

TOWN OF NORTH ELBA, NEW YORK

Fund Financial Statements and
Independent Auditors' Report

December 31, 2014

TOWN OF NORTH ELBA, NEW YORK

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 3
Fund Financial Statements:	
Balance Sheet - Governmental Funds	4
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds	5 - 6
Statement of Fiduciary Net Position - Fiduciary Funds	7
Statement of Changes in Net Position - Fiduciary Fund	8
Notes to Fund Financial Statements	9 - 20
Statements of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual: General, General - Town Outside Village, Highway - Town Outside Village, Fire Protection District, Road District, Park District, Sewer District and Water District	21 - 28
Reports for the Federal Financial Assistance Programs:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	29 - 30
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	31 - 32
Schedule of Expenditures of Federal Awards	33
Notes to Schedule of Expenditures of Federal Awards	34
Schedule of Findings and Questioned Costs	35
Status of Prior Audit Findings	36

INDEPENDENT AUDITORS' REPORT

Supervisor and Town Board
Town of North Elba, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the General, General - Town Outside Village, Highway - Townwide, Highway - Town Outside Village, Fire Protection District, Road District, Park District, Sewer District, Water District, Capital Projects, Agency and Private Purpose Trust Funds of the Town of North Elba, New York (the Town) as of and for the year ended December 31, 2014, and the related notes to 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 the 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the General, General - Town Outside Village, Highway - Townwide, Highway - Town Outside Village, Fire Protection District, Road District, Park District, Sewer District, Water District, Capital Projects, Agency and Private Purpose Trust Funds for the Town of North Elba, New York, as of December 31, 2014 and revenue, expenditures and changes in fund balances for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1, the financial statements present only the General, General - Town Outside Village, Highway - Townwide, Highway - Town Outside Village, Fire Protection District, Road District, Park District, Sewer District, Water District, Capital Projects, Agency and Private Purpose Trust Funds and do not purport to, and do not present fairly the financial position of the Town, as of December 31, 2014, the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the aforementioned funds. The statements of revenue, expenditures and changes in fund balance - budget and actual are presented on pages 21 through 28 for purposes of additional analysis. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the aforementioned financial statements. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the aforementioned 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, based on our audit and the procedures performed as described above, statements of revenue, expenditures and changes in fund balance - budget and actual and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the aforementioned 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 October 14, 2015, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York
October 14, 2015

TOWN OF NORTH ELBA, NEW YORK

Balance Sheet

Governmental Funds

Year ended December 31, 2014

	Special Revenue Funds									
	General - Town	Highway - Town	Highway - Outside Village	Fire Protection District	Road District	Park District	Sewer District	Water District	Capital Projects	
ASSETS										
Cash and cash equivalents	\$ 1,613,903	21,927	38,803	144,976	7,718	5,370	435,062	11,877	13,274	16,001
Cash - restricted	-	-	-	-	-	-	27,731	-	-	-
Accounts receivable	437,365	18,308	-	95,590	-	-	237	-	6,991	-
State and Federal receivables	-	-	-	-	-	-	-	-	-	4,432
Due from other funds	19,746	-	-	-	-	-	12,168	-	-	-
Prepaid charges	83,998	-	-	42,061	-	-	50,459	5,606	45	-
Total assets	<u>\$2,155,012</u>	<u>40,235</u>	<u>38,803</u>	<u>282,627</u>	<u>7,718</u>	<u>5,370</u>	<u>525,657</u>	<u>17,483</u>	<u>20,310</u>	<u>20,433</u>
LIABILITIES										
Accounts payable	122,986	-	-	19,054	-	-	102,920	-	55	7,844
Accrued liabilities	-	-	-	1,500	-	-	7,500	-	-	-
Due to other governments	192,395	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	3,378	-	-	-	2,422	26,110
Total liabilities	<u>315,381</u>	<u>-</u>	<u>-</u>	<u>20,554</u>	<u>3,378</u>	<u>-</u>	<u>110,420</u>	<u>-</u>	<u>2,477</u>	<u>33,954</u>
DEFERRED INFLOWS OF RESOURCES										
FUND BALANCE										
Nonspendable	83,998	-	-	42,061	-	-	50,459	5,606	45	-
Restricted	110,400	-	-	-	-	-	20,231	-	-	-
Assigned - appropriated	-	-	-	-	-	-	-	-	-	422
Assigned - unappropriated	295,760	40,235	38,803	220,012	4,340	5,370	332,547	11,877	17,088	-
Unassigned	1,347,356	-	-	-	-	-	-	-	-	(13,943)
Total fund balance	<u>1,837,514</u>	<u>40,235</u>	<u>38,803</u>	<u>262,073</u>	<u>4,340</u>	<u>5,370</u>	<u>403,237</u>	<u>17,483</u>	<u>17,133</u>	<u>(13,521)</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$2,155,012</u>	<u>40,235</u>	<u>38,803</u>	<u>282,627</u>	<u>7,718</u>	<u>5,370</u>	<u>525,657</u>	<u>17,483</u>	<u>20,310</u>	<u>20,433</u>

See accompanying notes to financial statements.

