

**TOWN OF ORCHARD PARK,
NEW YORK**

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

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Town Board
Town of Orchard Park, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2014, and the respective changes in financial position

thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and 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. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.



March 31, 2015

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

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

Financial Highlights

- ◆ The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$69,106,345 (*net position*). Of this amount, \$13,333,367 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- ◆ The Town's total net position increased by \$2,475,657 during the year ended December 31, 2014
- ◆ At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$18,137,862, a decrease of \$599,109 in comparison with the prior year's fund balance of \$18,736,971.
- At the end of the current fiscal year, *unassigned fund* balance for the General Fund was \$5,396,313, or 80.2 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the Town's discretion and constitutes approximately 59.3 percent of the General Fund's total fund balance of \$9,092,799 at December 31, 2014.
- ◆ The Town's total bonded indebtedness decreased by \$670,000, or 10.9 percent during the current year. This decrease was due to scheduled principal payments being made.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the Town's assets, liabilities and deferred inflows/outflows, with the difference reported as *net position*. Over time, increases and 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 only 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 include general government, education, public safety, health, transportation, economic development and opportunity, culture and recreation and home and community services. The Town does not engage in any business-type activities.

The government-wide financial statements can be found on pages 13-14 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 specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and fiduciary funds.

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing 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 twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the General, Public Safety, Highway, Sewer Districts, Water Districts, Capital Projects, and Debt Service funds, all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

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 are not available to support the Town's own programs. The Town maintains once fiduciary fund, the Agency Fund.

The fiduciary fund statement can be found on page 19 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 20-41 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 schedules for each major fund with legally adopted budget and the Town’s progress in funding its obligation to provide other postemployment benefits. Required Supplementary Information and a related note to the required supplementary information can be found on pages 42-48 of this report.

Supplemental statements and schedules including the combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplementary information on pages 49-50.

The Federal Awards section presents the Town’s Schedule of Expenditures of Federal Awards. This section can be found on pages 51-58 of this report.

Government-wide 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, assets exceeded liabilities by \$69,106,345 at the close of the 2014 fiscal year.

Table 1, as presented below, shows the net position as of December 31, 2014 and December 31, 2013.

Table 1—Condensed Statement of Net Position—Primary Government

	December 31,	
	2014	2013
Current assets	\$ 25,872,066	\$ 26,984,967
Capital assets	62,998,389	60,321,836
Total assets	<u>88,870,455</u>	<u>87,306,803</u>
Current liabilities	7,848,474	8,280,312
Long-term liabilities	11,915,636	12,395,803
Total liabilities	<u>19,764,110</u>	<u>20,676,115</u>
Net position		
Net investment in capital assets	53,551,790	51,074,862
Restricted	2,221,188	2,110,326
Unrestricted	13,333,367	13,445,500
Total net position	<u>\$ 69,106,345</u>	<u>\$ 66,630,688</u>

By far the largest portion of the Town’s net position (77.5 percent) reflect its investment in capital assets (e.g. land, buildings, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (3.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (19.3 percent) may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

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 Changes in Net Position—Primary Government

	Year Ended December 31,	
	2014	2013
Program revenues:		
Charges for services	\$ 1,679,524	\$ 1,649,625
Operating grants and contributions	216,298	187,455
Capital grants and contributions	857,681	187,037
General revenues	<u>22,185,364</u>	<u>19,981,947</u>
Total revenues	<u>24,938,867</u>	<u>22,006,064</u>
Program expenses	22,463,210	21,695,328
Change in net position	2,475,657	310,736
Net position—beginning	<u>66,630,688</u>	<u>66,319,952</u>
Net position—ending	<u>\$ 69,106,345</u>	<u>\$ 66,630,688</u>

Overall revenues of the primary government increased by 13.3 percent from the prior year, due primarily to an increase in infrastructure assets dedicated to the Town from developers. Total expenses increased by 3.4 percent compared to the year ended December 31, 2014, which can largely be attributed to an increase in allocated employee benefits costs.

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

Table 3—Summary of Sources of Revenues—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2014	2013	Dollars	Percent (%)
Charges for services	\$ 1,679,524	\$ 1,649,625	\$ 29,899	1.8
Operating grants and contributions	216,298	187,455	28,843	15.4
Capital grants and contributions	857,681	187,037	670,644	358.6
Property and other taxes	17,661,347	17,308,907	352,440	2.0
Use of money and property	76,835	104,794	(27,959)	(26.7)
Sale of property and compensation for loss	-	71,427	(71,427)	(100.0)
Miscellaneous	3,418,833	1,500,313	1,918,520	127.9
State support (unrestricted)	<u>1,028,349</u>	<u>996,506</u>	<u>31,843</u>	3.2
Total general revenues, net	<u>\$ 24,938,867</u>	<u>\$ 22,006,064</u>	<u>\$ 2,932,803</u>	13.3

The Town's most significant sources of revenues for the year ended December 31, 2014 were taxes of \$17,661,347, or 70.8 percent of total revenues, and miscellaneous of \$3,418,833, or 13.7 percent of total revenues. For the year ended December 31, 2013, the Town's largest sources of revenues were taxes of \$17,308,907, or 78.7 percent of total revenues, and charges for services of \$1,649,625, or 7.5 percent of total revenues.

A summary of program expenses of the primary government 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	\$ 3,933,316	\$ 3,675,588	\$ 257,728	7.0
Education	16,059	12,716	3,343	26.3
Public safety	5,575,970	5,465,392	110,578	2.0
Health	6,463	6,711	(248)	(3.7)
Transportation	5,386,427	5,189,557	196,870	3.8
Economic assistance and opportunity	409	-	409	n/a
Culture and recreation	2,020,410	1,944,499	75,911	3.9
Home and community services	5,260,850	5,061,596	199,254	3.9
Interest and other fiscal charges	263,306	339,269	(75,963)	(22.4)
Total program expenses	<u>\$ 22,463,210</u>	<u>\$ 21,695,328</u>	<u>\$ 767,882</u>	3.5

The Town's most significant expense items for the year ended December 31, 2014 were public safety of \$5,575,970, or 24.8 percent of total expenses, and transportation of \$5,386,427, or 24.0 percent of total expenses. Similarly, for the year ended December 31, 2013, the Town's most significant expense items were public safety of \$5,465,392, or 25.2 percent of total expenses, and transportation of \$5,189,557, or 23.9 percent of total expenses.

Financial Analysis of Governmental Funds

Governmental funds—The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town's Board.

At December 31, 2013, the Town's governmental funds reported combined fund balances of \$18,137,862 a decrease of \$599,109 in comparison with the prior year. Approximately 26.3% of this amount \$4,769,886 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form—\$495,520, 2) restricted for particular purposes—\$2,352,586, 3) committed for particular purposes—\$859,387, or 4) assigned for particular purposes—9,660,483.

Table 5—Components of Fund Balance—Major Funds

	December 31,	
	2014	2013
General Fund		
Nonspendable	\$ 126,973	\$ 113,456
Restricted	1,431,931	1,421,983
Committed	859,387	885,199
Assigned	1,278,195	1,509,892
Unassigned	<u>5,396,313</u>	<u>5,104,866</u>
Total General Fund	<u>\$ 9,092,799</u>	<u>\$ 9,035,396</u>
Public Safety Fund		
Nonspendable	\$ 249,044	\$ 234,365
Restricted	261,284	188,343
Assigned	110,963	-
Unassigned	<u>-</u>	<u>(67,714)</u>
Total Public Safety Fund	<u>\$ 621,291</u>	<u>\$ 354,994</u>
Highway Fund		
Nonspendable	\$ 91,938	\$ 79,952
Restricted	520,749	500,000
Assigned	<u>597,697</u>	<u>917,882</u>
Total Highway Fund	<u>\$ 1,210,384</u>	<u>\$ 1,497,834</u>
Sewer Districts		
Assigned	<u>\$ 3,256,459</u>	<u>\$ 3,355,488</u>
Total Sewer Districts	<u>\$ 3,256,459</u>	<u>\$ 3,355,488</u>
Water District		
Nonspendable	\$ 9,505	\$ 10,460
Restricted	7,224	-
Assigned	<u>1,682,871</u>	<u>1,749,568</u>
Total Water District	<u>\$ 1,699,600</u>	<u>\$ 1,760,028</u>
Capital Projects Fund		
Restricted	\$ -	\$ 200,722
Unassigned	<u>(626,427)</u>	<u>(294,366)</u>
Total Capital Projects Fund	<u>\$ (626,427)</u>	<u>\$ (93,644)</u>
Debt Service		
Restricted	<u>\$ 131,398</u>	<u>\$ 131,398</u>
Total Debt Service	<u>\$ 131,398</u>	<u>\$ 131,398</u>

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 \$5,396,313, while total fund balance increased to \$9,092,799. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 80.2 percent of total General Fund expenditures and transfers out, while total fund balance represents 135.1 percent of that same amount.

