

**TOWN OF WHEATFIELD,
NEW YORK**

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

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FINANCIAL SECTION

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Supervisor and Town Board
Town of Wheatfield, 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 Wheatfield, New York (the "Town"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2013, and the respective changes in financial position 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 Supplemental Information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Supplemental Information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information, as listed in the table of contents, is 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 June 12, 2014 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 the Town's internal control over financial reporting and compliance.

Drescher & Malecki LLP

June 12, 2014

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

As management of the Town of Wheatfield, New York (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2013. 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 Town's net position increased \$29,219 as a result of this year's activity.
- ◆ The assets of the Town exceeded its liabilities at the close of the fiscal year by \$19,965,240 (net position). Of this amount, \$19,702,761 represents the Town's net investment in capital assets and \$262,479 represents the unrestricted component of net position which may be used to meet the Town's ongoing operations.
- ◆ At the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$4,124,811, an increase of \$798,237 over the prior year.
- ◆ The General Fund reported a net increase in fund balance this year of \$425,893. At December 31, 2013, unassigned fund balance for the General Fund was \$1,610,140, or 43.7 percent of total General Fund expenditures.
- ◆ During the year ended December 31, 2013, the Town paid \$1,110,000 of its bond indebtedness.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges. The governmental activities of the Town include general government support, public safety, transportation, economic assistance and opportunity, culture and recreation, and home and community services.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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 evaluating a government's near-term financing requirements.

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

The Town maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of the governmental funds, all of which are considered to be major funds.

The fund financial statements for governmental funds can be found on pages 12-16 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 statement because the resources of those funds are *not* available to support the Town's own programs. The Town maintains one fiduciary fund, the Agency Fund.

The Agency Fund reports resources held by the Town in a custodial capacity for individuals, private organization and other governments.

The fiduciary fund financial statement can be found on page 17 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 18-40 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 a legally adopted budget and the Town’s progress in funding its obligation to provide other post-employment benefits. Required supplementary information can be found on pages 41-48 of this report.

The combining balance sheet and schedule of revenues, expenditures, and changes in fund balances (deficits) of the Capital Projects Fund is presented as Supplemental Information on pages 49-50 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 \$19,965,240 at the close of the 2013 fiscal year.

Table 1—Condensed Statements of Net Position

	December 31,	
	2013	2012
Current assets	\$ 4,986,926	\$ 4,381,980
Capital assets	<u>29,918,654</u>	<u>31,125,088</u>
Total assets	<u>34,905,580</u>	<u>35,507,068</u>
Current liabilities	1,003,208	1,187,926
Non-current liabilities	<u>13,937,132</u>	<u>14,383,121</u>
Total liabilities	<u>14,940,340</u>	<u>15,571,047</u>
Net investment in capital assets	19,702,761	19,887,222
Unrestricted	<u>262,479</u>	<u>48,799</u>
Total net position	<u>\$ 19,965,240</u>	<u>\$ 19,936,021</u>

The largest portion of the Town’s net position (98.4 percent) reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of \$317,479 is unrestricted and may be used to meet the Town’s ongoing obligations to citizens and creditors.

Total net position increased \$29,219 as a result of current year activities. The increase in net position is attributed to the Town’s operations throughout the year. Key elements of the increase are presented on the following page.

Table 2, as presented on the following page, shows the changes in net position for the years ended December 31, 2013 and December 31, 2012.

Table 2—Condensed Statements of Changes in Net Position

	December 31,	
	2013	2012
Program revenues:		
Charges for services	\$ 2,567,632	\$ 2,714,954
Operating grants and contributions	15,818	606
Capital grants and contributions	85,593	68,468
General revenues	<u>9,132,600</u>	<u>9,228,005</u>
Total revenues	11,801,643	12,012,033
Program expenses	<u>11,772,424</u>	<u>11,313,451</u>
Change in net position	29,219	698,582
Net position—beginning	<u>19,936,021</u>	<u>19,237,439</u>
Net position—ending	<u>\$ 19,965,240</u>	<u>\$ 19,936,021</u>

Overall revenues decreased by 1.8 percent from 2012, and overall expenses increased 4.1 percent. Changes to revenues decreased largely due to a drop in real property taxes, while expenses increased mainly due to transportation costs.

A summary of sources of revenues for the years ended December 31, 2013 and December 31, 2012 is presented in Table 3 below:

Table 3 – Summary of Sources of Revenues – Primary Government

	December 31,		Increase/(Decrease)	
	2013	2012	Dollars (\$)	Percent (%)
Charges for services	\$ 2,567,632	2,714,954	(147,322)	-5.4
Operating grants and contributions	15,818	606	15,212	2510.2
Capital grants and contributions	85,593	68,468	17,125	25.0
General revenues:				
Real property taxes and tax items	3,672,850	3,954,753	(281,903)	-7.1
Non-property tax items	4,796,678	4,655,456	141,222	3.0
Use of money and property	117,196	133,243	(16,047)	-12.0
Sale of property and compensation for loss	30,985	64,268	(33,283)	-51.8
Miscellaneous	20,698	24,318	(3,620)	-14.9
State aid—unrestricted	494,193	395,967	98,226	24.8
Total revenues	<u>\$ 11,801,643</u>	<u>\$ 12,012,033</u>	<u>\$ (210,390)</u>	-1.8

The most significant source of revenues is real property taxes and non-property tax items, which account for 71.8 percent of total revenues. The other significant source of revenue for the year ended December 31, 2013 is charges for services, accounting for 21.8 percent of the total revenues. The most significant sources were consistent from 2013 to 2012.

During the year ended December 31, 2013, real property taxes decreased \$281,903. This was primarily the result of decrease in the current year highway tax. Charges for services also decreased \$147,322, which was a result fewer water sales in 2013 due to a wet summer.

A summary of program expenses for the years ended December 31, 2013 and December 31, 2012 is presented below:

Table 4 – Summary of Program Expenses

	December 31,		Increase/(Decrease)	
			Dollars (\$)	Percent (%)
General government support	2,229,556	2,052,373	177,183	8.6
Public safety	1,605,847	1,460,698	145,149	9.9
Transportation	2,677,417	2,365,794	311,623	13.2
Economic assistance and opportunity	20,765	23,767	(3,002)	-12.6
Culture and recreation	906,834	848,220	58,614	6.9
Home and community service	3,906,189	4,121,804	(215,615)	-5.2
Interest and other fiscal charges	425,816	440,795	(14,979)	-3.4
Total expenses	<u>\$ 11,772,424</u>	<u>\$ 11,313,451</u>	<u>\$ 458,973</u>	4.1

The Town's significant expense items for the year ended December 31, 2013 were home and community services (primarily sewer, water, and sanitation services), which accounts for \$3,906,189 or 33.2 percent of total expenses, transportation of \$2,677,417 or 22.7 percent of total expenses, general government support of \$2,229,556, or 18.9 percent of total expenses, and public safety, which accounts for \$1,605,847, or 13.6 percent of total expenses. For the year ended December 31, 2012, significant expenses were home and community services, which accounts for \$4,121,804 or 36.4 percent of total expenses, transportation of \$2,365,794 or 20.9 percent of total expenses, general government support of \$2,052,373, or 18.1 percent of total expenses, and public safety, which accounts for \$1,460,698, or 12.9 percent of total expenses.

During the year ended December 31, 2013, transportation, general support and public safety increased by \$311,623, \$177,183 and \$145,149, respectively. The increase in transportation expenditures was a result of unanticipated general repairs on the machinery and equipment maintained by the Highway department. The increase in general support, as well as public safety expenditures is primarily due to the increase in salaries and employee benefit costs. The decrease of \$215,615 in home and community service expenditures is related to the significant decrease in water consumption for 2013 compared to 2012 due to the wet summer in the current year.

Financial Analysis of the Town's Funds

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

Governmental funds—The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the Town's governmental funds report a combined ending fund balance of \$4,124,811, an increase of \$798,237 from the prior year combined ending fund balance of \$3,326,574. The combined ending fund balance includes \$1,510,140 of *unassigned* fund balance, \$2,323,488 *assigned* for specific purposes and \$180,034 that has been restricted to be used for capital projects. Additionally, \$111,149 is considered nonspendable and relates to the prepaid portion of retirement contributions.

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 \$1,610,140, while total fund balance was \$2,175,643. The General Fund fund balance increased \$425,893 from the prior year, which resulted from corresponding increases of revenues in excess of expenditures. 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 expenditures. At December 31, 2013 *unassigned fund balance* represented 43.7 percent of total expenditures, while total fund balance represented 59.0 percent of that same amount.