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures and Changes in Fund Balance
Governmental Funds

Year ended December 31, 2014

	Special Revenue Funds											
	General - Town	Highway - Town		Fire Protection		Road District	Park District	Sewer District	Water District	Capital Projects		
		Outside Village	Townwide	Outside Village	District							District
Revenue:												
Real property taxes	\$ 1,060,304	49,510	-	460,555	720,958	10,189	1,741,016	10,560	9,933	-		
Other real property tax items	22,528	32,500	-	274,098	-	-	-	-	-	-		
Departmental income	721,348	-	-	-	-	-	390,385	12,085	43,850	-		
Intergovernmental charges	-	-	-	87,562	-	-	-	-	-	-		
Use of money and property	98,049	104	-	29,881	460	23	64,150	47	340	167		
Licenses and permits	58,119	-	-	-	-	-	-	-	-	-		
Fine and forfeitures	53,856	-	-	-	-	-	-	-	-	-		
Sale of property and compensation for loss	317,612	-	-	11,051	-	-	9,585	-	-	-		
Miscellaneous local sources	683	18,308	-	-	7,138	-	50,339	-	-	-		
Interfund revenues	105,989	-	-	-	-	-	-	-	-	-		
State aid	186,755	22,613	-	57,368	-	-	150,000	-	-	-		
Federal aid	-	-	-	-	-	-	-	-	-	-		
Total revenue	2,625,243	123,035	-	920,515	728,556	10,212	2,405,475	22,692	54,123	902,255		
Other sources - operating transfers	-	-	-	159	-	-	-	-	-	47,487		
Total revenue and other sources	2,625,243	123,035	-	920,674	728,556	10,212	2,405,475	22,692	54,123	949,742		
Expenditures:												
General government support	693,140	36,064	-	-	-	-	-	-	-	-		
Public safety	19,988	-	-	-	765,825	-	-	-	-	-		
Health	81,993	-	-	-	-	-	-	-	-	-		
Transportation	553,360	40,000	-	770,603	-	-	-	-	-	-		
												1,119,370

(Continued)

See accompanying notes to financial statements.

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures and Changes in Fund Balance
Governmental Funds, Continued

	Special Revenue Funds											
	General	Highway -			Fire			Road	Park	Sewer	Water	Capital
		Town	Outside	Village	Protection	District	District					
Expenditures, Continued:												
Economic assistance and development	\$ 52,276	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	6,000	-	-	-	-	-	-	1,700,264	-	-	-	15,360
Home and community services	707,777	10,850	-	-	-	-	-	-	-	41,371	-	31,375
Employee benefits	586,790	2,536	-	194,699	-	-	-	276,229	-	-	-	-
Debt service - principal	-	-	-	40,000	-	8,100	-	99,400	25,000	9,562	-	-
Debt service - interest	-	-	-	3,300	-	2,089	-	35,215	2,655	1,431	-	-
Total expenditures	2,701,324	89,450	-	1,008,602	765,825	10,189	2,111,108	27,655	52,364	1,166,105	-	-
Other sources- operating transfers	-	-	-	-	-	-	46,967	-	-	679	-	-
Total expenditures and other sources	2,701,324	89,450	-	1,008,602	765,825	10,189	2,158,075	27,655	52,364	1,166,784	-	-
Excess of revenue over (under) expenditures	(76,081)	33,585	-	(87,928)	(37,269)	23	247,400	(4,963)	1,759	(217,042)	-	-
Other financing sources - proceeds from the issuance of long-term debt	-	-	-	-	-	-	-	-	-	206,000	-	-
Net change in fund balance	(76,081)	33,585	-	(87,928)	(37,269)	23	247,400	(4,963)	1,759	(11,042)	-	-
Fund balance at beginning of year	1,913,595	6,650	38,803	350,001	41,609	5,347	155,837	22,446	15,374	(2,479)	-	-
Fund balance at end of year	\$ 1,837,514	40,235	38,803	262,073	4,340	5,370	403,237	17,483	17,133	(13,521)	-	-

See accompanying notes to financial statements.

TOWN OF NORTH ELBA, NEW YORK
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014

	<u>Agency funds</u>	<u>Private Purpose Trust</u>
Assets - cash	\$ <u>4</u>	<u>-</u>
Liabilities - due to other funds	<u>\$ 4</u>	<u>-</u>
Net position - restricted		<u>\$ -</u>

See accompanying notes to financial statements.