The total fund balance of the Town's General Fund increased by \$57,403 during the current fiscal year. During the annual budget process, the Town anticipated utilizing \$1,509,892 of fund balance. As a result of actual expenditures falling under budget and actual revenues exceeding the final budget, the Town's fund balance ended \$1,567,295 higher than anticipated.

The Town's Public Safety Fund ending fund balance was \$621,291. Approximately 17.9 percent, \$110,963, of this amount is reported as fund balance assigned for specific (Public Safety Fund) use. During the year ended December 31, 2014, the Public Safety Fund fund balance increased \$266,297 primarily due to transfers from the General Fund and increased fines and forfeiture collections.

The Town's Highway Fund ending fund balance was \$1,210,384. Approximately 49.4 percent, \$597,697, of this amount is reported as fund balance assigned for specific (Highway Fund) use. During the year ended December 31, 2014, the Highway Fund fund balance decreased \$287,450 primarily due to budgeted use of fund balance.

The Town's Sewer Districts Fund ending fund balance was \$3,256,459. This entire amount is reported as fund balance assigned for specific (Sewer Districts Fund) use. During the year ended December 31, 2014, the Sewer Districts Fund fund balance decreased \$99,029 mainly due to budgeted use of fund balance.

The Town's Water Districts Fund ending fund balance was \$1,699,600. Approximately 99.0 percent, \$1,682,871, of this amount is reported as fund balance assigned for specific (Water Districts Fund) use. During the year ended December 31, 2014, the Water Districts Fund fund balance decreased \$60,428 mainly due to budgeted use of fund balance.

The Town's Capital Projects Fund ending fund balance was in a deficit position of \$626,427. This deficit is anticipated to be remedied once the short-term debt is financed with long-term debt.

The fund balance of the Town's Debt Service Fund remained the same for both years ending December 31, 2014 and 2013.

General Fund Budgetary Highlights

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

A summary of the General Fund results of operations for the year ended December 31, 2014 is presented in Table 6 on the following page.

Table 6—General Fund Budget

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 6,210,545	6,241,945	\$ 6,787,434	\$ 545,489
Expenditures and other financing uses	<u>7,720,437</u>	<u>7,751,837</u>	<u>6,730,031</u>	<u>(1,021,806)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (1,509,892)</u>	<u>\$ (1,509,892)</u>	<u>\$ 57,403</u>	<u>\$ 1,567,295</u>

Original budget compared to final budget—During the year there was a net increase in appropriations between the original and final amended budget due to supplemental appropriations various departmental expenditures. These amendments were supported by various revenues received in excess of expectations.

Final budget compared to actual results—Budgeted revenues and appropriations varied from actual revenues, expenditures and other financing sources (uses) as follows:

Total revenues exceeded the final budget by \$545,489. The major contributors to this positive revenue variance were sales tax revenues and departmental income. Sales tax revenues are based on a proportional share of taxable sales within Erie County. Such sales were more than anticipated due to a recovering economy. Departmental revenues were more than anticipated mainly due to increased collections of parks and recreation fees.

Total expenditures were less than the final budget by \$545,877. The most significant contributor was in general government support. General government savings were achieved in personnel costs within the engineering department as more costs were allocated to the Sewer Districts and Water Districts funds due to an increase in current projects related to those funds.

Capital Asset and Debt Administration

Capital assets—The Town’s investment in capital assets for its governmental activities as of December 31, 2014 amounted to \$62,998,389 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, works of art and historical treasures, infrastructure, buildings and building improvements, vehicles and equipment. All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the Town’s capital asset policy.

Capital assets, net of depreciation for the governmental activities for the years ended December 31, 2014 and December 31, 2013 are presented on the following page in Table 7.

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

	December 31,	
	2014	2013
Land	\$ 5,564,812	\$ 4,953,812
Works of art and historical treasures	50,700	50,700
Construction in progress	4,041,142	3,268,825
Land improvements	1,622,893	1,734,835
Buildings	4,609,431	4,770,052
Building improvements	2,825,358	2,680,009
Machinery and equipment	3,243,541	3,094,601
Infrastructure	<u>41,040,512</u>	<u>39,769,002</u>
Total	<u>\$ 62,998,389</u>	<u>\$ 60,321,836</u>

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

Long-term debt—At December 31, 2014, the Town had total bonded debt outstanding of \$5,465,000 as compared to \$6,135,000 in the prior year. This debt is backed by the full faith and credit of the government.

New York State statutes limit the amount of general obligation debt a governmental entity may issue up to 7% of its five year valuation. The current debt-limitation for the Town is \$182,499,432, which is significantly in excess of the Town's outstanding general obligation debt.

The Town has a bond rating from Moody's Investor Service of Aa2. Additional information on the Town's long-term debt can be found in Note 10 of this report.

A summary of the Town's long-term liabilities at December 31, 2014 and December 31, 2013 is presented below in Table 8.

Table 8—Summary of Long-Term Liabilities

	December 31,	
	2014	2013
Serial bonds	\$ 5,465,000	\$ 6,135,000
Compensated absences	3,944,154	3,845,703
OPEB obligation	<u>2,506,482</u>	<u>2,415,100</u>
Total	<u>\$ 11,915,636</u>	<u>\$ 12,395,803</u>

Economic Factors and Next Year's Budgets and Rates

Key economic factors include:

- The unemployment rate for the Town in December 2014 was 4.5%, which is a decrease from a rate of 4.7% a year ago. This compares favorably to the New York State rate of 5.8% and the national rate of 5.7% in December 2014.

- Increases in healthcare and retirement costs.

These factors were considered in preparing the Town's budget for 2015.

The Town's 2015 budget includes the appropriation of \$1,270,000 of fund balance in the General Fund. The budget also includes a combined General Fund/Public Safety Fund tax rate of \$3.37 and Highway Fund tax rate of \$2.71 (per \$1,000 of assessed valuation), as compared to the 2014 tax rates of \$3.22 and \$2.72.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Supervisor's Office, Town of Orchard Park, 4295 S. Buffalo Road, Orchard Park, New York 14127.

BASIC FINANCIAL STATEMENTS

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

	<u>Primary</u> <u>Government</u> Governmental <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 17,515,665
Restricted cash and cash equivalents	5,094,589
Receivables	205,679
Intergovernmental receivables	2,560,613
Prepaid items	495,520
Capital assets not being depreciated	9,656,654
Capital assets, net of accumulated depreciation	<u>53,341,735</u>
Total assets	<u>88,870,455</u>
LIABILITIES	
Accounts payable	627,212
Accrued liabilities	280,272
Retainages payable	85,990
Bond anticipation notes payable	6,855,000
Non-current liabilities:	
Due within one year	1,465,444
Due within more than one year	<u>10,450,192</u>
Total liabilities	<u>19,764,110</u>
NET POSITION	
Net investment in capital assets	53,551,790
Restricted for:	
Capital improvements	729,815
Tax stabilization	655,900
Debt	538,388
Other	297,085
Unrestricted	<u>13,333,367</u>
Total net position	<u>\$ 69,106,345</u>

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

TOWN OF ORCHARD PARK, NEW YORK
Statement of Activities
December 31, 2014

Function/Program	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					<u>Primary Government</u>
					<u>Governmental Activities</u>
Primary Government:					
Governmental activities:					
General government support	\$ 3,933,316	\$ 68,413	\$ 1,751	\$ 4,370	\$ (3,858,782)
Education	16,059	-	-	-	(16,059)
Public safety	5,575,970	630,294	42,870	-	(4,902,806)
Health	6,463	-	-	-	(6,463)
Transportation	5,386,427	84,569	171,677	853,311	(4,276,870)
Economic assistance and opportunity	409	-	-	-	(409)
Culture and recreation	2,020,410	589,015	-	-	(1,431,395)
Home and community services	5,260,850	307,233	-	-	(4,953,617)
Interest and other fiscal charges	263,306	-	-	-	(263,306)
Total primary government	<u>\$ 22,463,210</u>	<u>\$ 1,679,524</u>	<u>\$ 216,298</u>	<u>\$ 857,681</u>	(19,709,707)
General revenues:					
					12,938,479
					4,419,287
					303,581
					76,835
					3,418,833
					1,028,349
					<u>22,185,364</u>
					2,475,657
					<u>66,630,688</u>
					<u>\$ 69,106,345</u>