The fund balance of the Town's Highway Fund realized an increase of \$195,073 during the year ended December 31, 2013, primarily due to favorable sales tax revenues coupled with good budgetary control. The fund balances of the Town's Water District, and Fire District Funds increased by \$11,693, and \$126,237, respectively, while the Town's Sewer District, Refuse District, and Lighting District decreased by \$43,877, \$129,553, and \$3,018 respectively, during the year ended December 31, 2013. The Town's Capital Projects Fund reports a total fund balance of \$80,034 at December 31, 2013, a decrease of \$43,317 from prior year fund balance of \$123,351. The decrease is due to capital outlay expenditures outpacing related revenue sources.

General Fund Budgetary Highlights

A summary of the General Fund results of operations for the year ended December 31, 2013 is presented in Table 5 below:

Table 5 – Summary of General Fund Results of Operations

	Budgeted Amounts		Actual	Variance with
	Adopted	Final		Final Budget
Revenues	\$ 3,627,807	\$ 3,667,807	\$ 4,111,485	\$ 443,678
Expenditures	4,061,138	4,101,138	3,685,592	415,546
Excess (deficiency) of revenues over expenditures	\$ (433,331)	\$ (433,331)	\$ 425,893	\$ 859,224

Original budget compared to final budget. The adopted budget was increased by \$83,331 as a re-appropriation of prior year's encumbrances. During the year there was no additional need for any significant amendments to increase either the original estimated revenues or adopted budgeted appropriations.

Final budget compared to actual results. A review of actual revenues and expenditures compared to the estimated revenues and appropriations in the final budget yielded the following notable variances:

- ◆ Favorable variances of \$194,645, and \$152,784 within non-property tax items and State Aid, respectively. These variances were due to difficulties predicting these revenues from year to year.

- ◆ A favorable variance of \$213,501 within culture and recreation mainly due to unanticipated savings in the department of public parks.

Capital Asset and Debt Administration

Capital assets. The Town’s investment in capital assets for its governmental activities as of December 31, 2013, amounted to \$29,918,654 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings and improvements, machinery and equipment, and vehicles.

Capital assets net of depreciation for the governmental activities at the years ended December 31, 2013 and December 31, 2012 are presented in Table 6 below:

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

	December 31,	
	2013	2012
Land	\$ 1,014,098	\$ 1,014,098
Construction in progress	229,321	1,167,526
Infrastructure	21,505,384	21,517,721
Buildings and improvements	5,552,953	5,770,665
Machinery and equipment	1,381,001	1,399,276
Vehicles	<u>235,897</u>	<u>255,802</u>
Total	<u>\$ 29,918,654</u>	<u>\$ 31,125,088</u>

Additional information on the Town’s capital assets can be found in Note 4 of this report.

Long-term Debt—At December 31, 2013, the Town had total bonded debt outstanding of \$10,350,000 as compared to \$11,460,000 in the prior year. During the current year ended, the Town made \$1,110,000 in payments on principal of existing debt. The Town utilizes debt issuances as a way to finance construction, improvements, and the acquisition of capital. Additional information on the Town’s long-term debt can be found in Note 11 of this report.

Economic Factors

The unemployment rate for the Buffalo-Niagara region at December 2013 was 7.3 percent. This compares to New York State’s unemployment rate of 7.1, but is unfavorable to the national unemployment rate of 6.7 percent.

Despite the economic hardships, considering the condition of the Town’s major funds, the Town’s overall financial position increased marginally during the fiscal year ended December 31, 2013.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Town’s finances and to show the Town’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Supervisor’s Office, 2800 Church Road, North Tonawanda, 14210-1099.

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BASIC FINANCIAL STATEMENTS

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

	<u>Primary Government</u> <u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,516,580
Restricted cash	180,034
Accounts receivable	466,331
Due from Agency Fund	136,833
Due from other governments	575,999
Prepays	111,149
Capital assets not being depreciated	1,243,419
Capital assets, net of accumulated depreciation	<u>28,675,235</u>
Total assets	<u>34,905,580</u>
LIABILITIES	
Accounts payable	492,481
Accrued liabilities	395,921
Due to other governments	14,806
Bond anticipation notes payable	100,000
Non-current liabilities:	
Due within one year	1,350,050
Due within more than one year	<u>12,587,082</u>
Total liabilities	<u>14,940,340</u>
NET POSITION	
Net investment in capital assets	19,702,761
Unrestricted	<u>262,479</u>
Total net position	<u>\$ 19,965,240</u>

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

TOWN OF WHEATFIELD, NEW YORK
Statement of Activities
Year Ended December 31, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	
Primary Government:					
Governmental activities:					
General government support	\$ 2,229,555	\$ 62,612	\$ -	\$ -	\$ (2,166,943)
Public safety	1,605,847	191,199	-	-	(1,414,648)
Transportation	2,677,418	165,117	-	85,593	(2,426,708)
Economic assistance and opportunity	20,765	-	-	-	(20,765)
Culture and recreation	906,834	139,284	1,965	-	(765,585)
Home and community service	3,906,190	2,009,420	13,853	-	(1,882,917)
Interest and other fiscal charges	<u>425,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(425,815)</u>
Total primary government	<u>\$ 11,772,424</u>	<u>\$ 2,567,632</u>	<u>\$ 15,818</u>	<u>\$ 85,593</u>	<u>(9,103,381)</u>
General revenues:					
					3,672,850
					4,796,678
					117,196
					30,985
					20,698
					<u>494,193</u>
Total general revenues					<u>9,132,600</u>
Change in net position					29,219
Net position—beginning					<u>19,936,021</u>
Net position—ending					<u>\$ 19,965,240</u>

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

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

	Special Revenue							Capital Projects	Total Governmental Funds
	General	Highway	Water District	Sewer District	Fire District	Refuse District	Lighting District		
ASSETS									
Cash and cash equivalents	\$ 1,940,335	\$ 694,345	\$ 13,682	\$ 530,208	\$ 200,066	\$ 129,590	\$ 8,354	\$ -	\$ 3,516,580
Restricted cash	-	-	-	-	-	-	-	180,034	180,034
Accounts receivable	100,874	10,872	224,172	105,932	-	24,481	-	-	466,331
Due from other funds	136,833	-	-	-	-	-	-	-	136,833
Due from other governments	271,065	198,194	80,894	25,846	-	-	-	-	575,999
Prepays	55,574	31,122	8,892	15,561	-	-	-	-	111,149
Total assets	<u>\$ 2,504,681</u>	<u>\$ 934,533</u>	<u>\$ 327,640</u>	<u>\$ 677,547</u>	<u>\$ 200,066</u>	<u>\$ 154,071</u>	<u>\$ 8,354</u>	<u>\$ 180,034</u>	<u>\$ 4,986,926</u>
LIABILITIES									
Accounts payable	\$ 259,759	\$ 54,258	\$ 148,103	\$ 25,354	\$ 2,635	\$ -	\$ 2,372	\$ -	\$ 492,481
Accrued liabilities	54,473	30,308	11,429	19,818	138,800	-	-	-	254,828
Due to other governments	14,806	-	-	-	-	-	-	-	14,806
Bond anticipation notes payable	-	-	-	-	-	-	-	100,000	100,000
Total liabilities	<u>329,038</u>	<u>84,566</u>	<u>159,532</u>	<u>45,172</u>	<u>141,435</u>	<u>-</u>	<u>2,372</u>	<u>100,000</u>	<u>862,115</u>
FUND BALANCES (DEFICITS)									
Nonspendable	55,574	31,122	8,892	15,561	-	-	-	-	111,149
Restricted	-	-	-	-	-	-	-	180,034	180,034
Assigned	509,929	818,845	159,216	616,814	58,631	154,071	5,982	-	2,323,488
Unassigned	1,610,140	-	-	-	-	-	-	(100,000)	1,510,140
Total fund balances (deficit)	<u>2,175,643</u>	<u>849,967</u>	<u>168,108</u>	<u>632,375</u>	<u>58,631</u>	<u>154,071</u>	<u>5,982</u>	<u>80,034</u>	<u>4,124,811</u>
Total liabilities and fund balances (deficit)	<u>\$ 2,504,681</u>	<u>\$ 934,533</u>	<u>\$ 327,640</u>	<u>\$ 677,547</u>	<u>\$ 200,066</u>	<u>\$ 154,071</u>	<u>\$ 8,354</u>	<u>\$ 180,034</u>	<u>\$ 4,986,926</u>