TOWN OF NORTH ELBA, NEW YORK
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year ended December 31, 2014

	Private Purpose <u>Trust</u>
Revenue - investment earnings	\$ 7
Expenditures - home and community services	<u>27,109</u>
Change in net position	(27,102)
Net position at beginning of year	<u>27,102</u>
Net position at end of year	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

TOWN OF NORTH ELBA, NEW YORK

Notes to Fund Financial Statements

December 31, 2014

(1) Summary of Significant Accounting Policies

The Town of North Elba, New York (the Town) was established in 1849 and is governed by Town Law of the State of New York, other general state laws, and various local laws and ordinances. The Town Board, which consists of a Supervisor and four councilmen, is the legislative body responsible for overall operations. The Supervisor serves as chief executive officer and as chief fiscal officer.

The Town provides the following basic services: general governmental support, fire protection, airport, highways and streets, a transfer station, public improvements, planning and zoning, general administrative services, water and sewer, and recreation (including a toboggan chute, equestrian show grounds and a golf course).

The financial statements of the Town have been prepared using the modified accrual basis. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the Town's significant accounting policies consistently applied in the preparation of the accompanying statutory basis financial statement:

(a) Financial Reporting Entity

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

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence.

Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to influence operations significantly, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Town and/or its citizens, or whether the activity is conducted with the geographic boundaries of the Town and is generally available to its citizens. A third criterion used in evaluating potential component units is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities.

Based on the application of these criteria, the Town has no components to be included in its reporting entity.

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for on the modified accrual basis using a current financial resources focus. With this measurement focus, generally, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increase (i.e. revenue and other financing sources) and decrease (i.e. expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, governmental fund revenue is recognized when susceptible to accrual (i.e. when they become both measurable and available). “Measurable” means the amount of the transaction can be reasonably determined, and “available” means the related cash resources are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers certain governmental revenue susceptible to accrual including, State and Federal aid, and certain other significant revenue. Fines and permits revenue are not susceptible to accrual, revenue from State and Federal Grants are accrued when the expenditure is made.

Governmental fund expenditures are recorded when the liability is incurred except that:

- Payments for inventory type items are recorded as expenditures when the related amounts are due and payable.
- Payments of principal and interest on indebtedness are recorded as expenditures when the related debt service amounts are due and payable, which normally approximates the date the debt is paid.
- Compensated absences, such as vacation leave and compensatory time, which vest or accumulate with eligible employees, are recorded as expenditures in the payroll period that the leave credits are paid.
- Pension costs are recognized as expenditures when paid to the State.
- Costs of acquiring capital assets are recorded as expenditures when due and payable.

(c) Fund Accounting and Funds Included in These Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The activities of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. The Town’s fund types are as follows:

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Fund Accounting and Funds Included in These Financial Statements, Continued

- Governmental Funds - The governmental funds are the funds through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources, and the related liabilities are accounted for through governmental funds. The Town's governmental fund types are as follows:
 - General Fund - is the principal operating fund of the Town. This fund is used to account for all financial resources except those required to be accounted for in other funds. This fund operates within the financial limits of an annual budget adopted by the Town Board.
 - Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Since the Town of North Elba, New York includes the incorporated Village of Lake Placid and a portion of the incorporated Village of Saranac Lake, certain funds are required by the prescribed accounting principles identified above to account for revenue generated to finance activities provided outside the villages. Special Revenue Funds of the Town include the following:
 - General - Town Outside Village Fund - is used to account for revenue and expenditures for purposes provided to the area of the Town located outside of incorporated Villages. This fund operates within the financial limits of an annual budget adopted by the Town Board.
 - Highway - Townwide Fund - is used to account for revenue and expenditures for repairs and improvements to bridges. This fund operates within the financial limits of an annual budget adopted by the Town Board.
 - Highway - Town Outside Village Fund - is used to account for revenue and expenditures for highway purposes provided to the area of the Town located outside of incorporated Villages. This includes expenditures for acquisition and repairs to highway machinery, snow removal, and repairs and improvements to town roads located outside the incorporated villages. This fund operates within the financial limits of an annual budget adopted by the Town Board.
 - Sewer District - is used to account for revenue generated to finance operations, including debt service, of sewer districts. The Town has one sewer district.
 - Water District - is used to account for revenue generated to finance operations, including debt service, of the Town's water districts. The Town has three water districts.

