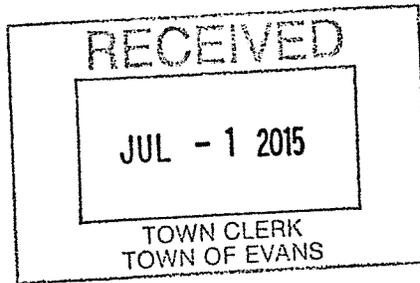


**TOWN OF EVANS,
NEW YORK**

*Basic Financial Statements, Required Supplementary
Information and Supplementary Information for the
Year Ended December 31, 2014
and Independent Auditors' Reports*



TOWN OF EVANS, NEW YORK
Table of Contents
Year Ended December 31, 2014

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet—Governmental Funds	17
Reconciliation of the Balance Sheet—Governmental Funds to the Government-wide Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)—Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) of Governmental Funds to the Statement of Activities	20
Statement of Net Position—Proprietary Fund	21
Statement of Revenues, Expenses and Changes in Net Position— Proprietary Fund—Water Fund	22
Statement of Cash Flows—Proprietary Fund	23
Statement of Net Position—Agency Fund	25
Notes to the Financial Statements	26
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual—General Fund	51
Schedule of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual—General—Part-Town Fund	52
Schedule of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual—Highway—Part-Town Fund	53

(Continued)

TOWN OF EVANS, NEW YORK
Table of Contents
Year Ended December 31, 2014

	(concluded)
Schedule of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual—Fire Protection District.....	54
Note to the Required Supplementary Information	55
Supplementary Information:	
Combining Balance Sheet—Nonmajor Governmental Funds.....	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds	58
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59
Schedule of Findings.....	61

FINANCIAL SECTION

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Town Board
Town of Evans, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on governmental activities and the business-type activities—Water Fund. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the major governmental funds and aggregate remaining fund information.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Business-Type Activities—Water Fund	Adverse
General Fund	Disclaimer
General—Part-Town Fund	Disclaimer
Highway—Part-Town Fund	Disclaimer
Fire Protection District	Disclaimer
Capital Projects Fund	Disclaimer
Aggregate Remaining Fund Information	Disclaimer

Basis for Disclaimer of Opinion

During the year ended December 31, 2014, the Town did not reconcile its general ledger cash accounts to the reconciled bank balance. We were unable to confirm or verify, by performing other auditing procedures, the cash amount not reconciled and corresponding fund balance, as appropriate, included in the various fund balance sheets for the governmental funds or statements of net position for the fiduciary fund at December 31, 2014. We were also unable to confirm or verify, by performing other auditing procedures, amounts held by other parties included in the statement of net position of the fiduciary fund at December 31, 2014. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect to the cash balances or amounts held by other parties, and the elements making up the statements of activities, nor the statements of revenues, expenditures, and changes in fund balance for governmental funds.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial position of each major fund and the aggregate remaining fund information for the Town. Accordingly, we do not express an opinion on these financial statements.

Basis for Adverse Opinion on the Governmental Activities and Business-Type Activities—Water Fund

In addition to the effects of the items discussed above, as discussed in Note 4 to the financial statements, the Town has not recorded construction-in-progress or general infrastructure assets and the related depreciation expense and accumulated depreciation in its governmental and business-type activities. In addition, as discussed in Note 7, the Town has not determined the impact of the Town's postemployment benefits other than pension ("OPEB") and, accordingly, has not recorded an OPEB liability or the related expense. Accounting principles generally accepted in the United States of America require that those construction-in-progress or general infrastructure assets be capitalized and the related depreciation be recorded. Those principals also require that the Town recognize its OPEB liability and related expense. The amount by which these departures would affect the assets, liabilities, net position and expenses of the governmental and business-type activities is not reasonably determinable.

Adverse Opinion on the Governmental Activities and Business-Type Activities—Water Fund

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion on the Governmental Activities and Business-Type Activities—Water Fund paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities and business-type activity—Water Fund, of the Town, as of December 31, 2014, or the changes in financial position and cash flows thereof for the year then ended.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, at December 31, 2014 the Town's business-type activity—Water Fund has a deficit net position and the Town's Capital Project Fund and Fire Protection District Fund have deficit fund balances.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the Supplementary Information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2015 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



February 16, 2015

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

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

Financial Highlights

- The assets of the Town's governmental activities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,492,100 (*net position*). This consists of \$5,309,485 net investment in capital assets, \$1,128,455 restricted for specific purposes, offset by an unrestricted net deficit of \$945,840. The liabilities of the Town's business-type activities exceeded its assets at the close of the most recent fiscal year by \$16,447,241 (*deficit net position*). This consists of a \$12,993,105 deficit net investment in capital assets and an unrestricted net deficit of \$3,454,136. The primary cause of the deficit in net capital assets is due to the failure of the Town to record its infrastructure assets.
- The Town's governmental activities net position decreased by \$536,590 while business-type activities increased \$17,690 during the year ended December 31, 2014.
- At the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$2,697,071, a decrease of \$213,265 in comparison with the prior year's fund balance of \$2,910,336.
- At the end of the current fiscal year, the General Fund had an *unassigned fund balance deficit* of \$2,825,354.
- The Town's governmental activities paid \$5,000 of its previously outstanding bonded indebtedness during the current year. The Town's business-type activities paid \$440,000 of its bonded indebtedness during the current year.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to 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 readers with a broad overview of the Town's finances, in a matter similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets, deferred inflows of resources, and liabilities, with the difference 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 this statement for some items that will result in cash flows in future fiscal periods (e.g., 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 support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services and interest and other fiscal charges. The business-type activities of the Town include the Water Fund.

The government-wide financial statements can be found on pages 15-16 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. The Town has three kinds of 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 statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. 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 Fund, General—Part-Town Fund, Highway—Part-Town Fund, Fire Protection District and Capital Projects Fund, all of which are considered to be major funds. Data from the other six funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary funds—The Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for the Water Fund.

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 Water Fund.

The proprietary fund financial statements can be found on pages 21-24.

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 statements 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 25 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 26-50 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town's budgetary comparison for the General Fund, General—Part-Town Fund, Highway—Part-Town Fund, and Fire Protection District. Required Supplementary Information and a related note to the required supplementary information can be found on pages 51-56 of this report.

The combining statements referred to earlier in connection with the nonmajor governmental funds are presented as other supplementary information immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 57-58.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Town's governmental activities, assets exceeded liabilities and deferred inflows of resources by \$5,492,100 at the close of the most recent fiscal year, as compared to \$6,028,690 at the close of the fiscal year ended December 31, 2013.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

Table 1 – Condensed Statement of Net Position – Primary Government

	Governmental Activities		Business-type Activities		Total	
	December 31,		December 31,		December 31,	
	2014	2013	2014	2013	2014	2013
Current assets	\$ 2,262,051	\$ 1,910,731	\$ 526,048	\$ 1,024,064	\$ 2,788,099	\$ 2,934,795
Capital assets	5,495,040	5,476,962	69,783	77,691	5,564,823	5,554,653
Total assets	7,757,091	7,387,693	595,831	1,101,755	8,352,922	8,489,448
Current liabilities	2,901,254	2,604,996	2,300,355	2,114,298	5,201,609	4,719,294
Internal balances	(3,347,717)	(3,617,388)	3,347,717	3,617,388	-	-
Long-term liabilities	2,700,011	2,354,968	11,395,000	11,835,000	14,095,011	14,189,968
Total liabilities	2,253,548	1,342,576	17,043,072	17,566,686	19,296,620	18,909,262
Deferred inflows of resources	11,443	16,427	-	-	11,443	16,427
Net investment in capital assets	5,309,485	5,223,803	(12,993,105)	(12,922,342)	(7,683,620)	(7,698,539)
Restricted	1,128,455	992,206	-	-	1,128,455	992,206
Unrestricted	(945,840)	(187,319)	(3,454,136)	(3,542,589)	(4,399,976)	(3,729,908)
Total net position	\$ 5,492,100	\$ 6,028,690	\$ (16,447,241)	\$ (16,464,931)	\$ (10,955,141)	\$ (10,436,241)

The largest portion of the Town's governmental activities' net position reflects its investment in capital assets (e.g. land, buildings, improvements and equipment), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide a variety of services to citizens. Accordingly, 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 to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The Town's business-type activities reported a deficit within its net investment in capital assets totaling \$12,993,105 at December 31, 2014. This is because the Town does not report the value of its infrastructure assets.

An additional portion of the Town's net position, \$1,128,455, represents resources that are subject to 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. Government-wide unrestricted net position was in a deficit position of \$4,399,976.

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

Table 2 – Condensed Statement of Revenues, Expenses and Changes in Net Position – Primary Government

	Governmental Activities		Business-type Activities		Total	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	\$ 1,436,744	\$ 1,303,041	\$ 1,044,843	\$ 1,243,952	\$ 2,481,587	\$ 2,546,993
Operating grants and contributions	222,529	164,286	-	-	222,529	164,286
Capital grants and contributions	111,466	55,985	-	87,587	111,466	143,572
General revenues	11,886,154	11,835,792	7,458	182,579	11,893,612	12,018,371
Total revenues	<u>13,656,893</u>	<u>13,359,104</u>	<u>1,052,301</u>	<u>1,514,118</u>	<u>14,709,194</u>	<u>14,873,222</u>
Program expenses	<u>14,208,114</u>	<u>13,581,838</u>	<u>1,006,645</u>	<u>2,463,857</u>	<u>15,214,759</u>	<u>16,045,695</u>
(Loss) on disposal of assets	(13,335)	-	-	-	(13,335)	-
Transfers in (out)	<u>27,966</u>	<u>27,996</u>	<u>(27,966)</u>	<u>(27,996)</u>	<u>-</u>	<u>-</u>
Change in net position	(536,590)	(194,738)	17,690	(977,735)	(518,900)	(1,172,473)
Net position—beginning	<u>6,028,690</u>	<u>6,223,428</u>	<u>(16,464,931)</u>	<u>(15,487,196)</u>	<u>(10,436,241)</u>	<u>(9,263,768)</u>
Net position—ending	<u>\$ 5,492,100</u>	<u>\$ 6,028,690</u>	<u>\$ (16,447,241)</u>	<u>\$ (16,464,931)</u>	<u>\$ (10,955,141)</u>	<u>\$ (10,436,241)</u>

A summary of sources of revenues of the primary government's governmental activities for the years ended December 31, 2014 and December 31, 2013 is presented below in Table 3.

Table 3 – Summary of Sources of Revenues – Primary Government

	Year ended December 31,		Increase/(decrease)	
	2014	2013	Dollars	Percent
Charges for services	\$ 1,436,744	\$ 1,303,041	\$ 133,703	10.3
Operating grants and contributions	222,529	164,286	58,243	35.5
Capital grants and contributions	111,466	55,985	55,481	99.1
Taxes	11,338,903	11,109,604	229,299	2.1
Use of money and property	27,175	18,840	8,335	44.2
Miscellaneous	236,476	320,735	(84,259)	(26.3)
State sources—unrestricted	283,600	386,613	(103,013)	(26.6)
Total revenues, net	<u>\$ 13,656,893</u>	<u>\$ 13,359,104</u>	<u>\$ 297,789</u>	2.2

Governmental activities revenues in the year ended December 31, 2014 increased by 2.2 percent as compared to the year ended December 31, 2013 due primarily to a \$229,299 increase in taxes, in addition to an increase of \$133,703 in charges for services.

The most significant source of revenues for governmental activities is taxes, which accounts for \$11,338,903, or 83.0 percent of total revenues, for the year ended December 31, 2014 and \$11,109,604, or 83.2 percent of total revenues, for the year ended December 31, 2013. The next largest source of revenue is charges for services, which comprises \$1,436,744 or 10.5 percent of total revenues and \$1,303,041 or 9.8 percent of total revenues for the years ended December 31, 2014 and 2013, respectively.

A summary of program expenses of the primary government's governmental activities for the years ended December 31, 2014 and December 31, 2013 is presented below in Table 4:

Table 4 – Summary of Program Expenses – Primary Government

	Year Ended December 31,		Increase/(decrease)	
	2014	2013	Dollars	Percent
General government support	\$ 2,046,007	\$ 2,141,325	\$ (95,318)	(4.5)
Public safety	5,884,555	5,408,094	476,461	8.8
Health	142,778	159,924	(17,146)	(10.7)
Transportation	2,991,694	2,784,902	206,792	7.4
Economic assistance and opportunity	13,638	9,695	3,943	40.7
Culture and recreation	1,561,854	1,534,361	27,493	1.8
Home and community services	1,541,132	1,490,393	50,739	3.4
Interest and other fiscal charges	26,456	53,144	(26,688)	(50.2)
	<u>\$ 14,208,114</u>	<u>\$ 13,581,838</u>	<u>\$ 626,276</u>	4.6

Total primary governmental expenses for the year ended December 31, 2014 increased 4.6 percent from the year ended December 31, 2013. The primary reason for the increase in expenses was a \$476,461 increase in public safety expenses along with a \$206,792 increase in transportation expenses.

