

CITY OF NORTH TONAWANDA, NEW YORK
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
WITH
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2013

CITY OF NORTH TONAWANDA, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of Common Council
City of North Tonawanda
North Tonawanda, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of North Tonawanda, New York, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of North Tonawanda's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 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.

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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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of North Tonawanda, New York, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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. 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 City of North Tonawanda's basic financial statements. The Combining and Individual Fund Statements and Schedules, and the Financial Statements of Individual Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining and Individual Fund Statements and Schedules, and the Financial Statements of Individual Funds are 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2014 on our consideration of the City of North Tonawanda'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 City of North Tonawanda's internal control over financial reporting and compliance.

Tonawanda, New York
June 16, 2014

CITY OF NORTH TONAWANDA, NEW YORK

Management's Discussion and Analysis December 31, 2013

This section of the City of North Tonawanda's (City) annual financial report presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2013. Please read it in conjunction with the City's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of the 2013 fiscal year by \$45,644,487 (net position). Of this amount, \$4,111,070 is restricted for specific purposes (restricted net position), \$(1,132,077) is unrestricted, and \$42,665,494 is invested in capital assets, net of related debt.
- The City's total net position decreased by \$6,547,265. This change is largely due to a re-evaluation of capital assets which resulted in a reduction in their balances.
- As of December 31, 2013, the City's governmental funds reported combined fund balances of \$18,359,239 an increase of \$1,603,039 in comparison with the prior year. Approximately 36.2% of the combined fund balances, \$6,643,150 is available to meet the City's current and future needs (unassigned fund balance).
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$6,643,150 or 20.4% of total general expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - *Management's Discussion and Analysis* (this section), the *Basic Financial Statements* and *Notes to the Financial Statements*.

Basic Financial Statements

Government-wide Financial Statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all City assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF NORTH TONAWANDA, NEW YORK

Management's Discussion and Analysis December 31, 2013

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

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

The government-wide financial statements can be found on pages 16-18 of this report.

Fund Financial Statements A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance related legal compliance. All funds of the City can be divided into two categories: governmental funds and fiduciary 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 funds financial statements focus on near-term inflows and outflows of spendable resources, as well as, balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City'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 governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Capital Projects Fund, and the Special Revenue Funds.

CITY OF NORTH TONAWANDA, NEW YORK

Management's Discussion and Analysis December 31, 2013

The City adopts an annual appropriated budget for its General, Sewer, Water and Capital Funds. A budgetary comparison statement has been provided for the General, Sewer and Water Funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19-26 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The City has two fiduciary funds. The Agency Fund is used to account for funds held by the City as agent for employees' withholdings, monies due to other governments, and other miscellaneous items. The Private Purpose Trust is used to account for donated funds used for the purposes designated by the donors.

The basic fiduciary funds financial statements can be found on page 27 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Notes can be found on pages 28-50 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$45,644,487 at the close of the fiscal year. The summary of the City's net position is on the following page.

CITY OF NORTH TONAWANDA, NEW YORK

**Management's Discussion and Analysis
December 31, 2013**

Summary of City of North Tonawanda's Net Position- Table 1

	Governmental Activities 2013	Governmental Activities 2012	Percent of Increase (Decrease)
Current and other assets	\$ 26,720,418	\$ 24,186,731	10.5%
Capital assets	55,803,094	61,191,426	-8.8%
Total assets	<u>82,523,512</u>	<u>85,378,157</u>	<u>-3.3%</u>
Current liabilities	4,347,005	7,692,079	-43.5%
Long-term liabilities	28,449,569	25,695,520	10.7%
Total liabilities	<u>32,796,574</u>	<u>33,387,599</u>	<u>-1.8%</u>
Deferred Inflows of Resources	4,082,451	-	
Total Deferred Inflows of Resources	<u>4,082,451</u>	<u>-</u>	
Net position:			
Net investment in capital assets	42,665,494	47,808,426	-10.8%
Restricted	4,111,070	5,620,478	-26.9%
Unrestricted	<u>(1,132,077)</u>	<u>(1,237,152)</u>	-8.5%
Total net position	<u>\$ 45,644,487</u>	<u>\$ 52,191,752</u>	<u>-12.5%</u>

The largest portion of the City's net position reflects its investment in capital assets of \$42,665,494 (e.g. land, buildings, improvements, infrastructure, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net position represents restricted net position of \$4,111,070 which is reserved for retirement, insurance, and workers' compensation.

CITY OF NORTH TONAWANDA, NEW YORK

**Management's Discussion and Analysis
December 31, 2013**

The remaining component of total net position is unrestricted, which consists of net position that does not meet the definition of net investment in capital assets or restricted. Unrestricted net position is \$(1,132,077) at December 31, 2013.

Governmental activities. Governmental activities decreased the City's net position by \$6,547,265.

The following table shows the changes in net position for governmental activities:

Summary of City of North Tonawanda's Changes in Net Position- Table 2

	<u>2013</u>	<u>2012</u>	<u>Percent of Increase (Decrease)</u>
Revenues:			
Program revenues:			
Charges for services	\$ 9,369,822	\$ 11,672,968	-19.7%
Operating grants and contributions	3,467,173	3,119,946	11.1%
Capital grants and contributions	3,236,538	2,079,542	55.6%
General revenues:			
Property taxes	15,735,652	15,684,079	0.3%
Real property tax items	1,107,564	1,253,742	-11.7%
Non-property tax items	9,553,148	8,619,907	10.8%
Use of money and property	321,559	343,781	-6.5%
Sale of property and compensation for loss	684,638	774,628	-11.6%
Miscellaneous	79,973	17,471	357.7%
Interfund Revenue	38,664	50,000	-22.7%
State and Federal Aid	<u>4,773,852</u>	<u>4,871,354</u>	-2.0%
Total revenues	<u>48,368,583</u>	<u>48,487,418</u>	-0.2%

CITY OF NORTH TONAWANDA, NEW YORK

**Management's Discussion and Analysis
December 31, 2013**

Summary of City of North Tonawanda's Changes in Net Position- Table 2 (Continued)

	<u>2013</u>	<u>2012</u>	<u>Percent of Increase (Decrease)</u>
Expenses:			
General government support	\$ 5,723,494	\$ 5,767,494	-0.8%
Public safety	16,983,915	15,658,174	8.5%
Transportation	10,144,514	4,856,230	108.9%
Economic assistance and opportunity	1,725,229	839,243	105.6%
Culture and recreation	4,489,640	3,045,698	47.4%
Home and community services	15,397,795	11,729,123	31.3%
Interest and fiscal charges	<u>451,261</u>	<u>457,700</u>	<u>-1.4%</u>
Total expenses	<u>54,915,848</u>	<u>42,353,662</u>	<u>29.7%</u>
 Change in net position	 (6,547,265)	 6,536,130	 -200.2%
 Net position- beginning	 <u>52,191,752</u>	 <u>45,655,622</u>	 <u>14.3%</u>
 Net position - ending	 <u>\$ 45,644,487</u>	 <u>\$ 52,191,752</u>	 <u>-12.5%</u>

Business-type activities. The City does not have any business type activities.

CITY OF NORTH TONAWANDA, NEW YORK

Management's Discussion and Analysis December 31, 2013

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds. The general governmental functions are contained in the General, Special Revenue and Capital Projects Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2013, the City's governmental funds reported combined fund balances of \$18,359,239, an increase of \$1,603,039 in comparison with the prior year. Approximately 36.2% of the combined fund balances, \$6,643,150, constitutes *unassigned fund balance*, which is available to meet the City's current and future operational needs. The remainder of fund balance is *restricted and assigned* to indicate that it is *not* available for new spending because it has already been committed.

The General Fund is the chief operating fund of the City. At December 31, 2013, unassigned fund balance of the General Fund was \$6,643,150, while total fund balance reached \$10,068,667. As a measure of General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 20.4% of total fund expenditures, while total fund balance also represents 30.9% of that same amount.

Revenues for governmental functions totaled \$48,368,583 in fiscal year ended December 31, 2013, which represents a decrease of .2% from the fiscal year ended December 31, 2012.

CITY OF NORTH TONAWANDA, NEW YORK

**Management's Discussion and Analysis
December 31, 2013**

The following table presents the amount of revenues from various sources, as well as, increases or decreases from the prior year:

Revenues Classified by Source: Governmental Funds- Table 3

	<u>December 31, 2013 Amount</u>	<u>Percent of Total</u>	<u>December 31, 2012 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Revenues					
Real property taxes and tax items	\$ 16,843,216	34.82%	\$ 16,937,821	\$ (94,605)	-0.56%
Non-property tax items	9,553,148	19.75%	8,619,907	933,241	10.83%
Departmental income	8,837,776	18.27%	10,617,759	(1,779,983)	-16.76%
Intergovernmental charges	58,591	0.12%	601,244	(542,653)	-90.26%
Use of money and property	321,559	0.66%	343,781	(22,222)	-6.46%
Licenses and permits	279,935	0.58%	262,459	17,476	6.66%
Fines and forfeitures	193,520	0.40%	191,506	2,014	1.05%
Sale of property and compensation for loss	684,638	1.42%	774,628	(89,990)	-11.62%
Miscellaneous	79,973	0.17%	17,471	62,502	357.75%
Interfund Revenue	38,664	0.08%	50,000	(11,336)	-22.67%
State and Federal Aid	11,477,563	23.73%	10,070,842	1,406,721	13.97%
Total Revenues	<u>\$ 48,368,583</u>	<u>100.00%</u>	<u>\$ 48,487,418</u>	<u>\$ (118,835)</u>	

The following provides an explanation of revenues by source that changed significantly over the prior year:

- Non-property tax items increased due to county sales tax and utilities gross tax being up \$608,693 and \$327,306 respectively.
- Departmental income decreased due to water and sewer rents accruals.
- Intergovernmental charges decreased because of two large one-time items in the prior year.
- State and federal aid increased due to two major projects that are ongoing and receiving state aid.

CITY OF NORTH TONAWANDA, NEW YORK

**Management's Discussion and Analysis
December 31, 2013**

The following table presents expenditures, by function, compared to prior year amounts:

Expenditures by Function: Governmental Funds Table 4

	<u>December 31, 2013 Amount</u>	<u>Percent of Total</u>	<u>December 31, 2012 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Expenditures:					
General governmental support	\$ 3,890,042	7.98%	\$ 3,821,604	\$ 68,438	1.79%
Public safety	9,514,463	19.53%	9,520,485	(6,022)	-0.06%
Transportation	5,858,863	12.03%	3,670,838	2,188,025	59.61%
Economic assistance and opportunity	1,559,080	3.20%	954,677	604,403	63.31%
Culture and recreation	3,094,946	6.35%	2,298,975	795,971	34.62%
Home and community services	10,281,719	21.10%	9,542,083	739,636	7.75%
Employee benefits	11,877,693	24.38%	11,232,307	645,386	5.75%
Debt service:					
Principal	2,198,000	4.51%	2,170,000	28,000	1.29%
Interest	<u>443,338</u>	<u>0.91%</u>	<u>486,774</u>	<u>(43,436)</u>	<u>-8.92%</u>
Total Expenditures	<u>\$ 48,718,144</u>	<u>100.00%</u>	<u>\$ 43,697,743</u>	<u>\$ 5,020,401</u>	

The following provides an explanation of expenditures that changed significantly over the prior year:

- Transportation increased due to two major projects ongoing that had large expenses attributable to them.

CITY OF NORTH TONAWANDA, NEW YORK

**Management's Discussion and Analysis
December 31, 2013**

Statement of Revenues, Expenditures and Changes in Fund Balance: Governmental Funds- Table 5

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Fund Balance at December 31, 2011	\$ 6,276,448	\$ 2,232,904	\$ 1,607,979	\$ 10,117,329
Revenues	33,698,854	12,146,884	2,641,682	48,487,420
Expenditures	<u>(31,703,504)</u>	<u>(9,517,320)</u>	<u>(2,476,919)</u>	<u>(43,697,743)</u>
Excess (Deficiency) of Revenues over Expenditures	1,995,350	2,629,564	164,763	4,789,677
Other Financing Sources, Net	<u>20,470</u>	<u>(130,000)</u>	<u>1,757,530</u>	<u>1,648,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources	<u>2,015,820</u>	<u>2,499,564</u>	<u>1,922,293</u>	<u>6,437,677</u>
Fund Balance at December 31, 2012	<u>8,292,268</u>	<u>4,933,660</u>	<u>3,530,272</u>	<u>16,756,200</u>
Revenues	34,287,702	10,833,013	3,247,868	48,368,583
Expenditures	<u>(32,505,507)</u>	<u>(9,725,170)</u>	<u>(6,487,467)</u>	<u>(48,718,144)</u>
Excess (Deficiency) of Revenues over Expenditures	1,782,195	1,107,843	(3,239,599)	(349,561)
Other Financing Sources (Uses), Net	<u>(5,796)</u>	<u>(12,581)</u>	<u>1,970,977</u>	<u>1,952,600</u>
Excess (Deficiency) of Revenues and other Financing Sources over Expenditures	<u>1,776,399</u>	<u>1,095,262</u>	<u>(1,268,622)</u>	<u>1,603,039</u>
Fund Balance at December 31, 2013	<u><u>\$ 10,068,667</u></u>	<u><u>\$ 6,028,922</u></u>	<u><u>\$ 2,261,650</u></u>	<u><u>\$ 18,359,239</u></u>

CITY OF NORTH TONAWANDA, NEW YORK

Management's Discussion and Analysis December 31, 2013

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the total original budget and the final amended budget for the City of North Tonawanda are shown on page 25 and 26.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities as of December 31, 2013, amounted to \$55,803,094 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, infrastructure, buildings, and machinery and equipment.

In 2013, the City re-evaluated their capital assets to reflect the actual assets at year end. In addition to overall changes in asset value, this reevaluation also resulted in changes to major asset classifications, such that the City's transportation, water treatment and distribution, and sanitary sewer networks were combined and included within the land improvements and infrastructure categories.

Capital assets net of depreciation are presented below:

Summary of City of North Tonawanda's Capital Assets (Net of Depreciation) - Table 6

	<u>2013</u>	<u>2012</u>	<u>Percent of Change</u>
Land	\$ 5,365,044	\$ 4,400,350	21.92%
Work in Progress	5,348,331	14,337,726	-62.70%
Transportation network	-	8,381,391	-100.00%
Buildings and improvements	24,021,993	7,916,840	203.43%
Machinery and equipment	5,367,404	4,057,365	32.29%
Land Improvements & Infrastructure	15,700,322	-	
Water treatment and distribution network	-	4,896,766	-100.00%
Sanitary sewer network	-	17,200,988	-100.00%
Total	<u>\$ 55,803,094</u>	<u>\$ 61,191,426</u>	

CITY OF NORTH TONAWANDA, NEW YORK

Management's Discussion and Analysis December 31, 2013

Long-term Obligations

At December 31, 2013, the City had total long-term obligations that consisted of serial bonds, workers compensation, long term portion of retirement contributions, compensated absences, BANs included in long term obligations, and other post-employment benefits. A summary is as follows:

Summary of Long-Term Obligations- Table 7

	<u>2013</u>
Serial bonds	\$ 13,137,600
Worker's compensation	3,352,701
Long-term portion of retirement contributions	2,684,905
Compensated absences	1,454,363
OPEB	<u>7,820,000</u>
Total long term obligations	<u>\$ 28,449,569</u>

New York State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year valuation. The current debt-limitation for the City is \$84,452,619, which is significantly greater than the City's outstanding general obligation debt.

Since 2012, the City's general obligation debt has maintained an A1 rating from Moody's Investment Service.

Additional information on the City's long-term obligations can be found on pages 42-44 of the Notes to the Financial Statements.

