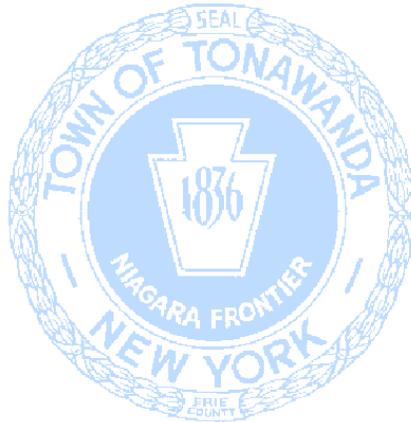


T O W N O F
T O N A W A N D A
E R I E C O U N T Y , N E W Y O R K



*Basic Financial Statements and Required
Supplementary Information
for the Year Ended December 31, 2013
and Independent Auditors' Report*

Anthony F. Caruana, Supervisor

Councilmembers:

John Bargnesi, Jr.

Daniel J. Crangle

Lisa M. Chimera

Joseph H. Emminger

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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, 2013, 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.

Opinion

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, 2013, and the respective changes in financial position and where applicable, cashflows 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 foregoing 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.

Drescher & Malinski LLP

July 7, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

TOWN OF TONAWANDA, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2013

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, 2013. We encourage the readers to consider the information presented here in conjunction with additional information that is contained in the Town's financial statements and notes to the financial statements.

Financial Highlights

- ◆ The Town's governmental activities net position decreased by \$7,991,891 as a result of this year's activity.
- ◆ The assets of the Town exceeded its liabilities at the close of the fiscal year by \$52,380,228. However, there is an unrestricted portion of the Town's net position in a deficit totaling \$39,720,331.
- ◆ At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$23,079,739, a decrease of \$4,757,471 from the prior year. Excluding the Capital Projects Fund, the Town's governmental funds combined ending fund balances totaled \$36,208,116. Approximately 37%, \$13,411,931 of this fund balance is unassigned or assigned to specific use. The fund balance deficit in the Capital Projects Fund of \$13,128,377 is temporary in nature and is expected to be remedied when the Town converts its short-term financing into long-term bonds and issuance of additional long-term debt, which is already authorized.
- ◆ The General Fund reported a net decrease in fund balance this year of \$800,746. At December 31, 2013, unassigned fund balance for the General Fund was \$1,913,533, or 7.2% of total General Fund expenditures and transfers out.
- ◆ The Town's total bonded debt increased by \$8,376,356 due to the conversion of Environmental Facilities Corporation notes in the amount of \$10,216,356 to serial bonds less principal payments made during the current year in the amount of \$1,840,000.

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 of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide the reader with a broad overview of the Town's finances, 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, highways and streets, sanitation, economic development, and culture and recreation. The Town does not have any business type activities.

The government-wide financial statements can be found on pages 12-13 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.

The Town adopts an annual appropriated budget for all governmental funds, except the Special Grants and Capital Projects Funds. A budgetary comparison statement has been provided for all major governmental funds to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on pages 14-17 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 fund financial statements provide separate information for the insurance program.

The proprietary fund financial statements can be found on pages 18-20.

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 maintains one fiduciary fund, the Agency Fund.

The fiduciary fund financial statement can be found on page 21 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 22-47 of this report.

The required supplementary information can be found at pages 48-53 of this report

Government-wide Financial Analysis

As noted earlier, net position may serve over time as useful indicator of a government’s financial position. In the case of the Town, assets exceeded liabilities by \$52,380,228 at the close of the 2013 fiscal year, as compared to \$60,372,119 at the close of the 2012 fiscal year. Table 1 below, presents a condensed statement of net position at December 31, 2013 and December 31, 2012.

Table 1 – Condensed Statements of Net Position – Primary Government

	December 31,	
	2013	2012
Current and other assets	\$ 65,699,952	\$ 61,619,849
Capital assets	136,356,083	124,858,523
Total assets	<u>202,056,035</u>	<u>186,478,372</u>
Current liabilities	29,027,387	22,180,320
Long-term liabilities	112,936,525	96,551,803
Total liabilities	<u>141,963,912</u>	<u>118,732,123</u>
Deferred inflows of resources	7,711,895	7,374,130
Net investment in capital assets	81,174,737	79,938,759
Restricted	10,925,822	12,609,328
Unrestricted	<u>(39,720,331)</u>	<u>(32,175,968)</u>
Total net position	<u>\$ 52,380,228</u>	<u>\$ 60,372,119</u>

By far the largest portion of the Town's net position, \$81,174,737, 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, \$10,925,822, represents resources that are subject to external restrictions on how they may be used. There is unrestricted net deficit totaling \$39,720,331.

The Town had a favorable ratio of current assets to current liabilities of 2.27 at December 31, 2013, a decrease from 2.78 at December 31, 2012. Such a ratio implies that the Town has sufficient assets on-hand to meet its current liabilities outstanding at December 31, 2013.

Table 2, as shown below, presents a comparison of current assets to current liabilities at December 31, 2013 and December 31, 2012.

Table 2 – Current assets and current liabilities

	<u>2013</u>	<u>2012</u>
Current assets	\$65,699,652	\$61,619,849
Current liabilities	28,970,890	22,180,320
Ratio of current assets to current liabilities	2.27	2.78

Table 3, as presented below, shows the changes in net position for the years ended December 31, 2013 and December 31, 2012:

Table 3 – Condensed Statements of Changes in Net Position – Primary Government

	<u>Year Ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Program revenues:		
Charges for services	\$ 26,045,006	\$ 27,057,699
Operating grants and contributions	2,414,349	2,414,439
Capital grants and contributions	2,553,929	5,332,306
General revenues	<u>59,866,291</u>	<u>56,303,773</u>
Total revenues	90,879,575	91,108,217
Program expenses	<u>98,871,466</u>	<u>101,096,329</u>
Change in net assets	(7,991,891)	(9,988,112)
Net position—beginning of year	<u>60,372,119</u>	<u>70,360,231</u>
Net position—end of year	<u>\$ 52,380,228</u>	<u>\$ 60,372,119</u>

Overall revenues decreased 0.3 percent from the 2012 fiscal year primarily due to decreases in capital grants and contributions and charges for services offset by increases in property taxes and items and miscellaneous.

Overall expenses decreased 2.2 percent from 2012 primarily as a result of decreases in home and community services expenditures.

A summary of sources of revenues of the primary government for the years ended December 31, 2013 and December 31, 2012 is presented below in Table 4:

Table 4 – Summary of Sources of Revenues – Governmental Activities

	Year Ended December 31,		Increase/(decrease)	
	2013	2012	Dollars	Percent
Charges for services	\$ 26,045,006	\$ 27,057,699	\$ (1,012,693)	(3.7)
Operating grants and contributions	2,414,349	2,414,439	(90)	(0.0)
Capital grants and contributions	2,553,929	5,332,306	(2,778,377)	(52.1)
Property taxes and tax items	47,083,287	45,122,873	1,960,414	4.3
Sales tax	7,311,210	7,599,036	(287,826)	(3.8)
Mortgage tax	1,194,594	1,033,694	160,900	15.6
Franchise tax	1,086,552	1,059,666	26,886	2.5
Intergovernmental charges	78,000	-	78,000	n/a
Use of money and property	617,044	626,027	(8,983)	(1.4)
Sale of property and compensation for loss	154,334	199,982	(45,648)	(22.8)
Miscellaneous	1,756,071	77,296	1,678,775	n/a
Unrestricted state aid	585,199	585,199	-	0.0
Total revenues	<u>\$ 90,879,575</u>	<u>\$ 91,108,217</u>	<u>\$ (228,642)</u>	<u>(0.3)</u>

The most significant source of revenues is property taxes and tax items, which accounts for \$47,083,287, or 51.8 percent of total revenues, for the year ended December 31, 2013 and \$45,122,873, or 49.5 percent of total revenues, for the year ended December 31, 2012. The next largest source of revenue is charges for services, which comprises 28.7 percent and 29.7 percent of total revenues for the years ended December 31, 2013 and 2012, respectively.

Capital grants and contributions were less in 2013 because of the recognition of \$4,000,000 in principal forgiveness related to Environmental Facilities Corporation debt maintained by the Town in the prior year. Additionally, property taxes and tax items increased primarily as the result of a \$3,500,000 tax refund in the prior year.

The Town's significant program expense items for the year ended December 31, 2013 were home and community services of \$33,675,180 (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. Similarly, for the year ended December 31, 2012 significant expense items were home and community services of \$37,548,404 (primarily sewer, water, and sanitation services), public safety of \$25,219,461 (primarily police services), culture and recreation of \$15,886,563 and transportation of \$10,225,963.

A summary of program expenses for the years ended December 31, 2013 and December 31, 2012 is presented below in Table 5.