The Town's most significant governmental activities expense items for the year ended December 31, 2014 were public safety of \$5,884,555, or 41.4 percent of total expenses; transportation of \$2,991,694, or 21.1 percent of total expenses; and general government support of \$2,046,007, or 14.4 percent of expenditures. The most significant governmental activities expense items for the year ended December 31, 2013 were public safety of \$5,408,094, or 39.8 percent of total expenses; transportation of \$2,784,902, or 20.5 percent of total expenses; and general government support of \$2,141,325, or 15.8 percent of expenses.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the Town itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town Board.

At December 31, 2014, the Town's governmental funds reported combined ending fund balances of \$2,697,071, a decrease of \$213,265 from the prior year. \$3,244,659 constitutes a deficit *unassigned fund balance*. The remainder of fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is: (1) not in spendable form, \$3,402,717, (2) restricted for particular purposes, \$1,128,455, (3) committed to particular purposes, \$80,000, or (4) assigned for particular purposes, \$1,328,672.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was a deficit \$3,825,354, while the total fund balance increased to \$1,272,619. The primary cause of the unassigned fund balance deficit position is a \$3,347,717 receivable from the Water Fund which is long-term in nature, and, therefore considered nonspendable.

The total fund balance of the Town's General Fund increased by \$162,268 during the current fiscal year. As a result of receiving more revenue than was budgeted, the Town's fund balance ended higher than anticipated.

During the year ended December 31, 2014, the Town's General—Part-Town Fund balance increased by \$59,565 from the prior year, resulting in an ending fund balance of \$258,026. The General—Part-Town Fund reports \$178,026 of fund balance assigned to specific use.

At December 31, 2014, the Town's Highway—Part-Town Fund reported fund balance of \$327,120, a decrease of \$53,613 in comparison with the prior year. All \$327,120 is considered to be fund balance assigned to specific use.

For the year ended December 31, 2014, the Town's Fire Protection District fund balance decreased by \$157,347 from the prior year, resulting in an ending fund balance deficit of \$64,484. The Town has assigned \$80,000 for subsequent year's expenditures through its annual budget process. However, since the fund has fallen into a \$64,484 deficit, no fund balance is available for assignment for subsequent year's expenditures.

The Town's Capital Projects fund had an ending fund balance of deficit of \$352,935, as compared to a fund balance deficit of \$61,654 in the prior year.

General Fund Budgetary Highlights

The Town's General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for additional current year appropriations supported by an increase in budgeted revenues. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget.

A summary of the General Fund results of operations for the year ended December 31, 2014 is presented below in Table 5.

Table 5—General Fund Budget

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues and other financing sources	\$ 7,930,611	\$ 7,930,611	\$ 8,145,620	\$ 215,009
Expenditures and other financing uses	<u>7,930,611</u>	<u>7,930,611</u>	<u>7,983,352</u>	<u>(52,741)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,268</u>	<u>\$ 162,268</u>

Final budget compared to actual results—A review of actual revenues and expenditures compared to the estimated revenues and appropriations in the formal budget yields no significant variances, with the exception of favorable variances of \$83,348 of departmental income revenues, \$47,357 of real property tax items revenues, \$43,681 of sale of property and compensation for loss revenue, and \$78,132 of general government support expenditures and the unfavorable variance of \$141,178 of employee benefit expenditures. The favorable variances are a result of greater than anticipated revenues collected for the services of a school resource officer, payments in lieu of taxes and the sale of a cell tower, along with less than anticipated administration costs. The unfavorable variance is a result of greater than anticipated retirement and insurance costs.

Capital Asset and Debt Administration

Capital assets—The Town’s investment in capital assets for its governmental and business-type activities as of December 31, 2014, amounted to \$5,495,040 and \$69,783, respectively. The investment in capital assets includes land, buildings, improvements other than buildings, and machinery and equipment. It does not include infrastructure.

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 and business-type activities at the years ended December 31, 2014 and 2013 are presented below in Table 6:

Table 6—Summary of Capital Assets (Net of Depreciation)

	December 31,	
	2014	2013
Governmental activities:		
Land	\$ 3,347,606	\$ 3,347,606
Buildings	1,181,482	1,271,751
Improvements other than buildings	108,665	98,889
Machinery and equipment	<u>857,287</u>	<u>758,716</u>
Total governmental activities	<u>\$ 5,495,040</u>	<u>\$ 5,476,962</u>
Business-type activities:		
Buildings	\$ 60,200	\$ 62,561
Machinery and equipment	<u>9,583</u>	<u>15,130</u>
Total business-type activities	<u>\$ 69,783</u>	<u>\$ 77,691</u>

Additional information on the Town's capital assets can be found in Note 4 to the financial statements.

Long-term debt—At December 31, 2014, the Town had bonded debt outstanding of \$11,440,000, as compared to \$11,885,000 in the prior year. During the year ended December 31, 2014, the Town made scheduled principal payments of \$445,000.

A summary of the Town's long-term liabilities at December 31, 2014 and 2013 is presented below in Table 7.

Table 7—Summary of Long-Term Liabilities

	December 31,	
	2014	2013
Governmental activities:		
Serial bonds	\$ 55,000	\$ 60,000
Capital lease	130,555	193,159
Compensated absences	1,153,814	1,087,071
Retirement payable	<u>1,360,642</u>	<u>1,014,738</u>
Total governmental activities	<u>\$ 2,700,011</u>	<u>\$ 2,354,968</u>
Business-type activities:		
Serial bonds	\$ 11,385,000	\$ 11,825,000
Compensated absences	<u>10,000</u>	<u>10,000</u>
Total business-type activities	<u>\$ 11,395,000</u>	<u>\$ 11,835,000</u>

Additional information on the Town's long-term debt can be found in Note 12 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

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

During the current fiscal year, the Town appropriated \$80,000 of the Fire Protection District Fund's unassigned fund for spending in the Town's 2014 fiscal year budget. However, since the Fire Protection District fund has fallen into an unassigned deficit of \$64,484, no fund balance is available for appropriation for the subsequent year's budget. The 2014 adopted budget appropriations total of \$15,083,222 is an approximate increase of 3.4 percent as compared to \$14,581,283 in 2014. The Town's total tax levy in 2015 is \$9,345,961, which is an approximate increase of 1.8 percent as compared to \$9,180,208 levied during the 2014 year.

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 Evans, 8787 Erie Road, Angola, NY 14006.

BASIC FINANCIAL STATEMENTS

STUDY TO BE MADE

** THIS PAGE INTENTIONALLY LEFT BLANK **

TOWN OF EVANS, NEW YORK
Statement of Net Position
December 31, 2014

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
ASSETS			
Restricted cash and cash equivalents	\$ 928,944	\$ 477,112	\$ 1,406,056
Receivables	245,885	429	246,314
Water rents receivable	-	2,162	2,162
Loans receivable	55,000	-	55,000
Intergovernmental receivables	1,032,222	46,345	1,078,567
Capital assets, net of accumulated depreciation	<u>5,495,040</u>	<u>69,783</u>	<u>5,564,823</u>
Total assets	<u>\$ 7,757,091</u>	<u>\$ 595,831</u>	<u>\$ 8,352,922</u>
LIABILITIES			
Accounts payable	\$ 363,399	\$ 39,470	\$ 402,869
Accrued liabilities	694,820	61,831	756,651
Due to retirement systems	643,035	44,054	687,089
Internal balances	(3,347,717)	3,347,717	-
Tax anticipation notes payable	1,200,000	-	1,200,000
Bond anticipation notes payable	-	2,155,000	2,155,000
Noncurrent liabilities:			
Due within one year	290,275	350,500	640,775
Due in more than one year	<u>2,409,736</u>	<u>11,044,500</u>	<u>13,454,236</u>
Total liabilities	<u>2,253,548</u>	<u>17,043,072</u>	<u>19,296,620</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred grants	<u>11,443</u>	<u>-</u>	<u>11,443</u>
Total deferred inflows of resources	<u>11,443</u>	<u>-</u>	<u>11,443</u>
NET POSITION			
Net investment in capital assets	5,309,485	(12,993,105)	(7,683,620)
Restricted for:			
Insurance	695,256	-	695,256
Debt	433,199	-	433,199
Unrestricted	<u>(945,840)</u>	<u>(3,454,136)</u>	<u>(4,399,976)</u>
Total net position	<u>\$ 5,492,100</u>	<u>\$ (16,447,241)</u>	<u>\$ (10,955,141)</u>

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

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

Functions/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	Business-type Activities
Primary government:					
Governmental activities:					
General government support	\$ 2,046,007	\$ 593,918	\$ -	\$ (1,452,089)	\$ (1,452,089)
Public safety	5,884,555	228,186	53,501	(5,602,868)	(5,602,868)
Health	142,778	-	-	(142,778)	(142,778)
Transportation	2,991,694	356,535	169,028	(2,466,131)	(2,466,131)
Economic assistance and opportunity	13,638	-	-	(13,638)	(13,638)
Culture and recreation	1,561,854	258,105	-	(1,192,283)	(1,192,283)
Home and community services	1,541,132	-	-	(1,541,132)	(1,541,132)
Interest and other fiscal charges	26,456	-	-	(26,456)	(26,456)
Total governmental activities	14,208,114	1,436,744	222,529	(12,437,375)	(12,437,375)
Business-type activities:					
Water fund	1,006,645	1,044,843	-	-	38,198
Total primary government	\$ 15,214,759	\$ 2,481,587	\$ 222,529	(12,437,375)	(12,399,177)
General revenues:					
Real property taxes				9,303,940	9,303,940
Non property taxes				2,034,963	2,034,963
Use of money and property				27,175	27,177
Sale of property and compensation for loss				166,099	166,099
Miscellaneous				70,377	77,833
State sources—unrestricted				283,600	283,600
Total general revenues				11,886,154	11,893,612
Transfers in (out)				27,966	(27,966)
Change in net position				(536,590)	(518,900)
Net position—beginning				6,028,690	(10,436,241)
Net position—ending				\$ 5,492,100	\$ (10,955,141)

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

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

	Special Revenue						Total Governmental Funds
	General Fund	General— Part-Town Fund	Highway— Part-Town Fund	Fire Protection District	Capital Projects Fund	Other Governmental Funds	
ASSETS							
Restricted cash and cash equivalents	\$ 261,052	\$ 100,646	\$ 35,948	\$ 5,623	\$ -	\$ 525,675	\$ 928,944
Receivables	59,585	184,692	1,608	-	-	-	245,885
Loans receivable	55,000	-	-	-	-	-	55,000
Intergovernmental receivables	31,624	289,611	710,987	-	-	-	1,032,222
Due from other funds	3,347,717	-	-	347,894	-	756,188	4,451,799
Total assets	\$ 3,754,978	\$ 574,949	\$ 748,543	\$ 353,517	\$ -	\$ 1,281,863	\$ 6,713,850
LIABILITIES							
Accounts payable	\$ 191,834	\$ 29,629	\$ 64,854	\$ 13,060	\$ 38,884	\$ 25,138	\$ 363,399
Accrued liabilities	223,316	15,741	50,822	404,941	-	-	694,820
Due to retirement systems	514,995	22,537	105,503	-	-	-	643,035
Due to other funds	340,771	249,016	200,244	-	314,051	-	1,104,082
Tax anticipation notes payable	1,200,000	-	-	-	-	-	1,200,000
Total liabilities	2,470,916	316,923	421,423	418,001	352,935	25,138	4,005,336
DEFERRED INFLOWS OF RESOURCES							
Deferred grants	11,443	-	-	-	-	-	11,443
FUND BALANCES (DEFICIT)							
Nonspendable	3,402,717	-	-	-	-	-	3,402,717
Restricted	695,256	-	-	-	-	433,199	1,128,455
Committed	-	80,000	-	-	-	-	80,000
Assigned	-	178,026	327,120	-	-	823,526	1,328,672
Unassigned	(2,825,354)	-	-	(64,484)	(352,935)	-	(3,242,773)
Total fund balances (deficits)	1,272,619	258,026	327,120	(64,484)	(352,935)	1,256,725	2,697,071
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 3,754,978	\$ 574,949	\$ 748,543	\$ 353,517	\$ -	\$ 1,281,863	\$ 6,713,850

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

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

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

Total fund balances (deficit)—governmental funds (page 17)		\$ 2,697,071
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$12,471,059 and the accumulated depreciation is \$6,976,019.		5,495,040
Long-term liabilities 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	\$ (55,000)	
Capital lease	(130,555)	
Compensated absences	(1,153,814)	
Retirement payable	<u>(1,360,642)</u>	<u>(2,700,011)</u>
Net position of governmental activities		<u>\$ 5,492,100</u>