Request for information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Office of the City Accountant, 216 Payne Avenue, North Tonawanda, New York 14120.

BASIC FINANCIAL STATEMENTS

CITY OF NORTH TONAWANDA, NEW YORK

Statement of Net Position
December 31, 2013

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash	\$ 13,946,869
Receivables (Net of Allowances for Estimated Uncollectables):	
Taxes	3,821,537
Accounts	3,595,625
Loans	112,763
State and Federal	3,071,456
Due from Other Governments	1,263,651
Prepaid Expenses	908,517
Capital Assets:	
Land	5,365,044
Work in Progress	5,348,331
Other Capital Assets, Net of Depreciation	<u>45,089,719</u>
Total Assets	<u><u>\$ 82,523,512</u></u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORTH TONAWANDA, NEW YORK

**Statement of Net Position
December 31, 2013**

<u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u>	<u>Governmental Activities</u>
Liabilities:	
Accounts Payable	\$ 2,418,998
Accrued Liabilities	641,158
Accrued Interest	68,277
Due to Other Governments	1,218,572
Long-term Liabilities:	
Accrued Workers' Compensation Obligation	3,352,701
Accrued Post-Employment Benefit Obligation	7,820,000
Due within one year	2,544,001
Due in more than one year	14,732,867
Total Liabilities	<u>32,796,574</u>
Deferred Inflows of Resources:	
Unavailable Revenue- Property Taxes	<u>4,082,451</u>
Total Deferred Inflows of Resources	<u>4,082,451</u>
Net Position:	
Net Investment in Capital Assets	42,665,494
Restricted	4,111,070
Unrestricted	<u>(1,132,077)</u>
Total Net Position	<u>45,644,487</u>
Total Liabilities, Deferred Inflows and Net Position	<u><u>\$ 82,523,512</u></u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORTH TONAWANDA, NEW YORK

**Statement of Activities
December 31, 2013**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Functions/Programs:					
Governmental Activities:					
General Government Support	\$ (5,723,494)	\$ 430,765	\$ -	\$ -	\$ (5,292,729)
Public Safety	(16,983,915)	234,826	32,087	10,420	(16,706,582)
Health	-	25,052	-	-	25,052
Transportation	(10,144,514)	18,375	123,171	2,110,747	(7,892,221)
Economic Assistance and Opportunity	(1,725,229)	68,652	3,396	686,919	(966,262)
Culture and Recreation	(4,489,640)	1,232,511	28,972	-	(3,228,157)
Home and Community Services	(15,397,795)	7,359,641	3,279,547	428,452	(4,330,155)
Interest and Fiscal Charges	(451,261)	-	-	-	(451,261)
Total Governmental Activities	<u>\$ (54,915,848)</u>	<u>\$ 9,369,822</u>	<u>\$ 3,467,173</u>	<u>\$ 3,236,538</u>	<u>(38,842,315)</u>
General Revenues:					
Property Taxes Levied for General Purposes					15,735,652
Real Property Tax Items					1,107,564
Non-property Tax Items					9,553,148
Use of Money and Property					321,559
Sales of Property and Compensation for Loss					684,638
Miscellaneous					79,973
Interfund Revenues					38,664
State and Federal Aid					4,773,852
Total General Revenues					<u>32,295,050</u>
Change in Net Position					(6,547,265)
Total Net Position at Beginning of Year					<u>52,191,752</u>
Total Net Position of End of Year					<u>\$ 45,644,487</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORTH TONAWANDA, NEW YORK

GOVERNMENTAL FUNDS

**Balance Sheet
December 31, 2013**

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Cash	\$ 9,235,673	\$ 3,363,431	1,347,765	\$ 13,946,869
Receivables (Net of Allowances for Estimated Uncollectables):				
Taxes	3,821,537	-	-	3,821,537
Accounts	700,953	2,892,160	2,512	3,595,625
Loans	-	112,763	-	112,763
State and Federal	129,135	1,299,313	1,643,008	3,071,456
Due from Other Funds	627,341	46,201	9,643	683,185
Due from Other Governments	763,651	-	500,000	1,263,651
Prepaid Expenses	674,549	81,332	152,636	908,517
Total Assets	<u>\$ 15,952,839</u>	<u>\$ 7,795,200</u>	<u>\$ 3,655,564</u>	<u>\$ 27,403,603</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORTH TONAWANDA, NEW YORK

GOVERNMENTAL FUNDS

**Balance Sheet
December 31, 2013**

LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	General	Special Revenue	Capital Projects	Total Governmental Funds
Liabilities:				
Accounts Payable	\$ 1,313,153	\$ 329,608	\$ 776,237	\$ 2,418,998
Accrued Liabilities	542,046	99,112	-	641,158
Due to Other Funds	4,862	60,646	617,677	683,185
Due to Other Governments	1,218,572	-	-	1,218,572
Total Liabilities	3,078,633	489,366	1,393,914	4,961,913
Deferred Inflows of Resources:				
Unavailable Revenue- Property Taxes	2,805,539	1,276,912	-	4,082,451
Total Deferred Inflows of Resources	2,805,539	1,276,912	-	4,082,451
Fund Balances:				
Restricted Fund Balance	1,726,670	122,750	2,261,650	4,111,070
Assigned Fund Balance	1,698,847	5,906,172	-	7,605,019
Unassigned Fund Balance	6,643,150	-	-	6,643,150
Total Fund Balances	10,068,667	6,028,922	2,261,650	18,359,239
Total Liabilities, Deferred Inflows and Fund Balances	\$ 15,952,839	\$ 7,795,200	\$ 3,655,564	\$ 27,403,603

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORTH TONAWANDA, NEW YORK

**Reconciliation of Statement of Net Position
to Governmental Fund Balances
December 31, 2013**

	<u>Governmental Activities</u>
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Total Governmental Fund Balances	\$ 18,359,239
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds	55,803,094
Long-term liabilities that are not due and payable in the current period and therefore are not reported within the funds:	
Bonds Payable	(11,185,000)
BANs payable, classed as long-term debt	(1,952,600)
NYS Retirement System	(2,684,905)
Compensated Absences	(1,454,363)
Accrued Workers' Compensation Obligation	(3,352,701)
Accrued Post Employment Benefit Obligation	<u>(7,820,000)</u> (28,449,569)
Interest accrual in long-term debt, which is not recognized in the funds until it is paid	<u>(68,277)</u>
Net Position of Governmental Activities	<u><u>\$ 45,644,487</u></u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORTH TONAWANDA, NEW YORK

GOVERNMENTAL FUNDS

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:				
Real Property Taxes	\$ 15,735,652	\$ -	\$ -	\$ 15,735,652
Real Property Tax Items	1,107,564	-	-	1,107,564
Non-property Tax Items	9,553,148	-	-	9,553,148
Departmental Income	1,520,107	7,317,669	-	8,837,776
Intergovernmental Charges	56,537	-	2,054	58,591
Use of Money and Property	105,102	216,457	-	321,559
Licenses and Permits	279,935	-	-	279,935
Fines and Forfeitures	193,520	-	-	193,520
Sale of Property and Compensation for Loss	668,694	15,944	-	684,638
Miscellaneous	70,697	-	9,276	79,973
Interfund Revenue	38,664	-	-	38,664
State Aid	4,936,294	3,397	3,226,118	8,165,809
Federal Aid	21,788	3,279,546	10,420	3,311,754
Total Revenues	<u>34,287,702</u>	<u>10,833,013</u>	<u>3,247,868</u>	<u>48,368,583</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORTH TONAWANDA, NEW YORK

GOVERNMENTAL FUNDS

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Expenditures:				
Current:				
General Government Support	\$ 3,670,578	\$ 58,020	\$ 161,444	\$ 3,890,042
Public Safety	9,354,414	-	160,049	9,514,463
Transportation	3,806,776	-	2,052,087	5,858,863
Economic Opportunity and Development	61,255	-	1,497,825	1,559,080
Culture and Recreation	1,827,296	-	1,267,650	3,094,946
Home and Community Services	1,404,568	7,528,739	1,348,412	10,281,719
Employee Benefits	10,384,075	1,493,618	-	11,877,693
Debt Service - Principal	1,695,000	503,000	-	2,198,000
Debt Service - Interest	301,545	141,793	-	443,338
Total Expenditures	<u>32,505,507</u>	<u>9,725,170</u>	<u>6,487,467</u>	<u>48,718,144</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,782,195</u>	<u>1,107,843</u>	<u>(3,239,599)</u>	<u>(349,561)</u>
Other Sources and (Uses):				
Proceeds of Obligations	-	-	1,952,600	1,952,600
Transfers from Other Funds	5,066	38,501	36,943	80,510
Transfers to Other Funds	<u>(10,862)</u>	<u>(51,082)</u>	<u>(18,566)</u>	<u>(80,510)</u>
Total Other Sources and (Uses)	<u>(5,796)</u>	<u>(12,581)</u>	<u>1,970,977</u>	<u>1,952,600</u>
Net Change in Fund Balances	1,776,399	1,095,262	(1,268,622)	1,603,039
Fund Balance at Beginning of Year (Restated- See Note 14)	<u>8,292,268</u>	<u>4,933,660</u>	<u>3,530,272</u>	<u>16,756,200</u>
Fund Balance at End of Year	<u>\$ 10,068,667</u>	<u>\$ 6,028,922</u>	<u>\$ 2,261,650</u>	<u>\$ 18,359,239</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORTH TONAWANDA, NEW YORK

GENERAL FUND

**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance- Governmental Funds
For the Year Ended December 31, 2013**

	<u>Governmental Activities</u>
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net change in fund balances - total governmental funds	\$ 1,603,039
Debt service principal recorded as an expenditure for the governmental funds but it is not recorded in the statement of activities. Debt service principal payments are reductions in liabilities.	2,198,000
Capital outlay expenditures for capital assets are recorded in governmental funds as expenditures. Such expenditures are not recorded in the statement of activities because they are recorded as capital assets.	(1,265,852)
Depreciation recorded on the statement of activities but not in statement for governmental funds.	(4,122,480)
The issuance of long-term debt is recorded as a revenue on the governmental funds but not on the statement of activities.	(1,952,600)
Net payment of long-term retirement payable expensed in statement for governmental funds but not in statement of activities.	(909,855)
Net change in compensated absences not reflected in governmental funds.	(128,692)
Net accrued worker's compensation liability	(390,902)
Net accrued interest for bonds not reported in funds.	(7,923)
Accrued post-employment benefit obligation liability increases long-term liabilities in the statement of net assets and related expenditures in the statement of activities, but not to governmental funds. Net post-employment benefit contribution is an expenditure in governmental funds, but the contribution reduces long-term liabilities in the statement of net assets. This is the amount by which accrued post-employment benefit liability adjustment exceeds the contribution.	<u>(1,570,000)</u>
Change in Net Position of Governmental Activities	<u>\$ (6,547,265)</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORTH TONAWANDA, NEW YORK

GENERAL FUND

**Statement of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual
(Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>	<u>Variance Final Budget</u>
Revenues:				
Real Property Taxes	\$ 15,744,383	\$ 15,744,383	\$ 15,735,652	\$ (8,731)
Real Property Tax Items	1,090,000	1,090,000	1,107,564	17,564
Non-property Tax Items	9,003,277	9,003,277	9,553,148	549,871
Departmental Income	1,512,680	1,512,680	1,520,107	7,427
Intergovernmental Charges	75,400	75,400	56,537	(18,863)
Use of Money and Property	156,000	156,000	105,102	(50,898)
Licenses and Permits	307,350	307,350	279,935	(27,415)
Fines and Forfeitures	300,000	300,000	193,520	(106,480)
Sale of Property and Compensation for Loss	1,107,200	1,107,200	668,694	(438,506)
Miscellaneous	3,500	3,500	70,697	67,197
Interfund Revenues	28,000	28,000	38,664	10,664
State Aid	5,057,611	5,057,611	4,936,294	(121,317)
Federal Aid	20,000	20,000	21,788	1,788
Total Revenues	<u>34,405,401</u>	<u>34,405,401</u>	<u>34,287,702</u>	<u>(117,699)</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORTH TONAWANDA, NEW YORK

GENERAL FUND

**Statement of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual
(Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>	<u>Variance Final Budget</u>
Expenditures:				
Current:				
General Government Support	\$ 4,175,450	\$ 4,050,928	\$ 3,670,578	\$ 380,350
Public Safety	9,575,480	9,643,705	9,354,414	289,291
Transportation	4,045,897	4,064,897	3,806,776	258,121
Economic Opportunity and Development	70,700	66,650	61,255	5,395
Culture and Recreation	1,811,930	1,862,280	1,827,296	34,984
Home and Community Services	1,552,010	1,552,710	1,404,568	148,142
Employee Benefits	12,027,389	12,054,049	10,384,075	1,669,974
Debt Service - Principal	1,695,000	1,695,000	1,695,000	-
Debt Service - Interest	401,545	396,546	301,545	95,001
Total Expenditures	<u>35,355,401</u>	<u>35,386,765</u>	<u>32,505,507</u>	<u>2,881,258</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>(950,000)</u>	 <u>(981,364)</u>	 <u>1,782,195</u>	 <u>(2,763,559)</u>
 Other Sources and (Uses):				
Transfers from Other Funds	-	-	5,066	(5,066)
Transfers to Other Funds	<u>-</u>	<u>(11,000)</u>	<u>(10,862)</u>	<u>(138)</u>
Total Other Sources and (Uses)	<u>-</u>	<u>(11,000)</u>	<u>(5,796)</u>	<u>(5,204)</u>
 Net Change in Fund Balances	 (950,000)	 (992,364)	 1,776,399	 2,768,763
 Fund Balance at January 1, 2013	 <u>8,292,268</u>	 <u>8,292,268</u>	 <u>8,292,268</u>	 <u>-</u>
 Fund Balance at December 31, 2013	 <u>\$ 7,342,268</u>	 <u>\$ 7,299,904</u>	 <u>\$ 10,068,667</u>	 <u>\$ 2,768,763</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORTH TONAWANDA, NEW YORK

FIDUCIARY FUNDS

**Statement of Fiduciary Net Position
December 31, 2013**

	Private Purpose Trust	Agency Fund
	<u> </u>	<u> </u>
Assets:		
Cash and Cash Equivalents	\$ 56,366	\$ 261,530
Total Assets	<u>\$ 56,366</u>	<u>\$ 261,530</u>
Liabilities:		
Agency Liabilities	\$ 56,366	\$ 261,530
Total Liabilities	<u>56,366</u>	<u>261,530</u>
Net Position	<u> -</u>	<u> -</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF NORTH TONAWANDA, NEW YORK

Notes to the Financial Statements December 31, 2013

Note 1 - Summary of Significant Accounting Policies

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

Financial Reporting Entity - The City of North Tonawanda, New York, which was incorporated in 1897, is governed by City Law and other general laws of the State of New York and various local laws and ordinances. The Common Council is the legislative body responsible for overall operations of the City. The Mayor serves as Chief Executive Officer and the City Treasurer as the Chief Fiscal Officer of the City.

The City provides the following basic services: general government support, police protection and law enforcement, fire protection, safety inspection, highway maintenance, culture, recreation programs, street lighting, refuse collection, water, and wastewater.

All governmental activities and functions performed for the City of North Tonawanda are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government which is the City of North Tonawanda, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement 61.

Government-wide and Financial Statements - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. The effects of interfund activity have been removed from these statements. Government activities are normally supported by taxes and intergovernmental revenues.

CITY OF NORTH TONAWANDA, NEW YORK

Notes to the Financial Statements December 31, 2013

Note 1 - Summary of Significant Accounting Policies (Cont.)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead of general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Measurement focus is the determination of what is expressed in reporting an entity's financial performance and position, (i.e., expenditures or expenses). A particular measurement focus is accomplished both by considering what resources will be measured and the basis of accounting.