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

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

Amounts reported for governmental activities in the statement of net position (page 10) are different because:

Total fund balances—governmental funds (page 12)		\$ 4,124,811
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$58,532,658 and the accumulated depreciation is \$28,614,004.		29,918,654
Long-term liabilities, including serial bonds, capital leases, accrued landfill post-closure costs, compensated absences and other postemployment benefits ("OPEB") obligation are not due and payable in the current period, and therefore are not reported in the funds.		
Serial bonds	\$ (10,350,000)	
Capital leases	(927)	
Accrued landfill post-closure costs	(352,452)	
Compensated absences	(367,105)	
OPEB obligation	<u>(2,866,648)</u>	(13,937,132)
Net accrued interest expense on debt is not reported in the funds.		<u>(141,093)</u>
Net position of governmental activities		<u>\$ 19,965,240</u>

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

TOWN OF WHEATFIELD, NEW YORK
Statement of Revenues, Expenditures and Changes in
Fund Balances—Governmental Funds
Year Ended December 31, 2013

	<u>Special Revenue</u>							<u>Capital Projects</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Highway</u>	<u>Water District</u>	<u>Sewer District</u>	<u>Fire District</u>	<u>Refuse District</u>	<u>Lighting District</u>		
REVENUES									
Real property taxes and tax items	\$ 16,811	\$ 195,274	\$ -	\$ 1,013,548	\$ 1,476,717	\$ 950,000	\$ 20,500	\$ -	\$ 3,672,850
Non-property tax items	3,010,525	1,786,153	-	-	-	-	-	-	4,796,678
Departmental income	205,883	10,486	1,202,692	649,227	-	-	-	-	2,068,288
Intergovernmental charges	-	141,533	-	-	-	-	-	-	141,533
Use of money and property	2,899	1,012	249	81,135	418	31,325	-	158	117,196
Licenses and permits	154,613	12,000	-	-	-	-	-	-	166,613
Fines and forfeitures	191,199	-	-	-	-	-	-	-	191,199
Sale of property and compensation for loss	13,896	4,552	8,251	-	4,286	-	-	-	30,985
Miscellaneous	5,648	15,000	-	-	50	-	-	-	20,698
State aid	510,011	85,593	-	-	-	-	-	-	595,604
Total revenues	<u>4,111,485</u>	<u>2,251,603</u>	<u>1,211,192</u>	<u>1,743,910</u>	<u>1,481,471</u>	<u>981,325</u>	<u>20,500</u>	<u>158</u>	<u>11,801,644</u>
EXPENDITURES									
Current:									
General government support	960,266	3,119	4,370	1,575	-	-	-	-	969,330
Public safety	422,864	-	-	-	1,182,983	-	-	-	1,605,847
Transportation	249,789	1,516,576	-	-	-	-	23,518	-	1,789,883
Economic assistance and opportunity	20,765	-	-	-	-	-	-	-	20,765
Culture and recreation	818,122	-	-	-	-	-	-	-	818,122
Home and community services	80,846	-	951,022	755,068	-	851,772	-	-	2,638,708
Employee benefits	659,478	444,864	151,731	206,744	142,787	-	-	-	1,605,604

(continued)

	Special Revenue							Capital Projects	Total Governmental Funds
	General	Highway	Water District	Sewer District	Fire District	Refuse District	Lighting District		
Debt service:									
Principal	342,770	64,620	55,000	625,370	27,530	-	-	-	1,115,290
Interest	130,692	27,351	28,638	228,628	1,934	-	-	-	417,243
Capital Outlay	-	-	-	-	-	-	-	22,615	22,615
Total expenditures	<u>3,685,592</u>	<u>2,056,530</u>	<u>1,190,761</u>	<u>1,817,385</u>	<u>1,355,234</u>	<u>851,772</u>	<u>23,518</u>	<u>22,615</u>	<u>11,003,407</u>
Excess (deficiency) of revenues over expenditures	<u>425,893</u>	<u>195,073</u>	<u>20,431</u>	<u>(73,475)</u>	<u>126,237</u>	<u>129,553</u>	<u>(3,018)</u>	<u>(22,457)</u>	<u>798,237</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	16,262	54,598	-	-	-	50,000	120,860
Transfers out	-	-	(25,000)	(25,000)	-	-	-	(70,860)	(120,860)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(8,738)</u>	<u>29,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,860)</u>	<u>-</u>
Net change in fund balances (deficit)	425,893	195,073	11,693	(43,877)	126,237	129,553	(3,018)	(43,317)	798,237
Fund balances (deficit)—beginning	<u>1,749,750</u>	<u>654,894</u>	<u>156,415</u>	<u>676,252</u>	<u>(67,606)</u>	<u>24,518</u>	<u>9,000</u>	<u>123,351</u>	<u>3,326,574</u>
Fund balances—ending	<u>\$ 2,175,643</u>	<u>\$ 849,967</u>	<u>\$ 168,108</u>	<u>\$ 632,375</u>	<u>\$ 58,631</u>	<u>\$ 154,071</u>	<u>\$ 5,982</u>	<u>\$ 80,034</u>	<u>\$ 4,124,811</u>

(concluded)

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

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

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balances—total governmental funds (page 15) \$ 798,237

Governmental funds report capital outlays as expenditures, and sales of capital assets as revenue. 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; and, in the case of disposals of capital assets, only gains and losses are recognized. This is the amount by which depreciation and losses exceeded capital outlays:

Capital asset additions	\$ 259,626	
Loss on capital asset disposals	(580)	
Depreciation expense	<u>(1,465,480)</u>	(1,206,434)

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

Repayment of bond principal	\$ 1,110,000	
Repayment of capital lease principal	5,290	
Change in accrued interest expense	<u>(8,573)</u>	1,106,717

In the statement of activities, certain operating expenses are measured by the amounts earned by employees 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 accrued liability post-closure cost represent State and Federal regulations requiring the Town to perform certain maintenance and monitoring functions in addition to remediation work on the Town's landfill site. These amounts are to be paid in the future and are recorded in the government-wide financial statements. The net effect of these differences is as follows:

Change in accrued liability post-closure cost	\$ 20,732	
Compensated absences	(22,500)	
OPEB Obligation	<u>(667,533)</u>	<u>(669,301)</u>

Change in net position of governmental activities \$ 29,219

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

TOWN OF WHEATFIELD, NEW YORK
Statement of Net Position
Agency Fund
December 31, 2013

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 176,151
LOSAP assets	<u>2,080,807</u>
Total assets	<u>\$ 2,256,958</u>
LIABILITIES	
Agency liabilities	\$ 39,318
Due to other funds	136,833
Amounts held for LOSAP	<u>2,080,807</u>
Total liabilities	<u>\$ 2,256,958</u>

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

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TOWN OF WHEATFIELD, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Government-Wide Financial Statements

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

Reporting Entity

The Town, which was established in 1836, is located within the County of Niagara, New York. The Town is governed by Town law and other general laws of the State of New York 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.

The following basic services are provided by the Town: highway maintenance, water, sewer, garbage collection, public safety, planning, zoning, environmental control, culture and recreation and general administration.

Independently elected officials of the Town consist of the following:

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

All governmental activities and functions performed for the Town are its direct responsibility.

The Town’s basic financial statements include those entities for which the Town has clear oversight responsibility. This responsibility is determined through a review of such factors as the selecting of governing boards, financial interdependency and the ability to influence management and operations on a continuing basis.

The Town is a unit of local government which operates within the boundaries of the County of Niagara. The Town encompasses the Niagara-Wheatfield Central School District. This school

district was created by the state legislation which designates the school board as governing authority. School board members are elected by the qualified voters for the district. The school board designates management, and exercises complete responsibility for all fiscal matters.

The Niagara-Wheatfield Central School District is not included in the financial statements as it is governed by independently elected bodies and is not influenced by the Town.

Basis of Presentation – Government-Wide Financial Statements

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

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

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Town's funds. 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.

The Town reports the following major governmental funds:

- ◆ *General Fund*—The General Fund is the principal operating fund of the Town and includes all operations not required to be recorded in other funds.
- ◆ *Highway Fund*—The Highway Fund is used to record all revenues and expenditures related to road maintenance and construction throughout the Town.
- ◆ *Water District Fund*—This fund is used to record all revenues and expenditures related to operation and maintenance of the Town's water district.
- ◆ *Sewer District Fund*—This fund is used to record all revenues and expenditures related to operation and maintenance of the Town's sewer district.
- ◆ *Fire District Fund*—This fund is used to record all revenues and expenditures related to operation and maintenance of the Town's fire district.
- ◆ *Refuse District Fund*—This fund is used to record all revenues and expenditures related to operation and maintenance of the Town's refuse district.
- ◆ *Lighting District Fund*—This fund is used to record all revenues and expenditures related to operation and maintenance of the Town's lighting district.