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Fund Accounting and Funds Included in These Financial Statements, Continued

- Fire Protection District Fund - is used to account for revenue generated to finance fire protection and prevention operations, including debt service, of the Town's fire protection districts. The Town has three fire protection districts.
- Park District Fund - is used to account for revenue generated to finance recreation activities, such as the Craig Wood Golf Course, operations of the Lake Placid Airport, the Town's funding of the Olympic Regional Development Authority, and other recreation activities.
- Road District Fund - is used to account for revenue generated to finance the paving of a private road dedicated to the Town.
- Capital Projects Fund - is used to account for financial resources to be used for the acquisition or construction of major capital assets for governmental activities.
- Fiduciary Funds - are used to account for assets held by the Town in a trustee or custodial capacity. Fiduciary funds may consist of pension trust funds, private purpose trust funds, investment trust funds and agency funds. Currently, the Town reports only agency funds and one private purpose trust fund as follows:
 - Agency Funds - is used to account for money (and/or property) received and held in the capacity of trustee, custodian or agent pending payment to the proper agencies or organizations.
 - Private Purpose Trust Fund - is used to account for monies received from the Jewish Community Center of Saranac Lake, Inc., pursuant to certain trust agreements, to be invested in eligible investments, with the income generated from such investments to be used for the perpetual care and maintenance of lots in the Hebrew Memorial Cemetery.

(d) Budget Basis of Accounting

The budget is developed on the basis of principles generally consistent with the modified accrual basis of accounting utilized by the Town. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

(e) Cash and Equivalents

Cash and equivalents include amounts in demand deposits as well as short-term investments with maturity date within three months of the date acquired by the Town except for the cash equivalents in the investment accounts.

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Cash and Equivalents, Continued

All deposits shall be fully secured by insurance of the FDIC or by obligations of New York State, obligations of federal agencies, the principal and interest of which is guaranteed by the United States, or obligations of New York State local governments.

(f) Capital Assets

The Town has not adopted the requirements of GASB Statement No. 34, which requires depreciation of capital assets. Nor has it capitalized its infrastructure (roads, bridges, sidewalks, and similar items).

Accounting principles require that all purchased capital assets be valued at cost where historical records are available or at estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Depreciation of capital assets is not required.

(g) Budgetary Procedures and Budgetary Accounting

(a) General

The Town's Budget Policy is as follows:

- (1) No later than October 5 the budget officer submits a tentative budget to the Town Clerk for the year commencing the following January 1 for presentation to the Town Board. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- (2) After public hearings are conducted, but no later than November 20, the Town Board adopts the budgets for the general and special revenue funds.
- (3) All budget modifications must be approved by the Board.

Appropriations established by adoption of the budget constitute limitations on expenditures (and encumbrances) which may be incurred. The New York Uniform System of Accounts requires that fixed budgetary control be used for all governmental fund types. Budget appropriations lapse at year-end.

(b) Encumbrances

Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is employed as a control in preventing over expenditure of established appropriations. Open encumbrances are reported as a reservation of fund balance and such commitments will be honored through budget appropriations in the subsequent year. Encumbrances do not constitute expenditures or liabilities.

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Fund Balances and Reserves

As provided by Governmental Accounting Standards Board Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions," fund balance is broken down into five different classifications: non-spendable, restricted, committed, assigned, and unassigned.

Nonspendable consists of assets that are inherently non-spendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Town Board is the decision-making authority that can, by resolution prior to the end of the fiscal year, commit fund balance.

Assigned consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. The Town Board, by appointment in organizational minutes has authorized the Budget Officer to assign fund balance.

Unassigned represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

(i) Estimates

In preparing the financial statements in accordance with the accounting principles described above, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of liabilities at the date of the statutory basis financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(2) Cash and Investments

State statutes govern the Town's investment policies. In addition, the Town has its own written investment policy. Town monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the U.S. treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 105% of all deposits not covered by FDIC. 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.

Deposits and investments at year-end were entirely covered by FDIC or by collateral held by the Town custodial banks.

(3) Capital Assets - General

Capital assets purchased for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost or estimated historical costs in the Non-Current Governmental Assets supplemental schedule. Contributed assets are recorded at fair market value at the date received.

Capital assets consisting of certain infrastructure type improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the Town of North Elba. Therefore, the purposes of stewardship for capital expenditures can be satisfied without recording these assets.

	Balance at December 31, <u>2013</u>	2014 <u>Additions</u>	2014 <u>Deletions</u>	Balance at December 31, <u>2014</u>
Land	\$ 848,939	-	-	848,939
Building improvements	21,161	-	-	21,161
Buildings	21,711,177	-	-	21,711,177
Machinery and equipment	<u>3,155,130</u>	<u>327,294</u>	<u>(231,557)</u>	<u>3,250,867</u>
Total	\$ <u>25,736,407</u>	<u>327,294</u>	<u>(231,557)</u>	<u>25,832,144</u>

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(4) Property Taxes

Town real property taxes are levied annually no later than January 1 and become a lien on January 1. Taxes are collected by the Town's Tax Collecting Officer during the period January 1st to April 30th as specified in the annual tax warrant issued by the County of Essex. On or before the time of settlement with the County during April of each year, the Town receives the total amount of taxes levied for each particular fund and special district. After the expiration of the warrant period, unpaid tax accounts are returned to the County of Essex, New York, and the County assumes all subsequent enforcement responsibility.