Basis of accounting refers to when revenues, expenditures/expenses, and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to timing of the measurements made, regardless of the measurement focus.

Accrual Basis - Under 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.

Modified Accrual Basis - Under this 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from federal, state, or other grants designated for specific City expenditure are recognized when the related expenditures are incurred.

CITY OF NORTH TONAWANDA, NEW YORK

Notes to the Financial Statements December 31, 2013

Note 1 - Summary of Significant Accounting Policies (Cont.)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.) - 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 and expenditures for inventory-type items and for prepayments (except retirement) are recognized at the time of the disbursements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Property taxes 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund - The principal operating fund that includes all operations not required to be recorded in other funds.

Special Revenue Funds - used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are utilized:

Water Fund - This fund accounts for the revenues and expenditures derived from providing water services to City residents.

Sewer Fund - This fund accounts for the revenues and expenditures derived from providing sanitary sewer services to City residents.

Special Grant Fund - This fund is used to account for the grant proceeds that are made available to the City by the United States Department of Housing and Urban Development.

CITY OF NORTH TONAWANDA, NEW YORK

**Notes to the Financial Statements
December 31, 2013**

Note 1 - Summary of Significant Accounting Policies (Cont.)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)

Capital Projects Fund - Used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Agency Fund - Used to account for money and property received and held in the capacity of custodian or agent. The Agency Fund is custodial in nature and does not involve measurement of results of operations. Agency funds, such as payroll withholdings, are reported as liabilities.

Private Purpose Trust - Used to account for donated funds used for the purposes designated by the donors.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues are those that cannot be associated directly with program activities.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Property Tax Revenue Recognition - Property taxes attach an enforceable lien on property as of December 31. Taxes are levied on April 1. The City bills and collects its own taxes and also serves as collector of Niagara County and North Tonawanda City School District property taxes. City property tax revenues are recognized when levied to the extent that they result in current receivables.

The City is responsible for School District taxes reaching fourteen months delinquency. An allowance for uncollectible taxes has been recorded for those property taxes, which have been deemed to be uncollectible.

The City may not annually levy taxes, other than the debt service on City indebtedness in excess of 2% of the average full valuation of taxable real estate in the City for the previous years. This maximum taxing power for the year ended December 31, 2013 amounted to \$24,030,438. The 2013 tax levy of \$15,774,383, less \$2,193,088 in exclusions, represents approximately 56.4% of the maximum taxing power.

CITY OF NORTH TONAWANDA, NEW YORK

Notes to the Financial Statements December 31, 2013

Note 1 - Summary of Significant Accounting Policies (Cont.)

Budgets and Budgetary Data - The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In mid-July, budget documentation is submitted to department heads by the Budget Officer, requesting estimates of revenue and appropriations.
2. In mid-August, each department head submits to the Budget Officer his or her departmental estimates of revenue and appropriations for the ensuing fiscal year.
3. During the month of September, the Mayor, City Accountant and Department Heads meet and formulate the Mayor's budget. On or before October 1st, the Mayor shall submit to the Common Council a budget for the ensuing year and an accompanying message.
4. The Common Council and Budget Officer review the Mayor's budget at various workshop sessions during the month of October.
5. A public hearing is conducted to obtain taxpayer comments.
6. The Common Council has the power to delete, reduce, increase or add items to the Mayor's budget. All changes to the proposed Mayor's budget require approval from a majority of Council Members.
7. On or before November 15th, the budget is legally enacted through passage of a resolution. If the Common Council fails to adopt the budget by November 15th, the budget submitted by the Mayor shall be deemed adopted for the ensuing fiscal year.
8. The Mayor reviews the adopted budget and has the opportunity to veto the resolution adopting the budget within 10 days from the date of adoption. The Mayor may disapprove the entire budget or one or more specific appropriations or budget items. If the Mayor vetoes the budget, the Council needs four votes to override.

CITY OF NORTH TONAWANDA, NEW YORK

Notes to the Financial Statements December 31, 2013

Note 1 - Summary of Significant Accounting Policies (Cont.)

Budgets and Budgetary Data (Cont.)

9. If the Mayor vetoes the budget, the Council needs a 2/3 vote or 4 votes to override. The Common Council shall meet no later than December 31st to consider overriding the Mayor's veto of budget items.
10. Formal budgetary integration is employed as a management control device during the year for all governmental fund types except for the Special Grant Fund and Capital Projects Fund. Budgetary control for the Special Grant Fund is provided by annual grant entitlements that are approved by the United States Department of Housing and Urban Development. Budgetary control over the Capital Projects Fund is provided by Common Council approval of bond authorizations and provisions of bond indebtedness.
11. Common Council authorization is required for amounts exceeding \$250 for transfers of budgeted amounts within departments within any fund, transfers between departments within any fund, or any revisions that alter the total appropriations of any fund.

Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all City funds. Outstanding encumbrances at year end, exclusive of grant-related commitments, are presented for GAAP reporting purposes as reservations of fund balances, and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Investments - The City had no marketable securities as of December 31, 2013. Investments such as certificates of deposits are shown under the caption "cash."

CITY OF NORTH TONAWANDA, NEW YORK

Notes to the Financial Statements
December 31, 2013

Note 1 - Summary of Significant Accounting Policies (Cont.)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost equal to or greater than \$35,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements & Infrastructure	10-50 years
Buildings and Improvements	5-100 years
Wastewater Treatment Distribution Network	25-100 years
Machinery and Equipment	5-25 years
Transportation Network	10-75 years
Sanitary Sewer Network	25-100 years

When capital assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period in the government-wide statements. Amortization is reflected in income for the period in the government-wide statements. Amortization of capital leases is computed using the straight-line method over the lease term or the estimated useful lives of the assets, whichever is shorter. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized.

Insurance - Effective September 1993, the City obtained general liability insurance coverage which includes a self-insurance retention of \$100,000 for each claim with a \$200,000 self-insurance retention annual aggregate (stop loss aggregate) which gives the City coverage in the case of a claim over that self-insured limit. The City also obtained commercial auto bodily injury liability insurance in the amount of \$100,000.

Based on our standard operating procedure, judgments and claims up to \$25,000 are paid out of current budgetary appropriations. Judgments and claims over \$25,000 but less than \$200,000 are paid out of the General Fund Reserve for Insurance. Any judgments and claims greater than \$200,000 are bonded.

CITY OF NORTH TONAWANDA, NEW YORK

**Notes to the Financial Statements
December 31, 2013**

Note 1 - Summary of Significant Accounting Policies (Cont.)

Insurance (Cont.) - The City is also currently covered under property insurance, emergency medical technician (EMT) professional liability/malpractice, police professional liability, and public officials bond and theft, disappearance and destruction policies.

Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred, the amount of loss can be reasonably estimated, and the estimated amount of loss exceeds insurance coverage.

Effective June 9, 1999, the City became self-insured for Workers' Compensation. Prior to June 9, 1999, Workers' Compensation coverage was provided through the Niagara County Self-Insurance Fund.

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

Vacation, Sick Leave and Compensatory Absences - City employees are granted vacation and sick leave, and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

Depending upon the years of service and/or union membership, most employees are entitled to between one and six weeks of annual vacation. Generally, employees may not accrue unused vacation days beyond the expiration of the City's fiscal year end. Sick leave is administered to employees of the City as follows:

	<u>Fire</u>	<u>Police</u>	<u>CSEA</u>	<u>DPW</u>	<u>OPEIU</u>
Monthly Accrual Employed Prior to 1987	1 ½ days	1 ½ days	1 ½ days	1 ½ days	1 ½ days
Monthly Accrual Employed After 1987	1 day	1 ¼ days	1 day	1 day	1 day
Maximum Accrual	180 days	200 days	180 days	180 days	272 days
Payment at Termination	35% Unused	50% Unused	5 day max	5 day max	20% Unused

City employees are paid in December for unused vacation time applicable to the current year. Vacation days are earned on the first day of the year. Sick days are earned on the first day of each month, for the prior month of service, defined as being on the active payroll for one full pay period.

CITY OF NORTH TONAWANDA, NEW YORK

Notes to the Financial Statements December 31, 2013

Note 1 - Summary of Significant Accounting Policies (Cont.)

Vacation, Sick Leave and Compensatory Absences (Cont.) - Payment of sick leave and compensatory absences is dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory damages when such payment becomes due.

Economic Development and Rehabilitation Loans Receivable - These loans receivable are equally offset by deferred revenue which indicates that they do not constitute “available expendable resources” since they are not a component of net current assets.

Federal Grants - Federal grants are recorded as grant receivable and deferred revenue when the entitlement period occurs. Revenue is recognized as the City incurs expenditures and meets the performance requirements of the grants.

Post-employment Benefits - In addition to providing pension benefits, the City provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the City’s employees may become eligible for these benefits if they reach normal retirement age while working for the City. Health care benefits and survivors benefits are provided through insurance companies whose premiums are based on the benefits paid during the year. These benefits terminate upon death of the retired employee. The City recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. During the 2013 fiscal year, approximately \$911,200 was paid on behalf of 148 retirees and recorded as an expenditure in the General Fund.

Fund Balance Classifications - The fund balance financial statements have five classifications of fund balances:

- ***Non spendable*** – Includes amounts that cannot be spent because they are not in spendable form.
- ***Restricted*** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or law or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance.
- ***Committed*** – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority, i.e., the Common Council.

CITY OF NORTH TONAWANDA, NEW YORK

Notes to the Financial Statements December 31, 2013

Note 1 - Summary of Significant Accounting Policies (Cont.)

Fund Balance Classifications (Cont.)

- ***Assigned*** – Included amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund.
- ***Unassigned*** – Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the City.

Note 2 - Reporting on Budgetary Basis

The City reports its budgetary status with the actual data including encumbrances as charges against budget appropriations. In addition, budgetary comparison information is not presented for certain Special Revenue Funds because they are not considered part of the City’s annual budgetary plan.

Note 3 - Cash and Investments

The City's investment policies are governed by state statutes. City monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The City Comptroller 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.

CITY OF NORTH TONAWANDA, NEW YORK

**Notes to the Financial Statements
December 31, 2013**

Note 3 - Cash and Investments (Cont.)

Collateral is required for demand deposits and certificates of deposit in an amount equal to at least 105% of the amount of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts. The detail of cash and investments at December 31, 2013 consists of:

Petty Cash	\$ 25,900
Deposits:	
Checking and Savings Account	<u>14,238,864</u>
Total	<u>\$ 14,264,764</u>

Deposits - Deposits at December 31, 2013 were entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name.

All deposits are carried at cost and consist of:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	
Primary Government:			
General Fund	\$ 8,682,250	\$ 9,209,773	Insured (FDIC), collateral held by City's Custodial Bank
Special Revenue Fund	3,221,412	3,363,430	Insured (FDIC), collateral held by City's Custodial Bank
Capital Projects Fund	<u>1,347,867</u>	<u>1,347,765</u>	Insured (FDIC), collateral held by City's Custodial Bank
Total Primary Government	<u>13,251,529</u>	<u>13,920,968</u>	
Fiduciary Fund:			
Trust and Agency Fund	<u>319,247</u>	<u>317,896</u>	Insured (FDIC), collateral held by City's Custodial Bank
Total Fiduciary Fund	<u>319,247</u>	<u>317,896</u>	
Total	<u>\$ 13,570,776</u>	<u>\$ 14,238,864</u>	

CITY OF NORTH TONAWANDA, NEW YORK

**Notes to the Financial Statements
December 31, 2013**

Note 4 - Receivables - State and Federal

State and federal receivables accrued by the City at December 31, 2013 include the following:

General Fund:	
State Aid Youth Bureau	\$ 2,741
NYSDOT Highway Aid	61,585
NYS Unified Court System	64,809
Total General Fund	<u>129,135</u>
Capital Projects Fund:	
NYSEFC - Webster St. Greenway	321,521
NYSDOT - Meadow Drive	431,132
NYSDOT - Durkee Bridge	38,814
NYS Senate Majority Initiative Grant	8,012
NYS Dept. of State- Brownfield Opportunity	56,610
NYS Office of Parks, Rec, and Historic Preservation- BIG Grant	686,919
DASNY - Remington Lofts	100,000
Total Capital Projects Fund	<u>1,643,008</u>
Special Grant Fund	
Federal Aid - HUD	1,299,313
Total Special Grant Fund	<u>1,299,313</u>
Total	<u>\$ 3,071,456</u>

Note 5 - Due from Other Governments

Other government receivables accrued by the City at December 31, 2013 include the following:

General Fund:	
Niagara County Sales Tax	\$ 763,651
Total General Fund	<u>763,651</u>
Capital Fund:	
Niagara County Refuse Disposal District	200,000
Niagara County IDA	300,000
Total Capital Fund	<u>500,000</u>
Total	<u>\$ 1,263,651</u>

CITY OF NORTH TONAWANDA, NEW YORK

**Notes to the Financial Statements
December 31, 2013**

Note 6 - Capital Assets

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

<u>Type</u>	<u>Balance at January 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at December 31, 2013</u>
Capital Assets Not Being Depreciated:				
Land	\$ 4,400,350	\$ 964,694	\$ -	\$ 5,365,044
Work in Progress	14,337,726	6,487,467	(15,476,862)	5,348,331
Total Capital Assets not being Depreciated	<u>\$ 18,738,076</u>	<u>\$ 7,452,161</u>	<u>\$ (15,476,862)</u>	<u>\$ 10,713,375</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	10,986,123	23,950,755	-	34,936,878
Machinery and Equipment	8,974,867	21,616,112	-	30,590,979
Transportation Network	13,451,020	-	(13,451,020)	-
Water Treatment and Distribution Network	8,897,001	-	(8,897,001)	-
Sanitary Sewer Network	42,119,179	-	(42,119,179)	-
Land Improvements & Infrastructure	-	25,659,181	-	25,659,181
Total Capital Assets Being Depreciated	<u>84,428,190</u>	<u>71,226,048</u>	<u>(64,467,200)</u>	<u>91,187,038</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	3,069,283	7,845,602	-	10,914,885
Machinery and Equipment	4,917,502	20,306,073	-	25,223,575
Transportation Network	5,069,629	-	(5,069,629)	-
Water Treatment and Distribution Network	4,000,235	-	(4,000,235)	-
Sanitary Sewer Network	24,918,191	-	(24,918,191)	-
Land Improvements & Infrastructure	-	9,958,859	-	9,958,859
Total Accumulated Depreciation	<u>41,974,840</u>	<u>38,110,534</u>	<u>(33,988,055)</u>	<u>46,097,319</u>
Total Assets Being Depreciated, Net	<u>\$ 42,453,350</u>	<u>\$ 33,115,514</u>	<u>\$ (30,479,145)</u>	<u>\$ 45,089,719</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 61,191,426</u>	<u>\$ 40,567,675</u>	<u>\$ (45,956,007)</u>	<u>\$ 55,803,094</u>

CITY OF NORTH TONAWANDA, NEW YORK

**Notes to the Financial Statements
December 31, 2013**

Note 7 - Retirement Plans

Plan Description - The City of North Tonawanda participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefit to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transactions of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement Systems, 110 State Street, Albany, New York 12236.

Funding Policy - The plan is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 10, 2010. Those joining after April 1, 2012 (Tier 6) are required to contribute 3.5% of their annual salary until March 31, 2013, after which the contribution percentage will be based on salary. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employer's contributions based on the salaries paid during the system's fiscal year.