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

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

	Special Revenue						Debt Service	Total Nonmajor Funds	Total Governmental Funds
	General	Public Safety	Highway	Sewer Districts	Water Districts	Capital Projects			
ASSETS									
Cash and cash equivalents	\$ 6,077,411	\$ 236,344	\$ 523,652	\$ 3,304,757	\$ 1,704,793	\$ 2,786,449	\$ -	\$ 2,882,259	\$ 17,515,665
Restricted cash and cash equivalents	1,431,931	261,284	520,749	-	7,224	2,742,003	131,398	-	5,094,589
Receivables	89,569	40,857	20,551	-	3,272	-	-	51,430	205,679
Intergovernmental receivables	1,533,925	1,700	171,677	-	-	853,311	-	-	2,560,613
Prepaid items	126,973	249,044	91,938	-	9,505	-	-	18,060	495,520
Total assets	<u>\$ 9,259,809</u>	<u>\$ 789,229</u>	<u>\$ 1,328,567</u>	<u>\$ 3,304,757</u>	<u>\$ 1,724,794</u>	<u>\$ 6,381,763</u>	<u>\$ 131,398</u>	<u>\$ 2,951,749</u>	<u>\$ 25,872,066</u>
LIABILITIES									
Accounts payable	\$ 116,753	\$ 66,139	\$ 75,826	\$ 48,298	\$ 18,962	\$ 153,190	\$ -	\$ 148,044	\$ 627,212
Accrued liabilities	50,257	101,799	42,357	-	6,232	-	-	51,347	251,992
Bond anticipation notes payable	-	-	-	-	-	6,855,000	-	-	6,855,000
Total liabilities	<u>167,010</u>	<u>167,938</u>	<u>118,183</u>	<u>48,298</u>	<u>25,194</u>	<u>7,008,190</u>	<u>-</u>	<u>199,391</u>	<u>7,734,204</u>
FUND BALANCES (DEFICIT)									
Nonspendable	126,973	249,044	91,938	-	9,505	-	-	18,060	495,520
Restricted	1,431,931	261,284	520,749	-	7,224	-	131,398	-	2,352,586
Committed	859,387	-	-	-	-	-	-	-	859,387
Assigned	1,278,195	110,963	597,697	3,256,459	1,682,871	-	-	2,734,298	9,660,483
Unassigned	5,396,313	-	-	-	-	(626,427)	-	-	4,769,886
Total fund balances (deficit)	<u>9,092,799</u>	<u>621,291</u>	<u>1,210,384</u>	<u>3,256,459</u>	<u>1,699,600</u>	<u>(626,427)</u>	<u>131,398</u>	<u>2,752,358</u>	<u>18,137,862</u>
Total liabilities and fund balances (deficit)	<u>\$ 9,259,809</u>	<u>\$ 789,229</u>	<u>\$ 1,328,567</u>	<u>\$ 3,304,757</u>	<u>\$ 1,724,794</u>	<u>\$ 6,381,763</u>	<u>\$ 131,398</u>	<u>\$ 2,951,749</u>	<u>\$ 25,872,066</u>

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

TOWN OF ORCHARD PARK, 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 13) are different because:

Total fund balances (deficit)—governmental funds (page 15)	\$	18,137,862
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$114,996,268 and the accumulated depreciation is \$51,997,879.		62,998,389
To recognize interest accrual on long term debt. Net accrued interest for general obligation bonds and bond anticipation notes is not reported in the funds.		(28,280)
To recognize retainage payable on outstanding capital projects not recorded in the fund financial statements.		(85,990)
Long-term liabilities, including bonds payable, compensated absences and other post-employment benefit obligation ("OPEB") are not due and payable in the current period and therefore are not reported in the funds.		
Serial bonds	\$	(5,465,000)
Compensated absences		(3,944,154)
OPEB obligation		<u>(2,506,482)</u>
		<u>(11,915,636)</u>
Net position of governmental activities	\$	<u>69,106,345</u>

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

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

REVENUES	Special Revenue						Debt Service	Total Nonmajor Funds	Total Governmental Funds
	General	Public Safety	Highway	Sewer Districts	Water Districts	Capital Projects			
Real property taxes	\$ 432,086	\$ 4,874,762	\$ 3,720,726	\$ 781,711	\$ 998,046	\$ -	\$ -	\$ 1,888,294	\$ 12,695,625
Real property tax items	242,854	-	-	-	-	-	-	-	242,854
Non property tax items	4,285,217	-	-	-	-	-	-	437,651	4,722,868
Departmental income	563,808	116,091	-	29,894	11,889	-	-	302,888	1,024,570
Intergovernmental charges	400	-	84,569	-	-	-	-	-	84,969
Use of money and property	59,683	1,105	1,299	3,079	1,612	6,053	-	4,004	76,835
Licenses and permits	41,240	-	-	-	-	-	-	1,045	42,285
Fines and forfeitures	-	322,634	-	-	-	-	-	-	322,634
Miscellaneous	108,046	18,836	40,925	2,206	8,379	64,822	-	154,094	397,308
Interfund revenues	-	-	-	-	6,209	-	-	-	6,209
State aid	1,028,349	39,189	171,677	-	-	139,103	-	-	1,378,318
Federal aid	1,751	3,681	-	-	-	718,578	-	-	724,010
Total revenues	6,763,434	5,376,298	4,019,196	816,890	1,026,135	928,556	-	2,787,976	21,718,485
EXPENDITURES									
Current:									
General government support	2,264,744	161,587	40,697	-	-	-	-	22,246	2,489,274
Education	-	11,783	-	-	-	-	-	-	11,783
Public safety	38,755	3,828,812	-	-	-	-	-	232,650	4,100,217
Health	-	-	-	-	-	-	-	4,742	4,742
Transportation	122,921	-	2,764,990	-	-	-	-	322,852	3,210,763
Economic assistance and opportunity	300	-	-	-	-	-	-	-	300
Culture and recreation	1,325,881	-	-	-	-	-	-	-	1,325,881
Home and community services	94,408	-	-	714,279	458,134	-	-	1,722,220	2,989,041
Employee benefits	1,599,837	2,081,890	900,040	69,119	61,484	-	-	226,195	4,938,565
Debt service:									
Principal	-	-	-	-	-	-	670,000	-	670,000
Interest	9,114	-	17,013	-	5,684	-	235,531	-	267,342
Capital outlay	-	-	-	-	-	2,309,686	-	-	2,309,686
Total expenditures	5,455,960	6,084,072	3,722,740	783,398	525,302	2,309,686	905,531	2,530,905	22,317,594
Excess (deficiency) of revenues over expenditures	1,307,474	(707,774)	296,456	33,492	500,833	(1,381,130)	(905,531)	257,071	(599,109)
OTHER FINANCING SOURCES (USES)									
Transfers in	24,000	974,071	-	-	-	1,779,326	905,531	-	3,682,928
Transfers out	(1,274,071)	-	(583,906)	(132,521)	(561,261)	(930,979)	-	(200,190)	(3,682,928)
Total other financing sources (uses)	(1,250,071)	974,071	(583,906)	(132,521)	(561,261)	848,347	905,531	(200,190)	-
Net change in fund balances (deficit)	57,403	266,297	(287,450)	(99,029)	(60,428)	(532,783)	-	56,881	(599,109)
Fund balances (deficit)—beginning	9,035,396	354,994	1,497,834	3,355,488	1,760,028	(93,644)	131,398	2,695,477	18,736,971
Fund balances (deficit)—ending	\$ 9,092,799	\$ 621,291	\$ 1,210,384	\$ 3,256,459	\$ 1,699,600	\$ (626,427)	\$ 131,398	\$ 2,752,358	\$ 18,137,862

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

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

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

Net change in fund balances (deficit)—total governmental funds (page 17) \$ (599,109)

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

Capital asset additions	\$ 6,000,522	
Loss on capital asset deletions	(10,562)	
Depreciation expense	<u>(3,313,407)</u>	2,676,553

The issuance of long-term debt (e.g. bonds, loans) 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of serial bonds	\$ 670,000	
Change in accrued interest expense	<u>4,036</u>	674,036

In the statement of activities, certain operating expenses—other post-employment benefit obligation and compensated absences (vacation & sick leave), retainage payable—are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences is as follows:

Retainages payable	\$ (85,990)	
Compensated absences	(98,451)	
OPEB obligation	<u>(91,382)</u>	<u>(275,823)</u>
Change in net position of governmental activities		<u>\$ 2,475,657</u>

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

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

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>1,512,991</u>
Total assets	\$ <u>1,512,991</u>
 LIABILITIES	
Agency liabilities	\$ <u>1,512,991</u>
Total liabilities	\$ <u>1,512,991</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 the nonfiduciary activities of the Town. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. The Town reports no business-type activities. Likewise, the primary government is reported separately from the legally separate component unit 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 local government created by the State of New York. The Town operates under provisions of New York State law and various local laws. The five-member Town Board is the legislative body responsible for overall operations. The Supervisor serves as both Chief Executive Officer and Chief Fiscal Officer.