(5) Long term Indebtedness

The changes in the Town's long term indebtedness during the year ended December 31, 2014 is summarized as follows:

	Balance at December 31, <u>2013</u>	Financing Proceeds/ <u>Additions</u>	Principal Payments/ <u>Deletion</u>	Balance at December 31, <u>2014</u>
Long-term debt:				
Serial bonds	\$ 1,353,191	206,000	182,062	1,377,129
Compensating absences	<u>444,970</u>	<u>32,885</u>	<u>8,384</u>	<u>469,471</u>
Total long-term debt	\$ <u>1,798,161</u>	<u>238,885</u>	<u>190,446</u>	<u>1,846,600</u>

Serial Bonds - The Town of North Elba borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the non-current governmental liabilities schedule. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

The Town issues bonds to provide funds for construction renovations and improvements of major capital facilities. The following is a summary of outstanding bonds at December 31, 2014:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Original Balance</u>	<u>Balance at December 31, 2014</u>
Water	2002	2032	0.00%	\$ 131,362	78,814
Road improvement	2007	2017	4.60%	42,000	12,600
Water and sewer	2007	2019	4.60%	62,198	25,915
Athletic fields	2008	2023	4.25%	350,000	210,600
Clubhouse	2011	2026	3.00%	750,000	600,000
Statutory improvement bond	2011	2016	2.75%	330,000	132,000
Road improvement	2012	2022	3.75%	39,000	31,200
Environmental facilities corporation	2013	2030	0.00%	85,000	80,000
Statutory improvement bond	2014	2019	2.75%	<u>206,000</u>	<u>206,000</u>
				\$ <u>1,995,560</u>	<u>1,377,129</u>

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(5) Long term Indebtedness, Continued

The following is a maturity schedule of bonded debt:

<u>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 203,262	44,353	247,615
2016	203,262	38,240	241,502
2017	137,262	32,120	169,382
2018	133,062	27,687	160,749
2019	133,062	23,310	156,372
2020-2024	402,195	63,565	465,760
2025-2029	146,895	7,099	153,994
2030-2032	<u>18,129</u>	<u>-</u>	<u>18,129</u>
	<u>\$ 1,377,129</u>	<u>236,374</u>	<u>1,613,503</u>

Other Long-Term Liabilities - In addition to the above long-term debt the local government had the following non-current liabilities:

- 1) Compensated Absences - represents the value of earned and unused portions of the liability for compensated absences.

(6) Pension Plans

The Town participates in the New York State & Local Employees Retirement System (ERS). This is a cost-sharing multiple employer retirement system. ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the State Comptroller serves as sole trustee and administrative head of the systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the systems and for the custody and control of their funds. The ERS's financial report may be obtained by writing to the New York State & Local Retirement System, 110 State Street, Albany, New York 12244.

Funding Policy

The ERS is non-contributory except for employees in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary; employees in tier 5 who contribute 3% of their salary without regard to their years of service; and, employees in tier 6 who contribute 3% of their salaries through March 31, 2013. Beginning on April 1, 2013, employees in tier 6 will contribute between 3% and 6% based upon the amount of their annual salary. Contributions are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion and regular pension contributions. Contribution rates for the plan year ended March 31, 2015 are as follows:

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(6) Pension Plans, Continued

<u>Tier/Plan</u>	<u>Rate</u>
1 751	27.7%
2 751	25.3
3 A14	20.3
4 A15	20.3
5 A15	16.6
6 A15	11.0

The Town is required to contribute at an actuarially determined rate currently 19.4% ERS of the annual covered payroll for the fiscal year ended March 31, 2015. The required contributions for the current year and the two preceding years were:

	<u>ERS</u>
2014	\$ 266,943
2013	290,217
2012	224,907

(7) Compensated Absences

Employees accrue vacation leave as follows:

Employees employed prior to January 1, 1994 accrue 20 days of vacation each year. Non union employees employed after January 1 1994 accrue 5 days after 1 full year of service, 10 days after 2 full years of service, 12 days after 8 full years of service, 15 days after 10 full years of service, 18 days after 15 full years of service, and 20 days after 20 full years of service. Union employees employed after January 1, 1994 accrue 40 hours after 1 year of service, 80 hours after 2 years of service, 96 hours after 8 years of service, 120 hours after 10 years of service, 152 hours after 15 years of service, and 160 hours after 20 years of service. Employees are entitled to accumulate up to thirty (30) days of vacation.

Employees accrue sick leave at the rate of 18 days per year and may accumulate such credits up to a total of 185 days. Employees who retire from Town service can elect to be compensated at 100% for 20 days; the remaining accumulated sick days may be added to credited service and used in the benefit calculation by the New York State and Local Employees' Retirement System.

