,666	\$ 26,045,006	\$ 2,776,660	10.7
Operating grants and contributions	2,075,966	2,414,349	(338,383)	(14.0)
Capital grants and contributions	1,535	2,553,929	(2,552,394)	(99.9)
Property taxes and tax items	46,904,792	47,083,287	(178,495)	(0.4)
Sales tax	7,489,830	7,311,210	178,620	2.4
Mortgage tax	1,113,017	1,194,594	(81,577)	(6.8)
Franchise tax	1,105,554	1,086,552	19,002	1.7
Intergovernmental charges	-	78,000	(78,000)	n/a
Use of money and property	565,112	617,044	(51,932)	(8.4)
Sale of property and compensation for loss	1,123,269	154,334	968,935	627.8
Miscellaneous	171,755	1,756,071	(1,584,316)	(90.2)
Unrestricted state aid	585,199	585,199	-	0.0
Total revenues	<u>\$ 89,957,695</u>	<u>\$ 90,879,575</u>	<u>\$ (921,880)</u>	<u>(1.0)</u>

The most significant source of revenues is property taxes and tax items, which accounts for \$46,904,792, or 52.1 percent of total revenues, for the year ended December 31, 2014, and \$47,083,287, or 51.8 percent of total revenues, for the year ended December 31, 2013. The next largest source of revenue is charges for services, which comprises 32.0 percent and 28.7 percent of total revenues for the years ended December 31, 2014 and 2013, respectively.

During the year ended December 31, 2014, capital grants and contributions decreased \$2,552,394 from the year ended December 31, 2013. This decrease is largely attributed to a homeland security capital grant and various State capital grants received and closed during the 2013 fiscal year. No significant capital grants were awarded and received during the 2014 fiscal year. Additionally, charges for service increased primarily as the result of a one-time \$1,982,752 in intergovernmental charge received from the Economic Development Corporation for Erie County as a result of an inter-municipal agreement.

A summary of program expenses for the years ended December 31, 2014 and December 31, 2013 is presented below in Table 4.

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(decrease)	
	2014	2013	Dollars	Percent (%)
General government support	\$ 9,492,257	\$ 8,671,271	\$ 820,986	9.5
Public safety	26,835,448	25,596,140	1,239,308	4.8
Health	2,265,970	2,234,152	31,818	1.4
Transportation	11,278,896	10,835,564	443,332	4.1
Economic assistance and opportunity	120,008	113,523	6,485	5.7
Culture and recreation	15,416,623	14,638,508	778,115	5.3
Home and community services	37,466,291	35,975,180	1,491,111	4.1
Interest and fiscal charges	962,213	807,128	155,085	19.2
	<u>\$ 103,837,706</u>	<u>\$ 98,871,466</u>	<u>\$ 4,966,240</u>	5.0

The Town's significant program expense items for the year ended December 31, 2014 were home and community services of \$37,466,291 (primarily sewer, water, and sanitation services), public safety of \$26,835,448 (primarily police services), culture and recreation of \$15,416,623 and transportation of \$11,278,896. Similarly, for the year ended December 31, 2013 were home and community services of \$35,975,180 (primarily sewer, water, and sanitation services), public safety of \$25,596,140 (primarily police services), culture and recreation of \$14,638,508 and transportation of \$10,835,564.

During the year ended December 31, 2014 home and community services and public safety expenses increased \$1,491,111 and \$1,239,308, respectively. These increases are primarily due an increased allocation of employee benefits, compensated absences, and other postemployment benefit costs.

Financial Analysis of the Town's Funds

Governmental funds—The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* and *fund balance assigned to specific use* in special revenue funds may serve as a useful measure of a government's net resources available for discretionary use, as they represent the portion of fund balance which has not yet been

limited to use for a particular purpose by either an external party, the Town itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town Board.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$19,787,137, a decrease of \$3,192,050 in comparison with the prior year. Excluding the Capital Project Fund, the Town's governmental funds combined ending fund balances totaled \$36,088,707. Approximately 45.3 percent, \$16,332,986 of this fund balance constitutes *unassigned fund balance for the general fund or fund balance assigned to specific use for the special revenue funds* which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable, restricted, or committed* to indicate that it is not available for new spending because it has already been committed to finance capital projects, for repairs, leachate, public safety, future retirement costs and special grants.

A summary of the Town's major funds' fund balance is provided below in Table 5.

Table 5—Major Funds' Fund Balance

	General	General— Town Outside Village	Highway— Town Outside Village	Sewer District	Water Districts
Net change in fund balances	\$ (5,807)	\$ 421,831	\$ 208,193	\$ (903,531)	\$ 618,686
Unassigned or assigned to the fund's specific use	3,071,892	3,248,984	877,590	3,469,034	3,987,617
Total fund balances (deficit)	7,457,560	7,481,318	1,784,804	7,489,215	7,589,750
Percentage unassigned or assigned to specific use	41.2%	43.4%	49.2%	46.3%	52.5%

The General Fund is the chief operating fund of the Town. The Town's General Fund ending fund balance was \$7,457,560. Approximately 41.2 percent, \$3,071,892 of this amount is *unassigned fund balance*. Total fund balance decreased by \$5,807 as compared to the prior fiscal year end. This compared favorably to the anticipated decrease of \$3,010,230 as per the final budget. The variance from the final budget was primarily the result of spending under appropriation limits for the functions of culture and recreation and employee benefits.

The Town's General—Town Outside Village Fund ending fund balance was \$7,481,318. Approximately 43.4 percent, \$3,248,984 of this amount is *fund balance assigned to specific use*. The total fund balance increased by \$421,831 during 2014 as compared to a decrease of \$2,048,107 as per the final budget. The variance from the final budget was primarily the result of spending under appropriation limits for the functions of public safety and employee benefits.

The Town's Highway—Town Outside Village Fund ending fund balance was \$1,784,804. Approximately 49.2 percent, \$877,590 of this amount is *fund balance assigned to specific use*. The fund balance increased by \$208,193 during 2014 compared to a decrease of \$538,584 as per the final budget. The variance from the final budget was primarily the result of spending under appropriation limits for the function of transportation and employee benefits.

The Town's Special Grants Fund ending fund balance was \$1,261,861, which is considered *restricted*. The fund balance decreased by \$268,799 during 2014. The appropriations of the Special Grants Fund are approved based on grants received and vary from year to year.

The Town’s Sewer District Fund ending fund balance was \$7,489,215. Approximately 46.3 percent, \$3,469,034 of this amount is *fund balance assigned to specific use*. The fund balance decreased by \$903,531 during 2014 compared to a decrease of \$2,597,829 as per the final budget. The variance from the final budget was primarily the result of spending under appropriation limits for the function of home and community expenditures and employee benefits.

The Town’s Water District Fund ending fund balance was \$7,589,750. Approximately 52.5 percent, \$3,987,617 of this amount is *fund balance assigned to specific use*. The fund balance increased by 618,686 during 2014 compared to a decrease of \$454,762 as per the final budget. The variance from the final budget was primarily the result of spending under appropriation limits for the function of home and community expenditures and employee benefits.

The Town’s Capital Project Fund reported an ending fund deficit of \$16,301,570. This deficit increased by \$3,173,193 during 2014 as a result of capital projects expenditures. However, it’s expected the deficit will be remedied through future bond issuances which are authorized.

General Fund Budgetary Highlights

The Town’s General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward, increased, for prior year’s encumbrances since the funds were allocated under the previous year’s budget, and the Town has appropriately assigned an equal amount of fund balance at year-end for this purpose. Furthermore, the budget is allowed to be amended upward, increased, for additional current year appropriations supported by an increase in budgeted revenues. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget. A summary of the General Fund results of operations for the year ended December 31, 2014 is presented below in Table 6.

Table 6—Summary of General Fund Results of Operations

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 26,787,251	\$ 26,898,654	\$ 26,977,251	\$ 78,597
Expenditures and other financing uses	29,660,172	29,908,884	26,983,058	2,925,826
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (2,872,921)	\$ (3,010,230)	\$ (5,807)	\$ 3,004,423

Original budget compared to final budget—During the year, there was a \$137,309 net increase between the original and final amended budget within the General Fund. This increase was largely due to an increase in supplemental appropriations for general government support and culture and recreation expenditures.

General Fund total expenditures and transfers out were \$2,925,826 less than corresponding final budgeted appropriations. Following are the main components of the variance:

- General government support expenditures were \$527,546 less than budgeted due to conservative spending.

- Culture and recreation expenditures were \$1,103,773 less than budgeted due to less than anticipated spending.
- Employee benefits expenditures were \$743,935 less than final budget largely due to fewer actual retirement buyouts, less retiree medical insurance and social security expenditures than previously forecasted.

Capital Asset and Debt Administration

Capital Assets—The Town’s investment in capital assets (net of accumulated depreciation) for its governmental activities as of December 31, 2014, amounted to \$144,185,318. This investment in capital assets includes land and land improvements, construction in progress, infrastructure, buildings and improvements, vehicles and equipment.

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

Capital assets net of depreciation for the governmental activities at the years ended December 31, 2014 and 2013 are presented below:

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

	December 31,	
	2014	2013
Governmental activities:		
Land	\$ 1,493,633	\$ 1,493,633
Construction in progress	21,444,155	21,251,877
Building improvements	17,581,920	18,664,339
Transportation network	3,975,645	4,399,532
Sewer network	65,930,205	59,012,306
Water network	16,133,301	13,253,796
Drainage network	7,233,584	7,487,767
Improvements other than buildings	2,169,552	2,401,887
Machinery and equipment	8,223,323	8,390,946
Total governmental activities	<u>\$ 144,185,318</u>	<u>\$ 136,356,083</u>

The Town’s infrastructure assets are recorded at historical cost or estimated historical cost in the government-wide financial statements. The Town has elected to depreciate their infrastructure assets. Additional information on the Town’s capital assets can be found in Note 4 of this report.

Long-term debt—At December 31, 2014, the Town’s governmental activities had bonded debt outstanding of \$37,251,356 as compared to \$39,287,722 in the prior year. New York State statutes limit the amount of general obligation debt a governmental entity may issue up to 7% of its five year valuation. The Town’s outstanding general obligation debt as of December 31, 2014 is significantly lower than current debt limitations for the Town.

A summary of the Town's long-term liabilities at December 31, 2014 and 2013 is presented within Table 8 as follows:

Table 8—Summary of Long-Term Liabilities

	December 31,		Increase/(Decrease)	
	2014	2013	Dollar	Percent (%)
Serial Bonds	\$ 37,251,356	\$ 39,287,722	\$ (2,036,366)	(5.2)
EFC notes payable	6,819,553	-	6,819,553	n/a
Due to employees' retirement system	136,575	200,258	(63,683)	(31.8)
Landfill closure and post closure liability	5,472,230	5,553,050	\$ (80,820)	(1.5)
Compensated absences	396,278	389,158	7,120	1.8
Other postemployment benefits	78,742,625	65,384,752	13,357,873	20.4
Capital leases	1,999,895	2,121,585	(121,690)	(5.7)
Total long-term liabilities	\$ 130,818,512	\$ 112,936,525	\$ 18,003,677	15.9

The Town's most recent bond rating from Moody's Investor Service is Aa2. Additional information on the Town's long-term debt can be found in Note 11 of this report.

Economic Factors and Next Year's Budget

The unemployment rate, not seasonally adjusted, for the Buffalo-Niagara region during December 2014 was 5.7 percent. This is comparable to New York State's unemployment rate of 5.8 and the national unemployment rate of 5.7 percent.