Independently elected officials of the Town include:

Supervisor	Town Clerk
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, the Village of Orchard Park and the Orchard Park Fire Commission. Public education is provided by three independent school districts within 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. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

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

The Town reports the following major governmental funds:

- *General Fund*—this is the principal operating fund of the Town and accounts for all financial resources of the general government, except those accounted for in another fund.
- *Public Safety Fund*—this is used to record all revenues and expenditures related to public safety throughout the Town. Major revenue sources include real property taxes and fines and forfeitures.
- *Highway Fund*—this is used to record all revenues and expenditures related to road maintenance and construction throughout the Town. Major revenue sources include real property taxes, sales tax and State aid.
- *Sewer Districts Fund*—this is used to record all revenues and expenditures related to operation and maintenance of the Town's sewer districts. Major revenue sources consist primarily of real property taxes.
- *Water Districts Fund*—this is used to record all revenues and expenditures related to operation and maintenance of the Town's water districts. Major revenue sources consist primarily of real property taxes.
- *Capital Projects Fund*—this fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- *Debt Service Fund*—this fund is used to account for the payment of principal and interest on serial bonds incurred in connection with all funds.

Additionally, the Town reports the following fund type:

- *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 fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Interfund transfers and revenues between special revenue funds are not eliminated during this process.

Measurement Focus and Basis of Accounting

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

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

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The 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, Cash Equivalents and Investments— The Town’s cash, cash equivalents, and investments consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. New York State law governs the Town’s investment policies. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. The Town had no investments at December 31, 2014; however, when the Town does have investments they are recorded at fair value based on quoted market value.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represents amounts to support fund balance restrictions and unspent proceeds of debt.

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

Capital Assets—Capital assets, which include property, buildings, building improvements, equipment and infrastructure assets (e.g. roads, bridges, drainage systems and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value of the item at the date of its donation. Major outlays for capital assets and improvements are capitalized as projects are completed

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated and intangible assets amortized using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	20
Land Improvements	20
Infrastructure:	
Dams and Drainage Systems	30
Water and Sewer Systems	50
Traffic Control Systems	30
Bridges and Culverts	30
Roads	10
Machinery and Equipment:	
Office Equipment and Furniture	10
Heavy Equipment	15
Other	5
Vehicles	10
Computers	5

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new police vehicle included as part of *expenditures—public safety*). The amount reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Retainages Payable—Represents expenditures incurred by the Town related to construction contracts but have not paid as of December 31, 2014.

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

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

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

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

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

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

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

Revenues and Expenditure/Expenses

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

Tax payments are due January 1st to February 15th without penalty; February 16th to 28th a 1.5% penalty; March 1st to 15th a 3.0% penalty; March 16th to 31st a 4.5% penalty; April 1st to 15th a 6.0% penalty; April 16th to 30th a 7.5% penalty; and 1.5% added each month thereafter.

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

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

Compensated Absences—The Town's 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.

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

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 Pronouncement—During the year ended December 31, 2014, the Town implemented GASB Statement Nos. 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 Statement Nos. 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.

Stewardship, Compliance and Accountability

Deficit Fund Balances—Certain districts within the Sewer Districts and Water Districts funds are in a deficit position at December 31, 2014. It is anticipated that these deficits will be remedied through the raising of real property taxes and increasing rates. The Capital Projects Fund unassigned deficit will be remedied through grant funding, interfund transfers and proceeds from future bond issuances.

Legal Compliance – Budgets

Budgets and Budgetary Accounting—The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to September 30, the Town Supervisor files a “tentative” budget with the Town Clerk for the following fiscal year to commence on January 1. This budget, which includes appropriations and estimated revenues, is then presented to the full Town Board by October 5th.
- The full Town Board reviews the tentative budget and may adjust same before approving a “preliminary” budget and calling for a public hearing, which is generally held in 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, Special Revenue, and Debt Service Funds.
- During the fiscal year, the Town Board can legally amend the operating budgets and is empowered to implement supplemental appropriations. Budget amendments are required for the departmental budgetary control. All budget amendments and budget transfers require Town Board approval.

Additional information regarding the Town’s budgets can be found in the Note to the Required Supplementary Information Section of this report.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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. The Town 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.

Total cash and cash equivalents at December 31, 2014 are shown below:

	Governmental Funds	Fiduciary Funds	Total
Petty Cash (uncollateralized)	\$ 1,025	\$ -	\$ 1,025
Deposits	<u>22,609,229</u>	<u>1,512,991</u>	<u>24,122,220</u>
Total	<u>\$ 22,610,254</u>	<u>\$ 1,512,991</u>	<u>\$ 24,123,245</u>

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

	Bank Balance	Carrying Amount
Insured (FDIC)	\$ 500,000	\$ 500,000
Uninsured:		
Collateral held by bank's agent in the Town's name	<u>23,676,289</u>	<u>23,622,220</u>
Total	<u>\$ 24,176,289</u>	<u>\$ 24,122,220</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. At December 31, 2014, the Town's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the Town's name.

Restricted Cash and Cash Equivalents—The Town reports amounts to support restricted fund balance and unspent proceeds of debt as restricted cash and cash equivalents. At December 31, 2014, the Town reported \$5,094,589 of restricted cash and cash equivalents within its governmental activities.

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—Primarily represents amounts due from other Town departments (e.g. Town Justice, Town Clerk and Receiver of Taxes) 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:

General Fund:		
Various Town departments		\$ 89,569
Public Safety Fund:		
BOCES		40,857
Highway Fund:		
Fuel charges		20,551
Water Fund:		
Miscellaneous		3,272
Other governmental funds:		
Town Outside Village Fund:		
Various Town departments	\$ 17,000	
Miscellaneous	21,559	
Lighting Fund:		
Miscellaneous	670	
Refuse and Garbage Fund:		
Miscellaneous	12,201	51,430
Total governmental funds	<u>12,201</u>	<u>\$ 205,679</u>

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

General Fund:		
Erie County - sales tax	\$ 1,533,091	
Miscellaneous	<u>834</u>	\$ 1,533,925
Public Safety Fund:		
Local Fire District		1,700
Highway Fund:		
NYS Department of Transportation		171,677
Capital Projects Fund:		
NYS Department of Transportation	\$ 134,733	
Federal Aid	<u>718,578</u>	<u>853,311</u>
Total governmental funds		<u>\$ 2,560,613</u>

4. CAPITAL ASSETS

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

	Balance 1/1/2014	Increases	Decreases	Transfers	Balance 12/31/2014
Capital assets, not being depreciated:					
Land	\$ 4,953,812	\$ 611,000	\$ -	\$ -	\$ 5,564,812
Works of art and historical treasures	50,700	-	-	-	50,700
Construction in progress	<u>3,268,825</u>	<u>772,317</u>	<u>-</u>	<u>-</u>	<u>4,041,142</u>
Total capital assets, not being depreciated	<u>8,273,337</u>	<u>1,383,317</u>	<u>-</u>	<u>-</u>	<u>9,656,654</u>
Capital assets, being depreciated:					
Land improvements	2,789,075	-	-	7,930	2,797,005
Buildings	8,038,989	-	-	(7,930)	8,031,059
Building improvements	3,526,932	387,593	-	-	3,914,525
Machinery and equipment	7,831,838	628,875	58,735	-	8,401,978
Infrastructure	<u>78,594,310</u>	<u>3,600,737</u>	<u>-</u>	<u>-</u>	<u>82,195,047</u>
Total capital assets, being depreciated	<u>100,781,144</u>	<u>4,617,205</u>	<u>58,735</u>	<u>-</u>	<u>105,339,614</u>
Less accumulated depreciation for:					
Land improvements	1,062,170	111,942	-	-	1,174,112
Buildings	3,261,007	160,621	-	-	3,421,628
Building improvements	846,923	242,244	-	-	1,089,167
Machinery and equipment	4,737,237	469,373	48,173	-	5,158,437
Infrastructure	<u>38,825,308</u>	<u>2,329,227</u>	<u>-</u>	<u>-</u>	<u>41,154,535</u>
Total accumulated depreciation	<u>48,732,645</u>	<u>3,313,407</u>	<u>48,173</u>	<u>-</u>	<u>51,997,879</u>
Total capital assets, being depreciated, net	<u>52,048,499</u>	<u>1,303,798</u>	<u>10,562</u>	<u>-</u>	<u>53,341,735</u>
Governmental activities capital assets, net	<u>\$60,321,836</u>	<u>\$ 2,687,115</u>	<u>\$ 10,562</u>	<u>\$ -</u>	<u>\$62,998,389</u>

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

Governmental activities:	
General support	\$ 218,526
Public safety	99,595
Transportation	1,504,043
Culture and recreation	211,615
Home and community services	<u>1,279,628</u>
Total depreciation expense, governmental activities	<u>\$ 3,313,407</u>