The City of North Tonawanda is required to contribute at an actuarially determined rate. The required contribution for the current year and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2013	\$ 1,731,562	\$ 2,215,107
2012	1,692,690	2,002,596
2011	1,068,937	1,469,192

CITY OF NORTH TONAWANDA, NEW YORK

**Notes to the Financial Statements
December 31, 2013**

Note 8 - Long-term Obligations

State law generally requires that Bond Anticipation Notes (BANs) issued for capital purposes are converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated reductions of principal are made on an annual basis. The City had a \$1,952,600 BAN outstanding at December 31, 2013, which will be converted to a long-term obligation within five years of its issue date. Accordingly, this note has been classified as long-term debt.

Serial Bonds at December 31, 2013 represent the total outstanding long-term obligation indebtedness of the City aggregated \$13,137,600, including the \$1,952,600 BAN classified as long-term. Of this amount, \$10,994,512 was subject to the constitutional debt limit and represented approximately 12.96 of its debt limit.

New York State Retirement System represents the long term liability resulting from the amortized portion of NYS Retirement System contributions.

Compensated Absences represents the value of earned and unused portion of the liability for compensated absences.

Workers' Compensation represents the liability for workers' compensation claims filed with the City.

Summary Long-term Obligations – The following is a summary of long-term liabilities outstanding at December 31, 2013:

Serial Bonds	\$ 13,137,600
NYS Retirement System	2,684,905
Compensated Absences	1,454,363
Workers Compensation Self Insurance	3,352,701
Other Post Employment Benefits	<u>7,820,000</u>
Total	<u>\$ 28,449,569</u>

CITY OF NORTH TONAWANDA, NEW YORK

**Notes to the Financial Statements
December 31, 2013**

Note 8 - Long-term Obligations (Cont.)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2013:

	<u>Serial Bonds</u>	<u>NYS Retirement System</u>	<u>Compensated Absences</u>	<u>Workers' Compensation</u>	<u>OPEB</u>
Balance at January 1, 2013	\$ 13,383,000	\$ 1,775,034	\$ 1,325,687	\$ 2,961,799	\$ 6,250,000
Additions	1,952,600	1,433,870	128,676	390,902	3,240,000
Deletions	<u>(2,198,000)</u>	<u>(523,999)</u>	<u>-</u>	<u>-</u>	<u>(1,670,000)</u>
Balance at December 31, 2013	<u>\$ 13,137,600</u>	<u>\$ 2,684,905</u>	<u>\$ 1,454,363</u>	<u>\$ 3,352,701</u>	<u>\$ 7,820,000</u>

Additions and deletions to compensated absences and workers' compensation are shown net since it is impracticable to determine these amounts separately.

Maturity Schedule-The following schedule sets forth the remaining annual maturities of long-term debt by debt type at December 31, 2013:

<u>Year</u>	<u>Serial Bond Principal</u>	<u>Serial Bond Interest</u>	<u>Total</u>
2014	\$ 2,020,000	\$ 375,087	\$ 2,395,087
2015	1,595,000	314,512	1,909,512
2016	1,415,000	265,401	1,680,401
2017	1,330,000	220,114	1,485,726
2018	1,135,000	172,813	1,485,726
2019-2023	3,390,000	351,350	1,485,726
2024-2026	<u>300,000</u>	<u>25,500</u>	<u>1,485,726</u>
Total	<u>\$ 11,185,000</u>	<u>\$ 1,724,777</u>	<u>\$ 11,927,904</u>

CITY OF NORTH TONAWANDA, NEW YORK

**Notes to the Financial Statements
December 31, 2013**

Note 8 - Long-term Obligations (Cont.)

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 1/1/2013</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance 12/31/2013</u>
Bond Anticipation Notes, 2013	1.25%	5/8/2014	\$ -	\$ 1,952,600	\$ -	\$ 1,952,600
			\$ -	\$ 1,952,600	\$ -	\$ 1,952,600

Note 9 - Interfund Receivables and Payables

Interfund receivables and payables at December 31, 2013 were as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 627,341	\$ 4,862
Water Fund	32,701	4,782
Sewer Fund	13,500	
Capital Projects Fund	9,643	617,677
Special Grant	-	55,864
Total	\$ 683,185	\$ 683,185

Note 10 - Fund Balance

Assigned Fund Balances which are constrained by the City's intent to be used for specific purposes are as follows:

<u>Fund</u>	<u>Balance</u>
General Fund - Appropriated	\$ 1,698,847
Special Grant Fund	24,048
Sewer Fund	3,062,601
Water Fund	2,819,523
Total	\$ 7,605,019

CITY OF NORTH TONAWANDA, NEW YORK

**Notes to the Financial Statements
December 31, 2013**

Restricted Fund Balances which have external constraints are as follows:

<u>Governmental Fund Type</u>	<u>Balance</u>
General Fund - Insurance	\$ 400,000
General Fund - Worker's Compensation	650,000
General Fund - Encumbrances	2,121
General Fund - Retirement	674,549
Sewer Fund - Encumbrances	4,021
Sewer Fund - Retirement	46,753
Sewer Fund - Debt	13,500
Water Fund - Encumbrances	19,115
Water Fund - Retirement	34,579
Water Fund - Debt	4,782
Capital Fund	<u>2,261,650</u>
Total	<u>\$ 4,111,070</u>

Note 11 - Contingencies

The City is a recipient of several grants which are subject to audit by agencies of the federal and state governments. Such audits may result in disallowances and a request for a return of funds to the federal and state governments. Based on past audits, the local government administration believes disallowances, if any, will be immaterial.

CITY OF NORTH TONAWANDA, NEW YORK

**Notes to the Financial Statements
December 31, 2013**

Note 12 - Other Postemployment Benefits/Implementation of GASB Statement 45

City - In addition to providing pension benefits, the City also provides health care benefits for retired employees, their dependents and certain survivors. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. Prior to 2008, the City recognized the cost of providing postemployment health insurance benefits by expensing those costs when paid.

Plan Description - The City administers its Retiree Medical Plan (the Plan) as a single-employer defined benefit other postemployment benefit (OPEB) plan. The Plan provides for the continuation of medical benefits to certain qualifying retirees of the City, and their spouses and can be amended by action of the City. The Plan does not carry issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy - The obligations of the Plan members, employers and other entities are established by employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement covering the retiree, the retiree's hiring date and number of years of service to the City. The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. For 2013, the City contributed approximately \$1,670,000 for current premiums. The costs of administering this plan are paid by the City.

Funded Status and Funding Progress - The schedule of funding progress presents multiyear (when available) trend information that is useful in determining whether the actuary's value of Plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liability. The following table sets forth the actuarial accrued liability and funded status of the Plan as of May 16, 2013 the latest valuation date.

CITY OF NORTH TONAWANDA, NEW YORK

**Notes to the Financial Statements
December 31, 2013**

Note 12 - Other Postemployment Benefits/Implementation of GASB Statement 45 (Cont.)

Actuarial Accrued Liability (AAL)

Actuarial accrued liability	\$ 46,660,000
Actuarial value of plan assets	<u> -</u>
Unfunded actuarial accrued liability (UAAL)	<u>46,660,000</u>
Funded ratio	<u> 0%</u>
Annual covered payroll	<u>16,960,000</u>
Ratio of unfunded actuarial accrued liability to covered payroll	<u>275.00%</u>
2013 normal cost	<u>890,000</u>

Funded Status and Funding Progress

The following table summarizes the amortization calculation of the UAAL as of the latest valuation date:

Net OPEB obligation at beginning of year	\$ 4,680,000
UAAL	46,660,000
Amortization period (years)	30
Amortization discount rate	4.8%
Present value factor	24.5172
2013 UAAL amortization amount	\$ 2,210,000

CITY OF NORTH TONAWANDA, NEW YORK

**Notes to the Financial Statements
December 31, 2013**

Note 12 - Other Postemployment Benefits/Implementation of GASB Statement 45 (Cont.)

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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 City's annual OPEB cost for 2013:

Normal cost	\$ 890,000
Amortization of UAAL	2,210,000
Interest	<u>140,000</u>
ARC	3,240,000
Interest on OPEB obligation	-
Adjustment to ARC	<u>-</u>
 OPEB expense	 <u><u>\$ 3,240,000</u></u>

Funded Status and Funding Progress - The following table reconciles the City's OPEB obligation at December 2013:

Net OPEB obligation at beginning of year	\$ 6,250,000
2013 OPEB expense	3,240,000
2013 OPEB contributions	<u>(1,670,000)</u>
Net OPEB obligation at end of year	7,820,000
Less: estimated current portion of OPEB obligation	<u>-</u>
Estimated long-term portion of OPEB obligation	<u><u>\$ 7,820,000</u></u>
Percentage of expense contributed	<u>51.54%</u>

CITY OF NORTH TONAWANDA, NEW YORK

**Notes to the Financial Statements
December 31, 2013**

Note 12 - Other Postemployment Benefits/Implementation of GASB Statement 45 (Cont.)

Actuarial Methods and Assumptions - Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs (if any) between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used to calculate the costs of the Plan for age, disability, vested, and surviving spouse's benefits is the Projected Unit Credit Actuarial Cost Method. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. For active participants, that AAL is determined by pro-rating the projected benefit based upon service accrued to the valuation date divided by service projected to be accrued at the first age of benefit eligibility. The normal cost is determined by dividing the projected benefit by service projected to be accrued at the first age of benefit eligibility.

Actuarial Methods and Assumptions - The measurement date for the calculation was December 31st and the discount rate utilized was 4.75%. No salary increases were assumed since benefits are not based on compensation. Health care costs for both governmental and business-type activities were assumed to increase as follows:

<u>Year</u>	<u>Medical Trend Rate</u>
2013	9.5%
2014	9.0%
2015	8.5%
2016	8.0%
2017	7.5%
2018	7.0%
2019	6.5%
2020	6.0%
2021	5.5%
2022	5.0%

CITY OF NORTH TONAWANDA, NEW YORK

**Notes to the Financial Statements
December 31, 2013**

Note 13 – Subsequent Events

The City has evaluated events and transactions for potential recognition or disclosure in the financial statements through May 30, 2014 (the date the financial statements were available to be issued).

Note 14- Prior Period Fund Balance Adjustment

The operations of Belmont Shelter have not been included in the financial statements as they have in prior years. As a result, the beginning fund balance was decreased by \$201,192.

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

CITY OF NORTH TONAWANDA, NEW YORK

GENERAL FUND

**Statement of Detailed Revenues, Compared to Budget (Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2012 Actual</u>
	Real Property Taxes				
A1001.	Real Property Taxes	\$ 15,744,383	\$ 15,735,652	\$ (8,731)	\$ 15,684,079
	Total Real Property Taxes	<u>15,744,383</u>	<u>15,735,652</u>	<u>(8,731)</u>	<u>15,684,079</u>
	Real Property Tax Items				
A1050.	Reserve for Uncollectable Taxes	750,000	736,986	(13,014)	898,676
A1081.	Other Payments in Lieu of Taxes (Shelter Tax Rent)	125,000	128,471	3,471	120,968
A1090.	Interest and Penalties on Taxes	<u>215,000</u>	<u>242,107</u>	<u>27,107</u>	<u>234,097</u>
	Total Real Property Tax Items	<u>1,090,000</u>	<u>1,107,564</u>	<u>17,564</u>	<u>1,253,741</u>
	Nonproperty Tax Items				
A1120.	Sales Tax (from County)	7,673,277	7,980,220	306,943	7,371,527
A1130.	Utilities Gross Receipts Tax	950,000	1,161,370	211,370	834,064
A1170.	Franchises	<u>380,000</u>	<u>411,558</u>	<u>31,558</u>	<u>414,316</u>
	Total Nonproperty Tax Items	<u>9,003,277</u>	<u>9,553,148</u>	<u>549,871</u>	<u>8,619,907</u>

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CITY OF NORTH TONAWANDA, NEW YORK

GENERAL FUND

**Statement of Detailed Revenues, Compared to Budget (Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2012 Actual</u>
Departmental Income					
A1230.	Treasurer's Fees	\$ 140,000	\$ 114,750	\$ (25,250)	\$ 110,708
A1231.	Treasurer's Tax Search Fees	23,000	27,378	4,378	24,252
A1235.	Advertising Expenses	1,000	2,178	1,178	2,064
A1255.	City Clerk's Fees	1,100	1,524	424	1,462
A1520.	Police Department Fees	5,000	1,938	(3,062)	2,704
A1540.	Fire Fees	41,000	17,713	(23,287)	-
A1550.	Public Pound Charges	700	425	(275)	575
A1560.	Engineering Bids	-	375	375	50
A1603.	Vital Statistics Fees	30,000	23,229	(6,771)	22,986
A1710.	Public Works Services	4,200	18,375	14,175	26,906
A1980.	Public Market Fees and Charges	40,000	46,555	6,555	43,930
A1989.	Special Assessments	60,000	22,097	(37,903)	118,121
A1990.	Economic Assisance	-	-	-	190,000
A2001.	Park and Recreation Charges	72,000	109,217	37,217	63,780
A2002.	Park Permits	13,000	11,890	(1,110)	12,350
A2003.	Tree Planting Program	1,800	1,390	(410)	2,320
A2004.	Boat Launch Permits	14,000	12,910	(1,090)	13,390
A2005.	Canal Festival	14,000	14,000	-	14,000
A2006.	Docking Fees	25,000	52,390	27,390	-
A2007.	Marina Concessionaire	-	6,046	6,046	-
A2012.	Recreation Concessions	205,000	205,558	558	211,119
A2050.	Golf Charges	815,000	817,054	2,054	804,119
A2110.	Zoning Board Fees	5,000	2,200	(2,800)	2,100
A2130.	Refuse and Garbage	130	9,165	9,035	8,840
A2189.	Belmont Shelter Rent	1,750	1,750	-	1,750
	Total Departmental Income	<u>1,512,680</u>	<u>1,520,107</u>	<u>7,427</u>	<u>1,677,526</u>

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CITY OF NORTH TONAWANDA, NEW YORK

GENERAL FUND

**Statement of Detailed Revenues, Compared to Budget (Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2012 Actual</u>
	Intergovernmental Charges				
A2210.	Tax and Assessments Services for Other Governments (N.T. School System)	\$ 5,000	\$ 5,000	\$ -	\$ 5,000
A2220.	County Aid - Civil Service Charges	13,000	-	(13,000)	10,816
A2261.	County Aid - Drunk Driving Program	32,000	20,856	(11,144)	9,205
A2357.	County Aid - Nutrition	2,400	1,823	(577)	2,431
A2359.	County Aid - Youth Court	3,000	6,439	3,439	-
A2376.	Department of Public Works Recycling	20,000	22,419	2,419	25,846
	Total Intergovernmental Charges	<u>75,400</u>	<u>56,537</u>	<u>(18,863)</u>	<u>53,298</u>
	Use of Money and Property				
A2401.	Interest and Earnings	25,000	14,602	(10,398)	20,876
A2402.	Interest Earned Capital	30,000	4,327	(25,673)	6,496
A2410.	Rentals on Real Property	100,000	85,255	(14,745)	81,759
A2450.	Commissions - Telephone	1,000	918	(82)	955
	Total Use of Money and Property	<u>156,000</u>	<u>105,102</u>	<u>(50,898)</u>	<u>110,086</u>

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CITY OF NORTH TONAWANDA, NEW YORK

GENERAL FUND

Statement of Detailed Revenues, Compared to Budget (Non-GAAP Basis of Budgeting)