The Town considered current year operational expenses and estimated increases based on economic factors when establishing the 2015 budget. The Town's 2015 budget includes the appropriation of \$1,900,000 of fund balance in the General Fund. Additional information on the Town's budgeted appropriations of fund balance can be found in Note 12 to the financial statements.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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TOWN OF TONAWANDA, NEW YORK

Statement of Net Position

December 31, 2014

	Primary Government
	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 25,204,839
Restricted cash	12,708,577
Receivables	6,929,396
Intergovernmental receivables	5,687,321
Internal balances	613,794
Inventories	972,054
Prepaid items	2,461,226
Rehabilitation loans receivable	7,942,046
Total current assets	62,519,253
Noncurrent assets:	
Capital assets not being depreciated	22,937,788
Capital assets, net of accumulated depreciation	121,247,530
Total noncurrent assets	144,185,318
Total assets	206,704,571
LIABILITIES	
Current liabilities:	
Accounts payable	2,063,962
Accrued liabilities	4,949,063
Intergovernmental payables	573,851
Bond anticipation notes payable	21,400,000
Unearned revenues	456,920
Total current liabilities	29,443,796
Noncurrent liabilities:	
Due within one year	2,005,110
Due within more than one year	128,813,402
Total noncurrent liabilities	130,818,512
Total liabilities	160,262,308
DEFERRED INFLOWS OF RESOURCES	
Loans receivable	7,942,046
NET POSITION	
Net investment in capital assets	81,239,107
Restricted for:	
Equipment and capital improvements	3,119,253
Repairs	2,413,472
Leachate	97,505
Public safety	716,480
Retirement	1,837,274
Special grants	1,261,861
Unrestricted	(52,184,735)
Total net position	\$ 38,500,217

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

TOWN OF TONAWANDA, NEW YORK
Statement of Activities
Year Ended December 31, 2014

Function/Programs	Program Revenues			Net (Expense) and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary government:					
Governmental activities:					
General government support	\$ 9,492,257	\$ 99,247	\$ -	\$ -	\$ (9,393,010)
Public safety	26,835,448	2,650,582	87,472	-	(24,097,394)
Public health	2,265,970	191,560	-	-	(2,074,410)
Transportation	11,278,896	2,099,494	431,911	-	(8,747,491)
Economic assistance and opportunity	120,008	-	-	-	(120,008)
Culture and recreation	15,416,623	4,135,651	70,198	-	(11,210,774)
Home and community services	37,466,291	19,645,132	1,486,385	1,535	(16,333,239)
Interest and fiscal charges	962,213	-	-	-	(962,213)
Total primary government	\$ 103,837,706	\$ 28,821,666	\$ 2,075,966	\$ 1,535	(72,938,539)
General revenues:					
Property taxes and tax items					46,904,792
Sales tax					7,489,830
Mortgage tax					1,113,017
Franchise tax					1,105,554
Use of money and property					565,112
Sale of property and compensation for loss					1,123,269
Miscellaneous					171,755
Unrestricted state aid					585,199
Total general revenues					59,058,528
Change in net position					(13,880,011)
Net position—beginning					52,380,228
Net position—ending					\$ 38,500,217

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

TOWN OF TONAWANDA, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2014

	Special Revenue										Total Governmental Funds		
	General		Highway		Special Grants		Sewer District		Water District			Capital Projects	Total Nonmajor Funds
	Town Outside Village	Town Outside Village	Town Outside Village	Town Outside Village	Sewer District	Sewer District	Water District	Water District					
ASSETS													
Cash and cash equivalents	\$ 5,955,404	\$ 2,371,308	\$ 964,594	\$ 1,552,788	\$ 4,016,899	\$ 2,697,452	\$ -	\$ -	\$ 2,922,153	\$ 20,480,598	\$ -	\$ 2,922,153	\$ 20,480,598
Restricted cash	1,943,309	1,764,749	510,264	-	1,132,568	2,460,242	-	-	372,852	12,708,577	4,524,593	372,852	12,708,577
Receivables	393,889	599,583	880,356	14,814	2,285,909	2,678,629	-	-	73,305	6,926,485	-	73,305	6,926,485
Due from other funds	206,385	235,665	53,280	-	50,388	19,614	-	-	48,462	2,144,223	1,530,429	48,462	2,144,223
Intergovernmental receivables	129,091	2,689,231	344,515	195,593	760,992	2,304	-	-	-	5,129,931	1,008,205	-	5,129,931
Inventory	-	-	-	-	-	633,635	-	-	-	633,635	-	-	633,635
Rehabilitation loans receivable	-	-	-	7,942,046	-	-	-	-	-	7,942,046	-	-	7,942,046
Prepaid items	420,682	768,493	155,420	-	177,233	128,154	-	-	152,694	1,802,676	-	152,694	1,802,676
Total assets	<u>\$ 9,048,760</u>	<u>\$ 8,429,029</u>	<u>\$ 2,908,429</u>	<u>\$ 9,705,241</u>	<u>\$ 8,423,989</u>	<u>\$ 8,620,030</u>	<u>\$ 7,063,227</u>	<u>\$ 7,063,227</u>	<u>\$ 3,569,466</u>	<u>\$ 57,768,171</u>	<u>\$ 7,063,227</u>	<u>\$ 3,569,466</u>	<u>\$ 57,768,171</u>
LIABILITIES													
Accounts payable	\$ 288,726	\$ 133,002	\$ 78,816	\$ 196,848	\$ 222,379	\$ 317,594	\$ -	\$ -	\$ 250,904	\$ 1,922,637	\$ 434,368	\$ 250,904	\$ 1,922,637
Accrued liabilities	648,477	789,573	217,455	7,445	298,756	195,433	-	-	272,362	2,429,501	-	272,362	2,429,501
Due to other funds	-	-	-	-	-	-	-	-	-	1,530,429	-	-	1,530,429
Intergovernmental payables	396,284	17,711	7,354	-	103,639	26,862	-	-	22,001	573,851	-	22,001	573,851
Unearned revenue	152,454	7,425	-	297,041	-	-	-	-	-	456,920	-	-	456,920
Bond anticipation notes payable	-	-	-	-	-	-	-	-	-	21,400,000	-	-	21,400,000
Total liabilities	<u>1,485,941</u>	<u>947,711</u>	<u>303,625</u>	<u>501,334</u>	<u>624,774</u>	<u>539,889</u>	<u>23,364,797</u>	<u>23,364,797</u>	<u>545,267</u>	<u>28,313,338</u>	<u>21,400,000</u>	<u>545,267</u>	<u>28,313,338</u>
DEFERRED INFLOWS OF RESOURCES													
Loans receivable	-	-	-	7,942,046	-	-	-	-	-	7,942,046	-	-	7,942,046
Note receivable	105,259	-	-	-	-	-	-	-	-	105,259	-	-	105,259
Special assessments	-	-	820,000	-	310,000	490,391	-	-	-	1,620,391	-	-	1,620,391
Total deferred inflows of resources	<u>105,259</u>	<u>-</u>	<u>820,000</u>	<u>7,942,046</u>	<u>310,000</u>	<u>490,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,667,696</u>	<u>-</u>	<u>-</u>	<u>9,667,696</u>
FUND BALANCES (DEFICIT)													
Nonspendable	420,682	768,493	155,420	-	177,233	761,789	-	-	152,694	2,436,311	-	152,694	2,436,311
Restricted	1,943,309	1,764,749	510,264	1,261,861	1,132,568	2,460,242	-	-	372,852	9,445,845	-	372,852	9,445,845
Assigned	2,021,677	4,948,076	1,119,120	-	6,179,414	4,367,719	-	-	2,498,653	21,134,659	-	2,498,653	21,134,659
Unassigned	3,071,892	7,481,318	1,784,804	1,261,861	7,489,215	7,589,750	(16,301,570)	(16,301,570)	3,024,199	(13,229,678)	-	3,024,199	(13,229,678)
Total fund balances (deficit)	<u>7,457,560</u>	<u>8,429,029</u>	<u>2,908,429</u>	<u>\$ 9,705,241</u>	<u>\$ 8,423,989</u>	<u>\$ 8,620,030</u>	<u>\$ 7,063,227</u>	<u>\$ 7,063,227</u>	<u>\$ 3,569,466</u>	<u>\$ 57,768,171</u>	<u>\$ 7,063,227</u>	<u>\$ 3,569,466</u>	<u>\$ 57,768,171</u>
Total liabilities, deferred inflows of resources and fund balances													

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

TOWN OF TONAWANDA, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
December 31, 2014

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

Total fund balances—governmental funds (page 16)		\$ 19,787,137
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$312,520,735 and the accumulated depreciation is \$168,335,417.		144,185,318
Inventories used in governmental activities are not an available financial resource and, therefore, are not reported in the funds.		338,419
Intergovernmental receivables used in governmental activities are not an available financial resource and, therefore, are not reported in the funds.		557,390
To recognize interest accrual on long term debt, which, for fund reporting purposes, is not recognized as a liability until due.		(199,878)
Long-term liabilities, including serial bonds, compensated absences, capital leases, EFC notes payable, employees' retirement system liability, landfill closure and post closure liability, and other postemployment benefits ("OPEB") are not due and payable in the current period and, therefore are not reported in the funds. The effect of these items are:		
Serial bonds	(37,251,356)	
EFC notes payable	(6,819,553)	
Employees' retirement system	(136,575)	
Landfill closure and post closure	(5,472,230)	
Compensated absences	(396,278)	
Other postemployment benefits	(78,742,625)	
Capital leases	<u>(1,999,895)</u>	(130,818,512)
Unavailable special assessment and notes receivables are reported as deferred inflows of resources in the governmental funds, as they are not current financial resources.		1,725,650
Internal Service Fund assets and liabilities are included in governmental activities and related charges for services provided.		<u>2,924,693</u>
Total net position—governmental activities		<u>\$ 38,500,217</u>

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

TOWN OF TONAWANDA, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)—Governmental Funds
Year Ended December 31, 2014

	Special Revenue								Total Governmental Funds	
	General	Town Outside Village	Highway Town Outside Village	Special Grants	Sewer District	Water District	Capital Projects	Total Nonmajor Funds		
REVENUES										
Real property taxes	\$ 13,670,045	\$ 11,384,328	\$ 6,145,698	\$ -	\$ 2,466,989	\$ -	\$ -	\$ -	\$ 10,331,590	\$ 43,998,650
Other property tax items	1,254,620	1,081,107	570,415	-	-	-	-	-	-	2,906,142
Non-property tax items	-	7,895,384	700,000	-	-	-	-	-	-	8,595,384
Departmental income	4,284,782	159,027	-	218,173	8,191,359	9,267,597	-	-	46,880	22,167,818
Intergovernmental charges	51,919	299,354	116,282	-	1,998,291	11,364	2,041,491	-	-	4,518,701
Use of money and property	274,936	168,699	3,105	396	12,767	97,193	-	-	-	561,560
Licenses and permits	124,473	565,947	460	-	-	-	-	-	-	690,880
Fines and forfeitures	1,573,801	-	-	-	-	-	-	-	-	1,573,801
Sale of property and compensation for loss	756,962	98,019	88,484	-	38,930	27,375	-	-	8,240	1,018,010
Miscellaneous	30,192	4,837	-	-	-	70	-	-	-	155,155
Interfund revenue	3,503,759	306,876	488,000	-	-	-	120,056	-	-	4,298,635
State aid	1,250,102	661,402	431,911	-	-	-	1,535	-	-	2,344,950
Federal aid	-	51,693	-	1,380,837	-	-	-	-	-	1,432,530
Total revenues	26,775,591	22,676,673	8,544,355	1,599,406	12,708,336	9,403,599	2,163,082	10,391,174	94,262,216	
EXPENDITURES										
Current:										
General government support	4,731,988	1,252,570	-	-	-	-	-	-	747,987	5,984,558
Public safety	1,101,172	12,619,014	-	-	-	-	-	-	-	14,468,173
Health	1,205,041	9,365	-	-	-	-	-	-	-	1,214,406
Transportation	913,195	-	5,170,099	-	-	-	-	-	1,548,476	7,631,770
Economic assistance and opportunity	120,008	-	-	-	-	-	-	-	-	120,008
Culture and recreation	9,112,262	-	-	-	-	-	-	-	-	9,112,262
Home and community services	856,269	109,028	-	1,689,033	8,079,853	6,124,516	-	-	5,334,191	22,192,890
Employee benefits	6,775,465	7,409,358	2,171,344	179,172	2,543,028	1,835,140	-	-	2,253,516	23,167,023
Debt service:										
Principal	588,682	5,075	190,000	-	1,149,299	150,000	-	-	75,000	2,158,056
Interest	121,488	3,713	26,906	-	672,501	115,872	-	-	43,469	983,949
Capital outlay	-	-	-	-	-	-	14,340,724	-	-	14,340,724
Total expenditures	25,525,570	21,408,123	7,558,349	1,868,205	12,444,681	8,225,528	14,340,724	10,002,639	388,535	(7,111,603)
Excess (deficiency) of revenues over expenditures	1,250,021	1,268,550	986,006	(268,799)	263,655	1,178,071	(12,177,642)	-	15,085	2,969,932
OTHER FINANCING SOURCES (USES)										
Transfers in	201,660	-	3,999	-	63,249	158,574	2,527,415	-	(493,050)	6,819,553
Transfers out	(1,457,488)	(846,719)	(781,812)	-	(1,230,435)	(717,909)	(342,519)	-	-	(5,869,932)
Proceeds of long-term obligations	-	-	-	-	-	-	6,819,553	-	-	6,819,553
Total other financing sources (uses)	(1,255,828)	(846,719)	(777,813)	-	(1,167,186)	(559,385)	9,004,449	(477,965)	3,919,553	
Net change in fund balances (deficit)	(5,807)	421,831	208,193	(268,799)	(903,531)	618,686	(3,173,193)	(89,430)	(3,192,050)	
Fund balances (deficit)—beginning	7,463,367	7,059,487	1,576,611	1,530,660	8,392,746	6,971,064	(13,128,377)	3,113,629	22,979,187	
Fund balances (deficit)—ending	7,457,560	7,481,318	1,784,804	1,261,861	7,489,215	7,589,750	(16,301,570)	3,024,199	19,787,137	