Capital outlay within the capital projects fund was charged to the following functions:

General support	\$ 531,887
Transportation	1,107,634
Culture and recreation	47,216
Home and community services	<u>622,949</u>
Total capital outlay	<u>\$ 2,309,686</u>

5. ACCRUED LIABILITIES

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

	General Fund	Public Safety Fund	Highway Fund	Water Districts Fund	Other Governmental Funds	Total Governmental Funds
Salary and employee benefits	\$ 50,257	\$ 92,304	\$ 42,357	\$ 6,232	\$ 8,716	\$ 199,866
Accrued workers compensation	<u>-</u>	<u>9,495</u>	<u>-</u>	<u>-</u>	<u>42,631</u>	<u>52,126</u>
Total accrued liabilities	<u>\$ 50,257</u>	<u>\$ 101,799</u>	<u>\$ 42,357</u>	<u>\$ 6,232</u>	<u>\$ 51,347</u>	<u>\$ 251,992</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 (“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 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 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. The required contributions for the current year and two preceding years were:

<u>Year Ended December 31,</u>	<u>ERS</u>	<u>PFRS</u>
2014	\$ 984,036	\$ 900,488
2013	955,218	870,497
2012	770,468	672,233

Legislation requires participating employers to make payments on a current basis. The Town’s contributions made to the Systems were equal to 100 percent of the contributions required for each year, and has not bonded or amortized any of the excess amounts.

7. OTHER POSTEMPLOYMENT BENEFITS

Plan Description—In addition to providing pension benefits, the Town provides health insurance coverage and/or payment for fractional values of unused sick leave to eligible retired employees. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the Town may vary according to length of service. The cost of providing post-employment benefits is shared between the Town and the retired employee. Substantially all of the Town’s employees may become eligible for these benefits if they reach normal retirement age while working for the Town. The cost of retiree health care benefits is recognized as an expenditure/payable as claims are paid.

Funding Policy—The Town is obligated to pay such benefits as a result of union contracts and Town Board rules and regulation for nonunion employees. Health care benefits are provided through insurance companies whose premiums are based on the benefits paid during the year.

The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. Town governmental activities contributed \$758,443 for the fiscal year ended December 31, 2014.

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

The components of the Town’s annual OPEB cost for the past two years, the amount actually contributed to the plan, and the changes in the Town’s net OPEB obligation is presented on the following page.

	Year Ended December 31,	
	2014	2013
Annual required contribution ("ARC")	\$ 892,886	\$ 932,413
Interest on net OPEB obligation	96,605	87,627
Adjustment to ARC	<u>(139,666)</u>	<u>(126,687)</u>
Annual OPEB costs (expense)	849,825	893,353
Contributions made	<u>(758,443)</u>	<u>(668,914)</u>
Increase in net OPEB obligation	91,382	224,439
Net OPEB obligation—beginning	<u>2,415,100</u>	<u>2,190,661</u>
Net OPEB obligation—ending	<u>\$ 2,506,482</u>	<u>\$ 2,415,100</u>

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$10,434,917.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Funding Status and Funding Progress—As of December 31, 2014, calculations were based on plan data as of February 9, 2012 and financial data as of December 31, 2014. The accrued liability for benefits was \$10,434,917, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$8,600,767, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 121.3%. The total postemployment health insurance cost was \$758,443 for the year ended December 31, 2014.

The schedule of the Town's contributions is presented below:

Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage Contributed
2014	\$ 849,825	\$ 758,443	89.2%
2013	893,353	668,914	74.9%
2012	853,015	647,631	75.9%

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

Actuarial Methods and Assumptions— Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members, at the time of the valuation and on the pattern of cost sharing between the employer and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the December 31, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a measurement date of December 31, 2014. The investment rate of return is 4.00%, the inflation rate is 2.25% and the rate of compensation increase is 3.00%. The healthcare cost trend rate assumed for the next fiscal year is 7.50%, 5.20% and 6.25% for pre-65 medical, post-65 medical and prescription drugs, respectively. The ultimate trend rate is 5.00% in which 2022 is the fiscal year in which the health care cost trend rate reaches the ultimate trend rate. The RP-2000 Mortality Table for males and females is used for mortality rates. The rates of decrement due to disability are assumed to be 0%. The rates of decrement due to turnover are based on the experience under the New York State ERS and the New York State PFRS. Upon retirement it is assumed that 100% of future retirees eligible for coverage will elect post-employment health care benefits. Current Elected retirees were assumed to continue participation in their current plans.

Current CSEA Blue Collar, Current CSEA White Collar, PBA and Non Union retirees were assumed to elect the LMHF Encompass 65 HMO plan upon reaching age 65. Actuarial assumptions do not anticipate post-retirement benefit increases. It is assumed that 75% of future retirees are assumed to elect spousal coverage upon retirement with male spouses assumed to be three years older and female spouses assumed to be three years younger than the retiree. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar basis, therefore the remaining amortization period at December 31, 2014 was twenty-three years. The amortization period status is open.

8. 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. From 2004 through May 2010, the Town was self-insured for risks relating to workers' compensations insurance. The Town currently utilizes the NYS Insurance Fund except for previous cases outstanding. Workers' compensation insurance coverage is limited to \$1 million per accident. The Town reports all of its workers compensation costs in the fund relative to the employee who incurs expenses. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonable estimated.

The Town purchases commercial insurance to cover all other potential risks aforementioned. Employee medical benefits are provided through the purchase of insurance. There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years.

The general 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 \$10 million per occurrence and an aggregate limit of \$10 million over the underlying primary policies. The Village carries property insurance that is limited to 100 percent of the total replacement cost values as determined by a contracted appraisal company. The deductibles applicable to the Village include \$500-\$1,000 for auto and equipment, \$50,000 for general liability, public officials and law enforcement, and \$20,000 for property coverage.

At December 31, 2014, the amount of workers compensation liabilities relating to the period in which the Town was self-insured was \$80,191. Changes in the reported liability since December 31, 2012 resulted from the following:

	Beginning Liability	Current Year Claims	Claims Payments Net of Recoveries and Changes in Estimates	Liability Balance at Fiscal Year-End
2014	\$ 80,191	\$ -	\$ 28,065	\$ 52,126
2013	104,599	-	25,408	80,191

9. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes 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:

Description	Interest Rate	Maturity Date	Balance 1/1/2014	Issues	Redemptions	Balance 12/31/2014
Capital Projects Fund:						
Highways & Road Improvements	1.25%	10/23/2014	\$ 2,620,000	\$ -	\$ 2,620,000	\$ -
Town Municipal Center	1.25%	10/23/2014	680,000	-	680,000	-
Brush Mountain Park	1.25%	10/23/2014	370,000	-	370,000	-
Retaining Walls	1.25%	10/23/2014	50,000	-	50,000	-
Drainage System	1.25%	10/23/2014	1,000,000	-	1,000,000	-
Forest Drive Bridge	1.25%	10/23/2014	1,000,000	-	1,000,000	-
Water Distribution System	1.25%	10/23/2014	1,310,000	-	1,310,000	-
Highways & Road Improvements	1.25%	10/23/2014	300,000	-	300,000	-
Highways & Road Improvements	1.00%	10/22/2015	-	2,455,000	-	2,455,000
Town Municipal Center	1.00%	10/22/2015	-	660,000	-	660,000
Brush Mountain Park	1.00%	10/22/2015	-	190,000	-	190,000
Retaining Walls	1.00%	10/22/2015	-	25,000	-	25,000
Drainage System	1.00%	10/22/2015	-	985,000	-	985,000
Forest Drive Bridge	1.00%	10/22/2015	-	965,000	-	965,000
Water Distribution System	1.00%	10/22/2015	-	1,290,000	-	1,290,000
Highways & Road Improvements	1.00%	10/22/2015	-	285,000	-	285,000
			<u>\$ 7,330,000</u>	<u>\$ 6,855,000</u>	<u>\$ 7,330,000</u>	<u>\$ 6,855,000</u>

10. LONG-TERM DEBT

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 recognize 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 fund financial resources.

The Town's outstanding long-term liabilities include serial bonds, compensated absences and other post-employment benefits plan. The serial bonds 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	Payments	Balance 12/31/2014	Due Within One Year
Serial bonds	\$ 6,135,000	\$ -	\$ 670,000	\$ 5,465,000	\$ 675,000
Compensated absences	3,845,703	892,529	794,078	3,944,154	790,444
OPEB obligation	2,415,100	849,825	758,443	2,506,482	-
Total	<u>\$ 12,395,803</u>	<u>\$ 1,742,354</u>	<u>\$ 2,222,521</u>	<u>\$ 11,915,636</u>	<u>\$ 1,465,444</u>

Serial Bonds—The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation 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 of 15 years.