Table 5 – Summary of Program Expenses – Governmental Activities

	Year Ended December 31,		Increase/(decrease)	
	2013	2012	Dollars	Percent
General government support	\$ 8,671,271	\$ 9,283,909	\$ (612,638)	(6.6)
Public safety	25,596,140	25,219,461	376,679	1.5
Health	2,234,152	2,200,728	33,424	1.5
Transportation	10,835,564	10,225,963	609,601	6.0
Economic assistance and opportunity	113,523	112,022	1,501	n/a
Culture and recreation	14,638,508	15,886,563	(1,248,055)	(7.9)
Home and community services	33,675,180	37,548,404	(3,873,224)	(10.3)
Interest on debt	3,107,128	619,279	2,487,849	n/a
	<u>\$ 98,871,466</u>	<u>\$ 101,096,329</u>	<u>\$ (2,224,863)</u>	(2.2)

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* or fund balance assigned to specific use may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$23,079,739, a decrease of \$4,757,471 in comparison with the prior year. Excluding the Capital Project Fund, the Town's governmental funds combined ending fund balances totaled \$36,208,116. Approximately 37 percent, \$13,411,931 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.

The Town's General Fund ending fund balance was \$7,463,367. Approximately 25.6 percent, \$1,913,533 of this amount is *unassigned fund balance*. Total fund balance decreased by \$800,746 as compared to the prior fiscal year end. This compared favorably to the anticipated decrease of \$3,754,626 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 \$7,059,487. Approximately 30.6 percent, \$2,161,141 of this amount is *fund balance assigned to specific use*. The total fund balance increased by \$768,571 during 2013 as compared to a decrease of \$2,132,887 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 \$1,576,611. Approximately 22.5 percent, \$355,382 of this amount is *fund balance assigned to specific use*. The fund balance

decreased by \$449,994 during 2013 compared to a decrease of \$967,854 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 \$1,530,660, which is considered *restricted*. The fund balance increased by \$52,490 during 2013. 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 \$8,392,746. Approximately 51.2 percent, \$4,297,211 of this amount is *fund balance assigned to specific use*. The fund balance decreased by \$536,235 during 2013 compared to a decrease of \$2,230,350 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 related to the treatment plant and receiving more sewer rents than anticipated.

The Town's Water District Fund ending fund balance was \$7,071,616. Approximately 45.1 percent, \$3,192,495 of this amount is *fund balance assigned to specific use*. The fund balance increased by \$862,593 during 2013 compared to a decrease of \$636,907 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 \$13,128,377. This deficit increased by \$5,267,361 during 2013 as a result of capital projects expenditures. However, it's expected the deficit will be remedied through future bond issuances which are authorized.

A summary of the Town's major funds' fund balance is provided in Table 6.

Table 6 – Major Funds' Fund Balance

Funds	Net change in fund balance (deficit)	Unassigned or assigned to specific use	Total fund balance (deficit)	Percent unassigned or assigned to specific use
General	\$ (800,746)	\$ 1,913,533	\$ 7,463,367	25.6%
General - Town Outside Village	768,571	2,161,141	7,059,487	30.6%
Highway - Town Outside Village	(449,994)	355,382	1,576,611	22.5%
Special Grants	52,490	-	1,530,660	0.0%
Sewer District	(536,235)	4,297,211	8,392,746	51.2%
Water District	862,593	3,192,495	7,071,616	45.1%
Capital Projects	(5,267,361)	(13,148,177)	(13,128,377)	n/a

General Fund Budgetary Highlights

During the year there was a \$666,079 increase in appropriations between the original and final amended budget. Following are the most significant changes:

- ◆ \$82,610 supplemental appropriations in culture and recreation.
- ◆ \$788,000 supplemental appropriations in operating transfers out.

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, 2013, amounted to \$136,356,083. 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, 2013 and 2012 are presented below:

Table 7 – Summary of Capital Assets (Net of Depreciation) – Governmental Activities

	December 31,	
	2013	2012
Governmental activities:		
Land	\$ 1,493,633	\$ 1,493,633
Construction in progress	21,251,877	9,173,593
Building improvements	18,664,339	19,812,046
Transportation network	4,399,532	4,841,040
Sewer network	59,012,306	61,582,471
Water network	13,253,796	11,231,350
Drainage network	7,487,767	7,741,950
Improvements other than buildings	2,401,887	2,636,778
Machinery and equipment	8,390,946	6,345,662
Total governmental activities	<u>\$ 136,356,083</u>	<u>\$ 124,858,523</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.

Debt. At December 31, 2013, the Town's governmental activities had bonded debt outstanding of \$39,287,722 as compared to \$30,911,366 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, 2013 is significantly lower than current debt limitations for the Town.

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 10 of this report.

Financial Positions, Economic Factors, Next Year's Budgets and Rates

Located in the Western New York region, the Town has struggled with the trying times that have become a characteristic of the area. The unemployment rate for the Town was 5.9 percent in December 2013, which is a decrease from a rate of 7.8 percent a year ago. This is also favorable in comparison with the New York State average of 7.0 percent and comparable to the national average of 6.7 percent.

Although recent inflationary trends in the region, particularly in the real estate sector compared favorably to national indices, over the past two decades the region has experienced a steady decline in population and business. In addition, retirement costs are expected to rise at rates well above inflation. All of these factors are considered in preparing the Town's budgets.

The Town's 2014 budget includes the appropriations of \$7,500,000 unassigned fund balance and \$1,200,000 of restricted retirement reserve fund balance. The General Fund represents the largest portion and includes the appropriations of \$2,100,000 unassigned fund balance and \$600,000 of restricted retirement reserve fund balance. The General Fund 2014 budget includes a 0.1 percent increase and 3.3 percent decrease to the homestead and non-homestead tax rates, respectively.

Contacting the Town's Finance Department

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. If you have any questions about this report or need additional financial information, contact Supervisor's Office, Town of Tonawanda, 2919 Delaware Avenue, Kenmore, NY 14217.

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BASIC FINANCIAL STATEMENTS

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TOWN OF TONAWANDA, NEW YORK
Statement of Net Position
December 31, 2013

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 24,795,295
Restricted cash	15,703,323
Receivables	6,313,125
Intergovernmental receivables	6,080,603
Internal balances	808,663
Prepaid items	3,169,219
Inventory	1,117,829
Rehabilitation loans receivable	7,711,895
Capital assets not being depreciated	22,745,510
Capital assets net of accumulated depreciation	<u>113,610,573</u>
Total assets	<u><u>202,056,035</u></u>
LIABILITIES	
Accounts payable	3,172,095
Accrued liabilities	4,884,746
Intergovernmental payables	496,306
Bond anticipation notes payable	20,100,000
Unearned revenues	374,240
Noncurrent liabilities:	
Due within one year	2,241,198
Due within more than one year	<u>110,695,327</u>
Total liabilities	<u><u>141,963,912</u></u>
DEFERRED INFLOWS OF RESOURCES	
Loans receivable	<u>7,711,895</u>
NET POSITION	
Net investment in capital assets	81,174,737
Restricted for:	
Equipment and capital improvements	3,034,691
Repairs	2,384,888
Leachate	97,423
Public safety	843,436
Retirement	3,034,724
Special grants	1,530,660
Unrestricted	<u>(39,720,331)</u>
Total net position	<u><u>\$ 52,380,228</u></u>

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, 2013

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	\$ 8,671,271	\$ 94,282	\$ 692	\$ -	\$ (8,576,297)
Public safety	25,596,140	2,593,041	134,742	-	(22,868,357)
Health	2,234,152	120,984	-	-	(2,113,168)
Transportation	10,835,564	113,375	386,550	-	(10,335,639)
Economic assistance and opportunity	113,523	-	-	-	(113,523)
Culture and recreation	14,638,508	4,312,436	29,172	-	(10,296,900)
Home and community services	35,975,180	18,810,888	1,863,193	2,553,929	(12,747,170)
Interest and fiscal charges	807,128	-	-	-	(807,128)
Total primary government	<u>\$ 98,871,466</u>	<u>\$ 26,045,006</u>	<u>\$ 2,414,349</u>	<u>\$ 2,553,929</u>	<u>(67,858,182)</u>
General revenues:					
Property taxes and tax items					47,083,287
Sales tax					7,311,210
Mortgage tax					1,194,594
Franchise tax					1,086,552
Intergovernmental charges					78,000
Use of money and property					617,044
Sale of property and compensation for loss					154,334
Miscellaneous					1,756,071
Unrestricted state aid					585,199
Total general revenues					<u>59,866,291</u>
Change in net position					(7,991,891)
Net position—beginning					60,372,119
Net position—ending					<u>\$ 52,380,228</u>