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

TOWN OF TONAWANDA, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended December 31, 2014

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

Net change in fund balances (deficit)—total governmental funds (page 18) \$ (3,192,050)

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

Capital asset additions	\$ 14,857,635	
Depreciation expense	<u>(7,028,400)</u>	7,829,235

The net effect of miscellaneous transactions involving inventory. (145,775)

The net effect of landfill closure and post-closure activity in the current year. 80,820

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (26,038)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds, installment purchase debt and related items is as follows:

Principal payments on serial bonds	\$ 2,036,366	
Proceeds from EFC note payable	(6,819,553)	
Employees' retirement system liability	63,683	
Change in accrued expenditures	21,736	
Principal payments on capital lease	<u>121,690</u>	(4,576,078)

In the statement of activities, certain operating expenses—compensated absences (vacation & compensatory time) and other post-employment benefits ("OPEB"), and workers compensation—are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences is as follows:

Compensated absences	\$ (7,120)	
Other postemployment benefits	<u>(13,357,873)</u>	(13,364,993)

Internal service funds are used by management to charge the cost of insurance, judgements, claims and related administrative expenses to individual funds. The net excess of charges for such services is reported within governmental activities. (485,132)

Change in net position of governmental activities \$ (13,880,011)

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

TOWN OF TONAWANDA, NEW YORK
Statement of Net Position—Proprietary Funds
December 31, 2014

	Governmental Activities— Internal Service Funds		
	Self Insurance Fund	Workers Compensation Fund	Total Internal Service Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,332,286	\$ 3,391,955	\$ 4,724,241
Accounts receivable	2,911	-	2,911
Prepaid items	378,008	280,542	658,550
Total current assets	<u>1,713,205</u>	<u>3,672,497</u>	<u>5,385,702</u>
LIABILITIES			
Current liabilities:			
Accounts payable	12,504	128,821	141,325
Accrued liabilities	800,000	1,519,684	2,319,684
Total current liabilities	<u>812,504</u>	<u>1,648,505</u>	<u>2,461,009</u>
NET POSITION			
Restricted for judgments and claims	900,701	2,023,992	2,924,693
Total net position	<u>\$ 900,701</u>	<u>\$ 2,023,992</u>	<u>\$ 2,924,693</u>

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

TOWN OF TONAWANDA, NEW YORK
Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds
Year Ended December 31, 2014

	Governmental Activities— Internal Service Funds		
	Self Insurance Fund	Workers Compensation Fund	Total Internal Service Funds
Operating revenues:			
Charges for services	\$ 800,000	\$ 2,100,000	\$ 2,900,000
Operating expenses:			
Administrative expenses	70,657	-	70,657
Judgments and claim expenses	683,387	2,241,017	2,924,404
Excess insurance	410,223	-	410,223
Total operating expenses	<u>1,164,267</u>	<u>2,241,017</u>	<u>3,405,284</u>
Operating loss	<u>(364,267)</u>	<u>(141,017)</u>	<u>(505,284)</u>
Nonoperating revenues:			
Refund of prior year expenditures	-	16,600	16,600
Interest income	974	2,578	3,552
Total nonoperating revenues	<u>974</u>	<u>19,178</u>	<u>20,152</u>
Change in net position	(363,293)	(121,839)	(485,132)
Total net position—beginning	1,263,994	2,145,831	3,409,825
Total net position—ending	<u>\$ 900,701</u>	<u>\$ 2,023,992</u>	<u>\$ 2,924,693</u>

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

TOWN OF TONAWANDA, NEW YORK
Statement of Cash Flows—Proprietary Funds
Year Ended December 31, 2014

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from participating funds	\$ 2,897,089
Payments to employees and suppliers	(555,942)
Payments for administrative and judgments and claims	(2,449,930)
Net cash used for operating activities	(108,783)
CASH FLOWS FROM INVESTING ACTIVITIES	
Miscellaneous	16,600
Interest earnings	3,552
Net cash provided by investing activities	20,152
Net increase in cash and cash equivalents	(88,631)
Cash and cash equivalents—beginning	4,812,872
Cash and cash equivalents—ending	\$ 4,724,241
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (505,284)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Increase in accounts receivable	(2,911)
Increase in prepaid items	(69,777)
Decrease in accounts payable	(75,942)
Increase in accrued liabilities	545,131
Net cash provided by operating activities	\$ (108,783)

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

TOWN OF TONAWANDA, NEW YORK
Statement of Net Position—Agency Fund
December 31, 2014

ASSETS

Cash	<u>\$ 712,081</u>
------	-------------------

LIABILITIES

Agency liabilities	\$ 98,287
Due to other funds	<u>613,794</u>
Total liabilities	<u>\$ 712,081</u>

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

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TOWN OF TONAWANDA, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Government-wide Financial Statements

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

Reporting Entity

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

Independently elected officials of the Town include:

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

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

Basis of Presentation—Government-wide Financial Statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the

government's water and sewer and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation—Fund Financial Statements

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

The Town reports the following major governmental funds:

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

Additionally, the government reports the following fund types:

- *Internal Service Funds*—The Internal Service Funds are used to account for the Town's insurance program. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions.
- *Agency Fund*—The Agency Fund is used to account for assets held by the Town as an agent for individuals, other governments, or other funds. The agency fund is custodial in nature and does not involve measurement of results of operations. The agency fund accounts, such as payroll withholdings, are reported as liabilities.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances

to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

Measurement Focus and Basis of Accounting

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

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

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

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

The internal service funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities

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

Cash, Cash Equivalents and Investments—The Town’s cash, cash equivalents and investments consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. The Town had no investments at December 31, 2014; however, when the Town does have investments they are recorded at fair value based on quoted market value.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent amounts to support fund balance restrictions.

Inventory—The Town accounts for inventory under the purchase method, whereby inventory purchases are recognized as expenditures regardless of the period used. All inventories are valued at cost using the first in / first out (FIFO) method. The Town considers inventory of the Water District Fund to be significant at year end. Accordingly, the Town has presented such inventory on the balance sheet at December 31, 2014. As a result, the Town has adjusted the prior year inventory balance to reflect actual amounts on hand at year end. This adjustment is presented as a direct adjustment of the beginning fund balance of the Water District Fund. As such, the Town’s beginning fund balance of the Water District Fund at January 1, 2014 of \$7,071,616 has been adjusted to \$6,971,064 to reflect the change in inventory.

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

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

Major outlays for capital assets and improvements are capitalized as projects are incurred. Expenditures reported in the Capital Project Fund are classified as capital outlays. Routine capital expenditures in other funds are included in the appropriate functional category (i.e. purchase of new highway equipment as part of current expenditures—transportation). Additionally, the amount reported as capital outlays in the Capital Projects Fund includes certain non-capitalized costs (i.e. furnishings below the capitalization threshold). Capital outlay as reported in the Capital Project Fund is classified in the following functional categories:

<u>Functional Category</u>	
General Government Support	\$ 144,399
Public Safety	29,119
Health	31,296
Transportation	1,743,711
Culture and Recreation	11,637
Home and Community Services	<u>12,380,562</u>
Total	<u>14,340,724</u>

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

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

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2014, the Town does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At December 31, 2014, the Town has three types of items which qualify for reporting in this category.

The first item reports deferred inflows related to loans receivable on both the governmental funds balance sheet and the statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second and third items, note receivable and special assessments, arise only under a modified accrual basis of accounting. Accordingly, deferred inflows of resources for the note receivable and special assessments are only reported on the governmental funds balance sheet.

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

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

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

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

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

Revenues and Expenditures/Expenses

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

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

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

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

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

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

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At December 31, 2014, the Town reported unearned revenues within the General Fund, General—Town Outside Village Fund, and Special Grant Fund. The Town has received grant, rent, and gift card funds in advance but has not performed the services, and therefore recognizes a liability.

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

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

Pensions—Nearly all Town employees are members of various New York State retirement systems. The Town is invoiced annually by the systems for its share of the cost.

Other Postemployment Benefits—In addition to providing pension benefits, the Town provides health insurance coverage and survivor benefits for retired employees and their survivors as discussed in Note 7.

Under the Consolidated Omnibus Budget Reconciliation Act (“COBRA”), the Town provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured on or before the tenth (10th) day of the month for the actual month covered. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the Town under this program, and there were 2 participants in the program as of December 31, 2014.

Other

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

Adoption of New Accounting Pronouncements—During the year ended December 31, 2014, the Town implemented GASB Statements No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, No. 69, *Government Combinations and Disposals of Government Operations*, and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB Statement No. 67 is to improve financial reporting by state and local governmental pension plans. This Statement replaces GASB Statement No. 25 and Statement No. 50. The objective of GASB Statement No. 69 is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The objective of GASB Statement No. 70 is to improve financial reporting by state and local governments that extend and receive nonexchange financial guarantees. GASB Statements Nos. 67, 69, and 70 did not have a material impact on the Town’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Town has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68*, effective for the year ending December 31, 2015, No. 72, *Fair Value Measurement and Application*, effective for the year ending December 31, 2016, No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for the year ending December 31, 2016, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the year ending December 31, 2017, and No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for the year ending December 31, 2018. The Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 68, 71, 72, 73, 74 and 75 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

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

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

year. On January 1st, encumbrance assignments outstanding at year-end are reappropriated to the ensuing year's original budget.

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

Deficit Fund Balance—At December 31, 2014, the Capital Projects Fund, a major fund, has a deficit fund balance of \$16,301,570. The primary reason for the deficit in this case is that the Town issued bond anticipation notes (“BANs”), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances). When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. Since the BANs are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs or retire the BANs.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

Cash and restricted cash at December 31, 2014 are as follows:

	Governmental Funds	Proprietary Funds	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 8,040	\$ -	\$ -	\$ 8,040
Deposits	33,181,135	4,724,241	712,081	38,617,457
Total	<u>\$ 33,189,175</u>	<u>\$ 4,724,241</u>	<u>\$ 712,081</u>	<u>\$ 38,625,497</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2014 as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
FDIC Insured	\$ 1,750,160	\$ 1,750,160
Uninsured:		
Collateral held by pledging bank's agent in the Town's name	<u>37,715,104</u>	<u>36,867,297</u>
Total	<u>\$ 39,465,264</u>	<u>\$ 38,617,457</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As noted above, by New York State statute all deposits in excess of FDIC insurance coverage must be collateralized. At December 31, 2014 the Town's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the Town's name.