- ◆ *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities. The primary source of revenue for the Capital Projects Fund is donations.

Additionally, the Town reports the following fund type:

Fiduciary Fund—The *Agency Fund* is used to account for assets held by the Town as an agent for governments, or other funds. The Agency Fund is custodial in nature and does not involve measurement of results of operations. The Agency Fund accounts, such as payroll withholdings, are reported as liabilities.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

Budgetary Information

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Capital Projects Fund. This fund is appropriated on a project length basis; appropriations are approved through a Town Board resolution at the project’s inception and lapse upon termination of the project.

The appropriated budget is prepared by fund, function, department, and object. Transfers of appropriations require the approval of the Town Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the object level.

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

Excess of Expenditures over Appropriations—During the year ended December 31, 2013, transfers out for the Town’s Water and Sewer Funds had an unfavorable budget variance of \$25,000 each, but those variances were offset with favorable principal payments budget variances of \$25,000 for both funds. Additionally, transportation expenditures in the Lighting District Fund exceeded the appropriated budget by \$3,018 as a result of unanticipated repair work.

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

Cash, cash equivalents, and investments—Cash, cash equivalents and investments consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have a maturity date within 90 days or less from the date of acquisition. The Town had no investments at December 31, 2013; 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 debt proceeds to be used for eligible capital project costs.

Receivables—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. As previously mentioned, the effect of interfund activity is generally eliminated from the government-wide financial statements; however, any residual balances outstanding are reported as “internal balances” in these statements.

Included within the Town’s accounts receivable balance are charges for water and sewer rents. The Town bills citizens for water and sewer services on the 10th of every month, with payment due by the end of the month. The Town is divided into three zones, with each zone being billed quarterly for the previous three months. The Town charges a one-time penalty of 10% of the outstanding balance once bills become past due. During October of each year, all unpaid balances are transferred to the County of Niagara’s tax roll for collection through the subsequent year’s Town and County tax levy. Thus, the Town is guaranteed to receive 100% of its billings.

Prepaid Items—Certain payments to vendors 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 expenditures/expenses when consumed rather than when purchased. At December 31, 2013, prepaid items consisted of payments made to the NYS Employees’ Retirement System.

Capital assets—Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, drainage systems and similar items) are reported in the government activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are incurred. Expenditures reported in the Capital Projects Fund are classified as capital outlays. Routine capital expenditures in the other funds are included in the appropriate functional category (i.e. purchase of new highway equipment as part of current expenditures – transportation). Additionally, the amount reported as capital outlays in the Capital Projects Fund includes certain non-capitalized assets (i.e. furnishings below the capitalization threshold). Property, plant, and equipment of the Town are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	15 - 50
Buildings and improvements	10 - 40
Machinery and equipment	10
Vehicles	5

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, 2013, 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, 2013, 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 Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

Revenues and Expenditures/Expenses

Program Revenues—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are

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

Tax payments are due January 1 to 31 without penalty; February 1 to 28 with a 1% penalty; and March 1 to 31 with a 2 % penalty.

The tax roll is returned to the Niagara County Treasurer after March 31 at which time all unpaid taxes and penalties are payable to that office. The Town retains its full tax levies for all unpaid items returned to the County. Thus, the Town is assured of receiving 100% of its tax levy. The County enforces all liens.

Compensated absences—Pursuant to a resolution of the governing board and contractual agreements, Town employees are entitled to accrue a maximum of 200 days of sick leave. Upon retirement, 50% of the cash value of unused sick leave may be paid to the employee as a lump sum distribution. These payments are budgeted annually without accrual. Vacation time is based on past service and is guaranteed paid-time off during the year following the employee's entitlement date.

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

Other

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

Adoption of New Accounting Pronouncements—During the year ended December 31, 2013, the Town implemented GASB Statements No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, and No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. GASB Statement No. 61 clarifies the manner in determining whether or not an organization should be included as a component unit, and GASB Statement No. 66 improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statements No. 61 and No. 66 did not have a material impact on the Town's financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Town has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*; No. 69, *Government Combinations*

and Disposals of Government Operations; and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending December 31, 2014; and No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*; and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68*, effective for the year ending December 31, 2015. The Town is, therefore, unable to disclose the impact that adopting GASB Statements Nos. 67, 68, 69, 70 and 71 will have on its financial position and results of operations when such statements are implemented.

Stewardship, Compliance and Accountability

The Town follows these procedures in establishing the budgetary data reflected in the general purpose financial statements:

- ◆ Prior to September 30, the Town Supervisor submits 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 make adjustments before approving a “preliminary” budget and calling for a public hearing which is generally held in late October.
- ◆ Following the public hearings, revisions may be made by the Town Board before filing an adopted budget with Niagara County by November 20th.
- ◆ 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 departmental budgetary control. All budget amendments and budget transfers require Town Board approval. For the year ended December 31, 2013, \$40,000 of supplemental appropriations were needed in the General Fund.
- ◆ Except for the Capital Projects Fund, formal annual budgetary accounts are employed as a management control device for the Town’s governmental funds.
- ◆ Annual budgets are adopted on a basis consistent with GAAP. All unencumbered appropriations lapse at the end of the fiscal year.
- ◆ As previously mentioned, Capital Projects Fund appropriations are not included in the Town’s annual budget. Instead, appropriations are approved through a Town Board resolution at the project’s inception and lapse upon termination of the project. Accordingly, the Capital Projects Fund budget is not presented in a Statement of Revenues, Expenditures and Changes in the Fund Balance—Budget and Actual, since a comparison of the budgeted amounts with the current year expenditures would not be meaningful.

Total expenditures for each object classification within a department may not legally exceed the total appropriation for that object classification.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Town's investment policies are governed by State statutes. In addition, the Town has its own written investment policy. Town monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Supervisor is authorized to use demand 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. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school town subdivisions. Cash at year-end consisted of:

	Governmental Activities	Fiduciary Fund	Total
Petty cash (uninsured, uncollateralized)	\$ 600	\$ -	\$ 600
Deposits	<u>3,696,014</u>	<u>176,151</u>	<u>3,872,165</u>
Total	<u>\$ 3,696,614</u>	<u>\$ 176,151</u>	<u>\$ 3,872,765</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2013 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 680,034	\$ 680,034
Uninsured:		
Collateral held in pledging bank's agent in the Town's name	<u>3,230,623</u>	<u>3,192,131</u>
Total	<u>\$ 3,910,657</u>	<u>\$ 3,872,165</u>

Custodial Credit Risk – Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2013, the Town's deposits were FDIC insured or collateralized.

Investments—The Town had no investments at December 31, 2013.

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 statute.

Restricted Cash—Total restricted cash of \$180,034, represents debt proceeds to be used for eligible capital project costs.

3. RECEIVABLES

A. *Accounts receivable*—Represents amounts due for cable franchise fees, charges collected by departments within the Town, charges for services, water and sewer rents receivables, and special assessments receivable for construction of infrastructure (i.e., water lines) within certain areas of the Town. Accounts receivable and amounts due to the Town from other governments at December 31, 2013 are presented below:

General Fund:		
Cable franchise fees	\$ 54,296	
Due from Town Clerk	30,271	
Due from Town Justices	<u>16,307</u>	<u>\$ 100,874</u>
Highway Fund:		
Fuel use reimbursement	\$ 10,206	
Health plan reimbursement	600	
Due from Town Clerk	<u>66</u>	<u>\$ 10,872</u>
Water Fund:		
Billed water rents and charges		<u>\$ 224,172</u>
Sewer Fund:		
Billed sewer rents		<u>\$ 105,932</u>
Garbage and Refuse Fund:		
Rebates		<u>\$ 24,481</u>

B. *Due from other governments*—Represents amounts due primarily from New York State, the County of Niagara and other local municipalities for sales tax, services rendered, grants, and unpaid Town charges. Amounts due from other governments at December 31, 2013 are:

General Fund:		
Niagara County - sales tax	\$ 267,340	
Niagara County - unpaid Town charges	<u>3,725</u>	<u>\$ 271,065</u>
Highway Fund:		
Niagara County - sales tax	\$ 170,922	
Niagara County - snow removal	25,771	
Niagara County - fuel	<u>1,501</u>	<u>\$ 198,194</u>
Water Fund:		
Niagara County - unpaid water bills		<u>\$ 80,894</u>
Sewer Fund:		
Niagara County - unpaid sewer bills		<u>\$ 25,846</u>