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

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

	Special Revenue						Total Governmental Funds
	General Fund	General— Part-Town Fund	Highway— Part-Town Fund	Fire Protection District	Capital Projects Fund	Other Governmental Funds	
REVENUES							
Real property taxes	\$ 6,664,151	\$ -	\$ 412,166	\$ 760,144	\$ -	\$ 1,319,122	\$ 9,155,583
Other property tax items	148,357	-	-	-	-	-	148,357
Non property tax items	-	478,658	1,511,805	-	-	44,500	2,034,963
Departmental income	425,498	489,261	273,145	-	-	-	1,187,904
Use of money and property	24,157	28	451	506	-	2,033	27,175
Licenses and permits	24,145	-	-	-	-	-	24,145
Fines and forfeitures	224,695	-	-	-	-	-	224,695
Sale of property and compensation for loss	105,281	-	60,818	-	-	-	166,099
Miscellaneous	15,735	23,300	8	-	-	31,334	70,377
State aid	272,604	60,000	169,028	-	111,466	-	613,098
Federal aid	4,497	-	-	-	-	-	4,497
Total revenues	7,909,120	1,051,247	2,427,421	760,650	111,466	1,396,989	13,656,893
EXPENDITURES							
Current:							
General government support	1,408,544	39,175	-	-	-	-	1,447,719
Public safety	2,925,921	504,650	-	860,314	-	5,082	4,295,967
Health	97,000	7,696	-	-	-	-	104,696
Transportation	152,520	-	1,694,575	-	161,739	273,944	2,282,778
Economic assistance and opportunity	10,000	-	-	-	-	-	10,000
Culture and recreation	923,479	2,250	-	-	229,308	-	1,155,037
Home and community services	43,619	89,863	-	-	11,700	980,721	1,125,903
Employee benefits	2,274,956	293,048	752,637	57,683	-	-	3,378,324
Debt service:							
Principal	-	-	-	-	-	67,604	67,604
Interest and other charges	18,083	-	-	-	-	12,013	30,096
Total expenditures	7,854,122	936,682	2,447,212	917,997	402,747	1,339,364	13,898,124
Excess (deficiency) of revenues over expenditures	54,998	114,565	(19,791)	(157,347)	(291,281)	57,625	(241,231)
OTHER FINANCING SOURCES (USES)							
Transfers in	236,500	-	10,000	-	-	108,091	354,591
Transfers out	(129,230)	(55,000)	(43,822)	-	-	(98,573)	(326,625)
Total other financing sources (uses)	107,270	(55,000)	(33,822)	-	-	9,518	27,966
Net change in fund balances (deficit)	162,268	59,565	(53,613)	(157,347)	(291,281)	67,143	(213,265)
Fund balances—beginning	1,110,351	198,461	380,733	92,863	(61,654)	1,189,582	2,910,336
Fund balances (deficit)—ending	\$ 1,272,619	\$ 258,026	\$ 327,120	\$ (64,484)	\$ (352,935)	\$ 1,256,725	\$ 2,697,071

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

TOWN OF EVANS, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances (Deficits) of Governmental Funds to the Statement of Activities
Year Ended December 31, 2014

Amounts reported for governmental activities in the statement of activities (page 16) are different because:

Net change in fund balances (deficits)—total governmental funds (page 19)	\$	(213,265)
---	----	-----------

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

Capital asset additions	\$	301,555	
Depreciation expense		(270,142)	
Losses on capital asset disposals		<u>(13,335)</u>	18,078

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.		3,640
--	--	-------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Additionally, in the statement of activities certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Payment of principal on serial bonds	\$	5,000	
Payment of principal on capital lease		62,604	
Change in compensated absences		(66,743)	
Change in retirement payable		<u>(345,904)</u>	<u>(345,043)</u>

Change in net position of governmental activities	\$	<u>(536,590)</u>
---	----	------------------

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

TOWN OF EVANS, NEW YORK
Statement of Net Position—Proprietary Fund—Water Fund
December 31, 2014

	Business-type Activities— Enterprise Fund
	Water Fund
ASSETS	
Current assets:	
Restricted cash	\$ 477,112
Receivables	429
Water rents receivable	2,162
Intergovernmental receivables	46,345
Total current assets	526,048
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	69,783
Total noncurrent assets	69,783
Total assets	\$ 595,831
LIABILITIES	
Current liabilities	
Accounts payable	\$ 39,470
Accrued liabilities	61,831
Due to retirement systems	44,054
Due to governmental funds	3,347,717
Bond anticipation notes payable	2,155,000
Serial bonds	350,000
Compensated absences	500
Total current liabilities	5,998,572
Noncurrent liabilities:	
Serial bonds	11,035,000
Compensated absences	9,500
Total noncurrent liabilities	11,044,500
Total liabilities	17,043,072
NET POSITION	
Net investment in capital assets	(12,993,105)
Unrestricted	(3,454,136)
Total net position	\$ (16,447,241)

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

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

	Business-type Activities— Enterprise Fund
	Water Fund
Operating revenues:	
Departmental income	\$ 1,044,843
Miscellaneous	<u>7,456</u>
Total operating revenues	<u>1,052,299</u>
Operating expenses:	
Home and community services	240,854
Employee benefits	180,951
Depreciation	<u>7,908</u>
Total operating expenses	<u>429,713</u>
Operating income	<u>622,586</u>
Nonoperating revenues (expenses):	
Nonoperating capital project expenses	(244,507)
Interest expense	(332,425)
Interest income	<u>2</u>
Total nonoperating revenues (expenses)	<u>(576,930)</u>
Loss before transfers	<u>45,656</u>
Transfers in	28,534
Transfers out	<u>(56,500)</u>
Total net transfers	<u>(27,966)</u>
Change in net position	17,690
Total net position—beginning	<u>(16,464,931)</u>
Total net position—ending	<u>\$ (16,447,241)</u>

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

TOWN OF EVANS, NEW YORK
Statement of Cash Flows—Proprietary Fund—Water Fund
Year Ended December 31, 2014

	Business-type Activities— Enterprise Fund
	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from operations	\$ 1,366,849
Payments to suppliers	(240,564)
Payments to employees	<u>(314,573)</u>
Net cash provided by operating activities	<u>811,712</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital project expenses	(244,507)
Interest paid on debt	(332,425)
Payments on bond anticipation notes payable	(1,855,000)
Issuance of bond anticipation notes payable	2,155,000
Principal redeemed on long-term debt	<u>(440,000)</u>
Net cash used by capital financing activities	<u>(716,932)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interfund loans	(269,671)
Interfund transfers	<u>(27,966)</u>
Net cash used by noncapital financing activities	<u>(297,637)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	<u>2</u>
Net cash provided by investing activities	<u>2</u>
Net decrease in cash and cash equivalents	(202,855)
Cash and cash equivalents—beginning	<u>679,967</u>
Cash and cash equivalents—ending	<u>\$ 477,112</u>

(continued)

TOWN OF EVANS, NEW YORK
Statement of Cash Flows—Proprietary Fund—Water Fund
Year Ended December 31, 2014

(concluded)

	Business-type Activities—
	Enterprise Fund
	Water Fund
Reconciliation of operating income to net cash provided in operating activities:	
Operating income	\$ 622,586
Adjustments to reconcile operating income to net cash provided by operations:	
Depreciation expense	7,908
Increase in water rents receivable	(1,718)
Increase in receivables	(312)
Decrease in intergovernmental receivables	297,191
Decrease in accounts payable	(123,102)
Decrease in accrued liabilities	(10,230)
Increase in due to retirement systems	19,389
Net cash provided by operating activities	\$ 811,712

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

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

ASSETS

Cash	\$ 79,460
LOSAP assets	<u>1,620,030</u>
Total assets	<u>\$ 1,699,490</u>

LIABILITIES

Amounts held for other parties	\$ 79,460
Amounts held for LOSAP	<u>1,620,030</u>
Total liabilities	<u>\$ 1,699,490</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, 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 certain legally separate *component units* for which the primary government is financially accountable. The Town reports no component units.

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 three-member Town Board is the legislative body responsible for overall operation. The Supervisor serves as both Chief Executive Officer and Chief Fiscal Officer. The Town provides the following services to its residents: public safety, highway, sanitation, parks and recreation, water service and general administration.

Independently elected officials of the Town include:

Supervisor	Town Clerk/Receiver of Taxes
Councilmembers (2)	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 Angola. In addition, there is the North Evans Fire District as well as three school districts that provide public education within the Town. None of these entities are included in the financial statements as they are governed independently elected bodies and are not influenced by the Town.

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, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation—Fund Financial Statements

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

The Town reports the following major governmental funds:

- *General Fund*—This is the principal operating fund of the Town and accounts for all financial resources of the general government, except for those accounted for in another fund.
- *General—Part-Town Fund*—This fund is used to account for selected services which, by New York State Statute cannot be charged to residents of the Village located within the Town.
- *Highway—Part-Town Fund*—This fund is used to record all revenues and expenditures related to road maintenance and construction throughout the Town.
- *Fire Protection District*—This fund is used to account for the revenues and expenditures related to fire protection services provided within the Town.
- *Capital Projects Fund*—This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Town reports the following major enterprise fund:

- *Water Fund*—The Water Fund is used to account for the Town's metered water services and the expenses related to providing those services.

Additionally, the Town reports the following fund type:

Fiduciary Funds—are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. The Fiduciary Funds of the Town include an *Agency Fund*.

- *Agency Fund*—This fund is used to account for assets held by the Town as an agent for individuals, private organizations, and/or other governmental units.

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 governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Cash and Cash Equivalents—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 acquisition. The

Town had no investments at December 31, 2014; however, when the Town does have investments they are recorded at fair value based on quoted market value.

Restricted Cash and Cash Equivalents—Restricted cash represents unspent proceeds of debt and amounts to support restricted fund balances.

Loans Receivable—In 2004, the Town authorized a long-term borrowing between its General Fund and its Water District No. 5. The amount owed from Water District No. 5 is recorded within the General Fund as loans receivable. The long-term portion of the receivable has been reported as nonspendable fund balance.

Capital Assets—Capital assets, which include property, buildings and equipment are reported in the applicable governmental or business-type activities columns 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, excluding those assets mentioned below. Capital assets recorded 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.

Currently, the Town does not record its construction-in-progress or general infrastructure assets.

	<u>Estimated Useful Life</u>
Buildings	20-40
Improvements other than buildings	15-30
Machinery and equipment	2-15

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows of resources from unavailable resources related to revolving loans receivable.

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

Revenues and Expenditures/Expenses

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

Real property taxes are collected by the Town Clerk. Tax payments are accepted from January 1st to February 15th without penalty. Thereafter, a penalty is charged on the date of collection as such; February 16th to 28 a 1.5% penalty; March 1st to 15th a 3% penalty; March 16th to April 1st a 4.5% penalty; April 2nd to 15th a 6% penalty; April 16th to April 30st 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 30th 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 Receiver of Taxes, independent of Town operations.

Compensated Absences—The Town labor agreements and Town Board rules and regulations provide for sick leave, vacations, and other miscellaneous paid absences. Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

Estimated sick leave and compensatory time accumulated by governmental fund type employees are reported as liabilities in the government-wide financial statements.

Payment of sick leave and compensatory time is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of sick leave and compensatory time when such payment becomes due.

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

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 propriety fund's principal ongoing operations. The principal operating revenues for the proprietary fund are as follows: metered water sales, water surcharges and State aid. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Future Impacts of Accounting Pronouncements—The Town has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68*, effective for the year ending December 31, 2015 and No. 72, *Fair Value Measurement and Application*, effective for the year ending December 31, 2016. The Town is, therefore, unable to disclose the impact that adopting GASB Statement Nos. 68, 71 and 72 will have on its financial position and results of operations—when such statements are adopted.

Stewardship, Compliance and Accountability

Deficits—The Town’s business-type activity, the Water Fund, reported a deficit at December 31, 2014. The primary reason for the deficit is that the Town does not capitalize its infrastructure. Since the note payable is the main source of resources for the fund, the result is an overall deficit in its net position. This deficit will be remedied as the Town intends to record its capitalized infrastructure assets.

The Town’s Capital Project Fund reported a deficit at December 31, 2014. This deficit is due capital project expenditures exceeding capital project revenues in the current year. Management anticipates establishing a formal capital plan to remedy the deficit through future grants, operating transfers and financing.

The Town’s Fire Protection District Fund reported a deficit at December 31, 2014. This deficit is due to the Town incurring greater than anticipated service award program expenditures. Management anticipates this deficit will be remedied through an increase in the real property tax levy.

Legal Compliance—Budgets

Budgets and Budgetary Accounting—Through the budget, the Town Board sets the direction of the Town, allocates its resources and establishes its priorities. The annual budget assures the efficient and effective users of the Town’s economic resources, as well as establishing that the highest priority objectives are accomplished.

The annual budgets serves from January 1st to December 31st, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the Town’s performance.

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 project/grant’s inception and lapse upon termination/completion of the project/grant.