Restricted Cash and Cash Equivalents—The Town reports restricted cash, totaling \$12,708,577. These funds are set aside for future payments toward insurance, approved capital project spending and debt service payments, in the amounts of \$1,943,309, \$1,764,749, \$510,264, \$1,132,568, \$2,460,242, \$4,524,593, and \$372,852.

Investments—Investments are carried at fair value, as determined by quoted market prices. At December 31, 2014, the Town had no investments.

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of deposits and investments. The Town's investment policy minimizes the risk by structuring the investment portfolio so that the deposits and investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell deposits and investments on the open market prior to maturity.

3. RECEIVABLES

Major revenues accrued by the Town at December 31, 2014:

Accounts Receivable—Represents amounts due from various sources. Also included are special assessment receivables from individual property owners. These amounts have been reported as deferred inflows of resources in the balance sheet of the governmental funds and are recognized as revenue when the amounts are both measurable and available. The Town's accounts receivable at December 31, 2014 are as follows:

Governmental Funds:		
General Fund:		
Various fees and charges	\$ 279,098	
Notes receivable	<u>114,791</u>	\$ 393,889
General—Town Outside Village Fund:		
Various fees and charges		599,583
Highway—Town Outside Village Fund:		
Special assessments	820,000	
Various fees and charges	<u>60,356</u>	880,356
Special Grants Fund:		
Various fees and charges		14,814
Sewer Fund:		
Sewer rents	1,960,632	
Various fees and charges	295,277	
Special assessments	<u>30,000</u>	2,285,909
Water Fund:		
Water rents	2,627,206	
Various fees and charges	<u>51,423</u>	2,678,629
Nonmajor Governmental Funds:		
Garbage and Refuse District Fund	68,235	
Drainage District Fund	<u>5,070</u>	<u>73,305</u>
Total governmental funds		<u>\$ 6,926,485</u>
Proprietary Fund		<u>\$ 2,911</u>
Agency Fund		<u>\$ 121,600</u>

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State, County of Erie or other local governments. Amounts due the Town at December 31, 2014 are presented as follows:

Governmental Funds:		
General Fund:		
Due from New York State	\$ 93,230	
Due from Erie County	3,300	
Due from local sources	<u>32,561</u>	129,091
General—Town Outside Village Fund:		
Due from Federal	5,387	
Due from New York State	38,500	
Due from Erie County	2,623,571	
Due from local sources	<u>21,773</u>	2,689,231
Highway—Town Outside Village Fund:		
Due from New York State	62,029	
Due from Erie County	<u>282,486</u>	344,515
Special Grants Fund:		
Due from Federal	195,546	
Due from local sources	<u>47</u>	195,593
Sewer District Fund:		
Due from New York State	17,802	
Due from local sources	<u>743,190</u>	760,992
Water District Fund:		
Due from local sources		2,304
Capital Projects Fund:		
Due from Erie County		<u>1,008,205</u>
Total governmental funds:		<u>\$ 5,129,931</u>

Rehabilitation Loans Receivable—Rehabilitation loans receivable at December 31, 2014 consist of individual home improvement revolving loans with various interest and repayment terms, secured by second mortgages on the individual properties. These receivables are offset by deferred inflows of resources since the revenue recognition criteria has not been met. The balance at December 31, 2014 is \$7,942,046.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014
Capital assets, not being depreciated:				
Land	\$ 1,493,633	\$ -	\$ -	\$ 1,493,633
Construction in progress	21,251,877	13,637,953	(13,445,675)	21,444,155
Total capital assets, not being depreciated	<u>22,745,510</u>	<u>13,637,953</u>	<u>(13,445,675)</u>	<u>22,937,788</u>
Capital assets, being depreciated:				
Buildings and improvements	37,625,467	-	-	37,625,467
Transportation network	23,058,005	-	-	23,058,005
Sewer network	122,951,291	9,640,450	-	132,591,741
Water network	40,893,687	3,522,581	-	44,416,268
Drainage network	19,713,737	-	-	19,713,737
Improvements other than buildings	7,139,932	-	-	7,139,932
Machinery and equipment	23,636,595	1,502,326	(101,124)	25,037,797
Total capital assets, being depreciated	<u>275,018,714</u>	<u>14,665,357</u>	<u>(101,124)</u>	<u>\$289,582,947</u>
Less accumulated depreciation for:				
Buildings and improvements	(18,961,128)	(1,082,419)	-	(20,043,547)
Transportation network	(18,658,473)	(423,887)	-	(19,082,360)
Sewer network	(63,938,985)	(2,722,551)	-	(66,661,536)
Water network	(27,639,891)	(643,076)	-	(28,282,967)
Drainage network	(12,225,970)	(254,183)	-	(12,480,153)
Improvements other than buildings	(4,738,045)	(232,335)	-	(4,970,380)
Machinery and equipment	(15,245,649)	(1,669,949)	101,124	(16,814,474)
Total accumulated depreciation	<u>(161,408,141)</u>	<u>(7,028,400)</u>	<u>101,124</u>	<u>(168,335,417)</u>
Total capital assets, being depreciated, net	<u>113,610,573</u>	<u>7,636,957</u>	<u>-</u>	<u>121,247,530</u>
Governmental activities capital assets, net	<u>\$ 136,356,083</u>	<u>\$ 21,274,910</u>	<u>\$ (13,445,675)</u>	<u>\$ 144,185,318</u>

Depreciation expense was charged to functions of the governmental activities for the year ended December 31, 2014 as follows:

Governmental activities:	
General government support	\$ 320,303
Public safety	366,799
Health	34,409
Transportation	921,701
Culture and recreation	1,056,428
Home and community services	4,328,760
Total depreciation expense—governmental activities	<u>\$ 7,028,400</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds of the Town as of December 31, 2014, were as follows:

	General Fund	General Town Outside Village	Highway Town Outside Village	Special Grants Fund	Sewer District Fund	Water District Fund	Other Governmental Funds	Total Governmental Funds
Salary and employee benefits	\$ 648,477	\$ 789,573	\$ 217,455	\$ 7,445	\$ 298,756	\$ 195,433	\$ 272,362	\$ 2,429,501

6. PENSION PLANS

Plan Description—The Town participates in the New York State and Local Employees’ Retirement System (“ERS”), the New York State and Local Police and Fire Retirement System (“PFRS”) and the Public Employees’ Group Life Insurance Plan (the “Systems”). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (the “NYSRSSL”). As set forth in the NYSRSSL, the Comptroller of the State of New York (the “Comptroller”) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policy—The Systems are noncontributory, except for employees who joined the New York State and Local Employees’ Retirement System after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 (ERS) who generally contribute three percent (3%) of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute a percentage ranging from three percent (3%) to six percent (6%), based on salary. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the New York State Local Retirement Systems’ fiscal year ending March 31st.

The Town is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were as follows

Year Ended December 31,	ERS	PFRS
2014	\$ 4,394,165	\$ 2,696,301
2013	4,675,506	2,892,155
2012	4,068,494	2,290,729

7. OTHER POSTEMPLOYMENT BENEFITS

Plan Description—In addition to providing pension benefits, the Town provides health insurance coverage and/or payment for fractional values to eligible retired employees. Substantially all of the Town’s full-time employees may become eligible for these benefits upon retirement. The Town is obligated to pay such benefits as a result of union contracts and Town Board rules and regulation for nonunion employees. Health care benefits are provided through insurance companies whose premiums are based on the benefits paid during the year. The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. During the year ended December 31, 2014, \$5,858,763 was paid on behalf of approximately 384 retirees and was recorded as an expenditure in the respective funds.

Funding Policy—Authorization for the Town to pay retiree health insurance premiums was enacted through union contracts, which are approved by the Town Board. Except for participants hired on or after April 1, 2004, salaried employees who retired prior to January 1, 1982 and police retirees hired on or after December 14, 1993, retirees that meet the age and years of service requirements are not required to contribute to postretirement healthcare benefits. Medical benefits are provided for the life of the retiree and their spouse.

The Town’s annual postemployment benefit (“OPEB”) cost is calculated based on the annual required contributions (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

The table presented below shows the components of the Town’s annual OPEB cost for the past two years, the amount actually contributed to the plan, and the changes in the Town’s net OPEB obligation.

	December 31,	
	2014	2013
Annual required contribution ("ARC")	\$ 20,786,652	\$ 18,568,155
Interest on net OPEB obligation	2,615,390	2,136,554
Adjustment to annual required contribution	<u>(4,185,406)</u>	<u>(3,341,964)</u>
Annual OPEB costs (expense)	19,216,636	17,362,745
Contributions made	<u>(5,858,763)</u>	<u>(5,391,833)</u>
Increase in net OPEB obligation	13,357,873	11,970,912
Net OPEB obligation—beginning of year	<u>65,384,752</u>	<u>53,413,840</u>
Net OPEB obligation—end of year	<u>\$ 78,742,625</u>	<u>\$ 65,384,752</u>

Funding Status and Funding Progress—As of December 31, 2014, calculations were based on plan data as of January 1, 2014 and financial data as of December 31, 2014. The accrued liability for benefits was \$211,978,256, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$32,969,153, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 643.0%. The total postemployment health insurance cost was \$5,858,763 for the year ended December 31, 2014.

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 the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Town's schedule of contributions for the most recent three years is shown below:

Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage Contributed
2014	\$ 19,216,636	\$ 5,858,763	30.5%
2013	17,362,745	5,391,833	31.1%
2012	16,951,082	4,634,236	27.3%

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

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members, at the time of the valuation and on the pattern of cost sharing between the employee and plan members. The projection of benefits does not incorporate the potential effect of a change in the pattern of cost sharing between the employer and plan members in the future. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the January 1, 2014 actuarial valuation update, the projected unit credit method was used. The actuarial assumptions included a valuation and measurement date of January 1, 2013. The expected investment rate of return on employer's assets is 4.0 percent. The rate is based on the projected long-term earning rate of the assets expected to be available to pay benefits. Since the Town does not currently segregate funding for these benefits, the appropriate rate is the expected return on the employer's assets. The expected inflation rate is 2.25 percent. The RP-2014 Mortality Table projected using Scale MP-2014, with no collar adjustment, is used for mortality rates. Rates of decrement due to disability are assumed to be 0 percent. Rates of retirement and turnover are those used by the State of New York for the retirement valuations of the Employees Retirement System (ERS) and the Police and Fire Retirement System (PFRS). Rates of retirement are based on the experience under the New York State Employees' Retirement System (ERS) and the New York Police and Fire Retirement System (PFRS). It was assumed that 100 percent of future retirees eligible for coverage will elect postemployment health care benefits and 75 percent of those retirees will elect spousal coverage. The expected per capital costs of claims was based upon the Traditional Blue POS 229 Plan and the Traditional Blue PPO 811 Plan. The assumed rates of increase in health care vary from 3.89 percent to 8.00 percent and the administrative fees are assumed to increase at 3.25 percent per year. The unfunded actuarial accrued liability is being amortized over 25 years on a level dollar closed basis.

8. RISK MANAGEMENT

The Town assumes the liability for most risk including, but not limited to workers' compensation, property damage, and personal injury liability. The insurance policies obtained at this time include: excess liability; property, equipment and auto; crime; golf dome property and golf dome boiler and machinery. For these insurance policies, no amount of settlements exceeded the insurance coverage during the past three years. Risk Management—The Town carries commercial excess liability insurance of \$10,000,000 per occurrence with a \$10,000,000 aggregate annual limit for its government operations. The Town's property, equipment and auto policy is limited to \$280,000,000 per occurrence. The Town is insured with commercial crime coverage limited to various amounts dependent on the type of claim. The Town also holds golf dome property and golf dome boiler and machinery policies with total limits of \$2,166,320 and \$3,877,229, respectively.