4. CAPITAL ASSETS

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

	Balance 1/1/2013	Increases	Decreases	Balance 12/31/2013
Capital assets, not being depreciated:				
Land	\$ 1,014,098	\$ -	\$ -	\$ 1,014,098
Construction in progress	<u>1,167,526</u>	<u>19,270</u>	<u>(957,475)</u>	<u>229,321</u>
Total capital assets, not being depreciated	<u>2,181,624</u>	<u>19,270</u>	<u>(957,475)</u>	<u>1,243,419</u>
Capital assets, being depreciated:				
Infrastructure	40,548,904	957,475	-	41,506,379
Buildings and improvements	8,864,656	10,800	-	8,875,456
Machinery and equipment	6,005,817	183,780	(5,800)	6,183,797
Vehicles	<u>677,829</u>	<u>45,777</u>	<u>-</u>	<u>723,606</u>
Total capital assets, being depreciated	<u>56,097,206</u>	<u>1,197,832</u>	<u>(5,800)</u>	<u>57,289,238</u>
Less accumulated depreciation for:				
Infrastructure	(19,031,184)	(969,812)	-	(20,000,996)
Buildings and improvements	(3,093,991)	(228,512)	-	(3,322,503)
Machinery and equipment	(4,606,541)	(201,472)	5,220	(4,802,793)
Vehicles	<u>(422,027)</u>	<u>(65,684)</u>	<u>-</u>	<u>(487,711)</u>
Total accumulated depreciation	<u>(27,153,743)</u>	<u>(1,465,480)</u>	<u>5,220</u>	<u>(28,614,003)</u>
Total capital assets, being depreciated, net	<u>28,943,463</u>	<u>(267,648)</u>	<u>(580)</u>	<u>28,675,235</u>
Governmental activities capital assets, net	<u>\$ 31,125,087</u>	<u>\$ (248,378)</u>	<u>\$ (958,055)</u>	<u>\$ 29,918,654</u>

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

Function/Program	Depreciation
General government support	\$ 85,764
Transportation	289,954
Culture and recreation	88,712
Home and community service	<u>1,001,050</u>
Total depreciation expense, governmental activities	<u>\$ 1,465,480</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2013 were as follows:

	General Fund	Highway Fund	Water Districts Fund	Sewer Districts Fund	Fire District Fund	Total Governmental Funds
Salary and employee benefits	\$ 54,473	\$ 30,308	\$ 11,429	\$ 19,818	\$ 138,800	\$ 254,828
Total accrued liabilities	<u>\$ 54,473</u>	<u>\$ 30,308</u>	<u>\$ 11,429</u>	<u>\$ 19,818</u>	<u>\$ 138,800</u>	<u>\$ 254,828</u>

6. PENSION PLANS

Plan Description—The Town participates in the New York State and Local Employees’ Retirement System (“System”). This is a cost-sharing multiple-employer retirement system. The System provides retirement as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (the “NYSRSSL”). As set forth in the NYSRSSL, the Comptroller of the State of New York (the “Comptroller”) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of the funds. The System issues 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 System, 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 join on or after January 1, 2010, who generally contribute 3% of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute three (3%) of their annual salary until March 31, 2013, after which the contribution percentage will be based on annual 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:

Year	Contributions
2013	\$ 452,006
2012	389,643
2011	327,388

The Town’s contributions made to the System was equal to 100 percent of the contributions required for each year.

7. OTHER POSTEMPLOYMENT BENEFIT (“OPEB”) OBLIGATIONS

Plan Description— The Town pays for a portion of eligible retirees’ health insurance, depending on the type of health plan provided. Eligibility for post-employment benefits is based on hire date, age, and years of service.

Funding Policy—Authorization for the Town to pay a portion of retiree health insurance premiums was enacted through benefit packages authorized by the Town Board. Upon retirement, the Town generally pays for the cost of the employee’s health coverage based on the plan currently in effect for active employees.

The Town recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. The Town contributed \$157,247 for the fiscal year ended December 31, 2013.

The Town’s annual other postemployment benefit (“OPEB”) cost is calculated based on the annual required contribution (“ARC”) of the employer. The Town elected to determine its OPEB liability under the Alternative Measurement Method permitted by GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

	<u>Year ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 851,047	\$ 795,371
Interest on net OPEB obligation	67,278	62,877
Adjustment to annual required contribution	<u>(93,545)</u>	<u>(87,426)</u>
Annual OPEB costs (expense)	824,780	770,822
Contributions made	<u>(157,247)</u>	<u>(143,620)</u>
Increase in net OPEB obligation	667,533	627,202
Net OPEB obligation—beginning of year	<u>2,199,115</u>	<u>1,571,913</u>
Net OPEB obligation—end of year	<u><u>\$2,866,648</u></u>	<u><u>\$2,199,115</u></u>

Funding Status and Funding Progress— As of December 31, 2013, the most recent valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits was \$7,135,882.

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

The Town’s schedule of contributions is shown on the following page.

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2013	\$ 851,047	\$ 157,247	18.5%
2012	795,371	143,620	18.1%
2011	668,037	107,321	16.1%

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

- Valuation Method - the method used is the *Unit Credit Cost Method*.
- Valuation of Assets – no assets have been set aside to fund the liabilities. The plan is funded on a pay-as-you-go basis.
- Eligible Plan Participants – all active and retired employees who are participants in the medical plan as of the date the valuation was performed are included in the liability.
- Amortization Method – *Level Dollar Method*
- Amortization Period for Actuarial Accrued Liability (AAL) – thirty years
- Amortization Period remaining – twenty six years
- Valuation Date – December 31, 2013
- Expected investment rate of return – 4%

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

The Town established a defined contribution LOSAP plan for active volunteer firefighters of the Adams, Frontier, Bergholz, St. Johnsburg, and Shawnee Fire Companies. The program took effect on January 1, 1995. The program was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally-funded pension like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Town is the sponsor of the program.

Program Description

Participation, vesting and service credit - Active volunteer firefighters who have reached the age of 18 and who have earned 1 year of service credit are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with 5 years of firefighting service or upon attaining the program’s entitlement age or becoming totally and permanently disabled. The program’s entitlement age is age 62. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points.

Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for 5 years of firefighting service rendered prior to the establishment of the program. In the case of total and permanent disability before attaining entitlement age the individual is entitled to receive the credited contribution and investment earnings that are credited to his account regardless of age or length of service.

Contributions, balances, and payouts – Prior to January 1, 2009, an annual contribution of \$480 shall be contributed by the Town, up to a maximum of forty (40) years for each calendar year a participant earned a year of service credit under the Point System. Subsequent to January 1, 2009, the annual contribution increases to \$700. Each participant accrues an individual account balance which contains their accrued service award, and includes the total annual contributions earned by a participant plus a proportionate share of allocated investment income earned on the Service Award Program Trust Fund plus an allocated share of interest paid into such fund on prior service contributions less any investment related expenses paid from such Trust Fund. A participant's accrued service award is payable as soon as administratively possible after January 1 in the next succeeding calendar year after attaining entitlement age.

Fiduciary Investment and Control

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board.

The Service Award Program is administered by the governing board of the sponsor through recommendations from a Service Award Program Trustees' Committee. The committee consists of representatives from the five fire companies. The Town has also retained and designated Standard Security Life Insurance Company to assist in the administration of the program.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. Evans National Bank also serves as the trustee and Harbridge Consulting Group acts as investment manager.

Authority to invest program assets is vested in the Town Board. Subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" rule and the Investment Document for the LOSAP as approved by the Board of Trustees.

The sponsor is required to retain an actuary to determine the amount of the sponsor's contributions to the plan. The actuary retained by the sponsor for this purpose is Harbridge Consulting Group. Portions of the following information are derived from a report prepared by the actuary dated July 23, 2013.

Program Financial Condition

Assets and Liabilities

Assets available for benefits at December 31, 2012:

	<u>% of total</u>		
Annuity Contract	94.2%	\$ 1,960,550	
Contribution Receivable	5.8%	<u>120,257</u>	
Total Net Assets Available for Benefits			<u>\$ 2,080,807</u>

Receipts and Disbursements

Plan Net Assets, beginning of the year			<u>\$ 1,971,487</u>
Changes during the year:			
+ Plan contributions		\$ 118,300	
+ Investment income earned		74,834	
+ Adjustments for Prior Service		1,957	
- Distributions to participants		<u>(85,771)</u>	
Plan Net Assets, end of year			<u>\$ 2,080,807</u>

As of December 31, 2013, program asset information was not available. The Town estimates that the contribution to the Program including administrative fees for the year ended December 31, 2013 will be \$138,800.

9. RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; injuries to employees; and natural disasters. The Town purchases commercial insurance to cover the liability for most risk including, but not limited to, general liability, workers' compensation, vehicle, and excess liability. The general liability insurance is limited to \$1 million per occurrence, and an aggregate \$3 million limit. The automobile insurance is limited to \$1 million per accident. The umbrella liability insurance includes a \$10,000 policy retention and is limited to \$5 million per occurrence, and an aggregate \$10 million limit. 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 commercial insurance coverage in the past three fiscal years.

10. SHORT-TERM DEBT

Liabilities for bond anticipation notes ("BANs") are generally accounted for in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date.

On the following page is a summary of the Town's short-term debt for the year ended December 31, 2013.

Description	Interest Rate	Date of Maturity	Outstanding 1/1/2013	Issued	Paid	Outstanding 12/31/2013
Water/Sewer Admin Roof Replacement	1.75%	9/17/2013	\$ 150,000	\$ -	\$ 150,000	\$ -
Water/Sewer Admin Roof Replacement	1.70%	9/17/2014	-	100,000	-	100,000
			<u>\$ 150,000</u>	<u>\$ 100,000</u>	<u>\$ 150,000</u>	<u>\$ 100,000</u>

11. LONG-TERM LIABILITIES

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

In the fund financial statements, governmental funds 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 payable, capital leases, accrued landfill post-closure costs, compensated absences and other post-employment benefits ("OPEB") obligations. The bonds payable of the Town are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the Town's long-term debt at December 31, 2013 follows:

	Balance 1/1/2013	Additions	Deletions	Balance 12/31/2013	Current Portion
Serial bonds	\$ 11,460,000	\$ -	\$ 1,110,000	\$ 10,350,000	\$ 1,145,000
Capital lease	6,217	-	5,290	927	927
Accrued landfill post-closure costs	373,184	-	20,732	352,452	19,805
Compensated absences	344,605	138,603	116,103	367,105	129,318
OPEB obligation	2,199,115	824,780	157,247	2,866,648	-
Total	<u>\$ 14,383,121</u>	<u>\$ 963,383</u>	<u>\$ 1,409,372</u>	<u>\$ 13,937,132</u>	<u>\$ 1,295,050</u>

A. Bonded indebtedness—A summary of the bonded indebtedness transactions of the Town, for the year ended December 31, 2013, is presented below:

	<u>Year of Issue</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>Balance 1/1/2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/2013</u>
General Fund:							
Senior Community Center/							
Town Hall expansion	2002	2021	3.60%	\$ 945,000	\$ -	\$ 105,000	\$ 840,000
Witmer Road Refuse	2004	2019	3.60%	630,000	-	90,000	540,000
Youth Center	2011	2026	4.00%	1,434,000	-	88,000	1,346,000
Town Hall Roof	2011	2026	4.00%	96,000	-	7,000	89,000
Parklands	2011	2026	4.00%	540,000	-	35,000	505,000
Workers Comp Settlement	2009	2014	3.35%	26,208	-	12,480	13,728
Highway Fund:							
Highway Garage Roof	2011	2026	4.00%	165,000	-	10,000	155,000
Road Reconstruction/ Highway Equipment	2011	2024	4.00%	625,000	-	45,000	580,000
Workers Comp Settlement	2009	2014	3.35%	20,202	-	9,620	10,582
Fire Protection District:							
Workers Comp Settlement	2009	2014	3.35%	57,813	-	27,530	30,283
Water Fund:							
Water Meters	2011	2026	4.00%	800,000	-	55,000	745,000
Sewer Fund:							
Water Storage Facility	2011	2026	4.00%	960,000	-	65,000	895,000
Pump Station	2011	2026	4.00%	375,000	-	25,000	350,000
Drainage	2011	2026	4.00%	1,390,000	-	90,000	1,300,000
Sewer Projects	1994	2015	6.83%	405,000	-	130,000	275,000
Sewer Phase I Project	2000	2020	3.06%	1,420,000	-	160,000	1,260,000
Sewer Phase II Project	2002	2021	4.46%	1,570,000	-	155,000	1,415,000
Workers Comp Settlement	2009	2014	3.35%	777	-	370	407
Total				<u>\$ 11,460,000</u>	<u>\$ -</u>	<u>\$ 1,110,000</u>	<u>\$ 10,350,000</u>

The following summarizes the Town's debt service requirements subsequent to December 31, 2013:

Fiscal Year Ending December 31,	Principal	Interest	Total
2014	1,145,000	412,185	1,557,185
2015	1,110,000	364,586	1,474,586
2016	1,000,000	317,242	1,317,242
2017	1,015,000	278,137	1,293,137
2018	1,030,000	237,964	1,267,964
2018-2022	3,670,000	608,360	4,278,360
2023-2026	1,380,000	80,400	1,460,400
	<u>\$ 10,350,000</u>	<u>\$ 2,298,875</u>	<u>\$ 12,648,875</u>

B. Capital leases—The Town has entered into lease agreements as a lessee for financing the acquisition of certain vehicles and machinery and equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through the capital lease are as follows at December 31, 2013:

	Governmental Activities
Assets:	
Vehicles	\$ 27,125
Machinery and equipment	171,570
Less: accumulated depreciation	<u>(151,910)</u>
Total	<u>\$ 46,785</u>

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

Fiscal Year Ending December 31, 2014	Governmental Activities
Total minimum lease payments	937
Less: amount representing interest	<u>(10)</u>
PV of minimum lease payments	<u>\$ 927</u>

C. Accrued landfill post-closure costs—State and federal laws and regulations require the Town to perform certain maintenance and monitoring functions in addition to remediation work on the Town's landfill site. Both post-closure costs and remediation work are to be paid in the future.

The total estimated post-closure care and remediation work cost liability is recorded within the government-wide financial statements. Current year expenditures are recorded within the General Fund. The \$352,452 reported as the accrued landfill post-closure care liability at December 31, 2013 represents the cumulative amount reported to date based on 100% capacity used. The amount reported is based on what it would cost to perform all post-closure and remediation work in 2013.

- D. Compensated absences**—As explained in Note 1, the Town records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at December 31, 2013, for governmental activities is \$367,105. Since the payment of sick time is dependent upon many factors, the timing of future payments is not readily determinable; however management has estimated the current portion of this liability to include 5%, or \$12,515, of the total sick liability, along with 100% of the vacation liability, or \$116,803, totaling \$129,318. Management believes that funds will be available to meet such payments as they come due.
- E. OPEB Obligation**—As explained in Note 7, the Town provides a portion of health care benefits for retirees. The Town’s annual postemployment benefit (“OPEB”) cost is calculated based on the annual required contributions of the employer, an amount determined in accordance with the parameters of GASB. The Town’s long-term OPEB obligation is estimated to be \$2,866,648 at December 31, 2013.

12. 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 position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Capital assets, net of accumulated depreciation	\$ 29,918,654
Less: related debt	
Serial bonds issued for capital assets	(10,295,000)
Capital leases payable	(927)
Bond anticipation notes payable	(100,000)
Add: debt proceeds not yet utilized for capital projects	180,034
Invested in capital, net of related debt	\$ 19,702,761

- ◆ *Unrestricted Component of net position*— This category represents net position of the Town not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the Town at December 31, 2013 include:

- ◆ **Prepays**—Represents amounts prepaid to the New York State Local Employees’ Retirement System that are applicable to future accounting periods. The General, Highway, Water District and Sewer District funds reported amounts of \$55,574, \$31,122, \$8,892 and \$15,561, respectively, for a total nonspendable fund balance of \$111,149.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling reported no restricted fund balance legislation. Restricted fund balance maintained by the Town at December 31, 2013, the Town includes \$180,034 of unspent debt proceeds to be spent for future capital projects.