Vested vacation and sick leave is recorded for the governmental funds as a long-term liability in the non-current governmental liabilities if payable from future financial resources, or as a fund liability and expenditure, if payable from current resources. The liability for compensated absences for the years ended December 31, 2014 and 2013 was \$469,471 and \$444,970, respectively, and is reported as non-current governmental liabilities in note 5 of these financial statements.

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(8) Postemployment Benefits

In addition to providing pension benefits, the Town of North Elba provides health insurance coverage for retired employees. Substantially all of the Town of North Elba's employees may become eligible for these benefits if they reach normal retirement age while working for the Town of North Elba. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Town of North Elba recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. In 2014, \$73,255 was paid on behalf of 12 retirees as compared to \$70,107 was paid on behalf of 12 retirees in 2013. Postemployment benefits are recorded as expenditures in the general fund.

(9) Landfill Closure and Post Closure Care Costs

State and federal laws and regulations require the Town of North Elba to perform certain maintenance and monitoring function at the Town of North Elba Landfill after closure plan acceptance in 1990. During 2014 and 2013, the Town of North Elba paid \$3,978 for the annual post closure monitoring event.

The Town currently operates a transfer station and contracts with Essex County for the transportation of waste. Expenditures for the operation of the transfer station are accounted for in the general fund.

(10) Interfund Receivables, Payables and Transfers

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 19,746	-
Park Districts	12,168	-
Capital Projects	-	26,110
Fire Protection Districts	-	3,378
Water Districts	-	2,422
Trust and Agency	<u>-</u>	<u>4</u>
	<u>\$ 31,914</u>	<u>31,914</u>
	<u>Transfers In</u>	<u>Transfers out</u>
General Fund	\$ 159	-
Park Districts	-	46,967
Capital Projects	<u>47,487</u>	<u>679</u>
	<u>\$ 47,646</u>	<u>47,646</u>

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(11) Commitments and Contingencies

The Town of North Elba currently has three grants via the New York State Department of Transportation, for the planning and construction of a multi-use trail extending from the Village of Lake Placid to the Village of Saranac Lake. The total of the committed federal funding for the project is \$3,443,517. The Town's required match for the three grants totals \$987,138. The Town is working with a private agency to raise the \$987,138 through fundraising in the local communities.

In December 2012, the Town was notified of an award of a matching grant in the amount of \$440,000 from the Municipal Grant program from the New York State Office of Parks, Recreation and Historic Preservation. The funding is for the Lacrosse Field of Dreams project. The Town is in the award contract phase of this grant. As of December 31, 2014, \$15,360 for planning has been spent.

(12) Subsequent Events

In March 2015, the Town of North Elba passed a bond resolution in the amount of \$219,000 for the purchase of capital assets and renovation of the town hall.

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
Year ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) <u>Final to Actual</u>
Revenue:				
Real property taxes	\$1,060,298	1,060,298	1,060,304	6
Other real property tax items	20,000	20,000	22,528	2,528
Departmental income	745,700	745,700	721,348	(24,352)
Use of money and property	93,970	93,970	98,049	4,079
Licenses and permits	38,700	38,700	58,119	19,419
Fines and forfeitures	56,800	56,800	53,856	(2,944)
Sale of property and compensation for loss	326,000	326,000	317,612	(8,388)
Miscellaneous local sources	-	-	683	683
Interfund revenues	114,000	114,000	105,989	(8,011)
State aid	234,000	237,790	186,755	(51,035)
Total revenue	<u>2,689,468</u>	<u>2,693,258</u>	<u>2,625,243</u>	<u>(68,015)</u>
Expenditures:				
General government support	760,196	766,987	693,140	73,847
Public safety	22,900	23,278	19,988	3,290
Health	94,215	94,215	81,993	12,222
Transportation	569,925	577,464	553,360	24,104
Economic assistance and development	49,470	53,567	52,276	1,291
Culture and recreation	6,000	6,000	6,000	-
Home and community services	734,162	781,678	707,777	73,901
Employee benefits	652,600	627,033	586,790	40,243
Total expenditures	<u>2,889,468</u>	<u>2,930,222</u>	<u>2,701,324</u>	<u>228,898</u>
Net change in fund balance	(200,000)	(236,964)	(76,081)	160,883
Fund balance at beginning of year	<u>1,913,595</u>	<u>1,913,595</u>	<u>1,913,595</u>	<u>-</u>
Fund balance at end of year	<u>\$1,713,595</u>	<u>1,676,631</u>	<u>1,837,514</u>	<u>160,883</u>