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

Purpose	Original Issue	of Issue/ Maturity	Interest Rate	Outstanding 1/1/2014	Additions	Reductions	Outstanding 12/31/2014
Highway Fund Serial Bonds:							
Baker Road	\$ 2,600,000	2005/2020	3.6-3.9%	\$ 1,475,000	\$ -	\$ 185,000	\$ 1,290,000
Baker Bridge	500,000	2005/2020	3.6-3.9%	280,000	-	35,000	245,000
South Lane	800,000	2005/2020	3.6-3.9%	455,000	-	60,000	395,000
Total Highway Fund				<u>2,210,000</u>	<u>-</u>	<u>280,000</u>	<u>1,930,000</u>
Water Districts Fund Serial Bonds:							
District Wide Water Improvements	3,695,280	2007/2022	3.5-4.0%	2,794,600	-	277,680	2,516,920
Waterline Betterment	249,120	2007/2022	3.5-4.0%	188,400	-	18,720	169,680
Total Water Districts Fund				<u>2,983,000</u>	<u>-</u>	<u>296,400</u>	<u>2,686,600</u>
Refuse and Garbage District Fund Serial Bonds:							
Composting Facility Development	1,245,600	2007/2022	3.5-4.0%	942,000	-	93,600	848,400
Total Refuse and Garbage District Fund				<u>942,000</u>	<u>-</u>	<u>93,600</u>	<u>848,400</u>
Total governmental activities				<u>\$ 6,135,000</u>	<u>\$ -</u>	<u>\$ 670,000</u>	<u>\$ 5,465,000</u>

The annual requirements to amortize all bonded debt outstanding (by fund responsible for repayment of such debt) as of December 31, 2014 are as follows:

Year Ending December 31	Principal			Total
	Highway Fund	Water Districts	Refuse and Garbage District	
2015	\$ 290,000	\$ 292,600	\$ 92,400	\$ 675,000
2016	300,000	349,600	110,400	760,000
2017	315,000	345,800	109,200	770,000
2018	330,000	342,000	108,000	780,000
2019	340,000	342,000	108,000	790,000
2020-2022	355,000	1,014,600	320,400	1,690,000
Total	<u>\$ 1,930,000</u>	<u>\$ 2,686,600</u>	<u>\$ 848,400</u>	<u>\$ 5,465,000</u>

Year Ending December 31	Interest			Total
	Highway Fund	Water Districts	Refuse and Garbage District	
2015	\$ 68,220	\$ 107,180	\$ 33,846	\$ 209,246
2016	57,157	96,572	30,496	184,225
2017	45,625	83,898	26,494	156,017
2018	33,325	71,364	22,536	127,225
2019	20,343	57,684	18,216	96,243
2020-2022	6,878	80,864	25,536	113,278
Total	<u>\$ 231,548</u>	<u>\$ 497,562</u>	<u>\$ 157,124</u>	<u>\$ 886,234</u>

Compensated Absences—As explained in Note 1, the Town records the value of governmental fund type compensated absences. The annual budgets of the respective funds of which the employees' payroll is recorded provide funding for these benefits as they become payable throughout the year. Payments by the Town to liquidate compensated absences are typically from the funds in which the individuals are employed. These operating funds include General, Public Safety, Highway, Sewer, Water, Town Outside Village and Refuse and Garbage District funds. Since the payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable. The value recorded at December 31, 2014, for governmental activities is \$3,944,154. While the payments of compensated absences are dependent upon many factors, the Town has estimated that \$790,444 will become due within one year.

OPEB Obligation—As explained in Note 7, the Town records the value of other postemployment benefits. Payments by the Town to liquidate other postemployment benefits are typically from the funds in which the individuals are employed. These operating funds include General, Public Safety, Highway, Sewer Districts, Water Districts, Town Outside Village and Refuse and Garbage District funds.

There is a statutory debt limit applicable to towns within New York State. The Town is in compliance with this debt limit.

11. 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, including infrastructure, into one component of net assets. 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 presents a reconciliation of capital assets (net of accumulated depreciation), net of total indebtedness to net investment in capital assets:

Capital assets, net of accumulated depreciation		\$ 62,998,389
Less:		
Bond anticipation notes	\$ (6,855,000)	
Serial bonds	(5,465,000)	
Add: unspent bond anticipation notes and serial bonds proceeds	<u>2,873,401</u>	<u>(9,446,599)</u>
Net investment in capital assets		<u>\$ 53,551,790</u>

- **Restricted net position**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted net position are consistent with restricted fund balance balances at December 31, 2014, with the exception of amounts representing unspent debt proceeds included in net investment in capital assets, and are disclosed on the following page.
- **Unrestricted net position**—This category represents net position of the Town not restricted for any project or other purpose.

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

- **Prepaid items**—Represents amounts prepaid to the retirement system that are applicable to future accounting periods. This balance is nonspendable as the asset does not represent an available resource.

In the fund financial statements, restricted fund balances have constraints placed on the use of resources and are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Restricted fund balance maintained by the Town at December 31, 2014 include:

	General Fund	Public Safety Fund	Highway Fund	Water Districts	Debt Service Fund	Total Governmental Funds
Cemetery	\$ 19,423	\$ -	\$ -	\$ -	\$ -	\$ 19,423
Senior center	1,272	-	-	-	-	1,272
Tax stabilization	655,900	-	-	-	-	655,900
Capital improvements	729,815	-	-	-	-	729,815
Town historian	5,920	-	-	-	-	5,920
Historic survey	9,186	-	-	-	-	9,186
DWI program	-	185,305	-	-	-	185,305
D.A.R.E. program	-	32,234	-	-	-	32,234
Equipment	-	20,890	-	-	-	20,890
Vehicles	-	22,855	-	-	-	22,855
Debt service	10,415	-	520,749	7,224	131,398	669,786
Total restricted fund balance	<u>\$ 1,431,931</u>	<u>\$ 261,284</u>	<u>\$ 520,749</u>	<u>\$ 7,224</u>	<u>\$ 131,398</u>	<u>\$ 2,352,586</u>

- ***Restricted for cemetery***— Represents funds restricted for maintenance of the Town’s cemetery.
- ***Restricted for senior center***—Represents donated funds to be used for projects at the senior center.
- ***Restricted for tax stabilization***—Represents funds accumulated and utilized to minimize future tax increases in the General Fund.
- ***Restricted capital improvements***—Represents funds to be used for the construction, reconstruction and or acquisition of buildings.
- ***Restricted for town historian***—Represents donated funds collected to be used for town historian and related projects.
- ***Restricted for historic survey***—Represents the unspent proceeds of a grant, which are restricted to purposes allowable under grant guidelines.
- ***Restricted for DWI program***—Represents State funding to be used for the Town’s DWI program.
- ***Restricted for D.A.R.E. program***—Represents donated funds to be used for the Town’s drug awareness program.
- ***Restricted for equipment***—Represents funds accumulated to be used towards the purchase of police department equipment.

- **Restricted for vehicles**—Represents funds accumulated to be used towards the purchase of police department vehicles.
- **Restricted for debt service**—Represents unspent debt proceeds and interest earned on investment of idle funds during the project construction period which and amounts approved by Town Board resolution restricted for the reduction of future debt service requirements in the Highway Fund.

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

	General Fund
Capital improvements	\$ 500,000
Insurance deductibles	<u>359,387</u>
Total committed fund balance	<u>\$ 859,387</u>

- **Committed for capital improvements**—Represents funds that the Town Board has authorized to be used for future capital projects.
- **Committed for insurance deductibles**—Represents funds to be used for insurance deductibles. The Town is insured for risk of loss; however, these funds are to cover deductibles required in certain policies.

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:

	Subsequent Year's		Capital	Specific	Total
	Expenditures	Encumbrances	Projects	Use	Governmental Funds
General Fund	\$ 1,270,000	\$ 8,195	\$ -	\$ -	\$ 1,278,195
Public Safety Fund	-	50,963	60,000	-	110,963
Highway Fund	340,000	-	-	257,697	597,697
Sewer Districts Fund	744,345	-	-	2,512,114	3,256,459
Water Districts Fund	203,880	-	-	1,478,991	1,682,871
Other Governmental Funds	-	-	-	2,734,298	2,734,298
Total	<u>\$ 2,558,225</u>	<u>\$ 59,158</u>	<u>\$ 60,000</u>	<u>\$ 6,983,100</u>	<u>\$ 9,660,483</u>

- **Assigned to subsequent year’s expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2015 fiscal year.
- **Assigned to encumbrances**—Represents funds set aside for future purchases.
- **Assigned to capital projects**—Represents funds set aside for future capital expenditures.

- *Assigned to specific use*—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 government’s General Fund surplus and fund balance deficits of the Capital Projects Fund as discussed in Note 1.

If the Town must use funds for emergency expenditures the Board shall authorize the 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. Finally, if no other fund balances are available, the Town will use unassigned fund balance.