The Town Board authorizes the Supervisor to make a determination of the assigned amounts of fund balance. Assigned funds represent amounts intended to be used for a specific purpose. In the fund financial statements, assignments by the Town at December 31, 2013 include:

	<u>Encumbrances</u>	<u>Subsequent Year's Expenditures</u>	<u>Special Revenue Funds</u>	<u>Total Assigned</u>
General Fund	\$ 84,929	\$ 425,000	\$ -	\$ 509,929
Highway Fund	51,645	125,000	642,200	818,845
Water District	4,600	-	154,616	159,216
Sewer District	943	250,000	365,871	616,814
Fire District	-	-	58,631	58,631
Refuse District	-	-	154,071	154,071
Lighting District	-	-	5,982	5,982
Total	<u>\$ 142,117</u>	<u>\$ 800,000</u>	<u>\$ 1,381,371</u>	<u>\$ 2,323,488</u>

- ◆ **Encumbrances**—Represents amounts related to unperformed (executory) contracts for goods and services.
- ◆ **Subsequent Year’s Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2014 fiscal year.
- ◆ **Special Revenue Funds**—Represents fund balance within the special revenue funds that is assigned for a specific purpose.

Unassigned fund balance represents the residual classification of the government’s General Fund, and could report a surplus or deficit. As of December 31, 2013, the unassigned fund balance was \$1,510,140, which is the net of the unassigned deficits in the Capital Projects Fund.

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

The Town is committed to maintaining a sufficient level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The Town’s policy is to maintain a reserve for economic uncertainties, consisting of unassigned amounts, equal to no less than 10 percent of fund appropriations.

13. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of December 31, 2013 is as follows:

Fund	Interfund			
	Receivables	Payables	Transfers In	Transfers Out
General Fund	\$ 136,833	\$ -	\$ -	\$ -
Water District Fund	-	-	16,262	25,000
Sewer District Fund	-	-	54,598	25,000
Capital Projects Fund	-	-	50,000	70,860
Agency Fund	-	136,833	-	-
	<u>\$ 136,833</u>	<u>\$ 136,833</u>	<u>\$ 120,860</u>	<u>\$ 120,860</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year. Transfers are used primarily to move amounts earmarked in the General Fund to fulfill commitments for Capital Projects Fund expenditures.

14. AGENCY FUND

An agency fund exists for employee withholdings and temporary deposit funds. A summary of changes in assets and liabilities for the year ended December 31, 2013 is presented below:

	Balance 1/1/13	Additions	Deductions	Balance 12/31/13
Assets:				
Cash	\$ 155,866	\$ 3,281,034	\$ 3,260,749	\$ 176,151
Due from other funds	-	2,725,482	2,725,482	-
LOSAP assets	1,960,550	120,257	-	2,080,807
Total assets	<u>\$ 2,116,416</u>	<u>\$ 6,126,773</u>	<u>\$ 5,986,231</u>	<u>\$ 2,256,958</u>
Liabilities:				
Agency liabilities	\$ 26,839	\$ 1,812,624	\$ 1,800,145	\$ 39,318
Due to other funds	129,027	152,063	144,257	136,833
Amounts held for LOSAP	1,960,550	120,257	-	2,080,807
Total liabilities	<u>\$ 2,116,416</u>	<u>\$ 2,084,944</u>	<u>\$ 1,944,402</u>	<u>\$ 2,256,958</u>

15. LABOR RELATIONS

Certain Town employees are represented by a bargaining unit with the balance governed by Town Board rules and regulations. The bargaining unit has a contract through December 31, 2014.

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. No potential amount or potential range of loss is determinable. However, management believes that level of such potential loss, if any, would be immaterial and no provisions have been made with the financial statements.

Grants—The Town receives financial assistance from State governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions that are specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the Town. The amount, if any, of the expenditures which may be disallowed cannot be determined at this time, however, management expects such amounts to be immaterial to the Town's financial statements.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 12, 2014, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property tax items	\$ 17,000	\$ 17,000	\$ 16,811	\$ (189)
Non-property tax items	2,815,880	2,815,880	3,010,525	194,645
Departmental income	99,300	139,300	205,883	66,583
Use of money and property	-	-	2,899	2,899
Licenses and permits	160,900	160,900	154,613	(6,287)
Fines and forfeitures	160,000	160,000	191,199	31,199
Sale of property and compensation for loss	17,500	17,500	13,896	(3,604)
Miscellaneous	-	-	5,648	5,648
State aid	357,227	357,227	510,011	152,784
Total revenues	<u>3,627,807</u>	<u>3,667,807</u>	<u>4,111,485</u>	<u>443,678</u>
EXPENDITURES				
Current:				
General government support	1,063,294	1,032,971	960,266	72,705
Public safety	446,791	444,623	422,864	21,759
Transportation	275,335	269,685	249,789	19,896
Economic assistance and opportunity	29,711	29,101	20,765	8,336
Culture and recreation	933,704	1,031,623	818,122	213,501
Home and community services	91,311	91,567	80,846	10,721
Employee benefits	743,353	728,100	659,478	68,622
Debt service:				
Principal	344,550	342,770	342,770	-
Interest	133,089	130,698	130,692	6
Total expenditures	<u>4,061,138</u>	<u>4,101,138</u>	<u>3,685,592</u>	<u>415,546</u>
Net change in fund balance*	(433,331)	(433,331)	425,893	859,224
Fund balances—beginning	1,749,750	1,749,750	1,749,750	-
Fund balances—ending	<u>\$ 1,316,419</u>	<u>\$ 1,316,419</u>	<u>\$ 2,175,643</u>	<u>\$ 859,224</u>

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 195,342	195,342	\$ 195,274	\$ (68)
Non-property tax items	1,689,120	1,689,120	1,786,153	97,033
Departmental Income	10,000	10,000	10,486	486
Intergovernmental charges	155,000	155,000	141,533	(13,467)
Use of money and property	-	-	1,012	1,012
Licenses and permits	13,500	13,500	12,000	(1,500)
Sale of property and compensation for loss	-	-	4,552	4,552
Miscellaneous	-	-	15,000	15,000
State aid	68,000	68,000	85,593	17,593
Total revenues	<u>2,130,962</u>	<u>2,130,962</u>	<u>2,251,603</u>	<u>120,641</u>
EXPENDITURES				
Current:				
General government support	6,004	5,900	3,119	2,781
Transportation	1,693,177	1,718,194	1,516,576	201,618
Employee benefits	477,589	469,300	444,864	24,436
Debt Service:				
Principal	65,761	64,620	64,620	-
Interest	27,835	27,352	27,351	1
Total expenditures	<u>2,270,366</u>	<u>2,285,366</u>	<u>2,056,530</u>	<u>228,836</u>
Net change in fund balance*	(139,404)	(154,404)	195,073	349,477
Fund balances—beginning	<u>654,894</u>	<u>654,894</u>	<u>654,894</u>	<u>-</u>
Fund balances—ending	<u>\$ 515,490</u>	<u>\$ 500,490</u>	<u>\$ 849,967</u>	<u>\$ 349,477</u>

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Departmental income	\$ 1,389,136	\$ 1,389,136	\$ 1,202,692	\$ (186,444)
Use of money and property	-	-	249	249
Sale of property and compensation for loss	4,200	4,200	8,251	4,051
Miscellaneous	-	-	-	-
Total revenues	<u>1,393,336</u>	<u>1,393,336</u>	<u>1,211,192</u>	<u>(182,144)</u>
EXPENDITURES				
Current:				
General government support	7,002	7,000	4,370	2,630
Home and community services	1,173,389	1,173,464	951,022	222,442
Employee benefits	153,743	153,700	151,731	1,969
Debt service:				
Principal	80,022	80,000	55,000	25,000
Interest	<u>29,583</u>	<u>29,575</u>	<u>28,638</u>	<u>937</u>
Total expenditures	<u>1,443,739</u>	<u>1,443,739</u>	<u>1,190,761</u>	<u>252,978</u>
Excess (deficiency) of revenues over expenditures	<u>(50,403)</u>	<u>(50,403)</u>	<u>20,431</u>	<u>70,834</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	16,262	16,262
Transfers out	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(8,738)</u>	<u>(8,738)</u>
Net change in fund balances*	(50,403)	(50,403)	11,693	62,096
Fund balances—beginning	<u>156,415</u>	<u>156,415</u>	<u>156,415</u>	<u>-</u>
Fund balances—ending	<u>\$ 106,012</u>	<u>\$ 106,012</u>	<u>\$ 168,108</u>	<u>\$ 62,096</u>