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

TOWN OF TONAWANDA, NEW YORK
Balance Sheet
Governmental Funds
December 31, 2013

	Special Revenue							Other Governmental Funds	Total Governmental Funds
	General	General Town Outside Village	Highway Town Outside Village	Special Grants	Sewer District	Water District	Capital Projects		
ASSETS									
Cash and cash equivalents	\$ 5,506,412	\$ 1,658,265	\$ 704,034	\$ 1,747,128	\$ 5,323,875	\$ 1,974,030	\$ -	\$ 3,068,679	\$ 19,982,423
Restricted cash	2,591,082	2,188,659	765,584	-	1,069,725	2,463,173	6,327,961	297,139	15,703,323
Receivables	103,930	422,515	951,305	34,313	2,089,945	2,646,227	54,440	10,450	6,313,125
Due from other funds	291,654	277,707	68,086	-	69,757	35,317	1,408,386	66,142	2,217,049
Intergovernmental receivables	93,752	2,611,031	338,435	157,458	736,848	2,208	1,581,718	-	5,521,450
Inventory	-	-	-	-	-	734,187	-	-	734,187
Rehabilitation loans receivable	-	-	-	7,711,895	-	-	-	-	7,711,895
Prepaid items	685,831	978,128	219,531	-	266,698	193,510	-	236,748	2,580,446
Total assets	<u>\$ 9,272,661</u>	<u>\$ 8,136,305</u>	<u>\$ 3,046,975</u>	<u>\$ 9,650,794</u>	<u>\$ 9,556,848</u>	<u>\$ 8,048,652</u>	<u>\$ 9,372,505</u>	<u>\$ 3,679,158</u>	<u>\$ 60,763,898</u>
LIABILITIES									
Accounts payable	\$ 592,339	\$ 181,040	\$ 196,873	\$ 137,039	\$ 351,593	\$ 198,759	\$ 992,496	\$ 304,689	\$ 2,954,828
Accrued liabilities	839,203	875,597	321,594	20,302	344,959	241,553	-	245,371	2,888,579
Due to other funds	-	-	-	-	-	-	1,408,386	-	1,408,386
Intergovernmental payables	261,689	12,797	1,897	105	152,550	51,799	-	15,469	496,306
Unearned revenue	116,063	7,384	-	250,793	-	-	-	-	374,240
Bond anticipation notes payable	-	-	-	-	-	-	20,100,000	-	20,100,000
Total liabilities	<u>1,809,294</u>	<u>1,076,818</u>	<u>520,364</u>	<u>408,239</u>	<u>849,102</u>	<u>492,111</u>	<u>22,500,882</u>	<u>565,529</u>	<u>28,222,339</u>
DEFERRED INFLOWS OF RESOURCES									
Loans receivable	-	-	-	7,711,895	-	-	-	-	7,711,895
Special assessments	-	-	950,000	-	315,000	484,925	-	-	1,749,925
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>950,000</u>	<u>7,711,895</u>	<u>315,000</u>	<u>484,925</u>	<u>-</u>	<u>-</u>	<u>9,461,820</u>
FUND BALANCES (DEFICIT)									
Nonspendable	685,831	978,128	219,531	-	266,698	927,697	-	236,748	3,314,633
Restricted:									
Equipment and capital improvements	1,021,518	374,111	219,334	-	693,089	409,700	19,800	297,139	3,034,691
Repairs	52,202	-	-	-	279,213	2,053,473	-	-	2,384,888
Leachate	-	-	-	-	97,423	-	-	-	97,423
Public safety	-	843,436	-	-	-	-	-	-	843,436
Retirement	1,517,362	971,112	546,250	-	-	-	-	-	3,034,724
Special grants	-	-	-	1,530,660	-	-	-	-	1,530,660
Assigned:									
Subsequent year's expenditures	2,100,000	1,600,000	150,000	-	2,550,000	300,000	-	800,000	7,500,000
Encumbrances	172,921	113,488	86,114	-	209,112	188,251	-	287,573	1,057,459
Public safety	-	18,071	-	-	-	-	-	-	18,071
Specific use	-	2,161,141	355,382	-	4,297,211	3,192,495	-	1,492,169	11,498,398
Unassigned	1,913,533	-	-	-	-	-	(13,148,177)	-	(11,234,644)
Total fund balances (deficit)	<u>7,463,367</u>	<u>7,059,487</u>	<u>1,576,611</u>	<u>1,530,660</u>	<u>8,392,746</u>	<u>7,071,616</u>	<u>(13,128,377)</u>	<u>3,113,629</u>	<u>23,079,739</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 9,272,661</u>	<u>\$ 8,136,305</u>	<u>\$ 3,046,975</u>	<u>\$ 9,650,794</u>	<u>\$ 9,556,848</u>	<u>\$ 8,048,652</u>	<u>\$ 9,372,505</u>	<u>\$ 3,679,158</u>	<u>\$ 60,763,898</u>

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

TOWN OF TONAWANDA, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Statement of Net Position
December 31, 2013

Amounts reported for governmental activities in the statement of net position (page 12) are different because:

Total fund balances—governmental funds (page 14)		\$ 23,079,739
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$297,764,224 and the accumulated depreciation is \$161,408,141.		136,356,083
Inventories used in governmental activities are not an available financial resource and, therefore, are not reported in the funds.		383,642
Intergovernmental receivables used in governmental activities are not an available financial resource and, therefore, are not reported in the funds.		559,153
To recognize interest accrual on long term debt, which, for fund reporting purposes, is not recognized as a liability until due.		(221,614)
Long-term liabilities, including bonds payable, due to retirement systems, landfill closure and post closure, compensated absences, other postemployment benefits and capital leases 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	(39,287,722)	
Due to employees' retirement system	(200,258)	
Landfill closure and post closure liability	(5,553,050)	
Compensated absences	(389,158)	
Other postemployment benefits	(65,384,752)	
Capital leases	<u>(2,121,585)</u>	(112,936,525)
Unavailable special assessment receivables are reported as deferred inflows of resources in the governmental funds, as they are not current financial resources.		1,749,925
Internal Service Fund assets and liabilities are included in governmental activities and related charges for services provided.		<u>3,409,825</u>
Total net position—governmental activities		<u>\$ 52,380,228</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, 2013

	Special Revenue						Capital Projects	Other Governmental Funds	Total Governmental Funds
	General	General Town Outside Village	Highway Town Outside Village	Special Grants	Sewer District	Water District			
REVENUES									
Real property taxes	\$ 13,776,477	\$ 10,959,981	\$ 5,695,617	\$ -	\$ 3,326,777	\$ -	\$ -	\$ 10,476,343	\$ 44,235,195
Other property tax items	1,294,239	1,026,683	527,170	-	-	-	-	-	2,848,092
Non-property tax items	-	7,686,552	711,210	-	-	-	-	-	8,397,762
Departmental income	4,405,171	331,131	-	594,862	7,371,255	8,802,104	-	106,247	21,610,770
Intergovernmental charges	51,102	265,740	112,895	-	1,807,730	12,636	298,831	-	2,548,934
Use of money and property	283,112	179,674	6,616	702	25,237	102,771	-	11,576	609,688
Licenses and permits	133,896	508,401	480	-	-	-	-	-	642,777
Fines and forfeitures	1,430,600	-	-	-	-	-	-	-	1,430,600
Sale of property and compensation for loss	41,506	46,636	52,962	-	5,484	7,746	-	-	154,334
Miscellaneous	34,485	4,724	9	2,819	-	213	148,282	-	190,532
Interfund revenue	3,007,440	277,886	-	-	-	264,900	-	-	3,550,226
State aid	1,179,633	979,493	386,550	-	-	-	1,020,275	-	3,565,951
Federal aid	-	116,982	-	1,455,195	-	-	1,533,654	-	3,105,831
Total revenues	<u>25,637,661</u>	<u>22,383,883</u>	<u>7,493,509</u>	<u>2,053,578</u>	<u>12,536,483</u>	<u>9,190,370</u>	<u>3,001,042</u>	<u>10,594,166</u>	<u>92,890,692</u>
EXPENDITURES									
Current:									
General government support	4,720,272	1,162,065	-	-	-	-	-	-	5,882,337
Public safety	1,083,484	12,512,601	-	-	-	-	-	734,879	14,330,964
Health	1,228,967	8,924	-	-	-	-	-	-	1,237,891
Transportation	883,107	-	4,884,488	-	-	-	-	1,456,241	7,223,836
Economic assistance and opportunity	113,523	-	-	-	-	-	-	-	113,523
Culture and recreation	8,806,420	-	-	-	-	-	-	-	8,806,420
Home and community services	891,336	160,736	-	1,771,029	8,440,495	5,909,192	-	4,958,166	22,130,954
Employee benefits	6,499,734	6,835,678	1,955,228	230,059	2,343,721	1,700,711	-	2,095,464	21,660,595
Debt service:									
Principal	633,936	4,863	190,000	-	852,810	200,000	-	75,000	1,956,609
Interest	144,737	3,925	31,051	-	475,773	67,982	-	58,907	782,375
Capital outlay	-	-	-	-	-	-	17,258,451	-	17,258,451
Total expenditures	<u>25,005,516</u>	<u>20,688,792</u>	<u>7,060,767</u>	<u>2,001,088</u>	<u>12,112,799</u>	<u>7,877,885</u>	<u>17,258,451</u>	<u>9,378,657</u>	<u>84,125,504</u>
Excess (deficiency) of revenues over expenditures	<u>632,145</u>	<u>1,695,091</u>	<u>432,742</u>	<u>52,490</u>	<u>423,684</u>	<u>1,312,485</u>	<u>(14,257,409)</u>	<u>1,215,509</u>	<u>8,765,188</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	99,790	-	3,125	-	9,723	187,015	2,594,212	10,302	2,904,167
Transfers out	(1,532,681)	(926,520)	(885,861)	-	(969,642)	(636,907)	(139,956)	(612,600)	(5,704,167)
Proceeds of long-term obligations	-	-	-	-	-	-	6,535,792	-	6,535,792
Total other financing sources (uses)	<u>(1,432,891)</u>	<u>(926,520)</u>	<u>(882,736)</u>	<u>-</u>	<u>(959,919)</u>	<u>(449,892)</u>	<u>8,990,048</u>	<u>(602,298)</u>	<u>3,735,792</u>
Net change in fund balances (deficit)	(800,746)	768,571	(449,994)	52,490	(536,235)	862,593	(5,267,361)	613,211	12,500,980
Fund balances (deficit)—beginning	8,264,113	6,290,916	2,026,605	1,478,170	8,928,981	6,209,023	(7,861,016)	2,500,418	27,837,210
Fund balances (deficit)—ending	<u>\$ 7,463,367</u>	<u>\$ 7,059,487</u>	<u>\$ 1,576,611</u>	<u>\$ 1,530,660</u>	<u>\$ 8,392,746</u>	<u>\$ 7,071,616</u>	<u>\$ (13,128,377)</u>	<u>\$ 3,113,629</u>	<u>\$ 40,338,190</u>