12. INTERFUND TRANSFERS

The transfers were made by the Town to provide funding for bond principal and interest payments, for public safety operations and for specific capital projects. Interfund transfers as of the year ended December 31, 2014 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 24,000	\$ 1,274,071
Public Safety	974,071	-
Highway	-	583,906
Sewer Districts	-	132,521
Water Districts	-	561,261
Capital Projects	1,779,326	930,979
Debt Service	905,531	-
Other governmental funds	-	200,190
Total	<u>\$ 3,682,928</u>	<u>\$ 3,682,928</u>

13. AGENCY FUND

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

	<u>Balance</u>		<u>Balance</u>	
	1/1/2014	<u>Additions</u>	<u>Decreases</u>	12/31/2014
ASSETS				
Cash and cash equivalents	\$ 1,258,673	\$ 11,736,301	\$ 11,481,983	\$ 1,512,991
Accounts receivable	279	-	279	-
Total assets	<u>\$ 1,258,952</u>	<u>\$ 11,736,301</u>	<u>\$ 11,482,262</u>	<u>\$ 1,512,991</u>
LIABILITIES				
Agency liabilities	<u>\$ 1,258,952</u>	<u>\$ 11,736,301</u>	<u>\$ 11,482,262</u>	<u>\$ 1,512,991</u>
Total liabilities	<u>\$ 1,258,952</u>	<u>\$ 11,736,301</u>	<u>\$ 11,482,262</u>	<u>\$ 1,512,991</u>

14. LABOR RELATIONS

Town employees are represented by three bargaining units with the balance governed by Town Board rules and regulations. Negotiated contracts are in place through December 31, 2014 for the CSEA Blue Collar, and through December 31, 2015 for the Police Benevolent Association. The CSEA White Collar has an unsettled contract and is in negotiations as of December 31, 2014.

15. COMMITMENTS

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

The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. As of December 31, 2014, there were no significant encumbrances. The Town recorded encumbrances of \$8,195 and \$50,963 in the General Fund and Public Safety Fund, respectively.

16. CONTINGENCIES

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

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

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

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 31, 2015, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 431,879	\$ 431,879	\$ 432,086	\$ 207
Real property tax items	225,542	225,542	242,854	17,312
Non property tax items	4,070,000	4,070,000	4,285,217	215,217
Departmental income	427,000	427,000	563,808	136,808
Intergovernmental charges	-	-	400	400
Use of money and property	52,000	52,000	59,683	7,683
Licenses and permits	35,100	35,100	41,240	6,140
Miscellaneous	60,500	67,900	108,046	40,146
State aid	907,524	907,524	1,028,349	120,825
Federal aid	1,000	1,000	1,751	751
Total revenues	<u>6,210,545</u>	<u>6,217,945</u>	<u>6,763,434</u>	<u>545,489</u>
EXPENDITURES				
Current:				
General government support	2,745,868	2,567,562	2,264,744	302,818
Public safety	41,169	41,169	38,755	2,414
Transportation	132,484	132,484	122,921	9,563
Economic assistance and opportunity	300	300	300	-
Culture and recreation	1,358,492	1,408,686	1,325,881	82,805
Home and community services	96,836	113,380	94,408	18,972
Employee benefits	1,566,538	1,709,506	1,599,837	109,669
Debt service:				
Interest	28,750	28,750	9,114	19,636
Total expenditures	<u>5,970,437</u>	<u>6,001,837</u>	<u>5,455,960</u>	<u>545,877</u>
Excess of revenues over expenditures	<u>240,108</u>	<u>216,108</u>	<u>1,307,474</u>	<u>1,091,366</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	24,000	24,000	-
Transfers out	<u>(1,750,000)</u>	<u>(1,750,000)</u>	<u>(1,274,071)</u>	<u>475,929</u>
Total other financing sources (uses)	<u>(1,750,000)</u>	<u>(1,726,000)</u>	<u>(1,250,071)</u>	<u>475,929</u>
Net change in fund balances*	(1,509,892)	(1,509,892)	57,403	1,567,295
Fund balances - beginning	<u>9,035,396</u>	<u>9,035,396</u>	<u>9,035,396</u>	<u>-</u>
Fund balances - ending	<u>\$ 7,525,504</u>	<u>\$ 7,525,504</u>	<u>\$ 9,092,799</u>	<u>\$ 1,567,295</u>

* The net change in fund balances 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 ORCHARD PARK, NEW YORK
Schedule of Revenues, Expenditures and Changes in
Fund Balances—Budget and Actual—Public Safety Fund
Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 4,874,762	\$ 4,874,762	\$ 4,874,762	\$ -
Departmental income	76,640	76,640	116,091	39,451
Use of money and property	-	-	1,105	1,105
Fines and forfeitures	242,000	252,855	322,634	69,779
Miscellaneous	-	-	18,836	18,836
State aid	28,250	28,250	39,189	10,939
Federal aid	-	-	3,681	3,681
Total revenues	<u>5,221,652</u>	<u>5,232,507</u>	<u>5,376,298</u>	<u>140,110</u>
EXPENDITURES				
Current:				
General government support	161,010	162,485	161,587	898
Education	2,000	11,783	11,783	-
Public safety	4,181,867	4,203,293	3,828,812	374,481
Employee benefits	<u>2,253,030</u>	<u>2,277,261</u>	<u>2,081,890</u>	<u>195,371</u>
Total expenditures	<u>6,597,907</u>	<u>6,654,822</u>	<u>6,084,072</u>	<u>570,750</u>
Deficiency of revenues over expenditures	<u>(1,376,255)</u>	<u>(1,422,315)</u>	<u>(707,774)</u>	<u>710,860</u>
OTHER FINANCING SOURCES				
Transfers in	1,420,000	1,420,000	974,071	(445,929)
Transfers out	<u>(43,745)</u>	<u>(43,745)</u>	<u>-</u>	<u>43,745</u>
Total other financing sources (uses)	<u>1,376,255</u>	<u>1,376,255</u>	<u>974,071</u>	<u>(402,184)</u>
Net change in fund balances	-	(46,060)	266,297	308,676
Fund balances - beginning	<u>354,994</u>	<u>354,994</u>	<u>354,994</u>	<u>-</u>
Fund balances - ending	<u>\$ 354,994</u>	<u>\$ 308,934</u>	<u>\$ 621,291</u>	<u>\$ 308,676</u>

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

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

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
REVENUES				
Real property taxes	\$ 3,720,726	\$ 3,720,726	\$ 3,720,726	\$ -
Intergovernmental charges	99,402	99,402	84,569	(14,833)
Use of money and property	4,000	4,000	1,299	(2,701)
Miscellaneous	5,000	5,000	40,925	35,925
State aid	150,084	171,677	171,677	-
Total revenues	3,979,212	4,000,805	4,019,196	18,391
EXPENDITURES				
Current:				
General government support	55,400	40,697	40,697	-
Transportation	2,743,133	2,766,277	2,764,990	1,287
Employee benefits	829,470	900,040	900,040	-
Debt service:				
Interest	42,300	40,525	17,013	23,512
Total expenditures	3,670,303	3,747,539	3,722,740	24,799
Excess of revenues over expenditures	308,909	253,266	296,456	43,190
OTHER FINANCING USES				
Transfers out	(648,909)	(593,266)	(583,906)	9,360
Total other financing uses	(648,909)	(593,266)	(583,906)	9,360
Net change in fund balances*	(340,000)	(340,000)	(287,450)	52,550
Fund balances - beginning	1,497,834	1,497,834	1,497,834	-
Fund balances - ending	\$ 1,157,834	\$ 1,157,834	\$ 1,210,384	\$ 52,550

* The net change in fund balances 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 ORCHARD PARK, NEW YORK
Schedule of Revenues, Expenditures and Changes in
Fund Balances—Budget and Actual—Sewer Districts Fund
Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
REVENUES				
Real property taxes	\$ 781,710	\$ 781,710	\$ 781,711	\$ 1
Departmental income	8,253	8,253	29,894	21,641
Use of money and property	-	-	3,079	3,079
Miscellaneous	-	-	2,206	2,206
Total revenues	789,963	789,963	816,890	26,927
EXPENDITURES				
Current:				
Home and community services	1,312,642	1,310,085	714,279	595,806
Employee benefits	100,395	100,395	69,119	31,276
Total expenditures	1,413,037	1,410,480	783,398	627,082
Excess (deficiency) of revenues over expenditures	(623,074)	(620,517)	33,492	654,009
OTHER FINANCING USES				
Transfers out	(132,521)	(132,521)	(132,521)	-
Total other financing uses	(132,521)	(132,521)	(132,521)	-
Net change in fund balances*	(755,595)	(753,038)	(99,029)	654,009
Fund balances - beginning	3,355,488	3,355,488	3,355,488	-
Fund balances - ending	\$ 2,599,893	\$ 2,602,450	\$ 3,256,459	\$ 654,009