The Town generally follows these procedures in establishing the budgetary date reflected in the financial statements.

- Prior to September 30th, the Town Supervisor files a “tentative” budget with the Town Clerk for the following fiscal year to commence on January 1st. 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 before approving a “preliminary” budget and calling for a public hearing, which is generally held in October.
- 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.
- During the fiscal year, the Town Board can legally amend the operation 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 Capital Projects Fund, are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- 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 project’s inception and lapse upon completion of the project.
- Total expenditures for each object classification within a department may not legally exceed the total appropriations for that object classification.

2. CASH AND CASH EQUIVALENTS

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

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

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

	Governmental Activities	Business-type Activities	Fiduciary Fund	Balance
Petty cash (uncollateralized)	\$ 980	\$ -	\$ -	\$ 980
Deposits	<u>927,964</u>	<u>477,112</u>	<u>79,460</u>	<u>1,484,536</u>
Total	<u>\$ 928,944</u>	<u>\$ 477,112</u>	<u>\$ 79,460</u>	<u>\$ 1,485,516</u>

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

	Bank Balance	Carrying Amount
FDIC insured	\$ 500,000	\$ 500,000
Uninsured:		
Collateral held by pledging bank's agent in the Town's name	927,909	984,536
Uncollateralized	<u>268,575</u>	<u>-</u>
Total	<u>\$ 1,696,484</u>	<u>\$ 1,484,536</u>

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

Restricted Cash and Cash Equivalents—At December 31, 2014, the Town reported \$928,944 and \$477,112 of restricted cash and cash equivalents within its governmental activities and business-type activities to support restricted fund balances and unspent debt proceeds.

Investments—The Town had no investments at December 31, 2014.

Interest Rate Risk—In accordance with its investment policy, the Town manages exposures by limiting investments to low risk type investments governed by New York State Statutes.

3. RECEIVABLES

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

Receivables—Represents franchise fees receivable and amounts due from other Town departments (e.g. Town Justice, Town Clerk and Receiver of Taxes, etc.) who are acting as intermediary collecting agents, collecting various fines, fees and other charges which are remitted to the Town in accordance with State statute. Other miscellaneous items are also included. Amounts due to the Town at December 31, 2014 are presented below:

Governmental Activities:

General Fund:

Health insurance	\$	5,347	
Town Justice		35,726	
Town Clerk		5,905	
Revolving loan		11,443	
Other		<u>1,164</u>	\$ 59,585

General—Part-Town Fund:

Health insurance		252	
Town Clerk		9,440	
Cable franchise fees		<u>175,000</u>	184,692

Highway—Part-Town Fund:

Health Insurance		1,311	
Other		<u>297</u>	<u>1,608</u>

Total governmental activities \$ 245,885

Business-type Activities:

Water Fund:

Water rents	\$	2,162	
Town Clerk		299	
Health insurance		85	
Other		<u>45</u>	<u>2,591</u>

Total business-type activities \$ 2,591

Loans Receivable—Loans receivable within the General Fund consist of loans which were made by the Town through authorization of a long-term borrowing between its General Fund and its Water District No. 5. The long-term borrowing of \$97,000, occurred during the year ended December 31, 2006, the loan is for a 20-year term and carries an average interest rate of 3.5% The balance outstanding at December 31, 2014 is \$55,000 of which \$5,000 is considered current.

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

Governmental Activities:

General Fund:

Due from Erie County	\$	23,462	
Due from Federal		4,497	
Other		<u>3,665</u>	\$ 31,624

General—Part-Town Fund:

Due from Erie County			289,611
----------------------	--	--	---------

Highway—Part-Town Fund:

Sales tax		<u>710,987</u>	
-----------	--	----------------	--

Total governmental activities			<u>\$ 1,032,222</u>
-------------------------------	--	--	---------------------

Business-type Activities:

Water Fund:

Due from Erie County	\$	<u>46,345</u>	
----------------------	----	---------------	--

Total business-type activities			<u>\$ 46,345</u>
--------------------------------	--	--	------------------

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 is shown below:

	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,347,606	\$ -	\$ -	\$ 3,347,606
Total capital assets, not being depreciated	<u>3,347,606</u>	<u>-</u>	<u>-</u>	<u>3,347,606</u>
<i>Capital assets, being depreciated:</i>				
Buildings	4,291,056	-	-	4,291,056
Improvements other than buildings	943,726	28,383	5,713	966,396
Machinery and equipment	3,916,430	273,172	323,601	3,866,001
Total capital assets, being depreciated	<u>9,151,212</u>	<u>301,555</u>	<u>329,314</u>	<u>9,123,453</u>
Less accumulated depreciation for:				
Buildings	3,019,305	90,269	-	3,109,574
Improvements other than buildings	844,837	13,084	190	857,731
Machinery and equipment	3,157,714	166,789	315,789	3,008,714
Total accumulated depreciation	<u>7,021,856</u>	<u>270,142</u>	<u>315,979</u>	<u>6,976,019</u>
Total capital assets, being depreciated, net	<u>2,129,356</u>	<u>31,413</u>	<u>13,335</u>	<u>2,147,434</u>
Governmental activities capital assets, net	<u>5,476,962</u>	<u>31,413</u>	<u>13,335</u>	<u>5,495,040</u>
Business-type activities:				
<i>Capital assets, being depreciated:</i>				
Buildings	143,433	-	-	143,433
Machinery and equipment	109,933	-	-	109,933
Total capital assets, being depreciated	<u>253,366</u>	<u>-</u>	<u>-</u>	<u>253,366</u>
Less accumulated depreciation for:				
Buildings	80,872	2,361	-	83,233
Machinery and equipment	94,803	5,547	-	100,350
Total accumulated depreciation	<u>175,675</u>	<u>7,908</u>	<u>-</u>	<u>183,583</u>
Total capital assets, being depreciated, net	<u>77,691</u>	<u>(7,908)</u>	<u>-</u>	<u>69,783</u>
Business-type activities capital assets, net	<u>77,691</u>	<u>(7,908)</u>	<u>-</u>	<u>69,783</u>
Total government-wide	<u>\$ 5,554,653</u>	<u>\$ 23,505</u>	<u>\$ 13,335</u>	<u>\$ 5,564,823</u>

The Town has not recorded construction-in-progress and general infrastructure assets or the related depreciation expense and accumulated depreciation in its governmental and in its business-type activities.

During the year ended December 31, 2014, the Town expended \$244,507 on infrastructure type assets within its business-type activity related to a water project. Since it does not capitalize its infrastructure assets, these amounts have been recorded as nonoperating capital project expenses. The Town estimates that it has expended approximately \$14,878,135 on this project since its inception in 2007.

Depreciation expense was charged to functions of the governmental activities as follows:

General government support	\$ 84,589
Public safety	106,291
Transportation	48,809
Culture and recreation	24,763
Home and community service	5,690
	<u>\$ 270,142</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2014, were as follows:

	General Fund	General— Part-Town Fund	Highway— Part-Town Fund	Fire Protection District	Total Governmental Funds
Salary and employee benefits	\$ 201,095	\$ 15,741	\$ 50,822	\$ -	\$ 267,658
Other liabilities	22,221	-	-	404,941	427,162
Total	<u>\$ 223,316</u>	<u>\$ 15,741</u>	<u>\$ 50,822</u>	<u>\$ 404,941</u>	<u>\$ 694,820</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 benefits 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 (“NYSRSSL”). As set forth in the NYSRSSL, the Comptroller of the State of New York (“Comptroller”) serves as a 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 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 three percent (3%) of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute a percentage ranging from three percent (3%) to six percent (6%), based on salary. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the New York State Local Retirement Systems fiscal year ending March 31.

The Town is required to contribute at an actuarially determined rate. As permitted by the New York State Local Retirement Systems Contribution Stabilization Program, the Town has elected to amortize its retirement costs. For the years ended December 31, 2014, 2013, and 2012 the Town has amortized \$378,442, \$295,273, and \$363,744, respectively. The required contributions less amortized costs per New York State Local Retirement System invoices for the current year and two preceding years were:

<u>Year Ended December 31,</u>	<u>ERS</u>	<u>PFRS</u>
2014	\$ 468,391	\$ 447,726
2013	438,077	399,443
2012	408,062	419,824

Legislation requires participating employers to make payments on a current basis.

7. OTHER POST EMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—In addition to providing pension benefits, the Town provides health insurance coverage for retired police and elected officials as well as their dependents. These employees become eligible for these benefits if they reach normal retirement age while working for the Town and have served the Town for 20 years or more.

Funding Policy—The Town is obligated to pay such benefits as a result of union contracts and Town Board rules and regulations for nonunion employees. Health care benefits are provided through an insurance company 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 expenditure in the year paid. During 2014, \$466,776 was paid on behalf of 43 retirees and recorded as an expenditure in the General, General—Part-Town, Highway—Part-Town and Water Funds.

Town employees are entitled to accrue a maximum of 150-180 working days of sick leave. Except for the police officers and police dispatchers, upon retirement, if the individual is terminated during the year, they are not entitled to receive payment for unused accrued sick leave.

Depending on the years of service, Town employees are entitled to between one and five weeks of annual vacation, no part of which can be used beyond the expiration of the anniversary date. If the individual is terminated by the Town during the year, they are entitled to receive payment of unused vacation time for that year.

Upon retirement, employees have the option of either receiving a cash payout for unused accrued sick and vacation leave or the Town can hold this money and for use towards future health insurance payments for the retiree.

Management has not determined the impact of the Town’s postemployment benefits other than pensions (“OPEB”) and, accordingly, has not recorded an OPEB liability or the related expense.

8. DEFERRED COMPENSATION PLAN

The Town participates in the New York State Deferred Compensation Plan (the “Plan”), created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. In October 1997 the Governmental Accounting Standards Board issued Statement No. 32 Accounting and

Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This statement established accounting and financial reporting standards for Internal Revenue Code Section 457 deferred compensation plans of state and local governments.

As of October 1, 1997 the New York State Deferred Compensation Board (the "Board") created a Trust and Custody agreement making Chase Manhattan Bank the Trustee and Custodian of the Plan. Since the Board is no longer the trustee of the plan, the plan no longer meets the criteria for inclusion in the New York State's financial statements. Municipalities which participate in the New York State's Deferred Compensation Plan are no longer required to record the value of the plan assets.

For further information on the Plan, audited financial statements are available on the New York State Deferred Compensation Plan's website.

9. RISK MANAGEMENT

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 purchases insurance coverage for workers' compensation, risk related to general liability and other risks of loss. There have been no significant reductions in the levels of commercial insurance from the prior year, nor have there been any settlements which exceeded insurance coverage for each of the past three fiscal years.

The various primary liability insurance policies of the Town are limited to \$1 million per occurrence and \$3 million in the aggregate. The Town carries an umbrella liability policy that adds coverage of \$5 million per occurrence and an aggregate limit of \$5 million over the underlying primary policies. The Town carries property insurance that is limited to 90 percent of the total replacement cost values as determined by a contracted appraisal company. The deductibles applicable to the Town include \$10,000 for auto liability, \$10,000 for general liability, public officials and law enforcement, and \$20,000 for property coverage.

10. LEASE OBLIGATIONS

During 2011, the Town entered into a long-term capital lease for certain equipment and machinery. The present value of the lease at December 30, 2014 is \$130,555 which has been recorded between the Town's General Fund and Highway Part-Town Fund. Payments on the lease commenced January 1, 2012 and are due yearly thereafter. The interest rate is 2.82% per annum. The obligation under the lease is summarized below:

Year ended December 31,	Governmental Activities
2015	\$ 68,052
2016	68,052
Total minimum lease payments	136,104
Less: amount representing interest	(5,549)
Present value of minimum lease payments	<u>\$ 130,555</u>

The Town has purchased the following assets with the proceeds of the lease:

General Fund:		
Police vehicles	65,964	
Police tasers	6,500	
Dog control vehicle	15,221	
Dump truck	39,858	
911 system equipment	8,221	
Permit and inspection equipment	15,426	151,190
Highway Fund:		
International truck		159,148
Less: Accumulated depreciation		<u>(146,348)</u>
Total		<u>\$ 163,990</u>

11. SHORT-TERM DEBT

Short-term debt of the Town represents bond anticipation notes (“BANs”) and tax anticipation notes (“TANs”). Principal payments on short-term debt must be made annually. State law requires that BANs and TANs issued be converted to long-term obligations within five years after the original issue date. The following is a summary of the Town’s short-term debt for the fiscal year ended December 31, 2014:

	Issue/Maturity Date	Interest Rate	Balance 1/1/2014	Additions	Reductions	Balance 12/31/2014
Governmental activities:						
Tax anticipation notes:						
Governmental funds 2013	2013/2014	1.75%	\$ 1,200,000	\$ -	\$ (1,200,000)	\$ -
Governmental funds 2014	2014/2015	1.75%	<u>-</u>	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>
Total governmental activities			<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ (1,200,000)</u>	<u>\$ 1,200,000</u>
Business-types activities:						
Bond anticipation notes:						
Equipment/improvements 2013	2013/2014	0.91%	\$ 1,855,000	\$ -	\$ (1,855,000)	\$ -
Equipment/improvements 2014	2014/2015	0.86%	<u>-</u>	<u>2,155,000</u>	<u>-</u>	<u>2,155,000</u>
Total business-type activities			<u>\$ 1,855,000</u>	<u>\$ 2,155,000</u>	<u>\$ (1,855,000)</u>	<u>\$ 2,155,000</u>

12. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental funds recognized bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental and financial resources.