9. LEASE OBLIGATIONS

Capital Leases—The Town has entered into a lease agreement as a lessee to finance an energy performance project. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The assets acquired through the capital lease are as follows:

	Governmental Activities
Assets:	
Aquatic & Fitness Center improvements	\$ 2,555,953
Less: accumulated depreciation	<u>(511,190)</u>
Total	<u>\$ 2,044,763</u>

Payments on the original lease commenced June 1, 2009 and are due every three months thereafter (payment dates are March 1, June 1, September 1, and December 1). Payments are each \$52,681 with final payment due March 1, 2027. Nominal annual rate is 4.29 percent. The obligation under the lease can be summarized as follows:

Fiscal Year Ending December 31,	Governmental Activities
2015	\$ 210,725
2016	210,725
2017	210,725
2018	210,725
2019	210,725
2020-2024	1,053,624
2025-2028	<u>474,131</u>
Total minimum lease payments	2,581,380
Less: amount representing interest	<u>(581,485)</u>
Present value of minimum lease payments	<u>\$ 1,999,895</u>

10. SHORT-TERM DEBT

Liabilities for bond anticipation notes ("BAN's") are generally accounted for in the capital projects funds. Principal payments on BAN's must be made annually. State law requires that BAN's issued for capital purposes, be converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for a period equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. The following is a summary of changes in the Town's short-term debt for the year ended December 31, 2014:

Description	Interest Rate	Maturity Date	Balance 1/1/2014	Issues	Redemptions	Balance 12/31/2014
Recorded in Capital Projects Fund for:						
General Fund:						
Technology Upgrade	1.00%	9/4/2014	\$ 175,000	\$ -	\$ 175,000	\$ -
Brighton Arena Turf and Lincoln Pool Liner	1.00%	9/4/2014	50,000	-	50,000	-
New Worlds and Kronos	1.00%	9/4/2014	350,000	-	350,000	-
Sheridan Parkside Spray Pool	1.00%	9/4/2014	150,000	-	150,000	-
Technology Upgrade	0.75%	9/3/2015	-	100,000	-	100,000
Brighton Arena Turf and Lincoln Pool Liner	0.75%	9/3/2015	-	25,000	-	25,000
New Worlds and Kronos	0.75%	9/3/2015	-	175,000	-	175,000
Sheridan Parkside Spray Pool	0.75%	9/3/2015	-	100,000	-	100,000
Townwide Telephone System	0.75%	9/3/2015	-	275,000	-	275,000
Highway—Town Outside of Village Fund:						
North Youngman Commerce Center	1.00%	9/4/2014	200,000	-	200,000	-
Cold Milling Maching	1.00%	9/4/2014	350,000	-	350,000	-
North Youngman Commerce Center	0.75%	9/3/2015	-	150,000	-	150,000
Cold Milling Maching	0.75%	9/3/2015	-	275,000	-	275,000
Sewer District Fund:						
Inflow and Infiltration Demonstration Project	1.00%	9/4/2014	675,000	-	675,000	-
Creekside Station and Sanitary Sewer Rehabilitation	1.00%	9/4/2014	1,125,000	-	1,125,000	-
WWTF Sludge Management Improvement	1.00%	9/4/2014	3,500,000	-	3,500,000	-
I&I Demonstration Project Construction	1.00%	9/4/2014	3,400,000	-	3,400,000	-
Inflow and Infiltration Demonstration Project	0.75%	9/3/2015	-	450,000	-	450,000
Creekside Station and Sanitary Sewer Rehabilitation	0.75%	9/3/2015	-	1,050,000	-	1,050,000
WWTF Sludge Management Improvement	0.75%	9/3/2015	-	3,350,000	-	3,350,000
I&I Demonstration Project Construction	0.75%	9/3/2015	-	3,200,000	-	3,200,000
High Voltage Substation Retrofit	0.75%	9/3/2015	-	650,000	-	650,000
Water District Fund:						
Parker Blvd and Treatment Plant Flow Meter	1.00%	9/4/2014	1,850,000	-	1,850,000	-
Kenmore, Chelsea and Green Acres Storage Tank	1.00%	9/4/2014	1,600,000	-	1,600,000	-
Delaware Rd from Deerhurst Blvd to Brighton	1.00%	9/4/2014	3,900,000	-	3,900,000	-
North Youngmann Commerce Center	1.00%	9/4/2014	700,000	-	700,000	-
Parker Blvd and Treatment Plant Flow Meter	0.75%	9/3/2015	-	1,725,000	-	1,725,000
Kenmore, Chelsea and Green Acres Storage Tank	0.75%	9/3/2015	-	1,500,000	-	1,500,000
Delaware Rd from Deerhurst Blvd to Brighton	0.75%	9/3/2015	-	3,750,000	-	3,750,000
North Youngmann Commerce Center	0.75%	9/3/2015	-	650,000	-	650,000
Cleaning & Painting	0.75%	9/3/2015	-	2,050,000	-	2,050,000
Drainage District Fund:						
Dupont/Desmond Drainage Line	1.00%	9/4/2014	1,325,000	-	1,325,000	-
Two Mile Creek Bank Stabilization Improvements	1.00%	9/4/2014	750,000	-	750,000	-
Dupont/Desmond Drainage Line	0.75%	9/3/2015	-	1,225,000	-	1,225,000
Two Mile Creek Bank Stabilization Improvements	0.75%	9/3/2015	-	700,000	-	700,000
Total			\$ 20,100,000	\$ 21,400,000	\$ 20,100,000	\$ 21,400,000

11. LONG-TERM LIABILITIES

Summary of Changes in Long-Term Debt—The following is a summary of changes in long-term debt for the year ended December 31, 2014:

	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014
Serial bonds	\$ 39,287,722	\$ -	\$ 2,036,366	\$ 37,251,356
EFC notes payable	-	6,819,553	-	6,819,553
Due to employees' retirement system	200,258	-	63,683	136,575
Landfill closure and post closure liability	5,553,050	-	80,820	5,472,230
Compensated absences	389,158	29,030	21,910	396,278
Other postemployment benefits	65,384,752	19,216,636	5,858,763	78,742,625
Capital lease	2,121,585	-	121,690	1,999,895
Totals	\$ 112,936,525	\$ 26,065,219	\$ 8,183,232	\$ 130,818,512

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

A summary of bonded indebtedness transactions for the year ended December 31, 2014 follows:

Description	Year of Issue/ Maturity	Interest Rate (%)	Balance 1/1/2014	Additions	Reductions	Balance 12/31/2014
General Fund:						
General public improvements	1999/2014	5.94%	\$ 200,000	\$ -	\$ 200,000	\$ -
General public improvements	2004/2018	3.47%	400,000	-	100,000	300,000
General public improvements	2010/2025	2.00-3.00%	625,000	-	175,000	450,000
Highway Fund—Town Outside Village Fund:						
Various highway projects	2004/2018	3.47%	50,000	-	50,000	-
Various highway projects	2010/2025	2.00-3.00%	1,010,000	-	140,000	870,000
Sewer District Fund:						
Increase and improvements	2010/2025	2.00-3.00%	3,965,000	-	285,000	3,680,000
Increase and improvements	2012/2042	0.24-4.10%	20,496,366	-	576,366	19,920,000
Increase and improvements	2013/2042	0.36-4.76%	10,216,356	-	285,000	9,931,356
Water District Fund:						
Increase and improvements	2004/2018	3.47%	375,000	-	75,000	300,000
Improvements	2010/2025	2.00-3.00%	975,000	-	75,000	900,000
Drainage District:						
Improvements	2010/2025	2.00-3.00%	975,000	-	75,000	900,000
Total governmental activities			\$ 39,287,722	\$ -	\$ 2,036,366	\$ 37,251,356

EFC Notes Payable—EFC Notes Payable represents proceeds from Environmental Facilities Corporation (“EFC”) loan agreements. The proceeds are used for the Parker-Fries Interceptor sewer replacement project, a four-phase construction project, which began in 2010. Upon completion of each phase of the project, the notes are subsequently converted to serial bonds. Between 2010 and 2012 the Town released \$25,422,439 of phase I funds, made principal payments of \$4,400,000, deposited \$38,926 to a construction fund, and converted the phase I liability of \$21,061,366 to serial bonds. Between 2012 and 2013 the Town released \$7,371,127 of phase II funds, deposited \$2,768,849 to a construction fund, incurred \$76,380 of delivery date expenses, and converted the phase II liability of \$10,216,356 to serial bonds. During 2014 the Town released \$6,819,553 of phase III funds, which are expected to be converted to serial bonds during the 2015 fiscal year. Phase IV is anticipated to begin in 2015 with an estimated cost of \$14,500,000.

A summary of the changes in notes payable for the year ended December 31, 2014 follows:

	Balance 1/1/2014	Additions	Payments	Balance 12/31/2014
Capital Projects Fund	\$ -	\$ 6,819,553	\$ -	\$ 6,819,553

Due to Employees’ Retirement System—Under Chapter 260 of the Laws of 2004 of the State of New York, the Town had the option to amortize, or spread out, over a 10 year period certain portions of their pension contribution bills. The Town exercised this option for its pension contribution bill paid during the year ended December 31, 2006. The amount amortized carries at a rate of interest set by the State Comptroller, currently 5%. There are two installments remaining on the 2006 amortization.

Landfill Closure and Post Closure Liability—State and federal laws and regulations require the Town to place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the site for 30 years after closure. Both closure and post-closure care costs will be paid in the future. However, accounting rules and regulations require the Town to report a portion of these closure and post-closure care costs as a long-term liability in each period based on landfill capacity used as of each balance sheet date. The \$5,472,230 reported as landfill closure and post-closure care liability at December 31, 2014 represents the cumulative amount reported to date based on 100% capacity of the landfill as the Town is not accepting additional solid waste. This amount is estimated based on what it would cost to perform all closure and post-closure care in 2014. The Town expended \$80,820 in the current year relating to closure and post-closure activities. As of December 31, 2014, the Town is still awaiting a decision from the Army Corps of Engineers to determine final closure procedures. Actual cost may vary due to inflation, changes in technology, or changes in regulations.

Compensated Absences—As explained in Note 1, the Town records the value of compensated absences. The annual budgets of the general and special revenue funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at December 31, 2014, for governmental activities is \$396,278. This amount has been recorded as a noncurrent liability since payment of compensated absences is dependent upon many factors, therefore, timing of future payments is not readily determinable.

Other Postemployment Benefits (“OPEB”) Obligation—As explained in Note 7, the Town provides health insurance coverage for retirees. The Town’s annual postemployment benefit (“OPEB”) cost is calculated based in the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial*

Reporting by Employers for Postemployment Benefits Other Than Pensions. The estimated long-term OPEB liability is estimated to be \$78,742,625 at December 31, 2014.

Capital Lease—The Town entered into a long-term capital lease to finance an energy performance project. The outstanding balance at December 31, 2014 was \$1,999,895. Refer to Note 9 for additional information related to the Town’s capital lease.