* The net change in fund balances 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 ORCHARD PARK, NEW YORK
Schedule of Revenues, Expenditures and Changes in
Fund Balances—Budget and Actual—Water Districts Fund
Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
REVENUES				
Real property taxes	\$ 1,004,255	\$ 1,004,255	\$ 998,046	\$ (6,209)
Departmental income	100	100	11,889	11,789
Use of money and property	-	-	1,612	1,612
Miscellaneous	-	-	8,379	8,379
Interfund revenues	-	-	6,209	6,209
Total revenues	<u>1,004,355</u>	<u>1,004,355</u>	<u>1,026,135</u>	<u>21,780</u>
EXPENDITURES				
Current:				
Home and community services	555,019	539,354	458,134	81,220
Employee benefits	89,305	89,305	61,484	27,821
Debt service:				
Interest	-	13,122	5,684	7,438
Total expenditures	<u>644,324</u>	<u>641,781</u>	<u>525,302</u>	<u>116,479</u>
Excess of revenues over expenditures	<u>360,031</u>	<u>362,574</u>	<u>500,833</u>	<u>138,259</u>
OTHER FINANCING USES				
Transfers out	<u>(561,261)</u>	<u>(561,261)</u>	<u>(561,261)</u>	<u>-</u>
Total other financing uses	<u>(561,261)</u>	<u>(561,261)</u>	<u>(561,261)</u>	<u>-</u>
Net change in fund balances*	(201,230)	(198,687)	(60,428)	138,259
Fund balances - beginning	<u>1,760,028</u>	<u>1,760,028</u>	<u>1,760,028</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,558,798</u>	<u>\$ 1,561,341</u>	<u>\$ 1,699,600</u>	<u>\$ 138,259</u>

* The net change in fund balances 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 ORCHARD PARK, NEW YORK
Schedule of Funding Progress—Other Postemployment Benefits Plan
Year Ended December 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ("AAL") (b)	Unfunded AAL ("UAAL") (b-a)	Funded Ratio (a/b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
December 31, 2014	\$ -	\$ 10,434,917	\$ 10,434,917	0.0%	\$ 8,600,767	121.3%
December 31, 2013	-	10,175,401	10,175,401	0.0%	8,555,231	118.9%
December 31, 2012	-	10,113,014	10,113,014	0.0%	8,637,778	132.4%

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

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Capital Project Fund and the Miscellaneous Special Revenue Fund. The Capital Projects Fund is appropriated on a project-length basis; appropriations are approved through Town Board resolution at the project's inception and lapse upon termination of the project. The Miscellaneous Special Revenue Fund does not have an appropriated budget since there are other means to control the use of these resources (e.g., grant awards).

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

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

Actual results of operations presented in accordance with GAAP and the Town's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements.

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SUPPLEMENTARY INFORMATION

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

	Special Revenue					Total Nonmajor Funds
	Town Outside Village	Lighting	Refuse and Garbage	Drainage	Miscellaneous Special Revenue	
ASSETS						
Cash and cash equivalents	\$ 142,848	\$ 474,890	\$1,360,947	\$ 29,185	\$ 874,389	\$2,882,259
Receivables	38,559	670	12,201	-	-	51,430
Prepaid items	15,552	-	2,508	-	-	18,060
Total assets	<u>\$ 196,959</u>	<u>\$ 475,560</u>	<u>\$1,375,656</u>	<u>\$ 29,185</u>	<u>\$ 874,389</u>	<u>\$2,951,749</u>
LIABILITIES						
Accounts payable	\$ 8,435	\$ 25,883	\$ 113,726	\$ -	\$ -	\$ 148,044
Accrued liabilities	6,913	-	44,434	-	-	51,347
Total liabilities	<u>15,348</u>	<u>25,883</u>	<u>158,160</u>	<u>-</u>	<u>-</u>	<u>199,391</u>
FUND BALANCES						
Nonspendable	15,552	-	2,508	-	-	18,060
Assigned	166,059	449,677	1,214,988	29,185	874,389	2,734,298
Total fund balances	<u>181,611</u>	<u>449,677</u>	<u>1,217,496</u>	<u>29,185</u>	<u>874,389</u>	<u>2,752,358</u>
Total liabilities and fund balances	<u>\$ 196,959</u>	<u>\$ 475,560</u>	<u>\$1,375,656</u>	<u>\$ 29,185</u>	<u>\$ 874,389</u>	<u>\$2,951,749</u>

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

	Special Revenue					Total Nonmajor Funds
	Town Outside Village	Lighting	Refuse and Garbage	Drainage	Miscellaneous Special Revenue	
REVENUES						
Real property taxes	\$ -	\$ 300,785	\$ 1,573,484	\$ 14,025	\$ -	\$ 1,888,294
Non property tax items	437,651	-	-	-	-	437,651
Departmental income	197,373	-	105,515	-	-	302,888
Use of money and property	119	415	1,210	-	2,260	4,004
Licenses and permits	1,045	-	-	-	-	1,045
Miscellaneous	23,534	-	485	-	130,075	154,094
Total revenues	<u>659,722</u>	<u>301,200</u>	<u>1,680,694</u>	<u>14,025</u>	<u>132,335</u>	<u>2,787,976</u>
EXPENDITURES						
Current:						
General government support	22,246	-	-	-	-	22,246
Public safety	232,650	-	-	-	-	232,650
Health	4,742	-	-	-	-	4,742
Transportation	-	322,852	-	-	-	322,852
Home and community services	90,196	-	1,625,406	-	6,618	1,722,220
Employee benefits	226,195	-	-	-	-	226,195
Total expenditures	<u>576,029</u>	<u>322,852</u>	<u>1,625,406</u>	<u>-</u>	<u>6,618</u>	<u>2,530,905</u>
Excess (deficiency) of revenues over expenditures	<u>83,693</u>	<u>(21,652)</u>	<u>55,288</u>	<u>14,025</u>	<u>125,717</u>	<u>257,071</u>
OTHER FINANCING USES						
Transfers out	-	-	(151,190)	-	(49,000)	(200,190)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(151,190)</u>	<u>-</u>	<u>(49,000)</u>	<u>(200,190)</u>
Net change in fund balances	83,693	(21,652)	(95,902)	14,025	76,717	56,881
Fund balances - beginning	<u>97,918</u>	<u>471,329</u>	<u>1,313,398</u>	<u>15,160</u>	<u>797,672</u>	<u>2,695,477</u>
Fund balances - ending	<u>\$ 181,611</u>	<u>\$ 449,677</u>	<u>\$ 1,217,496</u>	<u>\$ 29,185</u>	<u>\$ 874,389</u>	<u>\$ 2,752,358</u>

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FEDERAL AWARDS INFORMATION

TOWN OF ORCHARD PARK, NEW YORK
Schedule of Expenditures of Federal Awards
December 31, 2014

Federal Grantor / Pass-through Grantor Program or Cluster Title (1)	Federal CFDA Number (2)	Pass-through Identifying Number	Federal Expenditures (3)
U.S. DEPARTMENT OF HEALTH			
<i>Passed through Erie County:</i>			
Special Programs for the Aging - Title III	93.045	n/a	\$ <u>1,751</u>
TOTAL U.S. DEPARTMENT OF HEALTH			1,751
U.S. DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership Program	16.607	n/a	<u>3,681</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			3,681
U.S. DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction	20.205	n/a	<u>718,578</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>718,578</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 724,010</u>

TOWN OF ORCHARD PARK, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2014

1. BASIS OF PRESENTATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. RECONCILIATION OF FEDERAL AID

Total federal expenditures for the Town's 2014 fiscal year is reconciled to Federal Aid as reported in the basic financial statements as follows:

Balance per schedule of expenditures of federal awards	\$ 724,010
Total federal aid per financial statements	<u>\$ 724,010</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 Orchard Park, New York

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

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Handwritten signature in black ink that reads "Drescher & Malecki LLP". The signature is written in a cursive, flowing style.

March 31, 2015

Certified Public Accountants

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

Honorable Supervisor and Town Board
Town of Orchard Park, New York:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



March 31, 2015

TOWN OF ORCHARD PARK, NEW YORK
Schedule of Findings and Questioned Costs
December 31, 2014

Part I. Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards:

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

Internal control over major programs:

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

7. The Town's major programs were:

Name of Federal Program	CFDA Number
Highway Planning and Construction	20.205

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

Part II. Financial Statements Findings Section

No findings noted.

Part III. Federal Award Findings and Questioned Costs Section

No findings noted.

TOWN OF ORCHARD PARK, NEW YORK
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2014
(Follow up of December 31, 2013 Findings)

No reportable findings.