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
General - Town Outside Village
Year ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) <u>Final to Actual</u>
Revenue:				
Real property taxes	\$ 49,510	49,510	49,510	-
Other real property tax items	20,000	32,500	32,500	-
Use of money and property	-	-	104	104
Miscellaneous local sources	24,510	24,510	18,308	(6,202)
State aid	-	-	<u>22,613</u>	<u>22,613</u>
Total revenue	<u>94,020</u>	<u>106,520</u>	<u>123,035</u>	<u>16,515</u>
Expenditures:				
General government support	46,020	46,020	36,064	9,956
Transportation	45,000	45,000	40,000	5,000
Home and community services	-	12,500	10,850	1,650
Employee benefits	<u>3,000</u>	<u>3,000</u>	<u>2,536</u>	<u>464</u>
Total expenditures	<u>94,020</u>	<u>106,520</u>	<u>89,450</u>	<u>17,070</u>
Net change in fund balance	-	-	33,585	33,585
Fund balance at beginning of year	<u>6,650</u>	<u>6,650</u>	<u>6,650</u>	<u>-</u>
Fund balance at end of year	<u>\$ 6,650</u>	<u>6,650</u>	<u>40,235</u>	<u>33,585</u>

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Highway - Town Outside Village
Year ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) <u>Final to Actual</u>
Revenue:				
Real property taxes	\$ 460,555	460,555	460,555	-
Other real property tax items	265,000	252,500	274,098	21,598
Intergovernmental charges	87,560	87,560	87,562	2
Use of money and property	20,800	28,151	29,881	1,730
Sale of property and compensation for loss	-	3,539	11,051	7,512
State aid	<u>51,000</u>	<u>51,000</u>	<u>57,368</u>	<u>6,368</u>
Total revenue	884,915	883,305	920,515	37,210
Other sources - operating transfers	<u>-</u>	<u>-</u>	<u>159</u>	<u>159</u>
Total revenue and other sources	<u>884,915</u>	<u>883,305</u>	<u>920,674</u>	<u>37,369</u>
Expenditures:				
Transportation	735,840	790,779	770,603	20,176
Employee benefits	205,775	196,750	194,699	2,051
Debt service	<u>43,300</u>	<u>43,300</u>	<u>43,300</u>	<u>-</u>
Total expenditures	<u>984,915</u>	<u>1,030,829</u>	<u>1,008,602</u>	<u>22,227</u>
Net change in fund balance	(100,000)	(147,524)	(87,928)	59,596
Fund balance at beginning of year	<u>350,001</u>	<u>350,001</u>	<u>350,001</u>	<u>-</u>
Fund balance at end of year	<u>\$ 250,001</u>	<u>202,477</u>	<u>262,073</u>	<u>59,596</u>

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Fire Protection District
Year ended December 31, 2014

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final to Actual</u>
Revenue:				
Real property taxes	\$ 720,958	720,958	720,958	-
Use of money and property	-	6	460	454
Miscellaneous local sources	<u>7,138</u>	<u>7,138</u>	<u>7,138</u>	<u>-</u>
Total revenue	<u>728,096</u>	<u>728,102</u>	<u>728,556</u>	<u>454</u>
Expenditures - public safety	<u>761,096</u>	<u>765,825</u>	<u>765,825</u>	<u>-</u>
Net change in fund balance	(33,000)	(37,723)	(37,269)	454
Fund balance at beginning of year	<u>41,609</u>	<u>41,609</u>	<u>41,609</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,609</u>	<u>3,886</u>	<u>4,340</u>	<u>454</u>

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Road District
Year ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) <u>Final to Actual</u>
Revenue:				
Real property taxes	\$ 10,189	10,189	10,189	-
Use of money and property	-	-	23	23
Total revenue	<u>10,189</u>	<u>10,189</u>	<u>10,212</u>	<u>23</u>
Expenditures - debt service	<u>10,189</u>	<u>10,189</u>	<u>10,189</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>23</u>	<u>23</u>
Fund balance at beginning of year	<u>5,347</u>	<u>5,347</u>	<u>5,347</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 5,347</u></u>	<u><u>5,347</u></u>	<u><u>5,370</u></u>	<u><u>23</u></u>

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Park District
Year ended December 31, 2014

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final to Actual</u>
Revenue:				
Real property taxes	\$1,741,016	1,741,016	1,741,016	-
Departmental income	422,750	427,540	390,385	(37,155)
Use of money and property	62,742	62,742	64,150	1,408
Sale of property and compensation for loss	-	3,334	9,585	6,251
Miscellaneous local sources	39,500	39,500	50,339	10,839
State aid	-	-	150,000	150,000
Total revenue	<u>2,266,008</u>	<u>2,274,132</u>	<u>2,405,475</u>	<u>131,343</u>
Expenditures:				
Culture and recreation	1,763,793	1,787,723	1,700,264	87,459
Employee benefits	325,000	304,973	276,229	28,744
Debt service	134,615	134,615	134,615	-
Total expenditures	<u>2,223,408</u>	<u>2,227,311</u>	<u>2,111,108</u>	<u>116,203</u>
Other sources - operating transfers	<u>42,600</u>	<u>46,967</u>	<u>46,967</u>	<u>-</u>
Total expenditures and other sources	<u>2,266,008</u>	<u>2,274,278</u>	<u>2,158,075</u>	<u>116,203</u>
Net change in fund balance	-	(146)	247,400	247,546
Fund balance at beginning of year	<u>155,859</u>	<u>155,837</u>	<u>155,837</u>	<u>-</u>
Fund balance at end of year	<u>\$ 155,859</u>	<u>155,691</u>	<u>403,237</u>	<u>247,546</u>