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

	Serial Bonds	EFC Notes Payable	Due to Employees' Retirement System	Landfill Closure and Post Closure Liability	Compensated Absences	Other Postemployment Benefits	Capital leases	Total
2015	\$ 1,791,356	\$ -	\$ 66,947	\$ -	\$ 19,814	\$ -	\$ 126,993	\$ 2,005,110
2016	1,740,000	6,819,553	69,628	-	-	-	132,527	8,761,708
2017	1,755,000	-	-	-	-	-	138,302	1,893,302
2018	1,795,000	-	-	-	-	-	144,328	1,939,328
2019	1,600,000	-	-	-	-	-	150,617	1,750,617
2020-2024	7,550,000	-	-	-	-	-	857,442	8,407,442
2025-2029	5,740,000	-	-	-	-	-	449,686	6,189,686
2030-2034	5,575,000	-	-	-	-	-	-	5,575,000
2035-2039	5,950,000	-	-	-	-	-	-	5,950,000
2040-2042	3,755,000	-	-	-	-	-	-	3,755,000
Various	-	-	-	5,472,230	376,464	78,742,625	-	84,591,319
	<u>\$ 37,251,356</u>	<u>\$ 6,819,553</u>	<u>\$ 136,575</u>	<u>\$ 5,472,230</u>	<u>\$ 396,278</u>	<u>\$ 78,742,625</u>	<u>\$ 1,999,895</u>	<u>\$ 130,818,512</u>

The interest requirement for the Town’s outstanding serial bonds is as follows:

Year	Amount
2015	\$ 1,084,609
2016	1,058,910
2017	1,031,730
2018	1,002,312
2019	972,989
2020-2024	4,391,114
2025-2029	3,412,245
2030-2034	2,443,796
2035-2039	1,368,465
2040-2042	262,395
	<u>\$ 17,028,564</u>

12. NET POSITION AND FUND BALANCE

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

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Capital assets, net of accumulated depreciation		\$ 144,185,318
Related debt:		
Serial bonds issued	(37,251,356)	
EFC notes payable	(6,819,553)	
Capital lease	(1,999,895)	
Bond anticipation notes issued for capital assets	(21,400,000)	
Unspent proceeds from bond anticipation notes	<u>4,524,593</u>	
Debt issued and used for capital assets		<u>(62,946,211)</u>
Net investment in capital assets		<u>\$ 81,239,107</u>

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

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by the Town at December 31, 2014 include:

- **Prepaid Items**—Represents amounts prepaid to vendors and employees that are applicable to future accounting periods. At December 31, 2014 the General Fund, General—Town Outside Village Fund, Highway—Town Outside Village Fund, Sewer District Fund, Water District Fund, and Total Nonmajor Funds reported prepaid item amounts of \$420,682, 768,493, \$155,420, \$177,233, \$128,154, and \$152,694, respectively.
- **Inventory**—Represents the portion of fund balance composed of inventory. This balance is nonspendable as the inventory does not represent an available resource. At December 31, 2014 the Water District Fund reported inventory amounts of \$633,635.

In the fund financial statements, restricted fund balances are amounts with external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions and enabling legislation. Restricted fund balances maintained by the Town at December 31, 2014 are as follows:

	Equipment and capital			Public Safety	Retirement	Special Grants	Total
	Improvements	Repairs	Leachate				
General	\$ 972,426	\$ 52,246	\$ -	\$ -	\$ 918,637	\$ -	\$ 1,943,309
General—Town Outside Village Fund	460,341	-	-	716,480	587,928	-	1,764,749
Highway—Town Outside Village Fund	179,555	-	-	-	330,709	-	510,264
Special Grants Fund	-	-	-	-	-	1,261,861	1,261,861
Sewer District Fund	695,600	339,463	97,505	-	-	-	1,132,568
Water District Fund	438,479	2,021,763	-	-	-	-	2,460,242
Total Nonmajor Funds	372,852	-	-	-	-	-	372,852
Total	\$ 3,119,253	\$2,413,472	\$ 97,505	\$ 716,480	\$ 1,837,274	\$1,261,861	\$ 9,445,845

- **Equipment and Capital Improvements**—Represents funds accumulated to finance all or part of the cost of construction, reconstruction or acquisition of specific items or types of capital improvements or acquisition of specific items or types of equipment.
- **Repairs**—Represents funds accumulated to pay the cost of certain repairs of capital improvements or equipment. The repairs must be of a type not recurring annually or at shorter intervals.
- **Leachate**—Represents funds to be used for payment of unexpected sewer problems at the landfill.
- **Public Safety**—Represents funds to be used for police and public safety expenditures.
- **Retirement**—Represents funds to be used for the payment of retirement contributions.
- **Special Grants**—Represents funds to be used for community development.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Town's highest level of decision-making authority. As of December 31, 2014, the Town has no committed fund balance.

In the fund financial statements, assigned amounts are subject to a purpose constraint that represents an intended use established by the Town Board, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balances maintained by the Town at December 31, 2014 are shown as follows:

	Subsequent Years'		Public Safety	Specific Use	Total
	Expenditures	Encumbrances			
General	\$ 1,900,000	\$ 121,677	\$ -	\$ -	\$ 2,021,677
General—Town Outside Village Fund	1,612,000	74,380	12,712	3,248,984	4,948,076
Highway—Town Outside Village Fund	138,000	103,530	-	877,590	1,119,120
Sewer District Fund	2,550,000	160,380	-	3,469,034	6,179,414
Water District Fund	300,000	80,102	-	3,987,617	4,367,719
Total Nonmajor Funds	800,000	20,784	-	1,677,869	2,498,653
Total	<u>\$ 7,300,000</u>	<u>\$ 560,853</u>	<u>\$ 12,712</u>	<u>\$ 13,261,094</u>	<u>\$ 21,134,659</u>

- ◆ **Assigned to Subsequent Year Expenditures**—Represents funds to be used to assist in supporting the subsequent year authorized appropriations.
- **Assigned to Encumbrances**—Represents funds accumulated for commitments related to unperformed contracts or purchase orders for goods or services.
- **Assigned to Public Safety**—Represents funds that management intends to use towards public safety.
- **Assigned to Specific Use**—Represents remaining fund balance of the special revenue funds.

Unassigned fund balance represents the residual classification of the government's General Fund surplus and Capital Projects Fund deficit. As of December 31, 2014, the unassigned General Fund balance is \$3,071,892 and the unassigned Capital Projects Fund deficit is \$16,301,570.

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

13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of December 31, 2014 is as follows:

Fund	Interfund	
	Receivables	Payables
Governmental Funds:		
General Fund	\$ 206,385	\$ -
General—Town Outside Village Fund	235,665	-
Highway—Town Outside Village Fund	53,280	-
Sewer District Fund	50,388	-
Water District Fund	19,614	-
Capital Projects Fund	1,530,429	1,530,429
Other Governmental Funds	48,462	-
Fiduciary Funds:		
Agency Fund	-	613,794
Total	\$ 2,144,223	\$ 2,144,223

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The Town made the following operating transfers during 2014:

	Transfers in:								Total
	General	Highway— Town Outside Village Fund	Sewer District Fund	Water District Fund	Capital Projects Fund	Other Governmental Funds	Self Insurance Fund	Workers Compensation Fund	
Transfers out:									
General	\$ -	\$ -	\$ -	\$ -	\$ 558,688	\$ -	\$ 268,800	\$ 630,000	\$ 1,457,488
General—Town Outside Village Fund	-	-	-	100,000	29,119	-	192,600	525,000	846,719
Highway—Town Outside Village Fund	-	-	-	-	441,112	-	67,700	273,000	781,812
Sewer District Fund	-	-	-	-	872,335	-	118,700	239,400	1,230,435
Water District Fund	-	-	-	-	471,609	-	78,300	168,000	717,909
Capital Projects Fund	201,661	3,999	63,249	58,524	-	15,086	-	-	342,519
Other Governmental Funds	-	-	-	-	154,550	-	73,900	264,600	493,050
Total	\$ 201,661	\$ 3,999	\$ 63,249	\$ 158,524	\$ 2,527,413	\$ 15,086	\$ 800,000	\$ 2,100,000	\$ 5,869,932

Transfers are used to move various fund revenues among funds in accordance with budgetary authorizations. Interfund transfers are used primarily to support capital project expenditures, the Self Insurance Fund and the Workers Compensation Fund. They are classified as charges for services within the Self Insurance Fund and the Workers Compensation Fund.

14. AGENCY FUND

An agency fund exists for employee withholding and temporary deposit funds. The following is a summary of the Agency Fund for the year ended December 31, 2014:

	Balance 1/1/2014	Additions	Deductions	Balance 12/31/2014
ASSETS				
Cash	\$ 776,269	\$ 163,035,558	\$ 163,099,746	\$ 712,081
Accounts receivable	121,600	10,603,859	10,725,459	-
Due from other funds	-	107,127,677	107,127,677	-
Total assets	<u>\$ 897,869</u>	<u>\$ 280,767,094</u>	<u>\$ 280,952,882</u>	<u>\$ 712,081</u>
LIABILITIES				
Agency liabilities	\$ 89,206	\$ 56,995,317	\$ 56,986,236	\$ 98,287
Due to other funds	808,663	29,594,311	29,789,180	613,794
Total liabilities	<u>\$ 897,869</u>	<u>\$ 86,589,628</u>	<u>\$ 86,775,416</u>	<u>\$ 712,081</u>

15. LABOR RELATIONS

The majority of Town employees are represented by three bargaining units. The Salaried Workers Association (“SWA”) and the Hourly Employees’ Association (“HEA”) had contracts in place through December 31, 2011. The Tonawanda Police Club had a contract in place until December 31, 2008, and issued a memorandum of agreement for January 1, 2009 through December 31, 2012. During the 2014, the Board approved salaries and rates of pay for employees temporarily not covered by a collective bargaining agreement. The remaining employees are governed by Town Board policies.

16. COMMITMENTS

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

The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$100,000. As of December 31, 2014, the Town reported no significant encumbrances.

17. CONTINGENCIES

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

At December 31, 2014, the judgments and claims liability and the workers' compensation liability are recorded within the Town's Internal Service Fund. The workers compensation liability at December 31, 2014 reflects the actuarial analysis of the projected liability. Changes in the reported liabilities since January 1, 2013 are presented below:

	Liability at 1/1/2014	Claims	Adjustments and Payments	Liability at 12/31/2014
Judgments and claims	\$ 375,778	\$ 1,707,609	\$ 1,283,387	\$ 800,000
Workers' compensation	1,398,775	\$ 2,361,926	2,241,017	1,519,684

	Liability at 1/1/2013	Claims	Adjustments and Payments	Liability at 12/31/2013
Judgments and claims	\$ 398,563	\$ 142,183	\$ 164,968	\$ 375,778
Workers' compensation	2,941,529	236,683	1,779,437	1,398,775

At December 31, 2014, the judgments and claims liability has been reasonably estimated to be a range of \$800,000-\$1,400,000. The aforementioned estimates range along a continuum from probable to reasonably possible to remote.

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

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

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

demonstration project. As of December 31, 2014 the Town is unable to determine the range or the likelihood of any potential liability.

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

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 29, 2015, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF TONAWANDA, NEW YORK
Schedule of Funding Progress—Other Postemployment Benefits Plan
Year Ended December 31, 2014

Measurement Date	Acturial Value of Assets	Acturial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	Ratio of UAAL to Budget Covered Payroll
As of 12/31/14	\$ -	\$ 211,978,256	\$ 211,978,256	0.0%	\$ 32,969,153	643.0%
As of 12/31/13	-	203,756,403	203,756,403	0.0%	31,649,406	643.8%
As of 12/31/12	-	194,569,644	194,569,644	0.0%	31,856,485	610.8%