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

TOWN OF TONAWANDA, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances (Deficit)—Governmental Funds to the Statement of Activities
Year Ended December 31, 2013

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances (deficit)—total governmental funds (page 16) \$ (4,757,471)

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital asset additions exceeded depreciation in the current period is as follows:

Capital asset additions	\$ 18,420,944	
Loss on capital asset disposal	(116,508)	
Depreciation expense	<u>(6,806,876)</u>	11,497,560

The net effect of miscellaneous transactions involving inventory. (25,567)

The net effect of landfill closure and post-closure activity in the current year. 111,755

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (33,786)

The governmental funds report the repayment of bond principal, net of issuance costs, and installment purchase debt as an expenditure and the issuance of bonds as a revenue. 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 and related items is as follows:

Issuance of serial bonds	\$(10,216,356)	
Repayment of serial bonds	1,840,000	
Net activity of notes payable	3,680,564	
Net activity of amount due to retirement system	60,498	
Net change in accrued expenditures	(24,754)	
Net activity of capital leases	<u>116,610</u>	(4,543,438)

In the statement of activities, certain operating expenses such as compensated absences (vacation & sick leave) and post-employment benefits 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). This amount is the net effect of these differences.

Net activity of compensated absences	\$ (6,881)	
Net activity of other postemployment benefits	<u>(11,970,912)</u>	(11,977,793)

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. 1,736,849

Change in net position of governmental activities \$ (7,991,891)

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

TOWN OF TONAWANDA, NEW YORK
Statement of Net Position
Proprietary Fund
December 31, 2013

	Governmental Activities— Internal Service Funds		
	Self Insurance Fund	Workers Compensation Fund	Total Internal Service Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,278,738	\$ 3,534,134	\$ 4,812,872
Prepaid items	376,198	212,575	588,773
Total current assets	1,654,936	3,746,709	5,401,645
LIABILITIES			
Current liabilities:			
Accounts payable	15,164	202,103	217,267
Accrued liabilities	375,778	1,398,775	1,774,553
Total current liabilities	390,942	1,600,878	1,991,820
NET POSITION			
Restricted for judgments and claims	1,263,994	2,145,831	3,409,825
Total net position	\$ 1,263,994	\$ 2,145,831	\$ 3,409,825

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 Net Position
Proprietary Fund
Year Ended December 31, 2013

	Governmental Activities— Internal Service Funds		
	Self Insurance Fund	Workers Compensation Fund	Total Internal Service Funds
Operating revenues:			
Charges for services	\$ 800,000	\$ 2,000,000	\$ 2,800,000
Operating expenses:			
Administrative expenses	67,318	-	67,318
Judgments and claim expenses	164,968	1,779,437	1,944,405
Excess insurance	391,834	232,489	624,323
Total operating expenses	<u>624,120</u>	<u>2,011,926</u>	<u>2,636,046</u>
Operating income (loss)	<u>175,880</u>	<u>(11,926)</u>	<u>163,954</u>
Nonoperating revenues:			
Refund of prior year expenditures	22,785	1,542,754	1,565,539
Interest income	2,068	5,288	7,356
Total nonoperating revenues	<u>24,853</u>	<u>1,548,042</u>	<u>1,572,895</u>
Change in net position	200,733	1,536,116	1,736,849
Total net position—beginning	<u>1,063,261</u>	<u>609,715</u>	<u>1,672,976</u>
Total net position—ending	<u>\$ 1,263,994</u>	<u>\$ 2,145,831</u>	<u>\$ 3,409,825</u>

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

TOWN OF TONAWANDA, NEW YORK
Statement of Cash Flows
Proprietary Fund
Year Ended December 31, 2013

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from participating funds	\$ 2,800,000
Payments to employees and suppliers	(682,415)
Payments for administrative and judgments and claims	(3,577,262)
Net cash used for operating activities	(1,459,677)
CASH FLOWS FROM INVESTING ACTIVITIES	
Miscellaneous	1,565,539
Interest earnings	7,356
Net cash provided by investing activities	1,572,895
Net increase in cash and cash equivalents	113,218
Cash and cash equivalents—beginning	4,699,654
Cash and cash equivalents—ending	\$ 4,812,872
Reconciliaton of operating loss to net cash provided in operating activities:	
Operating loss	\$ 163,954
Adjustments to reconcile operating loss to net cash used in operations:	
Increase in prepaid items	(15,854)
Increase in accounts payable	(42,238)
Increase in accrued liabilities	(1,565,539)
Net cash provided by operating activities	\$ (1,459,677)

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

TOWN OF TONAWANDA, NEW YORK
Statement of Fiduciary Net Position – Agency Fund
December 31, 2013

ASSETS

Cash	\$ 776,269
Accounts receivable	<u>121,600</u>
Total assets	<u>\$ 897,869</u>

LIABILITIES

Agency liabilities	\$ 89,206
Due to other funds	<u>808,663</u>
Total liabilities	<u>\$ 897,869</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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- a. 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. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable. The Town reports no business-type activities or component units.
- b. 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.

- c. 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 agency 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.

- d. Basis of Presentation—Fund Financial Statements**—The fund financial statements provide information about the government’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 considers the following governmental funds as major funds:

- *General Fund*—This is the principal operating fund of the Town and includes all operations not required to be recorded in other funds.
- *General Fund - Town Outside Village*—Located wholly within the Town is the Village of Kenmore, which is an independent governmental entity. This fund accounts for selected services which cannot be charged to taxable properties located in the Village by various New York State statutes
- *Highway Fund - Town Outside Village*—This is used to record all revenues and expenditures related to road maintenance and construction throughout the Town.
- *Special Grants Fund*—This is used to record all activity related to the Federal Housing and Urban Development Community Development program.
- *Sewer District Fund*—This is used to record all revenues and expenditures related to operation and maintenance of the sewer district.
- *Water District Fund*—This is used to record all revenues and expenditures related to operation and maintenance of the water district.
- *Capital Projects Fund*—This 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 Fund*—The Internal Service Fund is 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 the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the 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 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.

- e. **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 government 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 or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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.

f. 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.

The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$100,000. Significant encumbrances as of December 31, 2013, are as listed below:

<u>Fund</u>	<u>Purpose</u>	<u>Amount Encumbered</u>
Garbage and Refuse District	Fleet maintenance	\$ 193,522
Sewer District	Mixer	138,274

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

Cash, Cash Equivalents and Investments—Cash and cash equivalents include cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have a maturity date within 90 days of the Town's original purchase. The Town had no investments at December 31, 2013. However, when the Town does have investments it is Town policy to record them at fair value based on quoted market value.