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 1,013,603	\$ 1,013,603	\$ 1,013,548	\$ (55)
Departmental income	590,000	590,000	649,227	59,227
Use of money and property	82,387	82,387	81,135	(1,252)
Total revenues	<u>1,685,990</u>	<u>1,685,990</u>	<u>1,743,910</u>	<u>57,920</u>
EXPENDITURES				
Current:				
General government support	5,010	5,000	1,575	3,425
Home and community services	861,091	863,425	755,068	108,357
Employee benefits	226,474	226,000	206,744	19,256
Debt Service:				
Principal	651,731	650,370	625,370	25,000
Interest	234,317	233,828	228,628	5,200
Total expenditures	<u>1,978,623</u>	<u>1,978,623</u>	<u>1,817,385</u>	<u>161,238</u>
Excess (deficiency) of revenues over expenditures	<u>(292,633)</u>	<u>(292,633)</u>	<u>(73,475)</u>	<u>219,158</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	38,500	38,500	54,598	16,098
Transfers out	-	-	(25,000)	(25,000)
Total other financing sources (uses)	<u>38,500</u>	<u>38,500</u>	<u>29,598</u>	<u>(8,902)</u>
Net change in fund balances*	(254,133)	(254,133)	(43,877)	210,256
Fund balances—beginning	676,252	676,252	676,252	-
Fund balances—ending	<u>\$ 422,119</u>	<u>\$ 422,119</u>	<u>\$ 632,375</u>	<u>\$ 210,256</u>

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 1,476,717	\$ 1,476,717	\$ 1,476,717	\$ -
Use of money and property	-	-	418	418
Sale of property and compensation for loss	-	-	4,286	4,286
Miscellaneous	-	-	50	50
Total revenues	<u>1,476,717</u>	<u>1,476,717</u>	<u>1,481,471</u>	<u>4,754</u>
EXPENDITURES				
Current:				
Public safety	1,272,250	1,254,450	1,182,983	71,467
Employee benefits	125,000	142,800	142,787	13
Debt Service:				
Principal	27,530	27,530	27,530	-
Interest	<u>1,937</u>	<u>1,937</u>	<u>1,934</u>	<u>3</u>
Total expenditures	<u>1,426,717</u>	<u>1,426,717</u>	<u>1,355,234</u>	<u>71,483</u>
Net change in fund balances*	50,000	50,000	126,237	76,237
Fund balances (deficits)—beginning	<u>(67,606)</u>	<u>(67,606)</u>	<u>(67,606)</u>	<u>-</u>
Fund balances (deficits)—ending	<u>\$ (17,606)</u>	<u>\$ (17,606)</u>	<u>\$ 58,631</u>	<u>\$ 76,237</u>

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 950,000	\$ 950,000	\$ 950,000	\$ -
Use of money and property	30,000	30,000	31,325	1,325
Total revenues	<u>980,000</u>	<u>980,000</u>	<u>981,325</u>	<u>1,325</u>
EXPENDITURES				
Current:				
Home and community services	980,000	980,000	851,772	128,228
Total expenditures	<u>980,000</u>	<u>980,000</u>	<u>851,772</u>	<u>128,228</u>
Net change in fund balances	-	-	129,553	129,553
Fund balances—beginning	24,518	24,518	24,518	-
Fund balances—ending	<u>\$ 24,518</u>	<u>\$ 24,518</u>	<u>\$ 154,071</u>	<u>\$ 129,553</u>

TOWN OF WHEATFIELD, NEW YORK
Schedule of Revenue, Expenditures and Changes in Fund Balances—
Budget and Actual—Lighting District
Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 20,500	\$ 20,500	\$ 20,500	\$ -
Total revenues	<u>20,500</u>	<u>20,500</u>	<u>20,500</u>	<u>-</u>
EXPENDITURES				
Current:				
Transportation	<u>20,500</u>	<u>20,500</u>	<u>23,518</u>	<u>(3,018)</u>
Total expenditures	<u>20,500</u>	<u>20,500</u>	<u>23,518</u>	<u>(3,018)</u>
Net change in fund balances	-	-	(3,018)	(3,018)
Fund balances—beginning	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>-</u>
Fund balances—ending	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 5,982</u>	<u>\$ (3,018)</u>

TOWN OF WHEATFIELD, NEW YORK
Schedule of Funding Progress—
Other Post-Employment Benefits Obligations
Year Ended December 31, 2013

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Budgeted Covered Payroll	Ratio of UAAL to Budget Covered Payroll
As of December 31, 2013	\$ -	\$ 7,135,882	\$ 7,135,882	-	\$ 1,669,427	4.27
As of December 31, 2012	-	6,669,049	6,669,049	-	1,667,495	4.00
As of January 1, 2010	-	4,616,490	4,616,490	-	1,655,023	2.79

SUPPLEMENTAL INFORMATION

TOWN OF WHEATFIELD, NEW YORK
Combining Balance Sheet
Capital Projects Fund—By Project
December 31, 2013

	Road Reconst.		Water/Sewer	Water		Total Capital
	Highway	Water	Admin Bldg	Storage		Projects Fund
	Equipment	Meters	Roof	Facility	Drainage	
ASSETS						
Cash and cash equivalents	\$ 139,877	\$ 10,045	\$ -	\$ -	\$ 30,112	\$ 180,034
Total assets	<u>\$ 139,877</u>	<u>\$ 10,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,112</u>	<u>\$ 180,034</u>
LIABILITIES						
Bond anticipation notes payable	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ 100,000
Total liabilities	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
FUND BALANCES (DEFICIT)						
Restricted	139,877	10,045	-	-	30,112	180,034
Unassigned	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Total fund balances (deficit)	<u>139,877</u>	<u>10,045</u>	<u>(100,000)</u>	<u>-</u>	<u>30,112</u>	<u>80,034</u>
Total liabilities and						
Fund balances (deficit)	<u>\$ 139,877</u>	<u>\$ 10,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,112</u>	<u>\$ 180,034</u>

TOWN OF WHEATFIELD, NEW YORK
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Capital Projects Fund—By Project
Year Ended December 31, 2013

	Road Reconst.		Water/Sewer	Water		Total Capital
	Highway	Water	Admin Bldg	Storage		Projects Fund
	Equipment	Meters	Roof	Facility	Drainage	
REVENUES						
Use of money and property	\$ 112	\$ 9	\$ 20	\$ -	\$ 17	\$ 158
Total revenues	<u>112</u>	<u>9</u>	<u>20</u>	<u>-</u>	<u>17</u>	<u>158</u>
EXPENDITURES						
Capital outlay:						
Home and community services	-	3,345	-	-	19,270	22,615
Total expenditures	<u>-</u>	<u>3,345</u>	<u>-</u>	<u>-</u>	<u>19,270</u>	<u>22,615</u>
Excess (deficiency) of revenues over expenditures	<u>112</u>	<u>(3,336)</u>	<u>20</u>	<u>-</u>	<u>(19,253)</u>	<u>(22,457)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	50,000	-	-	50,000
Transfers out	-	-	(32,525)	(38,335)	-	(70,860)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>17,475</u>	<u>(38,335)</u>	<u>-</u>	<u>(20,860)</u>
Net change in fund balances (deficit)	112	(3,336)	17,495	(38,335)	(19,253)	(43,317)
Fund balances (deficit)—beginning	139,765	13,381	(117,495)	38,335	49,365	123,351
Fund balances (deficit)—ending	<u>\$ 139,877</u>	<u>\$ 10,045</u>	<u>\$ (100,000)</u>	<u>\$ -</u>	<u>\$ 30,112</u>	<u>\$ 80,034</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 Supervisor and Town Board
Town of Wheatfield, 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 Wheatfield, New York (the "Town") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 12, 2014

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2013-01 to be a significant deficiency.

Compliance and Other Matters

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

The Town's Response to Findings

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Drescher & Malecki LLP

June 12, 2014

TOWN OF WHEATFIELD, NEW YORK
Schedule of Findings
Year Ended December 31, 2013

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

Finding 2013-01— Water Department Access

Criteria— Employees without proper authorization should not have the ability to update water/sewer consumer records (ie. usage) within the billing software.

Condition and Context— The water/sewer bills are derived from the recorded usage in the billing software. We noted that water department employees with access to the system can manually alter all data points within the system.

Cause— There are currently no access restrictions to employees with the billing software installed on their respective computers. In addition the software does not track the history of updates made to the system, and therefore the changes cannot be traced to where the error was entered.

Effect or Potential Effect—The ability to alter usage in the billing system, without a proper tracking of changes exposes the Town to the risk of fraudulent billing and this backdoor access could also cause a material misstatement.

Recommendation—We recommend that the Town consider upgrades to its current billing system which allows for more restrictions on the items that can be altered when completing customer usage records (ie. employees should not be able to alter reported usage). Access should be restricted to those who operate the water/sewer billing cycle. Furthermore, the software should contain a history log so that it documents who makes what changes and when.

Management's response—The Town will investigate whether proper restrictions can be place on the current software utilized.