TOWN OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$13,631,281	\$13,631,281	\$13,670,045	\$ 38,764
Other property tax items	1,259,000	1,259,000	1,254,620	(4,380)
Departmental income	5,486,275	5,490,275	4,284,782	(1,205,493)
Intergovernmental charges	40,644	40,644	51,919	11,275
Use of money and property	330,000	330,000	274,936	(55,064)
Licenses and permits	125,200	125,200	124,473	(727)
Fines and forfeitures	1,406,000	1,406,000	1,573,801	167,801
Sale of property and compensation for loss	-	71,278	756,962	685,684
Miscellaneous	24,377	32,377	30,192	(2,185)
Interfund revenue	3,443,800	3,443,800	3,503,759	59,959
State aid	1,040,674	1,068,799	1,250,102	181,303
Total revenues	<u>26,787,251</u>	<u>26,898,654</u>	<u>26,775,591</u>	<u>(123,063)</u>
EXPENDITURES				
Current:				
General government support	5,037,206	5,259,534	4,731,988	527,546
Public safety	1,213,131	1,197,220	1,101,172	96,048
Health	1,254,705	1,250,750	1,205,041	45,709
Transportation	942,179	941,479	913,195	28,284
Economic assistance and opportunity	141,200	141,200	120,008	21,192
Culture and recreation	9,898,082	10,216,035	9,112,262	1,103,773
Home and community services	843,696	866,693	856,269	10,424
Employee benefits	8,119,500	7,519,400	6,775,465	743,935
Debt service:				
Principal	588,684	588,684	588,682	2
Interest	147,989	147,989	121,488	26,501
Total expenditures	<u>28,186,372</u>	<u>28,128,984</u>	<u>25,525,570</u>	<u>2,603,414</u>
Excess (deficiency) of revenues over expenditures	<u>(1,399,121)</u>	<u>(1,230,330)</u>	<u>1,250,021</u>	<u>2,480,351</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	201,660	201,660
Transfers out	(1,473,800)	(1,779,900)	(1,457,488)	322,412
Total other financing sources (uses)	<u>(1,473,800)</u>	<u>(1,779,900)</u>	<u>(1,255,828)</u>	<u>524,072</u>
Net change in fund balances*	<u>(2,872,921)</u>	<u>(3,010,230)</u>	<u>(5,807)</u>	<u>3,004,423</u>
Fund balances—beginning	<u>7,463,367</u>	<u>7,463,367</u>	<u>7,463,367</u>	-
Fund balances—ending	<u>\$ 4,590,446</u>	<u>\$ 4,453,137</u>	<u>\$ 7,457,560</u>	<u>\$ 3,004,423</u>

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

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

TOWN OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—General—Town Outside Village Fund
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$11,345,746	\$11,345,746	\$11,384,328	\$ 38,582
Other property tax items	1,025,000	1,025,000	1,081,107	56,107
Non-property tax items	7,750,000	7,750,000	7,895,384	145,384
Departmental income	63,550	356,650	159,027	(197,623)
Intergovernmental charges	216,000	242,440	299,354	56,914
Use of money and property	171,600	171,600	168,699	(2,901)
Licenses and permits	498,500	498,500	565,947	67,447
Sale of property and compensation for loss	-	18,981	98,019	79,038
Miscellaneous	-	6,816	4,837	(1,979)
Interfund revenue	352,500	352,500	306,876	(45,624)
State aid	585,199	615,454	661,402	45,948
Federal aid	-	45,189	51,693	6,504
Total revenues	<u>22,008,095</u>	<u>22,428,876</u>	<u>22,676,673</u>	<u>247,797</u>
EXPENDITURES				
Current:				
General government support	1,310,544	1,308,373	1,252,570	55,803
Public safety	12,993,924	13,396,986	12,619,014	777,972
Health	8,990	9,390	9,365	25
Home and community services	187,637	188,046	109,028	79,018
Employee benefits	8,663,100	8,607,800	7,409,358	1,198,442
Debt service:				
Principal	5,075	5,075	5,075	-
Interest	3,713	3,713	3,713	-
Total expenditures	<u>23,172,983</u>	<u>23,519,383</u>	<u>21,408,123</u>	<u>2,111,260</u>
Excess (deficiency) of revenues over expenditures	<u>(1,164,888)</u>	<u>(1,090,507)</u>	<u>1,268,550</u>	<u>2,359,057</u>
OTHER FINANCING USES				
Transfers out	<u>(932,600)</u>	<u>(957,600)</u>	<u>(846,719)</u>	<u>110,881</u>
Total other financing uses	<u>(932,600)</u>	<u>(957,600)</u>	<u>(846,719)</u>	<u>110,881</u>
Net change in fund balances*	(2,097,488)	(2,048,107)	421,831	2,469,938
Fund balances—beginning	<u>7,059,487</u>	<u>7,059,487</u>	<u>7,059,487</u>	<u>-</u>
Fund balances—ending	<u>\$ 4,961,999</u>	<u>\$ 5,011,380</u>	<u>\$ 7,481,318</u>	<u>\$ 2,469,938</u>

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

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

TOWN OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—Highway—Town Outside Village Fund
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 6,125,341	\$ 6,125,341	\$ 6,145,698	\$ 20,357
Other property tax items	526,000	526,000	570,415	44,415
Non-property tax items	700,000	700,000	700,000	-
Intergovernmental charges	115,000	310,000	116,282	(193,718)
Use of money and property	5,000	5,000	3,105	(1,895)
Licenses and permits	-	-	460	460
Sale of property and compensation for loss	-	37,883	88,484	50,601
Interfund revenue	488,000	488,000	488,000	-
State aid	386,551	386,551	431,911	45,360
Total revenues	<u>8,345,892</u>	<u>8,578,775</u>	<u>8,544,355</u>	<u>(34,420)</u>
EXPENDITURES				
Current:				
Transportation	5,220,399	5,443,152	5,170,099	273,053
Employee benefits	2,734,000	2,514,400	2,171,344	343,056
Debt service:				
Principal	315,000	315,000	190,000	125,000
Interest	37,907	37,907	26,906	11,001
Total expenditures	<u>8,307,306</u>	<u>8,310,459</u>	<u>7,558,349</u>	<u>752,110</u>
Excess of revenues over expenditures	<u>38,586</u>	<u>268,316</u>	<u>986,006</u>	<u>717,690</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	3,999	3,999
Transfers out	(490,700)	(806,900)	(781,812)	25,088
Total other financing sources (uses)	<u>(490,700)</u>	<u>(806,900)</u>	<u>(777,813)</u>	<u>29,087</u>
Net change in fund balances*	<u>(452,114)</u>	<u>(538,584)</u>	<u>208,193</u>	<u>746,777</u>
Fund balances—beginning	1,576,611	1,576,611	1,576,611	-
Fund balances—ending	<u>\$ 1,124,497</u>	<u>\$ 1,038,027</u>	<u>\$ 1,784,804</u>	<u>\$ 746,777</u>

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

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

TOWN OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—Sewer District Fund
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 2,466,989	\$ 2,466,989	\$ 2,466,989	\$ -
Departmental income	8,200,000	8,200,000	8,191,359	(8,641)
Intergovernmental charges	2,000,000	2,000,000	1,998,291	(1,709)
Use of money and property	13,200	13,200	12,767	(433)
Sale of property and compensation for loss	-	-	38,930	38,930
Total revenues	<u>12,680,189</u>	<u>12,680,189</u>	<u>12,708,336</u>	<u>28,147</u>
EXPENDITURES				
Current:				
Home and community services	9,149,173	8,911,391	8,079,853	831,538
Employee benefits	3,037,300	3,040,400	2,543,028	497,372
Debt service:				
Principal	1,799,299	1,799,299	1,149,299	650,000
Interest	885,429	885,429	672,501	212,928
Total expenditures	<u>14,871,201</u>	<u>14,636,519</u>	<u>12,444,681</u>	<u>2,191,838</u>
Excess (deficiency) of revenues over expenditures	<u>(2,191,012)</u>	<u>(1,956,330)</u>	<u>263,655</u>	<u>2,219,985</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	63,249	63,249
Transfers out	(568,100)	(791,499)	(1,230,435)	(438,936)
Total other financing sources (uses)	<u>(568,100)</u>	<u>(791,499)</u>	<u>(1,167,186)</u>	<u>(375,687)</u>
Net change in fund balances*	(2,759,112)	(2,747,829)	(903,531)	1,844,298
Fund balances—beginning	8,392,746	8,392,746	8,392,746	-
Fund balances—ending	<u>\$ 5,633,634</u>	<u>\$ 5,644,917</u>	<u>\$ 7,489,215</u>	<u>\$ 1,844,298</u>

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

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

TOWN OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—Water District Fund
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Departmental income	\$ 9,850,768	\$ 9,850,768	\$ 9,267,597	\$ (583,171)
Intergovernmental charges	-	-	11,364	11,364
Use of money and property	88,200	88,200	97,193	8,993
Sale of property and compensation for loss	-	-	27,375	27,375
Miscellaneous	-	-	70	70
Total revenues	<u>9,938,968</u>	<u>9,938,968</u>	<u>9,403,599</u>	<u>(535,369)</u>
EXPENDITURES				
Current:				
Home and community services	6,647,647	6,924,748	6,124,516	800,232
Employee benefits	2,206,400	2,206,400	1,835,140	371,260
Debt service:				
Principal	575,000	350,000	150,000	200,000
Interest	276,872	276,872	115,872	161,000
Total expenditures	<u>9,705,919</u>	<u>9,758,020</u>	<u>8,225,528</u>	<u>1,532,492</u>
Excess of revenues over expenditures	<u>233,049</u>	<u>180,948</u>	<u>1,178,071</u>	<u>997,123</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	158,524	58,524
Transfers out	(821,300)	(735,710)	(717,909)	17,801
Total other financing sources (uses)	<u>(721,300)</u>	<u>(635,710)</u>	<u>(559,385)</u>	<u>76,325</u>
Net change in fund balances*	(488,251)	(454,762)	618,686	1,073,448
Fund balances—beginning	6,971,064	6,971,064	6,971,064	-
Fund balances—ending	<u>\$ 6,482,813</u>	<u>\$ 6,516,302</u>	<u>\$ 7,589,750</u>	<u>\$ 1,073,448</u>

* The net change in fund balances was included in the budget as a re-appropriation of prior year encumbrances.

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

TOWN OF TONAWANDA, NEW YORK
Note to the Required Supplementary Information
Year Ended December 31, 2014

1. BUDGETARY INFORMATION

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

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

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

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SUPPLEMENTARY INFORMATION

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TOWN OF TONAWANDA, NEW YORK
Combining Balance Sheet—Nonmajor Governmental Funds
December 31, 2014

	<u>Special Revenue</u>				Total Nonmajor Governmental Funds
	Garbage and Refuse District	Street Lighting District	Fire Protection	Drainage District	
ASSETS					
Cash and cash equivalents	\$ 1,901,491	\$ 485,580	\$ 20,094	\$ 514,988	\$ 2,922,153
Restricted cash	370,702	-	-	2,150	372,852
Receivables	68,235	-	-	5,070	73,305
Due from other funds	43,142	-	-	5,320	48,462
Prepaid items	141,787	-	-	10,907	152,694
Total assets	<u>\$ 2,525,357</u>	<u>\$ 485,580</u>	<u>\$ 20,094</u>	<u>\$ 538,435</u>	<u>\$ 3,569,466</u>
LIABILITIES					
Accounts payable	\$ 123,351	\$ 125,893	\$ -	\$ 1,660	\$ 250,904
Accrued liabilities	255,192	-	-	17,170	272,362
Intergovernmental payables	7,718	8,177	6,106	-	22,001
Total liabilities	<u>386,261</u>	<u>134,070</u>	<u>6,106</u>	<u>18,830</u>	<u>545,267</u>
FUND BALANCES					
Nonspendable	141,787	-	-	10,907	152,694
Restricted	370,702	-	-	2,150	372,852
Assigned	1,626,607	351,510	13,988	506,548	2,498,653
Total fund balances	<u>2,139,096</u>	<u>351,510</u>	<u>13,988</u>	<u>519,605</u>	<u>3,024,199</u>
Total liabilities and fund balances	<u>\$ 2,525,357</u>	<u>\$ 485,580</u>	<u>\$ 20,094</u>	<u>\$ 538,435</u>	<u>\$ 3,569,466</u>

TOWN OF TONAWANDA, NEW YORK
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended December 31, 2014