Restricted Cash—Unspent proceeds of bond anticipation notes are reported as restricted cash and cash equivalents

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, 2013. 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, 2013 of \$6,201,506 has been adjusted to \$6,209,023 to reflect the change in inventory.

Prepaid Items—Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets—Capital assets, which include property, buildings, equipment and infrastructure assets (e.g. roads, bridges, drainage systems and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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	\$ 166,202
Public Safety	1,225,262
Health	178,300
Transportation	1,478,449
Culture & Recreation	351,580
Home & Community Services	<u>13,858,658</u>
Total	<u>17,258,451</u>

The Town does not depreciate an asset until it is placed in service. The asset is accounted for as a construction in progress until it is placed in service.

Capital assets of the Town are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
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 Inflows of Resources—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. The government has two items that qualify for reporting in this category. The governmental funds report unavailable revenues from two sources: loans and special assessments receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

h. Revenues and Expenses/Expenditures

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

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.

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.

The compensated absences liability for the Town at December 31, 2013 totaled \$389,158 and is reported in the government-wide financial statements.

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

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.

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.

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, 2013.

i. Other

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

Adoption of New Accounting Pronouncements—During the year ended December 31, 2013, the Town implemented GASB Statements No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, and No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. GASB Statement No. 61 clarifies the manner in determining whether or not an organization should be included as a component unit, and GASB Statement No. 66 improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statements No. 61 and 66 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 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* effective for the year ending December 31, 2014; and No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68* effective for the year ended December 31, 2015. The Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 67, 68, 69, 70 and 71 will have on its financial position and results of operations when such statements are implemented.

j. 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.
- ◆ Annual budgets for governmental funds, except the Special Grants Fund and Capital Projects Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A form of encumbrance accounting is employed as an extension of budgetary control in all governmental funds, under which certain contracts and other commitments outstanding at year-end for the expenditure of monies (encumbrances) are recorded as an assignment of fund balance. All unencumbered appropriations lapse at the end of the fiscal year. On January 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—The Capital Projects Fund has a deficit fund balance at December 31, 2013. This deficit will be remedied by anticipated grants and proceeds from future bond issuances.

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 the State. The Supervisor is authorized to use demand, time and savings accounts. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities. The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal government.

Cash and restricted cash at year-end consisted of:

	Governmental Funds	Proprietary Fund	Fiduciary Fund	Total Balance
Petty cash (uncollateralized)	\$ 7,735	\$ -	\$ -	\$ 7,735
Deposits	<u>35,678,011</u>	<u>4,812,872</u>	<u>776,269</u>	<u>41,267,152</u>
Total	<u>\$ 35,685,746</u>	<u>\$ 4,812,872</u>	<u>\$ 776,269</u>	<u>\$ 41,274,887</u>

Deposits—All deposits are carried at fair value.

	Bank Balance	Carrying Amount
Insured (FDIC)	\$ 1,324,999	\$ 1,324,999
Uninsured:		
Collateral held by bank's agent in the Town's name	<u>40,060,418</u>	<u>39,942,153</u>
Total	<u>\$ 41,385,417</u>	<u>\$ 41,267,152</u>

Custodial Credit Risk—In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. For investments, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. By State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2013, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

At December 31, 2013, the Town had no investments.

Restricted Cash—The Town reports amounts to support restricted fund balance and unspent proceeds of bond anticipations notes as restricted cash. At December 31, 2013, the Town reported \$15,703,323 of restricted cash within its governmental activities.

3. RECEIVABLES

Major revenues accrued by the Town at December 31, 2013:

Accounts Receivable—represents franchise fees, various amounts due from other Town departments, water and sewer rents and other miscellaneous items. 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.

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, 2013 are presented as follows:

Due from other governments consisted of:

General Fund:

Village of Kenmore	\$	5,795	
Kenmore-Tonawanda Schools		17,234	
Erie County		1,500	
Sweet Home schools		1,924	
Gas - miscellaneous fire depts.		13,079	
State aid - child & family services		54,220	\$ 93,752
		<u>54,220</u>	<u>\$ 93,752</u>

General Fund - Town Outside Village:

Erie County - sales tax	\$	2,491,238	
Erie County stop DWI		615	
Kenmore-Tonawanda schools		32,528	
Federal aid - public safety		86,650	\$ 2,611,031
		<u>86,650</u>	<u>\$ 2,611,031</u>

Highway Fund:

Erie County - sales tax			\$ 338,435
			<u>\$ 338,435</u>

Special Grants Fund:

Federal aid - community development			\$ 157,458
			<u>\$ 157,458</u>

Sewer District Fund:

Village of Kenmore	\$	489,960	
City of Tonawanda		246,888	\$ 736,848
		<u>246,888</u>	<u>\$ 736,848</u>

Water District Fund:

Village of Kenmore	\$	480	
Village of Akron		216	
City of North Tonawanda		1,032	
Town of Grand Island		480	\$ 2,208
		<u>480</u>	<u>\$ 2,208</u>

Capital Projects Fund:

NYS - Office of Parks	\$	150,000	
Homeland Security - PSGP		124,905	
State aid - EFC		1,106,813	\$ 1,581,718
		<u>1,106,813</u>	<u>\$ 1,581,718</u>

Rehabilitation Loans Receivable—Rehabilitation loans receivable at December 31, 2013 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, 2013 was \$7,711,895.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance 1/1/2013	Additions and Reclassifications	Subtractions and Reclassifications	Balance 12/31/2013
Capital assets, not being depreciated:				
Land	\$ 1,493,633	\$ -	\$ -	\$ 1,493,633
Construction in progress	<u>9,173,593</u>	<u>15,976,272</u>	<u>(3,897,988)</u>	<u>21,251,877</u>
Total capital assets, not being depreciated	<u>10,667,226</u>	<u>15,976,272</u>	<u>(3,897,988)</u>	<u>22,745,510</u>
Capital assets, being depreciated:				
Buildings and improvements	37,625,467	-	-	37,625,467
Transportation network	23,058,005	-	-	23,058,005
Sewer network	122,789,357	161,934	-	122,951,291
Water network	38,262,405	2,631,282	-	40,893,687
Drainage network	19,713,737	-	-	19,713,737
Improvements other than buildings	7,139,932	-	-	7,139,932
Machinery and equipment	<u>21,250,435</u>	<u>3,549,444</u>	<u>(1,163,284)</u>	<u>23,636,595</u>
Total capital assets, being depreciated	<u>269,839,338</u>	<u>6,342,660</u>	<u>(1,163,284)</u>	<u>275,018,714</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,813,421)	(1,147,707)	-	(18,961,128)
Transportation network	(18,216,965)	(441,508)	-	(18,658,473)
Sewer network	(61,206,886)	(2,732,099)	-	(63,938,985)
Water network	(27,031,055)	(608,836)	-	(27,639,891)
Drainage network	(11,971,787)	(254,183)	-	(12,225,970)
Improvements other than buildings	(4,503,154)	(234,891)	-	(4,738,045)
Machinery and equipment	<u>(14,904,773)</u>	<u>(1,387,652)</u>	<u>1,046,776</u>	<u>(15,245,649)</u>
Total accumulated depreciation	<u>(155,648,041)</u>	<u>(6,806,876)</u>	<u>1,046,776</u>	<u>(161,408,141)</u>
Total capital assets, being depreciated, net	<u>114,191,297</u>	<u>(464,216)</u>	<u>(116,508)</u>	<u>113,610,573</u>
Governmental activities capital assets, net	<u>\$ 124,858,523</u>	<u>\$ 15,512,056</u>	<u>\$ (4,014,496)</u>	<u>\$ 136,356,083</u>

Depreciation expense was charged to functions of the governmental activities for the year ended December 31, 2013 as follows:

General government support	\$ 156,778
Public safety	347,258
Health	19,551
Transportation	911,350
Culture and recreation	1,061,342
Home and community services	4,310,597
	<u>\$ 6,806,876</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds of the Town as of December 31, 2013, 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	\$ 839,203	\$ 875,597	\$ 321,594	\$ 20,302	\$ 344,959	\$ 241,553	\$ 245,371	\$ 2,888,579
Total	<u>\$ 839,203</u>	<u>\$ 875,597</u>	<u>\$ 321,594</u>	<u>\$ 20,302</u>	<u>\$ 344,959</u>	<u>\$ 241,553</u>	<u>\$ 245,371</u>	<u>\$ 2,888,579</u>

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 3% of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3% of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute 3.0% of their annual salary until March 31, 2013, after which the contribution percentage will be based on salary and range between 3.0% and 6.0%. 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 31.

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

	<u>ERS</u>	<u>PFRS</u>
2013	\$ 4,675,506	\$ 2,892,155
2012	4,068,494	2,290,729
2011	3,784,750	2,655,366

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, 2013, \$5,391,833 was paid on behalf of approximately 424 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 following table shows the components of the Town’s annual OPEB cost, the amount actually contributed to the plan, and the changes in the Town’s net OPEB obligation.