For the Year Ended December 31, 2013

With Comparative Actual Amounts for the Year Ended December 31, 2012

<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2012 Actual</u>
	Licenses and Permits				
A2501.	Business Licenses	\$ 2,500	\$ 1,455	\$ (1,045)	\$ 1,641
A2502.	Occupational Licenses	750	-	(750)	-
A2505.	Marriage Licenses	3,000	3,990	990	3,658
A2506.	Hunting and Fishing Licenses	2,000	1,528	(472)	1,534
A2540.	Bingo Licenses	5,000	3,917	(1,083)	3,252
A2541.	Games of Chance Licenses	500	169	(331)	90
A2542.	Dog Licenses	16,000	14,678	(1,322)	15,910
A2553.	Car Dealership License	2,400	2,100	(300)	2,500
A2554.	Contractor Licenses	61,000	58,400	(2,600)	60,400
A2555.	Building Alteration Permits	110,000	148,228	38,228	132,039
A2565.	Plumbing Licenses	8,200	8,690	490	7,700
A2566.	Plumbing Permits	45,000	35,730	(9,270)	32,785
A2567.	Electrical Permits	50,000	-	(50,000)	-
A2590.	Grading Permits	1,000	1,050	50	950
	Total Licenses and Permits	<u>307,350</u>	<u>279,935</u>	<u>(27,415)</u>	<u>262,459</u>
	Fines and Forfeitures				
A2610.	Fines and Forfeited Bail	<u>300,000</u>	<u>193,520</u>	<u>(106,480)</u>	<u>191,506</u>
	Total Fines and Foreitures	<u>300,000</u>	<u>193,520</u>	<u>(106,480)</u>	<u>191,506</u>

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GENERAL FUND

**Statement of Detailed Revenues, Compared to Budget (Non-GAAP Basis of Budgeting)
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With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2012 Actual</u>
Sale of Property and Compensation for Loss					
A2650.	Sale of Scrap and Excess Materials	\$ 20,000	\$ 41,780	\$ 21,780	\$ 4,932
A2655.	Minor Sales, Other	200	-	(200)	-
A2660.	Sale of Real Property	425,000	419,103	(5,897)	373,787
A2661.	Sale of Cell Tower	400,000	-	(400,000)	-
A2680.	Insurance Recoveries - Workers' Compensation	260,000	204,980	(55,020)	348,986
A2690.	Other Compensation for Loss	2,000	2,831	831	2,515
	Total Sale of Property and Compensation for Loss	<u>1,107,200</u>	<u>668,694</u>	<u>(438,506)</u>	<u>730,220</u>
Miscellaneous Local Sources					
A2701.	Refunds of Prior Years' Expenditures	2,000	7	(1,993)	1,999
A2770.	Other Unclassified Revenues	<u>1,500</u>	<u>70,690</u>	<u>69,190</u>	<u>1,280</u>
	Total Miscellaneous Local Sources	<u>3,500</u>	<u>70,697</u>	<u>67,197</u>	<u>3,279</u>
Interfund Revenues					
A2802.	Interfund Revenues - Grants	<u>28,000</u>	<u>38,664</u>	<u>10,664</u>	<u>50,000</u>
	Total Interfund Revenues	<u>28,000</u>	<u>38,664</u>	<u>10,664</u>	<u>50,000</u>

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CITY OF NORTH TONAWANDA, NEW YORK

GENERAL FUND

**Statement of Detailed Revenues, Compared to Budget (Non-GAAP Basis of Budgeting)
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<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2012 Actual</u>
State Aid - General					
A3001.	Per Capita	\$ 4,335,111	\$ 4,341,959	\$ 6,848	\$ 4,335,111
A3005.	Mortgage Tax	290,000	343,135	53,135	287,370
A3089	Court System	260,000	82,007	(177,993)	195,021
A3097	Capital Projects	-	5,377	5,377	52,852
A3310.	Police	15,000	10,299	(4,701)	19,204
A3489	Labor Training	500	1,375	875	125
A3589.	Highway Maintenance	123,000	123,171	171	123,171
A3715	Market Promotion	-	-	-	20,608
A3960	Disaster Assistance	-	-	-	879
Total State Aid - General		<u>5,023,611</u>	<u>4,907,323</u>	<u>(116,288)</u>	<u>5,034,341</u>
State Aid - Culture and Recreation					
A3820.	Youth Projects (Recreation)	6,000	-	(6,000)	-
A3821.	Youth Projects (Youth Board)	14,000	-	(14,000)	15,655
A3822.	Youth Projects	14,000	23,971	9,971	2,700
A3889.	Other Recreation	-	5,000	5,000	-
Total State Aid - Culture and Recreation		<u>34,000</u>	<u>28,971</u>	<u>(5,029)</u>	<u>18,355</u>
Total State Aid		<u>5,057,611</u>	<u>4,936,294</u>	<u>(121,317)</u>	<u>5,052,696</u>

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CITY OF NORTH TONAWANDA, NEW YORK

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<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2012 Actual</u>
	Federal Aid				
A4320.	Federal Aid - COPS	\$ -	\$ 5,492	\$ 5,492	\$ 1,939
A4341.	Federal Aid - Disaster	20,000	16,296	(3,704)	8,120
	Total Federal Aid	<u>20,000</u>	<u>21,788</u>	<u>1,788</u>	<u>10,059</u>
	TOTAL GENERAL FUND REVENUES	<u>\$ 34,405,401</u>	<u>\$ 34,287,702</u>	<u>\$ (117,699)</u>	<u>\$ 33,698,856</u>
	Appropriated Fund Balance	<u>950,000</u>			
	TOTAL REVENUE AND APPROPRIATIONS	<u>\$ 35,355,401</u>			

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**CITY OF NORTH TONAWANDA, NEW YORK
GENERAL FUND**

**Statement of Detailed Expenditures, Compared to Budget (Non-GAAP Basis of Budgeting)
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With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Variance</u>	<u>2012 Actual</u>
General Government Support						
Legislative						
A1010.	Common Council					
.1	Personal Services	\$ 40,500	\$ 40,420	\$ -	\$ 80	\$ 40,668
.4	Contractual Expenses	400	349		51	328
	Total Legislative	<u>40,900</u>	<u>40,769</u>	<u>-</u>	<u>131</u>	<u>40,996</u>
Executive						
A1210.	Mayor					
.1	Personal Services	132,919	132,490	-	429	130,916
.4	Contractual Expenses	9,000	8,722	-	278	8,887
	Total Executive	<u>141,919</u>	<u>141,212</u>	<u>-</u>	<u>707</u>	<u>139,803</u>
Finance						
A1315.	Accountant (Comptroller)					
.1	Personal Services	182,709	182,104	-	605	226,794
.4	Contractual Expenses	19,700	19,301	-	399	10,867
	Total Accountant	<u>202,409</u>	<u>201,405</u>	<u>-</u>	<u>1,004</u>	<u>237,661</u>
A1320.	Auditor					
.4	Contractual Expenses	20,000	15,600	-	4,400	-

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**CITY OF NORTH TONAWANDA, NEW YORK
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**Statement of Detailed Expenditures, Compared to Budget (Non-GAAP Basis of Budgeting)
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<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Variance</u>	<u>2012 Actual</u>
A1325	Treasurer					
.1	Personal Services	\$ 146,994	\$ 128,174	\$ -	\$ 18,820	\$ 149,710
.4	Contractual Expenses	<u>17,200</u>	<u>15,279</u>	<u>-</u>	<u>1,921</u>	<u>15,725</u>
	Total Treasurer	<u>164,194</u>	<u>143,453</u>	<u>-</u>	<u>20,741</u>	<u>165,435</u>
A1355.	Assessment					
.1	Personal Services	191,696	191,105	-	591	193,852
.2	Equipment	-	-	-	-	-
.4	Contractual Expenses	<u>21,785</u>	<u>19,571</u>	<u>-</u>	<u>2,214</u>	<u>10,748</u>
	Total Assessment	<u>213,481</u>	<u>210,676</u>	<u>-</u>	<u>2,805</u>	<u>204,600</u>
A1362.	Tax Advertising and Expense					
.4	Contractual Expenses	<u>2,200</u>	<u>2,178</u>	<u>-</u>	<u>22</u>	<u>2,064</u>
A1364.	Expense on Property Acquired for Taxes					
.4	Contractual Expenses	<u>14,000</u>	<u>13,068</u>	<u>-</u>	<u>932</u>	<u>12,384</u>
A1366.	Tax Sale Certificates - Other Governments					
.4	Contractual Expenses	<u>401,750</u>	<u>395,631</u>	<u>-</u>	<u>6,119</u>	<u>352,755</u>
	Total Finance	<u>1,018,034</u>	<u>982,011</u>	<u>-</u>	<u>36,023</u>	<u>974,899</u>

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**CITY OF NORTH TONAWANDA, NEW YORK
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**Statement of Detailed Expenditures, Compared to Budget (Non-GAAP Basis of Budgeting)
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<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Variance</u>	<u>2012 Actual</u>
Staff						
A1410.	City Clerk					
.1	Personal Services	\$ 162,885	\$ 158,232	\$ -	\$ 4,653	\$ 128,728
.4	Contractual Expenses	23,500	20,719	-	2,781	17,211
	Total City Clerk	<u>186,385</u>	<u>178,951</u>	<u>-</u>	<u>7,434</u>	<u>145,939</u>
A1420.	Law					
.1	Personal Services	163,406	159,653	-	3,753	159,667
.4	Contractual Expenses	25,300	22,887	-	2,413	14,358
	Total Law	<u>188,706</u>	<u>182,540</u>	<u>-</u>	<u>6,166</u>	<u>174,025</u>
A1440.	Engineer					
.1	Personal Services	207,240	206,253	-	987	246,616
.4	Contractual Expenses	13,500	11,883	-	1,617	14,078
	Total Engineer	<u>220,740</u>	<u>218,136</u>	<u>-</u>	<u>2,604</u>	<u>260,694</u>
A1450.	Elections					
.4	Contractual Expenses	1,000	490	-	510	625
	Total Elections	<u>1,000</u>	<u>490</u>	<u>-</u>	<u>510</u>	<u>625</u>

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<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Variance</u>	<u>2012 Actual</u>
A1490.	Public Works Administration					
.1	Personal Services	\$ 454,450	\$ 454,369	\$ -	\$ 81	\$ 436,491
.4	Contractual Expenses	51,750	48,910	-	2,840	31,761
	Total Public Works Administration	<u>506,200</u>	<u>503,279</u>	<u>-</u>	<u>2,921</u>	<u>468,252</u>
	Total Staff	<u>1,103,031</u>	<u>1,083,396</u>	<u>-</u>	<u>19,635</u>	<u>1,049,535</u>
	Shared Services					
A1620.	Buildings					
.1	Personal Services	252,566	246,264	-	6,302	259,969
.4	Contractual Expenses	191,400	179,600	-	11,800	159,386
	Total Buildings	<u>443,966</u>	<u>425,864</u>	<u>-</u>	<u>18,102</u>	<u>419,355</u>
A1670.	Central Printing and Mailing					
.2	Equipment	10,000	8,603	-	1,397	6,383
.4	Contractual Expenses	49,500	49,382	-	118	42,010
	Total Central Printing and Mailing	<u>59,500</u>	<u>57,985</u>	<u>-</u>	<u>1,515</u>	<u>48,393</u>
	Total Shared Services	<u>503,466</u>	<u>483,849</u>	<u>-</u>	<u>19,617</u>	<u>467,748</u>

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<u>Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Variance</u>	<u>Actual</u>
Special Items						
A1910 .4	Unallocated Insurance	\$ 175,000	\$ 127,747	\$ -	\$ 47,253	\$ 163,616
A1920 .1	Hospitalization Waiver	65,500	65,492	-	8	49,750
A1930 .4	Judgments and Claims	295,000	277,720	2,121	15,159	227,480
A1941 .4	Leases and Rights of Way	1,300	1,206	-	94	2,057
A1950 .4	Taxes on City Property	45,000	24,673	-	20,327	42,887
A1980 .4	Provisions for Reserve for Uncollected Taxes	578,700	442,503	-	136,197	452,397
A1990 .4	Contingent Account	83,078	-	-	83,078	16,010
	Total Special Items	<u>1,243,578</u>	<u>939,341</u>	<u>2,121</u>	<u>302,116</u>	<u>954,197</u>
	Total General Government Support	<u>4,050,928</u>	<u>3,670,578</u>	<u>2,121</u>	<u>378,229</u>	<u>3,627,178</u>
Public Safety						
A3120.	Police					
.1	Personal Services	4,669,722	4,557,353	-	112,369	4,532,971
.2	Equipment	35,100	15,457	-	19,643	24,333
.4	Contractual Expenses	595,800	563,551	-	32,249	423,488
	Total Police	<u>5,300,622</u>	<u>5,136,361</u>	<u>-</u>	<u>164,261</u>	<u>4,980,792</u>

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<u>Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Variance</u>	<u>Actual</u>
A3310.	Traffic Control					
.1	Personal Services	\$ 279,527	\$ 228,729	\$ -	\$ 50,798	311,175
.4	Contractual Expenses	94,435	80,843	-	13,592	100,699
	Total Traffic Control	<u>373,962</u>	<u>309,572</u>	<u>-</u>	<u>64,390</u>	<u>411,874</u>
A3410.	Fire Department					
.1	Personal Services	3,204,578	3,175,658	-	28,920	3,143,864
.2	Equipment	32,803	29,295	-	3,508	19,449
.4	Contractual Expenses	379,700	365,862	-	13,838	362,171
	Total Fire Department	<u>3,617,081</u>	<u>3,570,815</u>	<u>-</u>	<u>46,266</u>	<u>3,525,484</u>
A3510.	Control of Animals					
.4	Contractual Expenses	57,950	51,662	-	6,288	50,157
A3620.	Safety Inspection					
.1	Personal Services	244,668	244,445	-	223	243,204
.4	Contractual Expenses	21,372	18,684	-	2,688	16,492
	Total Safety Inspection	<u>266,040</u>	<u>263,129</u>	<u>-</u>	<u>2,911</u>	<u>259,696</u>

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For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Variance</u>	<u>Actual</u>
A3640.	Emergency Management					
.1	Personal Services	\$ 13,500	\$ 13,497	\$ -	\$ 3	\$ 10,252
.2	Equipment	1,500	126	-	1,374	553
.4	Contractual Expenses	<u>9,850</u>	<u>9,252</u>	-	598	<u>4,446</u>
	Total Emergency Management	<u>24,850</u>	<u>22,875</u>	-	<u>1,975</u>	<u>15,251</u>
A3650.	Building Demolition					
.4	Contractual Expenses	<u>3,200</u>	-	-	3,200	-
	Total Public Safety	<u>9,643,705</u>	<u>9,354,414</u>	-	<u>289,291</u>	<u>9,243,254</u>
	Transportation					
A5110.	Streets Maintenance					
.1	Personal Services	2,222,867	2,006,229	-	216,638	1,960,552
.2	Equipment	12,000	12,000	-	-	840
.4	Contractual Expenses	<u>862,030</u>	<u>831,197</u>	-	30,833	<u>770,545</u>
	Total Streets Maintenance	<u>3,096,897</u>	<u>2,849,426</u>	-	<u>247,471</u>	<u>2,731,937</u>
A5142.	Snow and Ice Control					
.1	Personal Services	28,000	28,000	-	-	27,135
.4	Contractual Expenses	<u>310,000</u>	<u>305,278</u>	-	4,722	<u>200,615</u>
	Total Snow and Ice Control	<u>338,000</u>	<u>333,278</u>	-	<u>4,722</u>	<u>227,750</u>

See Independent Auditor's Report.