	Special Revenue				Total Nonmajor Governmental Funds
	Garbage and Refuse District	Street Lighting District	Fire Protection	Drainage District	
REVENUES					
Real property taxes	\$ 7,601,948	\$ 1,257,900	\$ 722,990	\$ 748,752	\$ 10,331,590
Departmental income	46,880	-	-	-	46,880
Use of money and property	3,176	546	205	537	4,464
Sale of property and compensation for loss	-	-	-	8,240	8,240
Total revenues	<u>7,652,004</u>	<u>1,258,446</u>	<u>723,195</u>	<u>757,529</u>	<u>10,391,174</u>
EXPENDITURES					
Current:					
Public safety	-	-	747,987	-	747,987
Transportation	-	1,548,476	-	-	1,548,476
Home and community services	5,051,599	-	-	282,592	5,334,191
Employee benefits	2,082,811	-	-	170,705	2,253,516
Debt service:					
Principal	-	-	-	75,000	75,000
Interest	-	-	-	43,469	43,469
Total expenditures	<u>7,134,410</u>	<u>1,548,476</u>	<u>747,987</u>	<u>571,766</u>	<u>10,002,639</u>
Excess (deficiency) of revenues over expenditures	<u>517,594</u>	<u>(290,030)</u>	<u>(24,792)</u>	<u>185,763</u>	<u>388,535</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	15,085	15,085
Transfers out	(318,700)	-	-	(174,350)	(493,050)
Total other financing sources and uses	<u>(318,700)</u>	<u>-</u>	<u>-</u>	<u>(159,265)</u>	<u>(477,965)</u>
Net change in fund balances	198,894	(290,030)	(24,792)	26,498	(89,430)
Fund balances - beginning	<u>1,940,202</u>	<u>641,540</u>	<u>38,780</u>	<u>493,107</u>	<u>3,113,629</u>
Fund balances - ending	<u>\$ 2,139,096</u>	<u>\$ 351,510</u>	<u>\$ 13,988</u>	<u>\$ 519,605</u>	<u>\$ 3,024,199</u>

TOWN OF TONAWANDA, NEW YORK
Combining Balance Sheet
Capital Projects Fund
December 31, 2014

Project	Assets			Liabilities			Fund		
	Restricted Cash	Due from		Inter-governmental Receivables	Accounts Payable	Other Funds	BAN Payable	Balance (Deficit)	
		Other Funds						Assigned (Unassigned)	
303 Libraries improvements	11,638	-	-	\$ 11,638	-	-	-	-	173,219
362 Landfill closure	173,219	-	-	-	-	-	-	-	302,009
401 Technology upgrade	327,009	75,000	-	-	-	-	100,000	-	(365)
403 Sheridan Parkside spray pool	99,635	-	-	-	-	-	25,000	-	(25,000)
405 Brighton turf/line pool	-	-	-	-	-	-	175,000	-	(175,000)
406 New Worlds System/Kronos	-	-	-	-	-	75,000	-	-	(75,000)
409 Paramedic Equipment	-	-	-	-	-	-	275,000	-	(275,000)
410 Energy project	-	-	-	-	-	-	275,000	-	(273,455)
450 Highway cold milling machine	1,545	-	-	-	-	-	150,000	-	(150,254)
451 NYCC Road design	-	-	-	254	-	-	-	-	(265,838)
452 NYCC Road construction	-	-	1,008,205	90,422	1,183,621	-	-	-	(948,920)
501 Water improvements	278,115	497,965	-	-	-	-	1,725,000	-	(989,270)
502 Water line/storage improvements	510,730	-	-	-	-	-	3,750,000	-	(3,351,543)
503 Water line Delaware Road	398,457	-	-	-	-	-	650,000	-	35,656
504 Water line NYCC Road	-	685,656	-	-	-	-	2,050,000	-	(1,125,860)
505 Lines & Sheridan Tank	959,451	-	-	35,311	-	-	450,000	-	(263,171)
553 Inflow/infiltration demo project	96,149	90,680	-	-	-	-	1,050,000	-	(1,140,680)
554 Creekside/cleve/orch sewer line	-	-	-	-	90,680	-	-	-	650,157
555 Parker/Fries interceptor phase 2	650,157	-	-	-	-	-	3,350,000	-	(3,008,980)
556 WWTF sludge management	421,046	-	-	80,026	-	-	650,000	-	(624,036)
557 WWTF high voltage substation	25,964	-	-	-	-	-	3,200,000	-	(2,596,582)
558 Inflow/infiltration demo project	422,290	181,128	-	-	-	-	-	-	(397,845)
559 Parker/Fries interceptor phase 3	-	-	-	216,717	181,128	-	-	-	(1,168,747)
602 Dupont/Desmond Line	56,253	-	-	-	-	-	1,225,000	-	(1,168,747)
603 Two Mile Creek bank stabilization	92,935	-	-	-	-	-	700,000	-	(607,065)
	<u>\$4,524,593</u>	<u>\$1,530,429</u>	<u>\$ 1,008,205</u>	<u>\$434,368</u>	<u>\$1,530,429</u>	<u>\$ 21,400,000</u>	<u>\$ 21,400,000</u>	<u>\$</u>	<u>(16,301,570)</u>

TOWN OF TONAWANDA, NEW YORK
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Capital Projects Fund
Year Ended December 31, 2014

Project	Fund Balances (Deficits) Beginning	Revenues			Other Financing Sources			Expenditures		Other Financing		Fund Balances (Deficits) Ending
		Inter-governmental Charges	Misc.	State Aid	Transfers In	Proceeds of Long-Term Obligations	Capital Outlay	Transfers Out	Uses			
301 General equipment	\$ -	\$ -	\$ -	\$ -	\$ 213,356	\$ -	\$ -	\$ 213,356	\$ -	\$ -	\$ -	\$ -
303 Libraries improvements	-	-	-	-	11,638	-	-	11,638	-	-	-	-
311 Police building	-	-	-	-	9,770	-	-	9,770	-	-	-	-
312 Public Safety Equipment	-	-	-	-	19,349	-	-	19,349	-	-	-	-
321 Reserve high equip	-	-	-	-	190,000	-	-	190,000	-	-	-	-
331 Water and sewer equipment	-	-	-	-	194,693	-	-	194,693	-	-	-	-
351 Ditch cleanup	-	-	-	-	4,550	-	-	4,550	-	-	-	-
362 Landfill closure	220,602	-	-	-	-	-	-	80,822	-	-	-	173,219
401 Technology upgrade	302,718	-	563	-	75,000	-	-	-	76,272	-	-	302,009
403 Sheridan Parkside spray pool	164	-	561	-	50,000	-	-	-	51,090	-	-	302,009
404 Recreation office	69,827	-	-	1,535	-	-	-	-	71,362	-	-	(365)
405 Brighton turf/linc pool	(50,807)	-	140	-	26,031	-	-	-	364	-	-	(25,000)
406 New Worlds System/Kronos	(350,000)	-	982	-	176,563	-	-	-	2,545	-	-	(175,000)
408 Port security grant	28	-	-	-	-	-	-	-	28	-	-	-
409 Paramedic Equipment	(100,300)	-	-	-	-	-	-	-	-	-	-	(75,000)
410 Energy project	(138,245)	-	1,543	-	6,101	-	-	144,399	-	-	-	(275,000)
450 Highway cold milling machine	(347,453)	-	1,543	-	75,000	-	-	-	2,545	-	-	(273,455)
451 NYCC Road design	(205,862)	-	841	-	176,112	-	-	119,891	1,454	-	-	(150,254)
452 NYCC Road construction	(814,772)	-	-	-	-	-	-	1,433,818	-	-	-	(265,838)
501 Water improvements	(1,070,147)	-	9,678	-	125,000	-	-	-	13,451	-	-	(948,920)
502 Water line/storage improvements	(1,086,053)	-	8,415	-	100,000	-	-	-	11,632	-	-	(989,270)
503 Water line Delaware Road	(3,054,354)	-	21,037	-	150,000	-	-	439,873	28,353	-	-	(3,351,543)
504 Water line NYCC Road	5,089	-	3,647	-	50,000	-	-	17,991	5,089	-	-	35,656
505 Lines & Sheridan Tank	-	-	11,500	-	-	-	-	1,137,360	-	-	-	(1,125,860)
553 Inflow/infiltration demo project	(375,542)	-	2,524	-	225,000	-	-	110,247	4,906	-	-	(263,171)
554 Creekside/cleve/orch sewer line	(1,063,465)	-	5,891	-	75,000	-	-	149,927	8,179	-	-	(1,140,680)
555 Parker/frics interceptor phase 2	1,032,820	-	-	-	74,252	-	-	456,915	-	-	-	650,157
556 WWTF sludge management	(779,132)	-	18,793	-	150,000	-	-	2,373,196	25,445	-	-	(3,008,980)
557 WWTF high voltage substation	(607,991)	-	3,647	-	-	-	-	19,692	-	-	-	(624,036)
558 Inflow/infiltration demo project	(2,662,057)	-	17,952	-	200,000	-	-	127,759	24,718	-	-	(2,596,582)
559 Parker/frics interceptor phase 3	(131,920)	-	-	-	-	-	-	7,085,478	-	-	-	(397,845)
602 Dupont/Desmond Line	(1,265,986)	-	6,872	-	100,000	-	-	-	9,633	-	-	(1,168,747)
603 Two Mile Creek bank stabilization	(655,539)	-	3,927	-	50,000	-	-	-	5,453	-	-	(607,065)
	<u>\$ (13,128,377)</u>	<u>\$ 2,041,491</u>	<u>\$ 120,056</u>	<u>\$ 1,535</u>	<u>\$ 2,527,415</u>	<u>\$ 6,819,553</u>	<u>\$ 14,340,724</u>	<u>\$ 342,519</u>	<u>\$ (16,301,570)</u>			

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FEDERAL AWARDS INFORMATION

TOWN OF TONAWANDA, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

<u>Federal Grantor/Pass-Through Grantor/ Program Title (1)</u>	<u>Federal CFDA Number (2)</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures (3)</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Direct programs:			
Community Development Block Grants—Entitlement Grants	14.218	n/a	\$ 1,380,837
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>1,380,837</u>
U.S. DEPARTMENT OF JUSTICE:			
Passed through NYS Department of Justice:			
Bulletproof Vest Partnership Program	16.607	n/a	8,763
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2507	13,141
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>21,904</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Passed through NYS Department of Homeland Security:			
Homeland Security Grant Program	97.067	n/a	8,152
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>8,152</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,410,893</u>

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

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TOWN OF TONAWANDA, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Tonawanda, New York (the "Town") and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The following notes were identified on the schedule of expenditures of federal awards:

- (1) Includes all federal award programs of the Town of Tonawanda, New York.
- (2) Source: Catalog of Federal Domestic Assistance.
- (3) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principle contained in OMB Circular A-87, *Cost Principles for State, Local & Indian Tribal Governments*, wherein certain types of expenditure are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. RECONCILIATION OF FEDERAL AID

A reconciliation to the basic financial statements is available.

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Certified Public Accountants

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

Honorable Supervisor and Town Board
Town of Tonawanda, New York

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Tonawanda, New York (the "Town") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated June 29, 2015.

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

Compliance and Other Matters

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

Purpose of this Report

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

June 29, 2015

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Supervisor and Town Board
Town of Tonawanda, New York:

Report on Compliance for Each Major Federal Program

We have audited the Town of Tonawanda, New York's (the "Town") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2014. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

 & M. J. L. LLP

June 29, 2015

TOWN OF TONAWANDA, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2014

Part I. Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- | | | |
|---|------------------------------|---|
| 1. Material weakness(es) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 2. Significant deficiency(ies) identified not considered to be material weaknesses? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None reported |
| 3. Noncompliance material to the financial statements noted? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Federal Awards:

Type of auditors' report issued on compliance for major programs: Unmodified

Internal control over major programs:

- | | | |
|---|------------------------------|---|
| 4. Material weakness(es) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 5. Significant deficiency(ies) identified not considered to be material weaknesses? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None reported |
| 6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None |

7. The Town's major programs were:

Name of Federal Program	CFDA Number
Community Development Block Grant	14.218

- | | | |
|---|---|-----------------------------|
| 8. Dollar threshold used to distinguish between Type A and Type B programs? | | <u>\$ 300,000</u> |
| 9. Auditee qualified as low-risk auditee? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |

TOWN OF TONAWANDA, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2014

Part II. Financial Statement Findings Section

No findings noted.

Part III. Federal Award Findings and Questioned Costs Section

No findings noted.

TOWN OF TONAWANDA, NEW YORK
Schedule of Prior Year Audit Findings
Year Ended December 31, 2014
(Follow-up of December 31, 2013 findings)

No matters were reported.

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