	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 18,568,155	\$ 17,823,922
Interest on net OPEB obligation	2,136,554	1,643,880
Adjustment to annual required contribution	<u>(3,341,964)</u>	<u>(2,516,720)</u>
Annual OPEB costs (expense)	17,362,745	16,951,082
Contributions made	<u>(5,391,833)</u>	<u>(4,634,236)</u>
Increase in net OPEB obligation	11,970,912	12,316,846
Net OPEB obligation - beginning of year	<u>53,413,840</u>	<u>41,096,994</u>
Net OPEB obligation - end of year	<u>\$ 65,384,752</u>	<u>\$ 53,413,840</u>

Funding Status and Funding Progress—As of January 1, 2013, the most recent actuarial valuation update, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$203,756,403.

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.

As of December 31, 2013, the Town has had three actuarial valuations performed. Accordingly, information from the study is presented in the Town’s Schedule of Funding Progress, within the required supplementary information. The Schedule of the Town’s Contributions is shown below.

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2013	\$ 18,568,155	\$ 5,391,833	29.0%
2012	17,823,922	4,634,236	26.0%
2011	16,129,125	4,970,023	30.8%

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, 2013 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%. 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 3.00%. The RP-2000 Mortality Table for males and females is used for mortality rates. 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). The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar basis, therefore the remaining amortization period at December 31, 2013 was twenty-six years.

8. RISK MANAGEMENT

The Town assumes liability for most risk including, but not limited to, workers' compensation. Asserted and incurred but not reported claims and judgments are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonable estimated. Such recording is consistent with the requirements of GASB.

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

At December 31, 2013, 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, 2013 reflects the actuarial analysis of the projected liability. Changes in the reported liabilities since January 1, 2012 are presented below:

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

	Liability at 1/1/2012	Claims	Adjustments and Payments	Liability at 12/31/2012
Judgments & claims	\$ 551,973	\$ 311,335	\$ 464,745	\$ 398,563
Workers' compensation	2,591,873	1,748,897	1,399,241	2,941,529

In addition, the Town purchases excess liability insurance that protects the Town after the first \$1 million of liability. The liability insurance is limited to an aggregate of \$10 million for products-completed operations hazard, errors and omissions liability, employment practice liability, and employee benefit liability.

9. 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, 2013:

<u>Capital Projects Fund</u>	<u>Issue/ Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 1/1/2013</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 12/31/2013</u>
General Fund:						
Technology upgrade	2012/2013	0.75%	\$ 250,000	\$ -	\$ 250,000	\$ -
Technology upgrade	2013/2014	1.00%	-	175,000	-	175,000
Brighton Arena turf replacement/Lincoln pool	2012/2013	0.75%	75,000	-	75,000	-
Brighton Arena turf replacement/Lincoln pool	2013/2014	1.00%	-	50,000	-	50,000
New Worlds & Kronos	2012/2013	0.75%	500,000	-	500,000	-
New Worlds & Kronos	2013/2014	1.00%	-	350,000	-	350,000
Sheridan parkside spray pool	2012/2013	0.75%	200,000	-	200,000	-
Sheridan parkside spray pool	2013/2014	1.00%	-	150,000	-	150,000
Highway Fund:						
Pavement	2012/2013	0.75%	250,000	-	250,000	-
Pavement	2013/2014	1.00%	-	200,000	-	200,000
Equipment	2012/2013	0.75%	425,000	-	425,000	-
Equipment	2013/2014	1.00%	-	350,000	-	350,000
Sewer District:						
Improvements	2012/2013	0.75%	900,000	-	900,000	-
Improvements	2013/2014	1.00%	-	675,000	-	675,000
Improvements	2012/2013	0.75%	1,200,000	-	1,200,000	-
Improvements	2013/2014	1.00%	-	1,125,000	-	1,125,000
Improvements	2013/2014	1.00%	-	3,500,000	-	3,500,000
Improvements	2013/2014	1.00%	-	3,400,000	-	3,400,000
Water District:						
Improvements	2012/2013	0.75%	1,975,000	-	1,975,000	-
Improvements	2013/2014	1.00%	-	1,850,000	-	1,850,000
Improvements	2012/2013	0.75%	1,700,000	-	1,700,000	-
Improvements	2013/2014	1.00%	-	1,600,000	-	1,600,000
Improvements	2013/2014	1.00%	-	3,900,000	-	3,900,000
Improvements	2013/2014	1.00%	-	700,000	-	700,000
Drainage District:						
Improvements	2012/2013	0.75%	1,425,000	-	1,425,000	-
Improvements	2013/2014	1.00%	-	1,325,000	-	1,325,000
Improvements	2012/2013	0.75%	800,000	-	800,000	-
Improvements	2013/2014	1.00%	-	750,000	-	750,000
Garbage District:						
Landfill closure	2012/2013	0.75%	2,400,000	-	2,400,000	-
Total			<u>\$ 12,100,000</u>	<u>\$ 20,100,000</u>	<u>\$ 12,100,000</u>	<u>\$ 20,100,000</u>

10. 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, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance
Serial bonds	\$ 30,911,366	\$ 10,216,356	\$ 1,840,000	\$ 39,287,722
EFC notes payable	3,680,564	6,535,792	10,216,356	-
Due to employees' retirement system	260,756	-	60,498	200,258
Landfill closure and post closure liability	5,664,805	-	111,755	5,553,050
Compensated absences	382,277	51,428	44,547	389,158
Other postemployment benefits	53,413,840	17,362,745	5,391,833	65,384,752
Capital leases	2,238,195	-	116,610	2,121,585
Totals	<u>\$ 96,551,803</u>	<u>\$ 34,166,321</u>	<u>\$ 17,781,599</u>	<u>\$ 112,936,525</u>

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.

During the year ended December 31, 2013 the Town converted \$10,216,356 to serial bonds, which were previously classified as long-term notes payable.

A summary of bonded indebtedness transactions for the year ended December 31, 2013 follows:

Description	Issue/ Maturity Date	Interest Rate	Principal Outstanding 1/1/2013	Issued	Redeemed	Principal Outstanding 12/31/2013
General Fund:						
General public improvements	1999/2014	5.94%	\$ 400,000	\$ -	\$ 200,000	\$ 200,000
General public improvements	2004/2018	3.47%	500,000	-	100,000	400,000
General public improvements	2010/2025	2.00-3.00%	850,000	-	225,000	625,000
			<u>1,750,000</u>	<u>-</u>	<u>525,000</u>	<u>1,225,000</u>
Highway Fund - Town Outside Village:						
Various highway projects	2004/2018	3.47%	100,000	-	50,000	50,000
Various highway projects	2010/2025	2.00-3.00%	1,150,000	-	140,000	1,010,000
			<u>1,250,000</u>	<u>-</u>	<u>190,000</u>	<u>1,060,000</u>
Sewer District:						
Increase and improvements	2010/2025	2.00-3.00%	4,250,000	-	285,000	3,965,000
Increase and improvements	2012/2042	0.24-4.10%	21,061,366	-	565,000	20,496,366
Increase and improvements	2013/2042	0.36-4.76%	-	10,216,356	-	10,216,356
			<u>25,311,366</u>	<u>10,216,356</u>	<u>850,000</u>	<u>34,677,722</u>
Water District:						
Increase and improvements	2004/2018	3.47%	500,000	-	125,000	375,000
Improvements	2010/2025	2.00-3.00%	1,050,000	-	75,000	975,000
			<u>1,550,000</u>	<u>-</u>	<u>200,000</u>	<u>1,350,000</u>
Drainage District:						
Improvements	2010/2025	2.00-3.00%	1,050,000	-	75,000	975,000
			<u>1,050,000</u>	<u>-</u>	<u>75,000</u>	<u>975,000</u>
Grand Total			<u>\$ 30,911,366</u>	<u>\$ 10,216,356</u>	<u>\$ 1,840,000</u>	<u>\$ 39,287,722</u>

EFC Notes Payable—This amount represents proceeds from Environmental Facilities Corporation (“EFC”) loan agreements. The liability is recognized as the EFC authorizes disbursement of the loan. The EFC authorized loans totaling \$30,000,000 relating to phase I of the project, which was completed during 2012. During 2012, the Town released an additional \$4,115,921 of phase I funds and made principal payment amounts of \$4,400,000. The remaining liability of \$21,061,366 was converted into serial bonds. The EFC authorized loans totaling \$10,900,000 relating to phase II of the project, of which \$3,680,564 of funds were released during 2012. During 2013, the Town released an additional \$6,535,792 of phase II funds. The remaining liability of \$10,216,356 was converted into serial bonds.