The Town's outstanding long-term liabilities include serial bonds, compensated absences, capital lease and retirement payable. The serial bonds payable of the Town are secured by its general credit and revenue raising powers as per State statute.

A summary of changes in the Town's long term debt at December 31, 2014 follows:

	Balance 1/1/2014	Additions	Reductions	Balance 12/31/2014	Due Within One Year
Governmental activities:					
Serial bonds	\$ 60,000	\$ -	\$ (5,000)	\$ 55,000	\$ 5,000
Capital lease	193,159	-	(62,604)	130,555	64,370
Compensated absences	1,087,071	213,927	(147,184)	1,153,814	57,690
Retirement payable	1,014,738	469,956	(124,052)	1,360,642	163,215
Total governmental activities	<u>\$ 2,354,968</u>	<u>\$ 683,883</u>	<u>\$ (338,840)</u>	<u>\$ 2,700,011</u>	<u>\$ 290,275</u>
Business-type activities:					
Serial bonds	\$ 11,825,000	\$ -	\$ (440,000)	\$ 11,385,000	\$ 350,000
Compensated absences	10,000	13,792	(13,792)	10,000	500
Total business-type activities	<u>\$ 11,835,000</u>	<u>\$ 13,792</u>	<u>\$ (453,792)</u>	<u>\$ 11,395,000</u>	<u>\$ 350,500</u>

Serial Bonds—The Town issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 9 to 28 years.

A summary of additions and payments for the year ended December 31, 2014 is shown below:

Purpose	Interest Rate (%)	Year of Issue/ Maturity	Balance			Balance 12/31/2014
			1/1/2014	Additions	Reductions	
Improvement District 5	3.50%	2004/2024	\$ 60,000	\$ -	\$ (5,000)	\$ 55,000
Water Systems Improvement	4.50%	1999/2014	95,000	-	(95,000)	-
Waterline Looping	2.99%	2003/2023	360,000	-	(35,000)	325,000
EFC Series 2011C	0.27%	2011/2041	11,370,000	-	(310,000)	11,060,000
Total			<u>\$ 11,885,000</u>	<u>\$ -</u>	<u>\$ (445,000)</u>	<u>\$ 11,440,000</u>

Capital Lease—During the year ended December 31, 2011, Chase Equipment Finance, Inc. provided a \$350,000 lease-purchase agreement for five years to the Town for the purchase various types of equipment. The outstanding balance at December 31, 2014 was \$130,555. Refer to Note 10 for additional information related to the Town's capital lease.

Compensated Absences—As explained in Note 1, the Town records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at December 31, 2014, for governmental activities is \$1,153,814. Management estimates that \$57,690 is due within one year. A non-current liability totaling \$1,096,124 has also been recorded. Additionally, the Town records compensated absences in its business-type activity. The value recorded in the government-

wide financial statements at December 31, 2014, for business-type activities is \$10,000. Management estimates that \$500 is due within one year. A non-current liability totaling \$9,500 has also been recorded. Since the payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

Retirement Payable—This amount represents previous payments to the New York State Retirement System that the Town elected to amortize over ten or twelve year periods. The final payment is due in 2026.

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

	Serial Bonds	Capital Lease	Compensated Absences	Retirement Payable	Total
2015	\$ 5,000	\$ 64,370	\$ 57,690	\$ 163,215	\$ 290,275
2016	5,000	66,185	-	147,817	219,002
2017	5,000	-	-	137,410	142,410
2018	5,000	-	-	137,410	142,410
2019	5,000	-	-	137,410	142,410
2020-2024	25,000	-	-	528,029	553,029
2025-2029	5,000	-	-	109,351	114,351
Various	-	-	1,096,124	-	1,096,124
Total	<u>\$ 55,000</u>	<u>\$ 130,555</u>	<u>\$ 1,153,814</u>	<u>\$ 1,360,642</u>	<u>\$ 2,700,011</u>

The following is a maturity schedule of the Town’s business-type activity indebtedness:

	Serial Bonds	Compensated Absences	Total
2015	\$ 350,000	\$ 500	\$ 350,500
2016	350,000	-	350,000
2017	355,000	-	355,000
2018	355,000	-	355,000
2019	360,000	-	360,000
2020-2024	1,850,000	-	1,850,000
2025-2029	1,855,000	-	1,855,000
2030-2034	2,065,000	-	2,065,000
2035-2039	2,605,000	-	2,605,000
2040-2041	1,240,000	-	1,240,000
Various	-	9,500	9,500
Total	<u>\$ 11,385,000</u>	<u>\$ 10,000</u>	<u>\$ 11,395,000</u>

The interest requirement for the Town's outstanding serial bonds and loans payable is as follows:

	Governmental Activities	Business-type Activities	Total
2015	1,925	325,656	327,581
2016	1,750	322,541	324,291
2017	1,575	318,891	320,466
2018	1,400	314,659	316,059
2019	1,225	309,901	311,126
2020-2024	3,500	1,459,414	1,462,914
2025-2029	175	1,293,753	1,293,928
2030-2034	-	1,097,384	1,097,384
2035-2039	-	616,194	616,194
2040-2041	-	59,613	59,613
Total	<u>\$ 11,550</u>	<u>\$ 6,118,005</u>	<u>\$ 6,129,555</u>

13. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position 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 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. The following is a reconciliation of the Town's governmental activities net investment in capital assets:

	Governmental Activities	Business-type Activities
Capital assets, net of accumulated depreciation	\$ 5,495,040	\$ 69,783
Add:		
Unspent debt proceeds	-	477,112
Deduct:		
Bond anticipation notes payable	-	(2,155,000)
Serial bonds	(55,000)	(11,385,000)
Capital lease	(130,555)	-
Net investment in capital assets	<u>\$ 5,309,485</u>	<u>\$ (12,993,105)</u>

- **Restricted net position**—This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitution 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 balance maintained by the Town at December 31, 2014 includes:

	General Fund
Long-term receivable	\$ 55,000
Long-term due from Water Fund	<u>3,347,717</u>
Total	<u>\$ 3,402,717</u>

- **Long-term receivable**—Represents funds, \$55,000, related to the long-term receivable.
- **Long-term due from other funds**—Represents funds, \$3,347,717, reported within the Town’s General Fund as receivable from the Town’s business-type activity.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grants, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Restricted fund balance maintained by the Town at December 31, 2014 includes:

	General Fund	Debt Service Fund	Total
Insurance	\$ 695,256	\$ -	\$ 695,256
Debt service	<u>-</u>	<u>433,199</u>	<u>433,199</u>
Total	<u>\$ 695,256</u>	<u>\$ 433,199</u>	<u>\$ 1,128,455</u>

- **Restricted for insurance**—Represents reserve established to be used to pay claims, actions or judgments against the Town that results from personal injuries or property damage; to pay self-insured workers’ compensation claims and expenses in excess of claims and expenses paid from current appropriations; and to pay non-insured unemployment losses.
- **Restricted for debt**—Represents funds to be used to fund future debt service payments.

In the fund financial statements commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Town’s highest level of decision-making authority. At December 31, 2014, the Town reported the following commitments:

- **Committed to retirement**—represents funds to be used to pay expenditures related to the retirement system. The General—Part-town Fund reported \$80,000 of committed fund balance.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the Town at December 31, 2014 and include:

	General— Part-Town Fund	Other Governmental Funds	Total
Specific use:			
General—Part-town	\$ 178,026	\$ -	\$ 178,026
Highway—Part-town	327,120	-	327,120
Highway—Townwide	-	307,214	307,214
Street Lighting	-	299,021	299,021
Derby Hydrants	-	4,752	4,752
Garbage	-	94,312	94,312
Water	-	118,227	118,227
Total	<u>\$ 505,146</u>	<u>\$ 823,526</u>	<u>\$ 1,328,672</u>

- **Assigned to specific uses**—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment’s purpose relates to each fund’s operations and represents amounts within funds that are not restricted or committed.

Unassigned fund balance represents the residual classification of the fund balance deficits of the General Fund, Fire Protection District Fund, and Capital Projects Fund.

If the Town must use funds for emergency expenditures the Town Board shall authorize the Town Supervisor to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds.

14. INTERFUND BALANCES AND ACTIVITY

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

Fund	Interfund	
	Receivables	Payables
General Fund	\$ 3,347,717	\$ 340,771
General—Part-Town Fund	-	249,016
Highway—Part-Town Fund	-	200,244
Fire Protection District Fund	347,894	-
Capital Projects Fund	-	314,051
Other governmental funds	756,188	-
Total governmental funds	<u>4,451,799</u>	<u>1,104,082</u>
Business-type Funds:		
Water Fund	-	3,347,717
Total business-type funds	<u>-</u>	<u>3,347,717</u>
Total	<u>\$ 4,451,799</u>	<u>\$ 4,451,799</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. With exception of the funds loaned to the Water Enterprise Fund, all of these balances are expected to be collected/paid within the subsequent year.

The amount owed by the Water Fund to the General Fund represents amounts accumulated prior to the execution of a Lease Management Agreement between the Erie County Water Authority and the Town which is dated March 25, 2013. It is long-term in nature and will be repaid over a ten year period with interest at 3.0%. The Town has formalized a repayment schedule effective December 31, 2014. The following is a summary of changes of the Town's long-term interfund debt:

	<u>Balance</u> <u>1/1/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2014</u>	<u>Due within</u> <u>one year</u>
Business-type activity					
Due to General Fund	<u>\$ 3,617,388</u>	<u>\$ -</u>	<u>\$ (269,671)</u>	<u>\$ 3,347,717</u>	<u>\$ 292,023</u>

The Town made the following transfers during the year ended December 31, 2014:

	<u>Transfers in:</u>				<u>Total</u>
	<u>Governmental activities</u>			<u>Business-type</u> <u>activities</u>	
	<u>General</u> <u>Fund</u>	<u>Highway—</u> <u>Part-Town</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Water</u> <u>Fund</u>	
Transfers out:					
Governmental activities:					
General Fund	\$ 95,000	\$ -	\$ 34,230	\$ -	\$ 129,230
General—Part-Town Fund	55,000	-	-	-	55,000
Highway—Part-Town Fund	10,000	-	33,822	-	43,822
Other governmental funds	<u>20,000</u>	<u>10,000</u>	<u>40,039</u>	<u>28,534</u>	<u>98,573</u>
Total governmental activities	<u>180,000</u>	<u>10,000</u>	<u>108,091</u>	<u>28,534</u>	<u>326,625</u>
Business-type activities:					
Water Fund	<u>56,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,500</u>
Total	<u>\$ 236,500</u>	<u>\$ 10,000</u>	<u>\$ 108,091</u>	<u>\$ 28,534</u>	<u>\$ 383,125</u>

Transfers are used primarily to move various fund revenues that the Town must account for in other funds in accordance with budgetary authorizations.

15. LENGTH OF SERVICE AWARDS PROGRAM (“LOSAP”)

The Town established a defined benefit Length of Service Awards Program (the “Program”) for the active volunteer firefighters of Evans Center and Lake Erie Beach Volunteer Fire Companies. The Program provides municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Town is the sponsor of the Program.

Program Description—

Participation, Vesting and Service Credit—Active volunteer firefighters who have reached the age of eighteen and who have completed one year of firefighting service are eligible to participate in the Program. The Program’s entitlement age is age sixty. In general, an active volunteer firefighter is

credited with a year of firefighting service for each calendar year after the establishment of the Program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values.

Benefits—A participant’s benefit under the Program is the actuarial equivalent of a monthly payment for life equal to twenty dollars multiplied by the person’s total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed forty. Except in the case disability or death, benefits are payable when a participant reaches entitlement age. The Program provides statutorily mandated death and disability benefits.

Fiduciary Investment and Control—Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the Program. Each fire company must maintain all required records on forms prescribed by the governing board. The governing board of the sponsor has retained and designated Penflex, Inc. to assist in the administration of the program.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program.

Authority to invest program assets is vested in the Investment Committee. Subject to restrictions in the program document, program assets are invested in accordance with a statutory “prudent person” rule.