**CITY OF NORTH TONAWANDA, NEW YORK
GENERAL FUND**

**Statement of Detailed Expenditures, Compared to Budget (Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

A5182.	Street Lighting					
.4	Contractual Expenses	<u>\$ 630,000</u>	<u>\$ 624,072</u>	<u>\$ -</u>	<u>\$ 5,928</u>	<u>\$ 711,150</u>
	Total Transportation	<u>4,064,897</u>	<u>3,806,776</u>	<u>-</u>	<u>258,121</u>	<u>3,670,837</u>
	Economic Opportunity and Development					
A6520.	Public Market					
.1	Personal Services	6,000	6,000	-	-	6,696
.4	Contractual Expenses	<u>1,450</u>	<u>1,019</u>	<u>-</u>	<u>431</u>	<u>2,051</u>
	Total Public Market	<u>7,450</u>	<u>7,019</u>	<u>-</u>	<u>431</u>	<u>8,747</u>
A6772.	Programs for Aging					
.1	Personal Services	35,800	34,040	-	1,760	32,626
.4	Contractual Expenses	<u>23,400</u>	<u>20,196</u>	<u>-</u>	<u>3,204</u>	<u>20,791</u>
	Total Programs for Aging	<u>59,200</u>	<u>54,236</u>	<u>-</u>	<u>4,964</u>	<u>53,417</u>
	Total Economic Opportunity and Development	<u>66,650</u>	<u>61,255</u>	<u>-</u>	<u>5,395</u>	<u>62,164</u>
	Culture and Recreation					
A7010.	Council on Arts					
.4	Contractual Expenses	<u>6,000</u>	<u>5,375</u>	<u>-</u>	<u>625</u>	<u>4,686</u>

See Independent Auditor's Report.

**CITY OF NORTH TONAWANDA, NEW YORK
GENERAL FUND**

**Statement of Detailed Expenditures, Compared to Budget (Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

A7020.	Recreation Administration					
.1	Personal Services	\$ 177,015	\$ 177,011	\$ -	\$ 4	\$ 170,330
.4	Contractual Expenses	<u>14,000</u>	<u>13,723</u>	<u>-</u>	<u>277</u>	<u>12,218</u>
	Total Recreation Administration	<u>191,015</u>	<u>190,734</u>	<u>-</u>	<u>281</u>	<u>182,548</u>
A7110.	Parks					
.1	Personal Services	385,551	384,724	-	827	362,513
.4	Contractual Expenses	<u>180,250</u>	<u>170,446</u>	<u>-</u>	<u>9,804</u>	<u>150,058</u>
	Total Parks	<u>565,801</u>	<u>555,170</u>	<u>-</u>	<u>10,631</u>	<u>512,571</u>
A7140.	Playground and Recreation Centers					
.1	Personal Services	134,816	134,101	-	715	128,918
.2	Equipment	3,000	1,833	-	1,167	4,993
.4	Contractual Expenses	<u>47,800</u>	<u>46,009</u>	<u>-</u>	<u>1,791</u>	<u>40,876</u>
	Total Playground and Recreation Centers	<u>185,616</u>	<u>181,943</u>	<u>-</u>	<u>3,673</u>	<u>174,787</u>
A7180.	Swimming Pools					
.1	Personal Services	58,800	58,745	-	55	59,425
.4	Contractual Expenses	<u>33,500</u>	<u>29,203</u>	<u>-</u>	<u>4,297</u>	<u>27,658</u>
	Total Swimming Pools	<u>92,300</u>	<u>87,948</u>	<u>-</u>	<u>4,352</u>	<u>87,083</u>

See Independent Auditor's Report.

**CITY OF NORTH TONAWANDA, NEW YORK
GENERAL FUND**

**Statement of Detailed Expenditures, Compared to Budget (Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Variance</u>	<u>Actual</u>
A7250.	Golf Course					
.1	Personal Services	\$ 408,332	\$ 407,863	\$ -	\$ 469	\$ 433,702
.4	Contractual Expenses	231,600	226,099		5,501	237,539
	Total Golf Course	<u>639,932</u>	<u>633,962</u>	<u>-</u>	<u>5,970</u>	<u>671,241</u>
A7310.	Youth Activities or Agencies					
.1	Personal Services	95,956	90,172	-	5,784	88,979
.4	Contractual Expenses	43,360	43,013	-	347	58,600
	Total Youth Activities or Agencies	<u>139,316</u>	<u>133,185</u>	<u>-</u>	<u>6,131</u>	<u>147,579</u>
A7989.	Gateway Harbor					
.1	Personal Services	28,000	27,977	-	23	22,155
.4	Contractual Expenses	14,300	11,002	-	3,298	940
	Total Gateway Harbor	<u>42,300</u>	<u>38,979</u>	<u>-</u>	<u>3,321</u>	<u>23,095</u>
	Total Culture and Recreation	<u>1,862,280</u>	<u>1,827,296</u>	<u>-</u>	<u>34,984</u>	<u>1,803,590</u>
	Home and Community Services					
A8010.	Zoning Board of Appeals					
.1	Personal Services	5,220	4,290	-	930	5,100
.4	Contractual Expenses	500	-	-	500	-
	Total Zoning Board of Appeals	<u>5,720</u>	<u>4,290</u>	<u>-</u>	<u>1,430</u>	<u>5,100</u>

See Independent Auditor's Report.

**CITY OF NORTH TONAWANDA, NEW YORK
GENERAL FUND**

**Statement of Detailed Expenditures, Compared to Budget (Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

A8020.	Planning Commission					
.1	Personal Services	\$ 78,738	\$ 74,164	\$ -	\$ 4,574	\$ 84,410
.4	Contractual Expenses	61,200	61,133	-	67	55,606
	Total Planning Commission	<u>139,938</u>	<u>135,297</u>	<u>-</u>	<u>4,641</u>	<u>140,016</u>
A8160.	Garbage/Waste Collection					
.1	Personal Services	786,452	677,788	-	108,664	729,496
.4	Contractual Expenses	620,600	587,193	-	33,407	648,625
	Total Garbage/Waste Collection	<u>1,407,052</u>	<u>1,264,981</u>	<u>-</u>	<u>142,071</u>	<u>1,378,121</u>
A8760.	Emergency Disaster Work					
.4	Contractual Expenses	-	-	-	-	-
	Total Home and Community Services	<u>1,552,710</u>	<u>1,404,568</u>	<u>-</u>	<u>148,142</u>	<u>1,523,237</u>
	Undistributed Employee Benefits					
A9010.	State Retirement	1,027,018	993,727	-	33,291	891,611
A9015.	Fire and Police Retirement	1,721,954	1,719,526	-	2,428	1,591,264
A9030.	Social Security	1,160,000	1,075,143	-	84,857	1,063,856
A9040.	Workers' Compensation	1,516,660	1,342,881	-	173,779	1,294,873
A9045.	Life Insurance	50,000	20,458	-	29,542	20,244
A9050.	Unemployment Insurance	75,000	8,031	-	66,969	7,336
A9060.	Hospital and Medical Insurance	6,503,417	5,224,309	-	1,279,108	4,900,877
	Total Employee Benefits	<u>12,054,049</u>	<u>10,384,075</u>	<u>-</u>	<u>1,669,974</u>	<u>9,770,061</u>

See Independent Auditor's Report.

**CITY OF NORTH TONAWANDA, NEW YORK
GENERAL FUND**

**Statement of Detailed Expenditures, Compared to Budget (Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Variance</u>	<u>Actual</u>
	Debt Service - Principal					
A9710.6	Principal on Serial Bonds	\$ 1,695,000	\$ 1,695,000	\$ -	\$ -	\$ 1,651,000
A9736	Principal on BAN	-	-	-	-	-
	Total Debt Service - Principal	<u>1,695,000</u>	<u>1,695,000</u>	<u>-</u>	<u>-</u>	<u>1,651,000</u>
	Debt Service - Interest					
A9710.7	Interest on Serial Bonds	301,546	301,545	-	1	327,064
A9737.7	Interest on Bond Anticipation Notes	-	-	-	-	-
A9760.7	Interest on Tax Anticipation Notes	70,000	-	-	70,000	9,620
A9770.7	Interest on Revenue Anticipation Notes	25,000	-	-	25,000	-
	Total Debt Service - Interest	<u>396,546</u>	<u>301,545</u>	<u>-</u>	<u>95,001</u>	<u>336,684</u>
	Transfers To Other Funds					
A9901.0	Transfer to Sewer Fund	-	-	-	-	205,827
A9903.0	Transfer to Water Fund	-	-	-	-	-
A9950.0	Transfers Out	-	-	-	-	49,560
	Total Transfers to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>255,387</u>
	Total Undistributed	<u>14,145,595</u>	<u>12,380,620</u>	<u>-</u>	<u>1,764,975</u>	<u>12,013,132</u>
	TOTAL GENERAL FUND EXPENDITURES	<u><u>\$ 35,386,765</u></u>	<u><u>\$32,505,507</u></u>	<u><u>\$ 2,121</u></u>	<u><u>\$ 2,879,137</u></u>	<u><u>\$ 31,943,392</u></u>

See Independent Auditor's Report.

CITY OF NORTH TONAWANDA, NEW YORK

SPECIAL REVENUE FUND

**Balance Sheets
December 31, 2013**

With Comparative Actual Amounts for the Year Ended December 31, 2012

	Special Grant Fund	Sewer Fund	Water Fund	Totals Memorandum Only December 31, 2013	December 31, 2012
<u>ASSETS</u>					
Unrestricted Cash	\$ 36,925	\$ 1,590,921	\$ 1,735,585	\$ 3,363,431	\$ 2,663,133
Receivables:					
Water Rents	-	-	1,173,097	1,173,097	1,199,977
Sewer Rents	-	1,692,902	-	1,692,902	1,623,274
Accounts	26,161	-	-	26,161	25,893
Loans	112,763	-	-	112,763	127,036
State and Federal Aid	1,299,313	-	-	1,299,313	1,026,442
Due from Other Funds	-	13,500	32,701	46,201	1,792
Prepaid Expenses	-	46,754	34,578	81,332	77,086
Total Assets	<u>\$ 1,475,162</u>	<u>\$ 3,344,077</u>	<u>\$ 2,975,961</u>	<u>\$ 7,795,200</u>	<u>\$ 6,744,633</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY</u>					
Liabilities:					
Accounts Payable	\$ 118,338	\$ 157,549	\$ 53,721	\$ 329,608	\$ 239,939
Accrued Liabilities	-	59,653	39,459	99,112	91,989
FSS Escrow - PHA	-	-	-	-	24,984
Due to Other Funds	55,864	-	4,782	60,646	101,180
Due to Other Governments	-	-	-	-	410,023
Total Liabilities	<u>174,202</u>	<u>217,202</u>	<u>97,962</u>	<u>489,366</u>	<u>868,115</u>
Deferred Inflows of Resources					
Unavailable Revenue- Property Taxes	1,276,912	-	-	1,276,912	1,144,050
Total Deferred Inflows of Resources	<u>1,276,912</u>	<u>-</u>	<u>-</u>	<u>1,276,912</u>	<u>1,144,050</u>
Fund Equity:					
Fund Balance:					
Restricted	-	64,274	58,476	122,750	109,186
Assigned	24,048	3,062,601	2,819,523	5,906,172	4,623,282
Total Fund Equity	<u>24,048</u>	<u>3,126,875</u>	<u>2,877,999</u>	<u>6,028,922</u>	<u>4,732,468</u>
Total Liabilities, Deferred Inflows and Fund Equity	<u>\$ 1,475,162</u>	<u>\$ 3,344,077</u>	<u>\$ 2,975,961</u>	<u>\$ 7,795,200</u>	<u>\$ 6,744,633</u>

See Independent Auditor's Report.

CITY OF NORTH TONAWANDA, NEW YORK

SPECIAL REVENUE FUND TYPES

**Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

	<u>Special Grant Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Totals Memorandum Only December 31, 2013</u>	<u>December 31, 2012</u>
Revenues:					
Departmental Income	\$ 41,396	\$ 4,183,326	\$ 3,092,947	\$ 7,317,669	\$ 8,940,945
Use of Money and Property	-	175,675	40,782	216,457	40,589
Sale of Property and Compensation for Loss	-	8,028	7,916	15,944	236,876
State Aid	-	1,000	2,397	3,397	500
Federal Aid	3,279,546	-	-	3,279,546	2,928,049
Total Revenues	<u>3,320,942</u>	<u>4,368,029</u>	<u>3,144,042</u>	<u>10,833,013</u>	<u>12,146,959</u>
Expenditures:					
Current:					
General Governmental Support	-	30,614	27,406	58,020	8,002
Home and Community Services	3,354,427	2,704,848	1,469,464	7,528,739	7,377,981
Employee Benefits	-	911,579	582,039	1,493,618	1,462,247
Debt Service - Principal	-	248,000	255,000	503,000	519,000
Debt Service - Interest	-	84,158	57,635	141,793	150,090
Total Expenditures	<u>3,354,427</u>	<u>3,979,199</u>	<u>2,391,544</u>	<u>9,725,170</u>	<u>9,517,320</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(33,485)</u>	<u>388,830</u>	<u>752,498</u>	<u>1,107,843</u>	<u>2,629,639</u>
Other Sources and (Uses):					
Transfer from Other Funds	25,000	13,501	-	38,501	-
Transfer to Other Funds	(19,000)	-	(32,082)	(51,082)	(130,000)
Total Other Sources and (Uses)	<u>6,000</u>	<u>13,501</u>	<u>(32,082)</u>	<u>(12,581)</u>	<u>(130,000)</u>
Net Change in Fund Balances	(27,485)	402,331	720,416	1,095,262	2,499,639
Fund Balances at Beginning of Year	<u>51,533</u>	<u>2,724,542</u>	<u>2,157,585</u>	<u>4,933,660</u>	<u>2,232,904</u>
Fund Balances at End of Year	<u>\$ 24,048</u>	<u>\$ 3,126,873</u>	<u>\$ 2,878,001</u>	<u>\$ 6,028,922</u>	<u>\$ 4,732,543</u>

See Independent Auditor's Report.

CITY OF NORTH TONAWANDA, NEW YORK

SPECIAL GRANT FUND

**Statement of Detailed Revenues
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Account Number</u>	<u>Account Name</u>	<u>2013 Actual</u>	<u>2012 Actual</u>
	Departmental Income		
CD8674.	HOME Rehabilitation Program	1,435	1,582
CD8675.	HOME Loan	39,961	20,970
	Total Departmental Income	<u>41,396</u>	<u>22,552</u>
	Use of Money and Property		
CD2401.	Interest and Earnings	<u>-</u>	<u>2</u>
	Federal Aid		
CD4912.	Bishop Gibbons Section 8	2,605,218	2,628,536
CD4921.	2006 CDBG Small Cities Comprehensive Grant	401,163	204,496
CD4927	HOME Program	273,165	95,018
	Total Federal Aid	<u>3,279,546</u>	<u>2,928,050</u>
TOTAL SPECIAL GRANT FUND REVENUES		<u>\$ 3,320,942</u>	<u>\$ 2,950,604</u>

See Independent Auditor's Report.

CITY OF NORTH TONAWANDA, NEW YORK

SPECIAL GRANT FUND

**Statement of Detailed Expenditures
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Account Number</u>	<u>Account Name</u>	<u>2013 Actual</u>	<u>2012 Actual</u>
	Home and Community Services		
CD8672.	Rent Assistance Program		
.4	Contractual Expenses	<u>\$ 2,618,974</u>	<u>\$ 2,841,990</u>
CD8686.	Administrative		
.4	Contractual Expenses	<u>82,715</u>	<u>66,347</u>
CD8668.	Rehabilitation Loans and Grants		
.4	Contractual Expenses	<u>652,738</u>	<u>244,176</u>
TOTAL SPECIAL GRANT FUND EXPENDITURES		<u>\$ 3,354,427</u>	<u>\$ 3,152,513</u>

See Independent Auditor's Report.