A summary of the changes in notes payable for the year ended December 31, 2013 follows:

	Balance 1/1/2013	Additions	Payments	Balance 12/31/2013
Capital Projects Fund	<u>\$ 3,680,564</u>	<u>\$ 6,535,792</u>	<u>\$ 10,216,356</u>	<u>\$ -</u>

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 three 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 \$5,553,050 reported as landfill closure and post-closure care liability at December 31, 2013 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 2013. The Town expended \$111,755 in the current year relating to closure and post-closure activities. The Town has entered into contract with the New York State Department of Environmental Conservation for state reimbursements up to \$2,000,000. As of December 31, 2013, 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, 2013, for governmental activities is \$389,158. This amount has been recorded as a non-current liability since payment of compensated absences are dependent upon many factors, therefore, timing of future payments is not readily determinable.

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 \$65,384,752 at December 31, 2013.

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	(383,393)
Total	<u>\$ 2,172,560</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013 are as follows:

<u>Fiscal Year Ending December 31.</u>	<u>Governmental Activities</u>
2014	\$ 210,725
2015	210,725
2016	210,725
2017	210,725
2018	210,725
2019-2023	1,053,624
2024-2028	<u>684,856</u>
Total minimum lease payments	2,792,105
Less: amount representing interest	<u>(670,520)</u>
Present value of minimum lease payments	<u>\$ 2,121,585</u>

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

	Serial	Due to	Landfill	Compensated	Other Post	Capital	Total
	Bonds	Retirement	Closure and	Absences	Employee	leases	
		System	Post Closure		Benefits		
			Liability				
2014	\$ 2,036,366	\$ 63,683	\$ -	\$ 19,458	\$ -	\$ 121,691	\$ 2,241,198
2015	1,791,356	66,947	-	-	-	126,993	1,985,296
2016	1,740,000	69,628	-	-	-	132,527	1,942,155
2017	1,755,000	-	-	-	-	138,302	1,893,302
2018	1,795,000	-	-	-	-	144,328	1,939,328
2019-2023	7,625,000	-	-	-	-	821,639	8,446,639
2024-2028	6,195,000	-	-	-	-	636,105	6,831,105
2029-2033	5,500,000	-	-	-	-	-	5,500,000
2034-2038	5,875,000	-	-	-	-	-	5,875,000
2039-2043	4,975,000	-	-	-	-	-	4,975,000
Various	-	-	5,553,050	369,700	65,384,752	-	71,307,502
	<u>\$ 39,287,722</u>	<u>\$ 200,258</u>	<u>\$ 5,553,050</u>	<u>\$ 389,158</u>	<u>\$ 65,384,752</u>	<u>\$ 2,121,585</u>	<u>\$ 112,936,525</u>

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

Year	Amount
2014	1,115,166
2015	1,084,609
2016	1,058,910
2017	1,031,730
2018	1,002,312
2019-2023	4,558,383
2024-2028	3,609,486
2029-2033	2,645,754
2034-2038	1,591,735
2039-2043	445,644
	<u>\$18,143,730</u>

11. 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	\$ 136,356,083
Related debt:	
Serial bonds issued	(39,287,722)
Installment purchase debt	(2,121,585)
Bond anticipation notes issued for capital assets	(20,100,000)
Unspent proceeds from bond anticipation notes	<u>6,327,961</u>
Debt issued and used for capital assets	<u>(55,181,346)</u>
Net investment in capital assets	<u>\$ 81,174,737</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, 2013 include:

- ◆ ***Prepaid Items***—Represents amounts prepaid to vendors and employees that are applicable to future accounting periods.
- ◆ ***Inventory***—Represents the portion of fund balance composed of inventory. This balance is nonspendable as the inventory does not represent an available resource.

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, 2013 are outlined below:

- ◆ ***Restricted for 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.
- ◆ ***Restricted for 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.
- ◆ ***Restricted for Leachate***—Represents funds to be used for payment of unexpected sewer problems at the landfill.
- ◆ ***Restricted for Public Safety***—Represents funds to be used for police and public safety expenditures.
- ◆ ***Restricted for Retirement***—Represents funds to be used for the payment of retirement contributions.
- ◆ ***Restricted for Special Grants***—Represents funds to be used for community development.

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. As of December 31, 2013, the following balances were considered to be assigned:

- ◆ ***Assigned to Subsequent Year Expenditures***—Represents funds to be used to assist in supporting the subsequent year authorized appropriations. The Town assigned \$7,500,000 of fund balance to the 2014 budget.
- ◆ ***Assigned to Encumbrances***—Represents funds accumulated for commitments related to unperformed contracts or purchase orders for goods or services.

The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$100,000. As of December 31, 2013, the Town did not report any significant encumbrances.

The Town assigned \$1,057,459 of fund balance for encumbrances at December 31, 2013.

- ◆ **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.

The Town will spend the most restricted dollars before less restricted where such spending is appropriate and the legal restriction does not limit the use of such restricted amount for the particular purpose in question in the following order: 1) Nonspendable (if funds become spendable), 2) Restricted, 3) Committed, 4) Assigned, and 5) Unassigned.

12. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables of the Town at December 31, 2013 consisted of the following:

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.

Fund	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 291,654	\$ -
General Fund - Town Outside Village	277,707	-
Highway Fund - Town Outside Village	68,086	-
Sewer District Fund	69,757	-
Water District Fund	35,317	-
Capital Projects Fund	1,408,386	1,408,386
Other Governmental Funds	66,142	-
Fiduciary Funds:		
Agency Fund	-	808,663
Total	\$2,217,049	\$2,217,049

The Town made the following operating transfers during 2013:

Fund	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 99,790	\$1,532,681
General Fund - Town Outside Village	-	926,520
Highway Fund - Town Outside Village	3,125	885,861
Sewer District Fund	9,723	969,642
Water District Fund	187,015	636,907
Capital Projects Fund	2,594,212	139,956
Other Governmental Funds	10,302	612,600
Proprietary Funds:		
Self Insurance Fund	800,000	-
Workers Compensation Fund	2,000,000	-
Total	<u>\$5,704,167</u>	<u>\$5,704,167</u>

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.

13. 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, 2013:

	Balance 1/1/2013	Additions	Deductions	Balance 12/31/2013
ASSETS				
Cash	\$ 472,144	\$ 148,791,296	\$ 148,487,171	\$ 776,269
Accounts receivable	280,935	10,292,819	10,452,154	121,600
Due from other funds	-	107,999,834	107,999,834	-
Total assets	<u>\$ 753,079</u>	<u>\$ 230,273,835</u>	<u>\$ 230,205,016</u>	<u>\$ 897,869</u>
LIABILITIES				
Agency liabilities	\$ 88,291	\$ 51,168,153	\$ 51,167,238	\$ 89,206
Due to other funds	664,788	22,107,028	21,963,153	808,663
Total liabilities	<u>\$ 753,079</u>	<u>\$ 230,273,835</u>	<u>\$ 230,205,016</u>	<u>\$ 897,869</u>

14. 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 2013, 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.