As of January 1, 2014, the most recent date actuary information available, the funded ratio is 88%. The Town had assets December 31, 2014 of \$1,620,030 and an actuarial present value of accrued benefits of \$2,010,784. The Town accounts for Amounts Held for LOSAP within its Agency Fund. At December 31, 2014, the Program had \$1,620,030 of assets available for benefits, as follows:

Cash	\$ 275,306
United States equities	163,656
International equities	163,226
Taxable fixed income	289,277
Mixed assets	641,006
Other assets	87,559
	<u>\$ 1,620,030</u>

16. AGENCY FUND

An agency fund exists for temporary deposit funds. The following is a summary of changes in assets and liabilities for the fiscal year ended December 31, 2014:

	Balance 1/1/2014	Additions	Deletions	Balance 12/31/2014
ASSETS				
Cash	\$ 191,386	\$ 5,977,799	\$ (6,089,725)	\$ 79,460
Accounts receivable	1,425	-	(1,425)	-
Intergovernmental receivables	40	-	(40)	-
LOSAP assets	1,754,268	91,510	(225,748)	1,620,030
Total assets	<u>\$ 1,947,119</u>	<u>\$ 6,069,309</u>	<u>\$ (6,316,938)</u>	<u>\$ 1,699,490</u>
LIABILITIES				
Amounts held for other parties	\$ 192,851	\$ 5,977,799	\$ (6,091,190)	\$ 79,460
Amounts held for LOSAP	1,754,268	91,510	(225,748)	1,620,030
Total liabilities	<u>\$ 1,947,119</u>	<u>\$ 6,069,309</u>	<u>\$ (6,316,938)</u>	<u>\$ 1,699,490</u>

17. LABOR RELATIONS

Town employees are represented by five bargaining units with the balance governed by Town Board rules and regulations. The International Brotherhood of Electrical Workers, Local 41, and the Civil Service Employees Association, Local 1000 AFSCME have contracts settled through December 31, 2017. The Town of Evans Police Benevolent Association has a contract settled through December 31, 2016. The Service Employees International Union, Local 200 United, and Department of Public Works Employees have a contract settled through December 31, 2015. Lastly, the Town of Evans Communication Association has a memorandum of understanding settled through December 31, 2012.

18. CONTINGENCIES

Litigation—The Town is involved in litigation in the ordinary course of its operations. Various legal actions are pending against the Town. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the Town.

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 expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

19. JOINT VENTURE

The following activity is undertaken jointly with other municipalities. This activity is excluded from the financial statements of all participating municipalities.

Inter-Community Water-Line Agreement—The Town of Evans and Hanover, the Village of Silver Creek and the Seneca Nation of Indians jointly own the Inter-Community Water Transmission line. The venture operates under the terms of an agreement finalized in April 1990, pursuant to Article 5G of the New York State General Municipal Law. The villages of Angola and Farnham were added in a revised agreement in 1992 and 1993. Significant provisions of the agreement follow:

- Each party to the agreement shall have one representative on the Inter-Community Water Board. Each municipality's representative must be a member of the municipality's government body. The Seneca Nation's board representative may not be a member of the governing body. The Board shall elect, among themselves a chairman, vice chairman, secretary and treasurer who must be the fiscal officer of the member municipality.
- Capital costs and maintenance for each member are shared in the following ratios:

Angola	8.35%	Evans	43.32%
Farnham	1.19%	Seneca Nation	16.31%
Hanover	8.16%	Silver Creek	22.67%

The Seneca Nation of Indians share, totaling 16.31%, represents the portion of construction costs to be met by Federal funding.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 16, 2015, which is the date the financial statements are available for issuance, and have determined, except as disclosed above, there are no subsequent events that require disclosure under generally accepted accounting principles.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 6,660,271	\$ 6,660,271	\$ 6,664,151	\$ 3,880
Real property tax items	101,000	101,000	148,357	47,357
Departmental income	342,150	342,150	425,498	83,348
Use of money and property	17,050	17,050	24,157	7,107
Licenses and permits	26,040	26,040	24,145	(1,895)
Fines and forfeitures	195,000	195,000	224,695	29,695
Sale of property and compensation for loss	61,600	61,600	105,281	43,681
Miscellaneous	-	-	15,735	15,735
State aid	286,000	286,000	272,604	(13,396)
Federal aid	-	-	4,497	4,497
Total revenues	<u>7,689,111</u>	<u>7,689,111</u>	<u>7,909,120</u>	<u>220,009</u>
EXPENDITURES				
Current:				
General government support	1,486,676	1,486,676	1,408,544	78,132
Public safety	2,889,581	2,889,581	2,925,921	(36,340)
Health	97,000	97,000	97,000	-
Transportation	159,523	159,523	152,520	7,003
Economic assistance and opportunity	10,300	10,300	10,000	300
Culture and recreation	912,233	912,233	923,479	(11,246)
Home and community services	43,120	43,120	43,619	(499)
Employee benefits	2,133,778	2,133,778	2,274,956	(141,178)
Debt service:				
Interest and other charges	-	-	18,083	(18,083)
Total expenditures	<u>7,732,211</u>	<u>7,732,211</u>	<u>7,854,122</u>	<u>(121,911)</u>
Excess (deficiency) of revenues over expenditures	<u>(43,100)</u>	<u>(43,100)</u>	<u>54,998</u>	<u>98,098</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	241,500	241,500	236,500	(5,000)
Transfers out	<u>(198,400)</u>	<u>(198,400)</u>	<u>(129,230)</u>	<u>69,170</u>
Total other financing sources (uses)	<u>43,100</u>	<u>43,100</u>	<u>107,270</u>	<u>64,170</u>
Net change in fund balances	-	-	162,268	162,268
Fund balances—beginning	<u>1,110,351</u>	<u>1,110,351</u>	<u>1,110,351</u>	-
Fund balances—ending	<u>\$ 1,110,351</u>	<u>\$ 1,110,351</u>	<u>\$ 1,272,619</u>	<u>\$ 162,268</u>

The note to the required supplementary information is an integral part of this schedule.

TOWN OF EVANS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget and Actual—General—Part-Town Fund
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Non property tax items	\$ 470,000	\$ 470,000	\$ 478,658	\$ 8,658
Departmental income	155,500	155,500	489,261	333,761
Use of money and property	300	300	28	(272)
Sale of property and compensation for loss	2,000	2,000	-	(2,000)
Miscellaneous	-	-	23,300	23,300
State aid	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Total revenues	<u>687,800</u>	<u>687,800</u>	<u>1,051,247</u>	<u>363,447</u>
EXPENDITURES				
Current:				
General government support	28,750	28,750	39,175	(10,425)
Public safety	218,832	218,832	504,650	(285,818)
Health	7,935	7,935	7,696	239
Culture and recreation	2,250	2,250	2,250	-
Home and community services	111,667	111,667	89,863	21,804
Employee benefits	<u>263,366</u>	<u>263,366</u>	<u>293,048</u>	<u>(29,682)</u>
Total expenditures	<u>632,800</u>	<u>632,800</u>	<u>936,682</u>	<u>(303,882)</u>
Excess (deficiency) of revenues over expenditures	<u>55,000</u>	<u>55,000</u>	<u>114,565</u>	<u>59,565</u>
OTHER FINANCING (USES)				
Transfers out	<u>(55,000)</u>	<u>(55,000)</u>	<u>(55,000)</u>	<u>-</u>
Total other financing (uses)	<u>(55,000)</u>	<u>(55,000)</u>	<u>(55,000)</u>	<u>-</u>
Net change in fund balances	-	-	59,565	59,565
Fund balances—beginning	<u>198,461</u>	<u>198,461</u>	<u>198,461</u>	<u>-</u>
Fund balances—ending	<u>\$ 198,461</u>	<u>\$ 198,461</u>	<u>\$ 258,026</u>	<u>\$ 59,565</u>

The note to the required supplementary information is an integral part of this schedule.

TOWN OF EVANS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget and Actual—Highway—Part-Town Fund
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance with</u> Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property tax items	\$ 412,166	\$ 412,166	\$ 412,166	\$ -
Non property tax items	1,490,000	1,490,000	1,511,805	21,805
Departmental income	250,000	250,000	273,145	23,145
Use of money and property	500	500	451	(49)
Sale of property and compensation for loss	37,000	37,000	60,818	23,818
Miscellaneous	3,600	3,600	8	(3,592)
State aid	<u>149,044</u>	<u>149,044</u>	<u>169,028</u>	<u>19,984</u>
Total revenues	<u>2,342,310</u>	<u>2,342,310</u>	<u>2,427,421</u>	<u>85,111</u>
EXPENDITURES				
Current:				
Transportation	1,650,229	1,669,329	1,694,575	(25,246)
Employee benefits	<u>692,081</u>	<u>692,081</u>	<u>752,637</u>	<u>(60,556)</u>
Total expenditures	<u>2,342,310</u>	<u>2,361,410</u>	<u>2,447,212</u>	<u>(85,802)</u>
Excess of revenues over expenditures	<u>-</u>	<u>(19,100)</u>	<u>(19,791)</u>	<u>(691)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	(9,100)	10,000	19,100
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(43,822)</u>	<u>(33,822)</u>
Total other financing sources (uses)	<u>-</u>	<u>(19,100)</u>	<u>(33,822)</u>	<u>(14,722)</u>
Net change in fund balances	-	(38,200)	(53,613)	(15,413)
Fund balances—beginning	<u>380,733</u>	<u>380,733</u>	<u>380,733</u>	<u>-</u>
Fund balances—ending	<u>\$ 380,733</u>	<u>\$ 342,533</u>	<u>\$ 327,120</u>	<u>\$ (15,413)</u>

The note to the required supplementary information is an integral part of this schedule.

TOWN OF EVANS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget and Actual—Fire Protection District
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance with <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 760,144	\$ 760,144	\$ 760,144	\$ -
Use of money and property	<u>1,500</u>	<u>1,500</u>	<u>506</u>	<u>(994)</u>
Total revenues	<u>761,644</u>	<u>761,644</u>	<u>760,650</u>	<u>(994)</u>
EXPENDITURES				
Current:				
Public safety	781,644	781,644	860,314	(78,670)
Employee benefits	<u>60,000</u>	<u>60,000</u>	<u>57,683</u>	<u>2,317</u>
Total expenditures	<u>841,644</u>	<u>841,644</u>	<u>917,997</u>	<u>(76,353)</u>
Net change in fund balances*	(80,000)	(80,000)	(157,347)	(77,347)
Fund balances—beginning	<u>92,863</u>	<u>92,863</u>	<u>92,863</u>	<u>-</u>
Fund balances—ending	<u>\$ 12,863</u>	<u>\$ 12,863</u>	<u>\$ (64,484)</u>	<u>\$ (77,347)</u>

*The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance.

The note to the required supplementary information is an integral part of this schedule.

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

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, General—Part-Town Fund, Highway—Part-Town Fund, and Fire Protection District. The Capital Projects Fund is appropriated on a project-length basis.

The appropriated budget is prepared by fund, function, and department. The Town may make transfers of appropriations within a fund. Any modifications to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations require a majority vote by the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

Excess of Expenditures over Appropriations

During the year ended December 31, 2014, certain items exceed the adjusted budget, these items are shown below:

- General Fund public safety expenditures exceed the final budget by \$36,340. This difference was a result of higher than anticipated police wages.
- General Fund culture and recreation expenditures were higher than the final budget by \$11,246 the Town incurring higher than anticipated senior center and marina and docks personal service costs.
- General Fund home and community services expenditures exceed the final budget by \$499 due to higher than expected community development wages.
- General Fund employee benefits expenditures exceed the final budget by \$141,178. This difference was a result of higher than anticipated retirement and hospital and medical insurance costs.
- Debt service interest charges were higher than the final budget by \$18,083 as a result of payments of interest on short-term debt not included in the budget.
- General Part-Town Fund general government support expenditures exceed the final budget by \$10,425 as a result of unexpected engineer professional services costs.
- General Part-Town Fund public safety expenditures were \$285,818 higher than the final budget due to unanticipated demolition charges incurred to remove houses which were vacated and condemned. Such cost was not anticipated.
- General Part-Town Fund employee benefit expenditures were higher than the final budget by \$29,682 due to higher than anticipated hospital and medical insurance costs.
- Highway Part-Town Fund transportation expenditures exceed the final budget by \$25,246 because greater than expected snow removal costs.

- Highway Part-Town Fund employee benefits were \$60,556 higher than the final budget due to higher than anticipated hospital and medical insurance costs.
- Highway Part-Town Fund transfers out were higher than the final budget by \$33,822 as principal and interest payments for the capital lease were not budgeted for.
- Fire Protection District Fund public safety expenditures exceed the final budget by \$78,670 as a result of an increase in hydrant charges and greater than anticipated service award program costs.