CITY OF NORTH TONAWANDA, NEW YORK

SEWER FUND

**Statement of Detailed Revenues, Compared to Budget (Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2012 Actual</u>
Departmental Income					
G2120.	Sewer Rents	\$ 4,166,000	\$ 4,021,720	\$ (144,280)	\$ 4,958,793
G2122.	Sewer Service Charges	4,300	2,578	(1,722)	830
G2128.	Interest and Penalties - Sewer Rents	157,000	159,028	2,028	149,421
	Total Departmental Income	<u>4,327,300</u>	<u>4,183,326</u>	<u>(143,974)</u>	<u>5,109,044</u>
Use of Money and Property					
G2401.	Interest and Earnings	500	1,624	1,124	713
G2410.	Rental Property - Tower	165,000	174,051	9,051	192,393
	Total Use of Money and Property	<u>165,500</u>	<u>175,675</u>	<u>10,175</u>	<u>193,106</u>
Sale of Property and Compensation for Loss					
G2650	Sale of Scrap	-	1,676	1,676	-
G2665	Minor Sales	-	-	-	96
G2680	INS Rec-Workers Comp	1,000	6,352	5,352	2,327
	Total Sale of Property and Compensation for Loss	<u>1,000</u>	<u>8,028</u>	<u>7,028</u>	<u>2,423</u>
G2701.	Miscellaneous Revenues				
	Other Unclassified Revenue	-	-	-	(75)
	Total Miscellaneous Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75)</u>
State Aid					
G3901.	State Aid	-	1,000	1,000	125
Interfund Transfers					
G2811.	Transfer from General Fund	-	13,500	13,500	-
	TOTAL SEWER FUND REVENUES	<u>\$ 4,493,800</u>	<u>\$ 4,381,529</u>	<u>\$ (112,271)</u>	<u>\$ 5,304,623</u>
	Appropriated Fund Balance	-			
	TOTAL REVENUES AND APPROPRIATIONS	<u>\$ 4,493,800</u>			

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CITY OF NORTH TONAWANDA, NEW YORK

SEWER FUND

**Statement of Detailed Expenditures, Compared to Budget (Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Variance</u>	<u>2012 Actual</u>
General Government Support						
<i>Special Items</i>						
G1910.4	Unallocated Insurance	\$ 25,000	\$ 25,000	\$ -	\$ -	\$ -
G1920.1	Hospitalization Waiver	4,500	(1,925)	-	6,425	160
G1930.4	Judgments and Claims	10,000	7,539	-	2,461	1,233
G1990.4	Contingent Account	20,000	-	-	20,000	-
	Total General Government Support	<u>59,500</u>	<u>30,614</u>	<u>-</u>	<u>28,886</u>	<u>1,393</u>
Home and Community Services						
<i>Sanitary Sewers</i>						
G8120.						
.1	Personal Services	423,784	422,820	-	964	373,736
.4	Contractual Expenses	<u>168,100</u>	<u>164,245</u>	<u>-</u>	<u>3,855</u>	<u>157,585</u>

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CITY OF NORTH TONAWANDA, NEW YORK

SEWER FUND

**Statement of Detailed Expenditures, Compared to Budget (Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Variance</u>	<u>2012 Actual</u>
G8130	<i>Sewage Treatment</i>					
.1	Personal Services	\$ 1,210,402	\$ 1,170,354	\$ -	\$ 40,048	\$ 1,205,809
.2	Equipment	16,000	5,761	-	10,239	10,250
.4	Contractual Expenses	1,152,500	941,665	4,021	206,814	860,054
	<i>Total Sewage Treatment</i>	<u>2,378,902</u>	<u>2,117,780</u>	<u>4,021</u>	<u>257,101</u>	<u>2,076,113</u>
	Total Home and Community Services	<u>2,970,786</u>	<u>2,704,845</u>	<u>4,021</u>	<u>261,920</u>	<u>2,607,434</u>
	Undistributed					
	<i>Employee Benefits</i>					
G9010.8	State Retirement	187,655	187,594	-	61	187,430
G9030.8	Social Security	147,000	118,448	-	28,552	119,561
G9040.8	Workers' Compensation	175,000	140,434	-	34,566	135,118
G9045.8	Life Insurance	3,000	1,826	-	1,174	1,729
G9060.8	Hospital and Medical Insurance	650,000	463,277	-	186,723	459,961
	<i>Total Employee Benefits</i>	<u>1,162,655</u>	<u>911,579</u>	<u>-</u>	<u>251,076</u>	<u>903,799</u>
	<i>Debt Service - Principal</i>					
G9710.6	Principal on Serial Bonds	248,000	248,000	-	-	255,000
G9730.6	Principal of Bond Anticipation Notes	-	-	-	-	-
	<i>Total Debt Service - Principal</i>	<u>248,000</u>	<u>248,000</u>	<u>-</u>	<u>-</u>	<u>255,000</u>

See Independent Auditor's Report.

CITY OF NORTH TONAWANDA, NEW YORK

SEWER FUND

**Statement of Detailed Expenditures, Compared to Budget (Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Variance</u>	<u>2012 Actual</u>
	<i>Debt Service - Interest</i>					
G9710.7	Interest on Serial Bonds	\$ 84,859	\$ 84,158	\$ -	\$ 701	\$ 88,489
G9730.7	Interest on Bond Anticipation Notes	-	-	-	-	-
	<i>Total Debt Service - Interest</i>	<u>84,859</u>	<u>84,158</u>	<u>-</u>	<u>701</u>	<u>88,489</u>
	Total Undistributed	<u>1,495,514</u>	<u>1,243,737</u>	<u>-</u>	<u>251,777</u>	<u>1,247,288</u>
	TOTAL SEWER FUND EXPENDITURES	<u>\$4,525,800</u>	<u>\$ 3,979,196</u>	<u>\$ 4,021</u>	<u>\$ 542,583</u>	<u>\$ 3,856,115</u>

See Independent Auditor's Report.

CITY OF NORTH TONAWANDA, NEW YORK

WATER FUND

**Statement of Detailed Revenues, Compared to Budget (Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2012 Actual</u>
	Departmental Income				
F2140	Metered Water Sales	\$ 2,827,000	\$ 2,969,472	\$ 142,472	\$ 3,684,875
F2142	Unmetered Water Sales	1,400	1,532	132	1,532
F2144	Water Service Sales	3,600	11,813	8,213	9,144
F2148	Interest Penalties on Water Rents	106,000	110,130	4,130	113,085
	Total Departmental Income	<u>2,938,000</u>	<u>3,092,947</u>	<u>154,947</u>	<u>3,808,636</u>
	Use of Money and Property				
F2401	Interest and Earnings	500	1,239	739	327
F2410	Rental Property	38,000	39,543	1,543	40,260
	Total Use of Money and Property	<u>38,500</u>	<u>40,782</u>	<u>2,282</u>	<u>40,587</u>
	Sale of Property and Compensation for Loss				
F2650	Sale of Scrap	-	-	-	1,173
F2665	Minor Sales	700	770	70	610
F2680	Sale of Equipment	500	3,030	2,530	-
F2690	Other Compensation for Loss	35,000	4,116	(30,884)	40,367
	Total Sale of Property and Compensation for Loss	<u>36,200</u>	<u>7,916</u>	<u>(28,284)</u>	<u>42,150</u>
	Miscellaneous Revenue				
F2770	Unclassified Revenue	-	-	-	(90)
	State Aid				
F3901	NYSERDA	-	2,397	2,397	375
	Interfund Transfers				
F2811	Transfer In	-	-	-	-
	TOTAL WATER FUND REVENUES	<u>\$ 3,012,700</u>	<u>\$ 3,144,042</u>	<u>\$ 131,342</u>	<u>\$ 3,891,658</u>
	Appropriated Fund Balance	-	-	-	-
	TOTAL REVENUES AND APPROPRIATIONS	<u>\$ 3,012,700</u>			

See Independent Auditor's Report.

CITY OF NORTH TONAWANDA, NEW YORK

WATER FUND

**Statement of Detailed Expenditures, Compared to Budget (Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Variance</u>	<u>2012 Actual</u>
	General Government Support					
	Special Items					
F1910.4	Unallocated Insurance	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ -
F1920.1	Hospitalization Waiver	9,000	2,406	-	6,594	1,925
F1930.4	Judgments and Claims	10,000	10,000	-	-	4,684
F1990.4	Contingent Account	17,700	-	-	17,700	-
	Total General Government Support	<u>51,700</u>	<u>27,406</u>	<u>-</u>	<u>24,294</u>	<u>6,609</u>
	Home and Community Services					
	Water Administration					
F8310						
.1	Personal Services	176,122	163,974	-	12,148	84,272
.4	Contractual Expenses	114,200	59,099	-	55,101	102,426
	Total Water Administration	<u>290,322</u>	<u>223,073</u>	<u>-</u>	<u>67,249</u>	<u>186,698</u>
F8320	Source and Supply, Power and Pumping					
.1	Personal Services	284,128	284,023	-	105	331,112
.2	Equipment	15,000	4,431	-	10,569	7,376
.4	Contractual Expenses	232,150	227,461	-	4,689	243,443
	Total Source and Supply, Power and Pumping	<u>531,278</u>	<u>515,915</u>	<u>-</u>	<u>15,363</u>	<u>581,931</u>

See Independent Auditor's Report.

CITY OF NORTH TONAWANDA, NEW YORK

WATER FUND

**Statement of Detailed Expenditures, Compared to Budget (Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Variance</u>	<u>2012 Actual</u>
F8330.	Purification					
.1	Personal Services	\$ 284,828	\$ 284,023	\$ -	\$ 805	\$ 348,460
.2	Equipment	18,000	13,920	-	4,080	4,050
.4	Contractual Expenses	97,000	92,313	-	4,687	99,900
	Total Purification	<u>399,828</u>	<u>390,256</u>	<u>-</u>	<u>9,572</u>	<u>452,410</u>
F8340.	Transmission and Distribution					
.1	Personal Services	306,684	271,285	-	35,399	285,267
.2	Equipment	43,800	14,666	19,115	10,019	9,112
.4	Contractual Expenses	77,600	54,269	-	23,331	102,618
	Total Transmission and Distribution	<u>428,084</u>	<u>340,220</u>	<u>19,115</u>	<u>68,749</u>	<u>396,997</u>
	Total Home and Community Services	<u>1,649,512</u>	<u>1,469,464</u>	<u>19,115</u>	<u>160,933</u>	<u>1,618,036</u>
	Undistributed Employee Benefits					
F9010.8	State Retirement	221,454	133,491	-	87,963	121,328
F9030.8	Social Security	125,000	77,388	-	47,612	84,590
F9040.8	Workers' Compensation	115,000	93,622	-	21,378	90,079
F9045.8	Life Insurance	3,000	1,736	-	1,264	1,300
F9060.8	Hospital and Medical Insurance	395,000	275,804	-	119,196	261,150
	Total Employee Benefits	<u>859,454</u>	<u>582,041</u>	<u>-</u>	<u>277,413</u>	<u>558,447</u>

See Independent Auditor's Report.

CITY OF NORTH TONAWANDA, NEW YORK

WATER FUND

**Statement of Detailed Expenditures, Compared to Budget (Non-GAAP Basis of Budgeting)
For the Year Ended December 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012**

<u>Account Number</u>	<u>Account Name</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Variance</u>	<u>2012 Actual</u>
	Debt Service - Principal					
F9710.6	Principal on Serial Bonds	\$ 255,000	\$ 255,000	\$ -	\$ -	\$ 264,000
F9730.6	Principal of Bond Anticipation Notes	-	-	-	-	-
	Total Debt Service - Principal	<u>255,000</u>	<u>255,000</u>	<u>-</u>	<u>-</u>	<u>264,000</u>
	Debt Service - Interest					
F9710.7	Interest on Serial Bonds	164,735	57,635	-	107,100	61,601
F9730.7	Interest on Bond Anticipation Notes	-	-	-	-	-
	Total Debt Service - Interest	<u>164,735</u>	<u>57,635</u>	<u>-</u>	<u>107,100</u>	<u>61,601</u>
	Total Undistributed	<u>1,279,189</u>	<u>894,676</u>	<u>-</u>	<u>384,513</u>	<u>884,048</u>
	TOTAL WATER FUND EXPENDITURES	<u>\$2,980,401</u>	<u>\$ 2,391,546</u>	<u>\$ 19,115</u>	<u>\$ 569,740</u>	<u>\$ 2,508,693</u>

See Independent Auditor's Report.

CITY OF NORTH TONAWANDA, NEW YORK

**Combining Balance Sheet by Project
For the Year Ended December 31, 2013**

<u>Project Number</u>	<u>Project Description</u>	<u>Cash</u>	<u>Accounts Receivable</u>	<u>Due from other Governments</u>	<u>Due from State/Federal</u>	<u>Due from Other Funds</u>	<u>Prepaid Expenses</u>	<u>Due to Other Funds</u>	<u>Retainages/Loans Payable</u>	<u>Accounts Payable</u>	<u>Unappropriated Fund Balance</u>
General Improvements:											
H-Cash	Cash	\$ 4,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,327	\$ -	\$ -	\$ -
H-10	Entrance Roof PG Tank	405,949	-	-	-	-	-	-	2,850	28,005	375,095
H-1001	Manhattan Parking/Marina/Storm Sewer	(308,012)	-	300,000	8,012	-	-	-	-	-	-
H-1003	DPW Street Resurfacing/Sidewalks	-	-	-	-	-	-	-	-	-	-
H-1005	Waste Water Improvement	22,266	-	-	-	-	-	-	-	-	22,266
H-104	Roblin Steel Remediation Site	103,526	-	-	-	-	-	-	-	1,500	102,026
H-1101	City Hall Repainting/Keller Lot	40,000	-	-	-	-	-	-	-	-	40,000
H-1102	Surveillance Cameras	30,093	-	-	-	-	-	-	-	-	30,093
H-1103	DPW Street Resurfacing/Equipment	73,446	-	-	-	-	-	-	-	35,102	38,344
H-1104	WWTP Piping, Valve,Pump Replacement	13,078	-	-	-	-	-	-	-	-	13,078
H-1105	Water Erie Ave Tank	(4,782)	-	-	-	4,782	-	-	-	-	-
H-1106	City Hall Repointing	55,000	-	-	-	-	-	-	-	-	55,000
H-1201	Northwest Storm Sewer	(20,900)	-	200,000	-	-	-	-	-	-	179,100
H-1202	VAN- Engineer, Police Vehicles	1,380	-	-	-	-	-	-	-	-	1,380
H-1203	Turn Out Nomex Gear, E-4 Ramp Replacement	5,880	-	-	-	-	-	-	-	5,769	111
H-1204	Street Resurfacing, Equipment, Sidewalks	-	-	-	-	-	-	-	-	-	-
H-1205	Golf Paths, Pick-Up	-	-	-	-	-	-	-	-	-	-
H-1206	Generator Replacement, Filter Controllers	59,050	-	-	-	-	-	-	-	58,531	519
H-1207	Carbon Building HV, WWTP Lab Equipment	83,703	-	-	-	-	-	-	22,818	66,281	(5,396)
H-1208	Webster Street GIGP (Green Innovation Grant Program)	(319,271)	-	-	321,521	-	-	-	16,665	2,250	(16,665)
H-1209	Fire Recruit Retention	(1,442)	-	-	-	-	-	-	-	543	(1,985)

See Independent Auditor's Report.