15. CONTINGENCIES

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, 2013 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.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 7, 2014, 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.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF TONAWANDA, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$13,712,129	\$13,712,129	\$13,776,477	\$ 64,348
Other property tax items	1,341,700	1,341,700	1,294,239	(47,461)
Departmental income	5,835,100	5,835,100	4,405,171	(1,429,929)
Intergovernmental charges	39,848	39,848	51,102	11,254
Use of money and property	317,500	317,500	283,112	(34,388)
Licenses and permits	133,200	133,200	133,896	696
Fines and forfeitures	1,356,000	1,356,000	1,430,600	74,600
Sale of property and compensation for loss	-	212	41,506	41,294
Miscellaneous	24,000	34,777	34,485	(292)
Interfund revenue	2,513,400	2,513,400	3,007,440	494,040
State aid	951,500	951,964	1,179,633	227,669
Total revenues	<u>26,224,377</u>	<u>26,235,830</u>	<u>25,637,661</u>	<u>(598,169)</u>
EXPENDITURES				
Current:				
General government support	5,028,866	4,999,129	4,720,272	278,857
Public safety	1,182,651	1,137,920	1,083,484	54,436
Health	1,250,324	1,235,932	1,228,967	6,965
Transportation	949,851	943,651	883,107	60,544
Economic assistance and opportunity	141,200	121,200	113,523	7,677
Culture and recreation	10,009,191	9,956,296	8,806,420	1,149,876
Home and community services	937,560	950,893	891,336	59,557
Employee benefits	7,917,500	7,911,500	6,499,734	1,411,766
Debt service:				
Principal	958,937	733,937	633,937	100,000
Interest	175,298	175,298	144,736	30,562
Total expenditures	<u>28,551,378</u>	<u>28,165,756</u>	<u>25,005,516</u>	<u>3,160,240</u>
Excess (deficiency) of revenues over expenditures	<u>(2,327,001)</u>	<u>(1,929,926)</u>	<u>632,145</u>	<u>2,562,071</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	99,790	99,790
Transfers out	<u>(1,036,700)</u>	<u>(1,824,700)</u>	<u>(1,532,681)</u>	<u>292,019</u>
Total other financing sources (uses)	<u>(1,036,700)</u>	<u>(1,824,700)</u>	<u>(1,432,891)</u>	<u>391,809</u>
Net change in fund balances*	(3,363,701)	(3,754,626)	(800,746)	2,953,880
Fund balances - beginning	8,264,113	8,264,113	8,264,113	-
Fund balances - ending	<u>\$ 4,900,412</u>	<u>\$ 4,509,487</u>	<u>\$ 7,463,367</u>	<u>\$ 2,953,880</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 Fund – Town Outside Village
Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$10,736,307	\$10,899,715	\$10,959,981	\$ 60,266
Other property tax items	950,900	950,900	1,026,683	75,783
Non-property tax items	7,600,000	7,600,000	7,686,552	86,552
Departmental income	64,650	163,670	331,131	167,461
Intergovernmental charges	136,471	476,993	265,740	(211,253)
Use of money and property	175,200	175,200	179,674	4,474
Licenses and permits	494,500	494,500	508,401	13,901
Sale of property and compensation for loss	-	3,845	46,636	42,791
Miscellaneous	-	2,750	4,724	1,974
Interfund revenue	323,668	323,668	277,886	(45,782)
State aid	585,199	596,495	979,493	382,998
Federal aid	-	29,890	116,982	87,092
Total revenues	<u>21,066,895</u>	<u>21,717,626</u>	<u>22,383,883</u>	<u>666,257</u>
EXPENDITURES				
Current:				
General government support	980,847	1,190,572	1,162,065	28,507
Public safety	12,836,277	13,184,916	12,512,601	672,315
Health	8,990	8,990	8,924	66
Home and community services	161,441	167,147	160,736	6,411
Employee benefits	8,223,800	8,221,300	6,835,678	1,385,622
Debt service:				
Principal	4,863	4,863	4,863	-
Interest	3,925	3,925	3,925	-
Total expenditures	<u>22,220,143</u>	<u>22,781,713</u>	<u>20,688,792</u>	<u>2,092,921</u>
Excess (deficiency) of revenues over expenditures	<u>(1,153,248)</u>	<u>(1,064,087)</u>	<u>1,695,091</u>	<u>2,759,178</u>
OTHER FINANCING USES				
Transfers out	<u>(968,200)</u>	<u>(1,068,800)</u>	<u>(926,520)</u>	<u>142,280</u>
Total other financing uses	<u>(968,200)</u>	<u>(1,068,800)</u>	<u>(926,520)</u>	<u>142,280</u>
Net change in fund balances*	(2,121,448)	(2,132,887)	768,571	2,901,458
Fund balances - beginning	<u>6,290,916</u>	<u>6,290,916</u>	<u>6,290,916</u>	<u>-</u>
Fund balances - ending	<u>\$ 4,169,468</u>	<u>\$ 4,158,029</u>	<u>\$ 7,059,487</u>	<u>\$ 2,901,458</u>

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

* 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 Fund – Town Outside Village
Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 5,512,772	\$ 5,664,672	\$ 5,695,617	\$ 30,945
Other property tax items	529,700	529,700	527,170	(2,530)
Non-property tax items	600,000	600,000	711,210	111,210
Intergovernmental charges	110,000	110,000	112,895	2,895
Use of money and property	9,000	9,000	6,616	(2,384)
Licenses and permits	-	-	480	480
Sale of property and compensation for loss	-	50,102	52,962	2,860
Miscellaneous	-	-	9	9
State aid	300,534	300,534	386,550	86,016
Total revenues	<u>7,062,006</u>	<u>7,264,008</u>	<u>7,493,509</u>	<u>229,501</u>
EXPENDITURES				
Current:				
Transportation	4,805,296	4,916,024	4,884,488	31,536
Employee benefits	2,365,900	2,167,500	1,955,228	212,272
Debt service:				
Principal	135,000	315,000	190,000	125,000
Interest	16,838	38,738	31,051	7,687
Total expenditures	<u>7,323,034</u>	<u>7,437,262</u>	<u>7,060,767</u>	<u>376,495</u>
Excess (deficiency) of revenues over expenditures	<u>(261,028)</u>	<u>(173,254)</u>	<u>432,742</u>	<u>605,996</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	3,125	3,125
Transfers out	(439,600)	(919,600)	(885,861)	33,739
Total other financing sources (uses)	<u>(439,600)</u>	<u>(919,600)</u>	<u>(882,736)</u>	<u>36,864</u>
Net change in fund balances*	(700,628)	(1,092,854)	(449,994)	642,860
Fund balances - beginning	2,026,605	2,026,605	2,026,605	-
Fund balances - ending	<u>\$ 1,325,977</u>	<u>\$ 933,751</u>	<u>\$ 1,576,611</u>	<u>\$ 642,860</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 3,315,777	\$ 3,326,777	\$ 3,326,777	\$ -
Departmental income	7,000,000	7,000,000	7,371,255	371,255
Intergovernmental charges	1,900,000	1,900,000	1,807,730	(92,270)
Use of money and property	28,400	28,400	25,237	(3,163)
Sale of property and compensation for loss	-	-	5,484	5,484
Total revenues	<u>12,244,177</u>	<u>12,255,177</u>	<u>12,536,483</u>	<u>281,306</u>
EXPENDITURES				
Current:				
Home and community services	9,158,548	9,225,397	8,440,495	784,902
Employee benefits	2,860,800	2,583,800	2,343,721	240,079
Debt service:				
Principal	1,277,811	1,287,811	852,810	435,001
Interest	653,519	492,519	475,773	16,746
Total expenditures	<u>13,950,678</u>	<u>13,589,527</u>	<u>12,112,799</u>	<u>1,476,728</u>
Excess (deficiency) of revenues over expenditures	<u>(1,706,501)</u>	<u>(1,334,350)</u>	<u>423,684</u>	<u>1,758,034</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	9,723	9,723
Transfers out	(539,000)	(896,000)	(969,642)	(73,642)
Total other financing sources (uses)	<u>(539,000)</u>	<u>(896,000)</u>	<u>(959,919)</u>	<u>(63,919)</u>
Net change in fund balances*	(2,245,501)	(2,230,350)	(536,235)	1,694,115
Fund balances - beginning	8,928,981	8,928,981	8,928,981	-
Fund balances - ending	<u>\$ 6,683,480</u>	<u>\$ 6,698,631</u>	<u>\$ 8,392,746</u>	<u>\$ 1,694,115</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Departmental income	\$ 9,221,919	\$ 9,221,919	\$ 8,802,104	\$ (419,815)
Intergovernmental charges	-	-	12,636	12,636
Use of money and property	95,400	95,400	102,771	7,371
Sale of property and compensation for loss	-	-	7,746	7,746
Miscellaneous	-	-	213	213
Interfund revenue	<u>264,900</u>	<u>264,900</u>	<u>264,900</u>	<u>-</u>
Total revenues	<u>9,582,219</u>	<u>9,582,219</u>	<u>9,190,370</u>	<u>(391,849)</u>
EXPENDITURES				
Current:				
Home and community services	6,404,631	6,472,080	5,909,192	562,888
Employee benefits	2,131,300	1,949,800	1,700,711	249,089
Debt service:				
Principal	425,000	200,000	200,000	-
Interest	<u>150,669</u>	<u>150,669</u>	<u>67,982</u>	<u>82,687</u>
Total expenditures	<u>9,111,600</u>	<u>8,772,549</u>	<u>7,877,885</u>	<u>894,664</u>
Excess of revenues over expenditures	<u>470,619</u>	<u>809,670</u>	<u>1,312,485</u>	<u>502,815</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	170,000	170,000	187,015	17,015
Transfers out	<u>(792,700)</u>	<u>(1,218,200)</u>	<u>(636,907)</u>	<u>581,293</u>
Total other financing sources (uses)	<u>(622,700)</u>	<u>(1,048,200)</u>	<u>(449,892)</u>	<u>598,308</u>
Net change in fund balances*	(152,081)	(238,530)	862,593	1,101,123
Fund balances - beginning	<u>6,209,023</u>	<u>6,209,023</u>	<u>6,209,023</u>	<u>-</u>
Fund balances - ending	<u>\$ 6,056,942</u>	<u>\$ 5,970,493</u>	<u>\$ 7,071,616</u>	<u>\$ 1,101,123</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
Schedule of Funding Progress—Other Postemployment Benefits Plan
Year Ended December 31, 2013

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 12/31/13	\$ -	\$ 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%
As of 12/31/11	-	173,169,244	173,169,244	0.0%	n/a	n/a