SUPPLEMENTARY INFORMATION

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

	Special Revenue					Debt Service Fund	Other Governmental Funds
	Highway— Townwide Fund	Street Lighting District	Derby Hydrants Fund	Garbage District	Water District		
ASSETS							
Restricted cash and cash equivalents	\$ 129,906	\$ 69,784	\$ 299	\$ -	\$ -	\$ 325,686	\$ 525,675
Due from other funds	177,308	253,526	4,873	94,741	118,227	107,513	756,188
Total assets	<u>\$ 307,214</u>	<u>\$ 323,310</u>	<u>\$ 5,172</u>	<u>\$ 94,741</u>	<u>\$ 118,227</u>	<u>\$ 433,199</u>	<u>\$ 1,281,863</u>
LIABILITIES							
Accounts payable	\$ -	\$ 24,289	\$ 420	\$ 429	\$ -	\$ -	\$ 25,138
Total liabilities	<u>-</u>	<u>24,289</u>	<u>420</u>	<u>429</u>	<u>-</u>	<u>-</u>	<u>25,138</u>
FUND BALANCES							
Restricted	-	-	-	-	-	433,199	433,199
Assigned	307,214	299,021	4,752	94,312	118,227	-	823,526
Total fund balances	<u>307,214</u>	<u>299,021</u>	<u>4,752</u>	<u>94,312</u>	<u>118,227</u>	<u>433,199</u>	<u>1,256,725</u>
Total liabilities and fund balances	<u>\$ 307,214</u>	<u>\$ 323,310</u>	<u>\$ 5,172</u>	<u>\$ 94,741</u>	<u>\$ 118,227</u>	<u>\$ 433,199</u>	<u>\$ 1,281,863</u>

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

	Special Revenue					Debt Service Fund	Other Governmental Funds
	Highway— Townwide Fund	Street Lighting District	Derby Hydrants Fund	Garbage District	Water District		
REVENUES							
Real property taxes	\$ -	\$ 290,400	\$ 5,000	\$ 990,783	\$ 32,939	\$ -	\$ 1,319,122
Non property tax items	44,500	-	-	-	-	-	44,500
Use of money and property	465	861	-	707	-	-	2,033
Miscellaneous	-	-	-	2,800	28,534	-	31,334
Total revenues	<u>44,965</u>	<u>291,261</u>	<u>5,000</u>	<u>994,290</u>	<u>61,473</u>	<u>-</u>	<u>1,396,989</u>
EXPENDITURES							
Current:							
Public safety	-	-	5,082	-	-	-	5,082
Transportation	-	273,944	-	-	-	-	273,944
Home and community services	-	-	-	980,721	-	-	980,721
Debt service:							
Principal	-	-	-	-	-	67,604	67,604
Interest	-	-	-	-	-	12,013	12,013
Total expenditures	<u>-</u>	<u>273,944</u>	<u>5,082</u>	<u>980,721</u>	<u>-</u>	<u>79,617</u>	<u>1,339,364</u>
Excess (deficiency) of revenues over expenditures	<u>44,965</u>	<u>17,317</u>	<u>(82)</u>	<u>13,569</u>	<u>61,473</u>	<u>(79,617)</u>	<u>57,625</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	108,091	108,091
Transfers out	-	-	-	(30,000)	(68,573)	-	(98,573)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>(68,573)</u>	<u>108,091</u>	<u>9,518</u>
Net change in fund balances	44,965	17,317	(82)	(16,431)	(7,100)	28,474	67,143
Fund balances—beginning	<u>262,249</u>	<u>281,704</u>	<u>4,834</u>	<u>110,743</u>	<u>125,327</u>	<u>404,725</u>	<u>1,189,582</u>
Fund balances—ending	<u>\$ 307,214</u>	<u>\$ 299,021</u>	<u>\$ 4,752</u>	<u>\$ 94,312</u>	<u>\$ 118,227</u>	<u>\$ 433,199</u>	<u>\$ 1,256,725</u>

Certified Public Accountants

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

Honorable Town Board
Town of Evans, New York:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Evans, New York (the "Town") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 16, 2015 (which report contains a disclaimer of opinion on the financial position of each major fund and the aggregate remaining fund information as we were unable to determine whether any adjustments might have been found necessary in respect to the cash balances or amounts held by other parties, and the elements making up the statement of activities, the statements of revenues, expenditures, and changes in fund balance for governmental funds, or the statement of revenues, expenses, and changes in net position for the proprietary fund. The report contains an adverse opinion on the financial position of the governmental activities and business-type activity—Water Fund as the Town has omitted construction-in-progress, general infrastructure assets, the related depreciation expense and accumulated depreciation and has also not recorded an OPEB liability or the related expense in its governmental activities and business type activities. The report contains an emphasis of matter paragraph regarding deficit net position in the Town's business-type activity—Water Fund and deficit fund balances in the Town's Capital Project Fund and Fire Protection District Fund).

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2014-001, 2014-002, 2014-003, 2014-004, 2014-005, and 2014-006 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 2014-007 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings as items 2014-008 and 2014-009.

The Town's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



February 16, 2015

TOWN OF EVANS, NEW YORK
Schedule of Findings
Year Ended December 31, 2014

We consider the deficiencies presented below to be material weaknesses in internal control.

Finding 2014-001—Financial Position

While performing our audit, we noted several items that comprise a material weakness regarding the Town's financial position:

Interfund Loans

Condition: Certain funds were in a deficit cash position during the year ended December 31, 2014. As a result, these funds required loans from other funds to sustain operations. Additionally, interfund loans that were established in the prior year to finance cash deficits continued to remain outstanding during the year ended December 31, 2014. No interest charges have been recorded on these interfund loans.

Effect or Potential Effect: Certain funds had to borrow money from other funds to sustain operations.

Criteria and Context: Chapter 195 of Laws of 1989 (effective June 24, 1989) added section 9-a to the General Municipal Law. It provides that towns may temporarily advance moneys from one fund to any other fund, except for proceeds from sale of obligations or other moneys which, by law, may be used only for stated purposes such as reserve fund moneys. However, moneys advanced must be repaid as soon as available but in no event later than the close of the fiscal year in which the advance was made.

Cause: Several of the Town's funds do not have the necessary funds to sustain their restricted cash requirements at December 31, 2014.

Recommendation: We recommend that the Town monitor their tax rates and departmental revenues to ensure that they do not fall into a deficit position. We also recommend the Town establish and charge an appropriate interest rate and develop a plan of action to remedy interfunds that have been outstanding for longer than one year.

Management Response: The Town is attempting to correct the issue of unfunded fund balances.

Unfunded Fund Balances

Condition: Restricted cash and cash equivalents balances should be sufficient to cover restricted, committed and appropriated fund balances, as necessary.

Criteria and Context: Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of resources reported in the funds. The Town has several restricted, committed and appropriate fund balance classifications in its governmental funds; however the Town does not have adequate cash balances to cover these restraints.

Effect or Potential Effect: The Town does not have adequate funds set aside to cover fund balance restrictions.

Cause: The Town was forced to set aside previously unrestricted fund balances to provide for the long-term nature of certain interfund receivables.

Recommendation: We recommend that the Town review cash balances within each fund and reconcile the balances on a regular basis to ensure that adequate cash is available to cover fund balance restrictions.

Management Response: The Town is attempting to correct the issue of unfunded fund balances.

Inadequate Fund Balance

Condition: According to New York State law, the Town is responsible for adhering to its approved budget. Budgeting practices should strive to accurately estimate the amount of revenues and expenditures to be earned and expended in order to adequately sustain the financial operations of the Town.

Criteria and Context: The Town's 2014 Fire Protection District budget included a planned use of fund balance of \$80,000 assigned to subsequent year's expenditures. However, the Town's Fire Protection District fund balance had a deficit balance of \$64,484 as of December 31, 2014. \$58,286 of this is considered to be nonspendable. As such, no fund balance is available to be assigned.

Effect or Potential Effect: The Town does not have adequate fund balance to cover fund balance appropriations.

Cause: Inefficient budgeting coupled by increased Length of Service Award Program liabilities caused a decrease in fund balance.

Recommendation: We recommend the Town reconsider its budgeting practices related to planned use of fund balance.

Management Response: The Town is attempting to correct the issue of inadequate fund balance.

Fund Balance Deficits

Condition: Local governments often experience unplanned operating budget deficits, which occur when total expenditures exceed total revenues. Although an annual operating deficit can be planned as a means of prudently utilizing accumulated, excess fund balance to finance operations, persistent and recurring annual operating deficits are usually indicative of structurally imbalanced budgets and financial stress.

Criteria and Context: Fund balance deficits exist in the Town's Capital Projects Fund, Fire Protection District Fund and Business-type Activity Water Fund as of December 31, 2014. Further, as previously noted, as a result of this practice certain restrictions, assignments and commitments are not fully funded at December 31, 2014.

Effect or Potential Effect: The Town does not have adequate fund balance to cover operations.

Cause: Improper budgeting practices along with the Town failing to capitalize infrastructure assets and the lack of a formal capital plan.

Recommendation: We recommend that the Town continue to carefully monitor all of its funds' positions to prevent further deterioration. The Town should develop both a short-term and long-term plan to enhance its future budgets. This plan should pursue potential cost-cutting and/or revenue enhancing options, including real property tax increases.

Management Response: The Town is attempting to correct the issue of fund balance deficits.

Fund Balance Classifications

Condition: Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for the fiscal year ended December 31, 2011, has been issued to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Governments are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

Criteria and Context: Although the Town has implemented a default fund balance policy, no formal policy has been adopted.

Effect or Potential Effect: The Town is not in accordance with GASB Statement No. 54.

Cause: The Town lacks a formal fund balance policy.

Recommendation: We recommend that the Town formally adopt a fund balance policy that is consistent with GASB Statement No. 54.

Management Response: The Town plans on further developing and implementing various policies and procedures. Further, the Town would like to revisit these policies each year to update and adjust to changes each year, as necessary.

Finding 2014-002—Cash

While performing our audit, we noted several items that comprise a material weakness in internal controls surrounding the cash functions at the Town:

Bank Reconciliations

Condition: As previously communicated the Town's bank reconciliations are not formally reviewed and/or signed-off by personnel other than the preparer. Additionally, we noted that the preparer is not independent of other key cash functions, including cash receipts and disbursements. Further, reconciliations are not performed for all accounts held in the Town's name. Finally, although the Town performs bank reconciliations

identifying the outstanding checks and deposits in transit, there is no formal process that ties the reconciled amount to the amount reported in the Town's general ledger. As a result, the Town's combined reconciled bank accounts were \$234,902 higher than the general ledger cash balance. Similar issues were noted during an audit of the Town's Justice Department for the year ended December 31, 2014, resulting in a net irreconcilable difference of \$2,256 in which the adjusted bank balance is greater than the general ledger balance.

Criteria and Context: The Town's bank reconciliations should be reviewed and signed-off by someone independent of the cash functions. Adjusted bank balances should be reconciled to the general ledger in a timely manner.

Effect or Potential Effect: The Town is at a greater risk of misstated general ledger account balances and exposed to increased risk of errors in reporting and the opportunity for fraud.

Cause: The Town does not have a formal review/sign-off of bank reconciliations by personnel independent of the cash function. The Town performs bank reconciliations determining the outstanding checks and deposits in transit but does not trace the reconciled balance to the appropriate general ledger account.

Recommendation: We recommend that the Town's bank reconciliations be independently reviewed and signed-off upon by personnel other than the preparer. We also recommend that all of the bank accounts of the Town be reconciled monthly to the appropriate general ledger accounts.

Management Response: The Town plans to begin requiring an independent review of all bank reconciliations. Also, the Town intends to have its bank accounts reconciled monthly to the appropriate general ledger accounts.

Segregation of Duties

Condition: As previously communicated, the same employee receives deposits, records cash receipts, posts journal entries, prepares deposits, reconciles bank statements and has the ability to prepare checks. Additionally, we noted that the same employee that records expenditures has the ability to prepare checks and has access to the signature stamp. Finally, payroll checks are distributed by the payroll department personnel and department heads. The process of distributing payroll checks should be separate from the payroll function.

Criteria and Context: Key cash functions including receiving deposits, recording cash receipts, posting journal entries, preparing deposits, reconciling bank statements, preparing checks and distributes payroll should be appropriately segregated.

Effect or Potential Effect: The absence of a segregated control system presents the opportunity for the misappropriation of assets and the potential misstatement of the financial statements.

Cause: Currently, the same employee receives deposits, records cash receipts, posts journal entries, prepares deposits, reconciles bank statements, has the ability to prepare checks and has access to the signature stamp. Additionally, the payroll checks are currently distributed by the employee who prepares the payroll and payroll checks.

Recommendation: We recommend that the key cash functions including receiving deposits, recording cash receipts, posting journal entries, preparing deposits, reconciling bank statements, preparing checks, accessing the signature stamp and distributing payroll checks should be appropriately segregated.

Management Response: The Town will revisit the duties of personnel involved with the cash process and establish appropriate segregation of duties where possible. Limited staffing places restrains the Town from imposing all recommendations, however Management plans to implement controls in order to mitigate the risks involved.

Payroll Processing

Condition: Cancelled and reissued checks should appear in the general ledger as separate items. In addition, when a stop payment is processed on an outstanding paycheck and a new check is reissued, there should be sufficient documentation readily available including management's approval of such transactions.