CITY OF NORTH TONAWANDA, NEW YORK

**Combining Balance Sheet by Project
For the Year Ended December 31, 2013**

Project Number	Project Description	Cash	Accounts Receivable	Due from other Governments	Due from State/Federal	Due from Other Funds	Prepaid Expenses	Due to Other Funds	Retainages/Loans Payable	Accounts Payable	Unappropriated Fund Balance
H-1301	Gratwick Riverside Mark Marina Phase II	\$ (617,882)	\$ -	\$ -	\$ 686,919	\$ -	\$ -	\$ -	\$ 43,397	\$ 33,184	\$ (7,544)
H-1302	Recycling Totes	2,661	-	-	-	-	-	-	-	-	2,661
H-1303	Dump Truck - Combination Salter	165,000	-	-	-	-	-	-	-	156,025	8,975
H-1304	Highway Resurfacing	201,527	-	-	-	-	-	-	-	10,405	191,122
H-1305	Sidewalks	-	-	-	-	-	-	-	-	-	-
H-1306	Generators E6 and E7	15,575	-	-	-	-	-	-	-	-	15,575
H-1307	EMO Dive Team Facility Improvements	12,234	-	-	-	-	-	-	-	-	12,234
H-1308	Roof Replacement (PS and Tool Room)	32,931	-	-	-	-	-	-	-	-	32,931
H-1309	Cleaning Southwest Digester	18,820	-	-	-	-	-	-	-	-	18,820
H-1310	Memorial Pool Water Slide Structural Repairs	-	-	-	-	-	-	-	-	623	(623)
H-1311	9/11 Memorial	30,000	-	-	-	-	-	-	-	-	30,000
H-1312	Greens Mower	-	-	-	-	-	-	-	-	-	-
H-1313	Two (2) PickUp Trucks	-	-	-	-	-	-	-	-	-	-
H-1314	Concrete around Pool Edge	10,812	-	-	-	-	-	-	-	-	10,812
H-1315	NYSEFC Manhattan Lot Rain Gardens	(1,744)	-	-	-	1,744	-	-	-	-	-
H-1316	DeGraff Water Main	1,295	2,512	-	-	-	-	32,700	-	-	(28,893)
H-201	River Road Storage Tank	-	-	-	-	-	-	-	-	-	-
H-601	Meadow Drive Ext	(24,552)	-	-	431,132	-	152,636	286,000	-	74,697	198,519
H-602	City Hall Alarm	28,481	-	-	-	-	-	-	-	-	28,481
H-701	Durkee Bridge	497,706	-	-	38,814	-	-	-	32,685	38,014	465,821
H-703	City Incinerator	(191,025)	-	-	-	3,117	-	-	-	-	(187,907)

See Independent Auditor's Report.

CITY OF NORTH TONAWANDA, NEW YORK

**Combining Balance Sheet by Project
For the Year Ended December 31, 2013**

Project Number	Project Description	Cash	Accounts Receivable	Due from other Governments	Due from State/Federal	Due from Other Funds	Prepaid Expenses	Due to Other Funds	Retainages/Loans Payable	Accounts Payable	Unappropriated Fund Balance
H-803	Resurfacing, Clair Sanitary, Wash Bay	75,972	-	-	-	-	-	-	-	-	75,972
H-808	Keller Building Roof	44,892	-	-	-	-	-	-	-	-	44,892
H-901	Technology Upgrade	22,142	-	-	-	-	-	-	-	5,921	16,221
H-905	DPW Street Resurfacing, Equipment, Service Lift	6,665	-	-	-	-	-	-	-	-	6,665
H-906	Water System Improvements	-	-	-	-	-	-	-	-	-	-
H-907	Wastewater Improvements	13,500	-	-	-	-	-	13,500	-	-	-
H-909	Water Front/Brownfield	(93,066)	-	-	56,610	-	-	-	-	-	(36,456)
H-95	Sherwood Pump Station	308,997	-	-	-	-	-	-	-	-	308,997
	Total General Improvements	804,234	2,512	500,000	1,543,008	9,643	152,636	336,527	118,415	516,850	2,040,241
Paving and Curbs:											
H-821	CHIPS Consolidated Highway Improvement Program	\$ 284,772	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 276,084	\$ -	\$ 2,536	\$ 6,152
Sanitary Sewers:											
H-903	Sweeney/Kissling	110,980	-	-	-	-	-	-	-	38,436	72,544
Storm Sewer:											
H-902	Ward Road Storm	142,713	-	-	-	-	-	-	-	-	142,713
Development:											
BOLT	Buffalo Bolt Park	5,066	-	-	-	-	-	5,066	-	-	-
REM	Remington Lofts	-	-	-	100,000	-	-	-	-	100,000	-
	Totals	\$ 1,347,764	\$ 2,512	\$ 500,000	\$ 1,643,008	\$ 9,643	\$ 152,636	\$ 617,677	\$ 118,415	\$ 657,822	\$ 2,261,650

See Independent Auditor's Report.

CITY OF NORTH TONAWANDA, NEW YORK

**Statement of Expenditures and Appropriations by Project- Capital Projects Fund
For the Year Ended December 31, 2013**

Project Number	Project Description	Original Appropriations	Revised Appropriation	Prior Years' Expenditures	Current Year Expenditures	Total Expenditures	Remaining Appropriation
General Improvements:							
H-10	Entrance Roof PG Tank	\$ 170,000	\$ 94,960	\$ 71,746	\$ 89,228	\$ 160,974	\$ (66,014)
H-1001	Manhattan Parking/Marina/Storm Sewer	427,000	1,272,010	1,036,001	10,067	1,046,067	225,943
H-1003	DPW Street Resurfacing/Sidewalks	1,050,000	1,050,000	984,353	-	984,353	65,647
H-1005	Waste Water Improvements	70,000	70,000	40,000	7,734	47,734	22,266
H-104	Roblin Steel Remediation Site	3,176,000	3,176,000	2,577,840	8,600	2,586,440	589,560
H-1101	City Hall Repainting/Keller Lot	40,000	40,000	-	-	-	40,000
H-1102	Surveillance Cameras	141,800	141,800	139,569	-	139,569	2,231
H-1103	DPW Street Resurfacing/Equipment	850,000	850,000	897,773	109,056	1,006,829	(156,829)
H-1104	WWTP Piping, Valve, Pump Replacement	125,000	125,000	75,000	36,922	111,922	13,078
H-1105	Water Erie Ave Tank	400,000	530,000	534,782	-	534,782	(4,782)
H-1106	City Hall Repointing	55,000	55,000	-	-	-	55,000
H-1201	Northwest Storm Sewer	435,000	435,000	165,586	90,313	255,900	179,100
H-1202	VAN- Engineer, Police Vehicles	128,000	128,000	105,393	94,227	199,620	(71,620)
H-1203	Turn Out Nomex Gear, E-4 Ramp Replacement	138,000	138,000	125,571	12,318	137,889	111
H-1204	Street Resurfacing, Equipment, Sidewalks	350,000	350,000	139,604	100,000	239,604	110,396
H-1205	Golf Paths, Pick-Up	59,000	59,000	19,000	40,000	59,000	-
H-1206	Generator Replacement, Filter Controllers	205,000	205,000	50,087	171,263	221,351	(16,351)
H-1207	Carbon Building HV, WWTP Lab Equipment	163,000	163,000	37,934	495,102	533,036	(370,036)
H-1208	Wester Street GIGP (Green Innovation Grant Program)	574,450	574,450	40,334	366,759	407,093	167,357
H-1209	Fire Recruit Retention	74,069	74,069	24,930	9,886	34,816	39,253
H-1301	Gratwick Riverside Mark Marina Phase II	1,251,025	1,251,025	-	1,055,813	1,055,813	195,212

See Independent Auditor's Report.

CITY OF NORTH TONAWANDA, NEW YORK

**Statement of Expenditures and Appropriations by Project- Capital Projects Fund
For the Year Ended December 31, 2013**

Project Number	Project Description	Original Appropriations	Revised Appropriation	Prior Years' Expenditures	Current Year Expenditures	Total Expenditures	Remaining Appropriation
H-1302	Recycling Totes	25,000	25,000	-	24,821	24,821	179
H-1303	Dump Truck - Combination Salter	165,000	165,000	-	156,025	156,025	8,975
H-1304	Highway Resurfacing	350,000	350,000	-	384,804	384,804	(34,804)
H-1305	Sidewalks	75,000	75,000	-	76,712	76,712	(1,712)
H-1306	Generators E6 and E7	50,000	50,000	-	34,425	34,425	15,575
H-1307	EMO Dive Team Facility Improvements	15,000	15,000	-	2,766	2,766	12,234
H-1308	Roof Replacement (PS and Tool Room)	75,000	75,000	-	42,069	42,069	32,931
H-1309	Cleaning Southwest Digester	250,000	250,000	-	231,180	231,180	18,820
H-1310	Memorial Pool Water Slide Structural Repairs	44,000	44,000	-	44,623	44,623	(623)
H-1311	9/11 Memorial	30,000	30,000	-	-	-	30,000
H-1312	Greens Mower	26,000	26,000	-	26,000	26,000	-
H-1313	Two (2) PickUp Trucks	32,000	32,000	-	32,000	32,000	-
H-1314	Concrete around Pool Edge	12,000	12,000	-	1,188	1,188	10,812
H-1315	NYSEFC Manhattan Lot Rain Gardens	23,036	23,036	-	23,036	23,036	-
H-1316	DeGraff Water Main	60,000	60,000	-	56,193	56,193	3,807
H-201	River Rd Storage Tank	100,000	100,000	786,734	-	786,734	(686,734)
H-601	Meadow Drive Ext	3,700,000	3,700,000	337,662	1,044,841	1,382,503	2,317,497
H-602	City Hall Alarm	172,000	172,000	198,997	43,618	242,615	(70,615)
H-701	Durkee Bridge	1,500,000	3,596,000	182,456	893,342	1,075,798	2,520,202
H-703	City Incinerator	453,000	453,000	490,778	731	491,509	(38,509)
H-803	Resurfacing, Clair Sanitary, Wash Bay	183,000	810,076	859,847	1,419	861,266	(51,190)
H-808	Keller Building Roof	250,000	250,000	205,108	-	205,108	44,892
H-901	Technology Upgrade	250,000	250,000	207,670	29,914	237,584	12,416
H-905	DPW Street Resurfacing, Equipment, Service Lift	1,190,000	1,190,000	1,192,068	15,175	1,207,243	(17,243)
BOLT	Buffalo Bolt Infrastructure	1,390,000	1,390,000	1,221,607	(1,453)	1,220,154	169,846
H-909	Water Front/Brownfield	252,750	252,750	222,670	11,725	234,395	18,355
	Total General Improvements	20,555,130	24,178,176	12,971,100	5,872,441	18,843,541	5,334,635

See Independent Auditor's Report.

CITY OF NORTH TONAWANDA, NEW YORK

**Statement of Expenditures and Appropriations by Project- Capital Projects Fund
For the Year Ended December 31, 2013**

Project Number	Project Description	Original Appropriations	Revised Appropriation	Prior Years' Expenditures	Current Year Expenditures	Total Expenditures	Remaining Appropriation
Paving and Curbs:							
H-82-1	CHIPS Consolidated Highway Improvement Program	1,130,000	727,678	664,462	541,204	1,205,666	(477,988)
Sanitary Sewers:							
H-95	Sherwood Pump Station	300,000	300,000	66,003	-	66,003	233,997
H-903	Sweeny/Kissling	125,000	583,000	443,101	67,355	510,456	72,544
Storm Sewer:							
H-902	Ward Road Storm	200,000	200,000	34,463	4,827	39,290	160,710
Water Lines:							
H-906	Water System Improvements	220,000	220,000	203,131	-	203,131	16,869
H-907	Wastewater Improvements	605,000	605,000	515,039	1,641	516,679	88,321
Development:							
REM	Remington Lofts	750,000	1,000,000	1,051,904	-	1,051,904	(51,904)
Totals		\$ 23,885,130	\$ 27,813,854	\$ 15,949,203	\$ 6,487,467	\$ 22,436,670	\$ 5,377,184

See Independent Auditor's Report.

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

Honorable Mayor and
Members of Common Council
City of North Tonawanda
North Tonawanda, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of North Tonawanda, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of North Tonawanda's basic financial statements, and have issued our report thereon dated May 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of North Tonawanda's internal control over financial reporting 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 City of North Tonawanda's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of North Tonawanda'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify and deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of This Report

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

Tonawanda, New York
June 16, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor and
Members of Common Council
City of North Tonawanda
North Tonawanda, New York

Report on Compliance for Each Major Federal Program

We have audited City of North Tonawanda's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of North Tonawanda's major federal programs for the year ended December 31, 2013. City of North Tonawanda's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of North Tonawanda complied, in all material respects, with the types of noncompliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of City of North Tonawanda as of and for the year ended December 31, 2013, and have issued our report thereon date June 16, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Tonawanda, New York
June 16, 2014

CITY OF NORTH TONAWANDA, NEW YORK

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development:</u>			
Pass-through Programs:			
Community Development Block Grant:			
Economic Development (GOSC)	14.228	822EO8046-11	\$ 266,000
Economic Development (GOSC)	14.228	822ME2478-11	<u>135,164</u>
Pass-through Programs:			
Lower Income-Housing Assistance Program-Cluster:			
Section 8 Rental Voucher Program	14.871	N/A	<u>2,605,218</u>
HOME Program			
Home Rehabilitation Program	14.239	20103285	<u>273,165</u>
Total U.S. Department of Housing and Urban Development			<u>3,279,547</u>
<u>Department of Homeland Security:</u>			
Emergency Management	97.036	N/A	16,297
SAFER	97.083	N/A	<u>10,420</u>
<u>Department of Justice:</u>			
Community Oriented Policing Services (COPS) Grant	16.710	N/A	<u>5,492</u>
Total Expenditures of Federal Awards			<u>\$ 3,311,756</u>

The accompanying notes are an integral part of this schedule. See Note 1 to the City of North Tonawanda, New York's Basic Financial Statements with Independent Auditor's Report for the Year Ended December 31, 2013 for the Summary of Significant Accounting Policies.

See Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

CITY OF NORTH TONAWANDA, NEW YORK

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of North Tonawanda, New York and is presented on the Modified Accrual Basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 - Subrecipients

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the City of North Tonawanda, New York provided no federal awards to subrecipients.

Note 3 - Program Income

Federal expenditures presented on the Schedule of Expenditures of Federal Awards do not include the expenditure of program income. None of the program income was expended under the Community Development Block Grants for the year ended December 31, 2013.

CITY OF NORTH TONAWANDA, NEW YORK

**Schedule of Findings and Questioned Costs
December 31, 2013**

Section 1 - Summary of Auditor's Results:

Financial Statements:

Type of Auditor's Report Issued:

Unqualified

Internal Control Over Financial Reporting

Material weaknesses identified?

_____yes __x__ no

Significant deficiencies identified that are not considered to be material weaknesses

_____yes __x__ none reported

Noncompliance material to financial statements noted?

_____yes __x__ no

Federal Awards:

Internal Control Over Major Programs:

Material weaknesses identified?

_____yes __x__ no

Significant deficiencies identified that are not considered to be material weaknesses?

_____yes __x__ none reported

Type of Auditor's Report issued on Compliance for Major Programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with
Section 510(a) of Circular A-133?

_____yes __x__ no

Identification of Major Programs:

CFDA Numbers

Name of Federal Program or Cluster

14.871

Low Income Housing Assistance Program

14.228

Economic Development (GOSC)

CITY OF NORTH TONAWANDA, NEW YORK

**Schedule of Findings and Questioned Costs
December 31, 2013**

Section 1 - Summary of Auditor's Results (Cont.):

Identification of Major Programs (Cont.):

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Auditee qualified as a low-risk auditee? yes no

Section II - Financial Statement Findings:

As of and for the year ended December 31, 2013 the City of North Tonawanda, New York had no findings that were required to be reported in accordance with GAGAS.

Section III - Federal Award Findings and Questioned Costs:

As of and for the year ended December 31, 2013 the City of North Tonawanda, New York had no findings that were required to be reported in accordance with Section 510(a) of Circular A-133.

CITY OF NORTH TONAWANDA, NEW YORK

**Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2013**

There were no audit findings included in the prior audit's schedule of findings and questioned costs relative to federal awards.

CITY OF NORTH TONAWANDA, NEW YORK

**Corrective Action Plan
For the Year Ended December 31, 2013**

There is no Corrective Action Plan for the City of North Tonawanda, New York.