Criteria and Context: When the Town issues a stop payment or writes a manual check, the bank is notified of the old and new check numbers however, voided and reissued checks are not corrected in the general ledger until the subsequent payroll processing journal entry. Additionally, reissued checks do not require an original signature.

Effect or Potential Effect: The absence of adequate controls surrounding this function can lead to additional complications surrounding bank reconciliations.

Cause: The Town does not record entries following a cancelled check or a reissued check rather it waits for the transactions to be corrected in the subsequent payroll processing. No proof of authorization is required when payroll issues arise.

Recommendation: We recommend the Town implement a standard process to follow regarding payroll issues including authorization and adequate documentation to support all entries. The Town should be required to record adjusting journal entries to accurately reflect transactions surrounding cancelled and reissued paychecks.

Management Response: The Town will review its policies surrounding the cancellation and reissuance of payroll checks.

Finding 2014-003—Journal Entries

Condition: As previously communicated, we were not provided the Town's formal policy relating to their journal entry processes. Additionally, journal entries posted throughout the year lacked evidence of review and prior year adjusting journal entries were not posted in a timely manner.

Criteria and Context: A formal policy should be established and followed to clearly identify the procedures necessary to independently review and record a journal entry. This policy should require adequate supporting documentation and an understanding of each entry that is recorded. Further, the Town should make an initiative to record required journal entries weekly.

Effect or Potential Effect: The absence of a formal policy for the journal entry process threatens consistency in the recording and reviewing procedures. A lack of sufficient supporting documentation attached to each journal entry jeopardized the efficiency of the review process. Also, failure to post prior year adjusting entries resulted in misstatement of fund balance and the inability to reconcile accounts throughout the year.

Cause: Currently there is no formal policy for recording journal entries and a thorough understanding of each entry is not obtained prior to its recording.

Recommendation: We recommend the Town formulate and establish a formal written journal entry policy which includes a policy that would require formal documentation of review of approved entries through a sign off. All entries should be reviewed and understood by an individual who did not prepare/post the entry. Management should also make initiative to record necessary entries in a timely manner.

Management Response: Management intends to establish a formal journal entry policy to identify the procedures for recording journal entries, including the establishment of an independent review of journal entries.

Finding 2013-004—Capital Assets

Condition: As previously communicated, the Town does not capitalize its construction-in-progress or infrastructure. Additionally, the Town could not provide us with a formal capital asset addition or disposal policy.

Criteria and Context: GASB standards require that the Town appropriately account for its capital assets, including infrastructure. Further, the Town currently does not have a formal policy for the addition or disposal of capital assets.

Effect or Potential Effect: The Town's financial statements do not present the financial position, and the changes in financial position, of the Town's governmental activities, and the business-type activities, fairly, in conformity with accounting principles generally accepted in the United States of America. Also, the lack of an addition or disposal policy could lead to miscommunication between departments regarding the addition or disposal of capital assets and the recording of such.

Cause: The Town has not recorded infrastructure or the depreciation on those in the current year. Additionally, the Town does not have a formal capital asset addition or disposal policy.

Recommendation: We recommend that the Town performs an inventory of capital assets that meet the recognition criteria of GASB Statement No. 34, and records the appropriate infrastructure and depreciation for those assets as well as adopting a written capital asset policy.

Management Response: Management intends to identify and record the cost of its water project infrastructure. Additionally, the Town will consider adopting a formal capital asset disposal policy.

Finding 2014-005—Postemployment Benefits other than Pensions (“OPEB”)

Condition: As previously communicated, the Town does not recognize a liability, or the related expense, for its OPEB obligation.

Criteria and Context: GASB Statement No. 45, effective for the year ended December 31, 2008, requires a liability for the OPEB obligation be determined, recorded in the government-wide financial statements and appropriately disclosed in the footnotes.

Effect or Potential Effect: The Town’s financial statements do not present the financial position, and the changes in financial position, of the Town’s governmental activities, and the business-type activity, fairly, in conformity with accounting principles generally accepted in the United States of America.

Cause: The Town has not recorded the liability, or the related expense, for its OPEB obligation.

Recommendation: We recommend that the Town has an actuarial study be performed to determine an appropriate OPEB liability.

Management Response: Management is in the process of contracting an actuarial firm to perform a valuation of the Town’s OPEB liability.

Finding 2013-006—Governmental Accounting Standards and Principles

Condition: As previously communicated, The Town has elected to outsource the compilation of its financial statements to its independent auditors. As the independent auditor, Drescher & Malecki LLP provides assistance to the Town in the drafting of the financial statements but, as the auditor of the Town, remains independent under Ethics Interpretation 101-3, *Performance of Nonattest Services* under Rule 101, *Independence* (AICPA, *Professional Standards*, vol. 2, ET §101.05). That is, we propose client-approved adjusting journal entries to the trial balance and assist in the drafting of the financial statements from the Town’s trial balance. The Town remains responsible for preparing and approving adjusting entries. Currently, we believe the Town has the expertise to prepare financial statement grouping schedules and the schedules documenting the calculations in the notes to the financial statements. We also believe accounting personnel have an understanding of the New York State Uniform System of Accounts. However, we do not believe the Town has sufficient expertise in selecting and applying accounting principles generally accepted in the United States of America. Therefore, it does not have the expertise to internally prepare financial statements that conform with accounting principles generally accepted in the United States of America. The absence of this expertise is considered to be a weakness in controls as the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the Town.

Criteria and Context: Internal controls should be in place to ensure proper financial reporting and complete and accurate disclosures, exclusive of the efforts of the independent auditor.

Effect or Potential Effect: The financial statements included numerous adjusting journal entries that had a material effect on the Town’s financial statements. Further, the failure to implement certain applicable GASB statements resulted in adverse opinions on certain opinion units of the Town.

Cause: The presence of several proposed journal entries accumulated during the audit of the year ended December 31, 2014, as well as the failure to implement several pertinent GASB statements indicates insufficient utilization of GASB and Governmental GAAP standards and principles.

Recommendation: We recommend that the Town's accounting personnel acquire additional training in the preparation of financial statements and related disclosures. Town personnel should become more familiar with relevant statements of the Governmental Accounting Standards Board and Governmental GAAP reporting requirements. They should obtain a current disclosure checklist from the Government Finance Officers Association and read the Town's financial statements utilizing the checklist questions to ensure propriety and completeness of the footnotes.

Management Response: All staff in the finance office have attended at least one course through the State Comptroller's office during the year ended December 31, 2014 and will continue to attend classes in the future.

We consider the deficiency presented below to be a significant deficiency in internal control.

Finding 2014-007—Policies and Procedures

While performing our audit, we noted several items concerning policies and procedures that were previously communicated and comprise a significant deficiency in internal controls at the Town:

Internal Control Review

Condition: An evaluation process that includes a checklist, questionnaire or other tool can be helpful in identifying areas of concerns within the Town. Internal control is imperative to mitigate the risks associated with business functions. The Town needs to recognize this importance and implement an internal control review strategy.

Criteria and Context: As noted in prior years, the Town could not provide a policy to review and update its internal controls within its business cycles.

Effect or Potential Effect: Changes in the business cycle require the review and update of existing policies and procedures. Without a review, the Town's existing policies and procedures may be no longer effective or relevant to current conditions.

Cause: The Town does not have a policy to review and update its internal controls within its business cycles.

Recommendation: We recommend that the Town implements, and abides by, a plan to regularly review its internal controls.

Management Response: The Town plans on further developing and implementing various policies and procedures. Further, the Town would like to revisit these policies each year to update and adjust to changes each year, as necessary.

Financial Policies and Procedures

Condition: We noted that the Town does not have a master document containing its financial policies and procedures.

Criteria and Context: A complete financial policies and procedures manual should include operating budget policies; revenue and expenditure policies; fund balance policies; debt management policies; capital improvement policies; risk management policies; human resource policies; organization structure policies; as well as procurement policies. The documentation of accounting policies and procedures should be readily available to all employees who need it. It should delineate the responsibilities of all employees, especially the ability to authorize transactions and the responsibility for the safekeeping of assets and records.

Communication and formal documentation of financial procedures and related controls is an essential component of a comprehensive framework of internal financial controls. A well-designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency.

Effect or Potential Effect: The lack of a procedure manual could disrupt and normal work flow or a misstatement of the financial statements in the event of an extended absence of accounting personnel.

Cause: The Town has not yet developed and approved a policy and procedures manual.

Recommendation: We suggest that the Town continue to develop, update and document, on an ongoing basis, these various processes into its master document.

Management Response: The Town plans on further developing and implementing various policies and procedures. Further, the Town would like to revisit these policies each year to update and adjust to changes each year, as necessary.

Vacation Policy

Condition: The Town does not have a policy regarding the requirement of annual vacations, nor does the Town does have a requirement for job duty rotation.

Criteria and Context: The requirement that accounting personnel take annual vacations is a valuable internal control and cross training personnel reduces the disruption of work flow in the event of an extended absence of an employee.

Effect or Potential Effect: There is a risk of misappropriation of assets.

Cause: The Town has not adopted a vacation policy or a rotation of duties policy.

Recommendation: We recommend the Town adopts a policy that enforces the rotation of duties and mandatory vacations.

Management Response: The Town plans on further developing and implementing various policies and procedures. Further, the Town would like to revisit these policies each year to update and adjust to changes each year, as necessary.

Computer Policies

Condition: The Town does not have a comprehensive computer use policy.

Criteria and Context: A computer use policy should be in place and enforced to safeguard information.

Effect or Potential Effect: There is an increased risk that the Town's network will be left vulnerable to access from unauthorized users through remote access or inappropriate access rights.

Cause: The Town has not adopted a computer use policy.

Recommendation: We recommend the Town adopt a comprehensive computer use policy.

Management Response: The Town plans on further developing and implementing various policies and procedures. Further, the Town would like to revisit these policies each year to update and adjust to changes each year, as necessary.

Supporting Documentation

Condition: In several instances, the Town was unable to readily provide adequate documentation to support activity within the general ledger. Additionally, we noted instances where improper flow of documentation through the Finance Department caused some activity not to be recognized on the general ledger.

Criteria and Context: A policy should be in place to establish a workflow within the Finance Department, which would lead to the maintenance of documentation in an orderly manner.

Effect or Potential Effect: There is a greater risk that the Town's general ledger will not reflect the actual activity within the Town.

Cause: The Town has not adopted a policy requiring adequate supporting documentation to support general ledger activity.

Recommendation: We recommend the Town adopt a policy requiring adequate documentation to be maintained for an established period of time.

Management Response: The Town plans on further developing and implementing various policies and procedures. Further, the Town would like to revisit these policies each year to update and adjust to changes each year, as necessary.

We consider the deficiencies presented below to be significant deficiencies in compliance.

Finding 2014-008—Budget

Condition: We noted that during the year ended December 31, 2014; certain line item expenditures exceeded the authorized line item budget. Additionally, budget transfers are only reviewed on an annual basis.

Criteria and Context: Article 8, Section 117 of Town Law states, "...no officer, board, department or commission shall during any fiscal year expend or contract to be expended any money or incur any liability or enter into any contract which by its terms involves the expenditure of money for any purpose, unless provision therefore shall have been made in the annual budget..."

Effect or Potential Effect: The Town's is not in compliance with Article 8, Section 117 of Town Law. Additionally, weak controls regarding authorization of budget transfers may result in inappropriate transfers and expenditures exceeding the budget.

Cause: This condition resulted primarily as cash disbursements were made without reviewing budgets to determine that the expenditure line supported the disbursement and budget transfers were not reviewed in a timely manner.

Recommendation: We recommend that the Town formalize its policy for departments to identify budgetary variances, to ensure that amounts are not expended in excess of the authorized budget. Budget transfers should be reviewed and approved on a more frequent basis to ensure that transfers are appropriate and no budget issues arise.

Management Response: The Town plans to implement a budget policy in order to resolve any deficiencies in controls surrounding the budget process.

Finding 2014-009—Collateral

Condition: It was noted that the Town did not have adequate collateral for its deposits as of December 31, 2014.

Criteria and Context: Article 10, Section 10 of Town Law requires officers accept a pledge of eligible securities having in the aggregate a market value at least equal to the aggregate amount of public deposits for all public deposits in excess of the amount insured under the provisions of the Federal Deposit Insurance Act.

Effect or Potential Effect: The Town's is not in compliance with Article 10, Section 10 of Town Law. In the event of a bank failure, \$268,575 of the Town's deposits would be in jeopardy.

Cause: The Town does not have a collateral agreement for all deposits in excess of provisions of the Federal Deposit Insurance Act.

Recommendation: We recommend that the Town enter into an agreement in which all deposits in excess of the amount insured under the provisions of the Federal Deposit Insurance Act are pledged by collateral.

Management Response: The Town plans to obtain adequate collateral for all deposits.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****