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Sewer District
Year ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) <u>Final to Actual</u>
Revenue:				
Real property taxes	\$ 10,560	10,560	10,560	-
Departmental income	12,085	12,085	12,085	-
Use of money and property	-	10	47	37
Total revenue	<u>22,645</u>	<u>22,655</u>	<u>22,692</u>	<u>37</u>
Expenditures - debt service	<u>27,645</u>	<u>27,655</u>	<u>27,655</u>	<u>-</u>
Net change in fund balance	(5,000)	(5,000)	(4,963)	37
Fund balance at beginning of year	<u>22,446</u>	<u>22,446</u>	<u>22,446</u>	<u>-</u>
Fund balance at end of year	<u>\$ 17,446</u>	<u>17,446</u>	<u>17,483</u>	<u>37</u>

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Water District
Year ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) <u>Final to Actual</u>
Revenue:				
Real property taxes	\$ 9,933	9,933	9,933	-
Departmental income	38,000	42,420	43,850	1,430
Use of money and property	-	-	340	340
Total revenue	<u>47,933</u>	<u>52,353</u>	<u>54,123</u>	<u>1,770</u>
Expenditures:				
General government support	36,940	41,414	41,371	43
Debt service	<u>10,993</u>	<u>10,993</u>	<u>10,993</u>	-
Total expenditures	<u>47,933</u>	<u>52,407</u>	<u>52,364</u>	<u>43</u>
Net change in fund balance	-	(54)	1,759	1,813
Fund balance at beginning of year	<u>15,374</u>	<u>15,374</u>	<u>15,374</u>	-
Fund balance at end of year	<u>\$ 15,374</u>	<u>15,320</u>	<u>17,133</u>	<u>1,813</u>

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

Supervisor and Town Board
Town of North Elba, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the fund financial statements of the Town of North Elba, New York (the Town), as of and for the year ended December 31, 2014, and the related notes to the fund financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 14, 2015.

Internal Control Over Financial Reporting

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

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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's fund 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 result of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
October 14, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

Supervisor and Town Board
Town of North Elba, New York:

Report on Compliance for Each Major Federal Program

We have audited the Town of North Elba, New York's (the Town) 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 the Town's major federal program for the year ended December 31, 2014. The Town's major federal program is identified in the summary of auditors' 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 the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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

Toski & Co., CPAs, P.C.

Williamsville, New York
October 14, 2015

TOWN OF NORTH ELBA, NEW YORK
Schedule of Expenditures of Federal Awards
December 31, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation - Federal Aviation Administration - passed through New York State Department of Transportation - Airport Improvement Program:			
Apron Expansion (Construction)	20.106	NYS DOT No. 1904.67	\$ 664,164
Taxiway Crack Repair Construction	20.106	NYS DOT No. 1904.67	<u>160,801</u>
Total Expenditures of Federal Awards			<u>\$ 824,965</u>

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF NORTH ELBA, NEW YORK
Notes to Schedule of Expenditures of Federal Awards
December 31, 2014

(1) Basis of Presentation

The accompanying schedule of expenditures of Federal awards presents the activity of all Federal awards programs administered by the Town of North Elba, New York (the Town), an entity as defined in note 1 to the Town's financial statements. Federal awards received directly from Federal agencies, as well as Federal awards passed through from other government agencies, are included on the schedule of expenditures of Federal awards.

(2) Basis of Accounting

The basis of accounting varies by Federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as Federal expenditures generally were obtained from the appropriate Federal financial reports for the respective program and periods. The amounts reported in these Federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the financial statements.

(3) Indirect Costs

Indirect costs are included in the reported expenditures to the extent that such costs are included in the Federal financial reports used as the source for the data presented.

(4) Matching Costs

The Town's share of certain program costs are not included in the reported expenditures.

TOWN OF NORTH ELBA, NEW YORK
 Schedule of Findings and Questioned Costs
 Year ended December 31, 2014

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|---|----------------------------------|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| 1. Material weakness(es) identified? | ___ Yes <u> x </u> No |
| 2. Significant deficiency(ies) identified not considered to be material weakness(es)? | ___ Yes <u> x </u> None reported |
| 3. Noncompliance material to financial statements noted? | ___ Yes <u> x </u> No |

Federal Awards:

- | | |
|---|----------------------------------|
| Internal control over major programs: | |
| 4. Material weakness(es) identified? | ___ Yes <u> x </u> No |
| 5. Significant deficiency(ies) identified not considered to be material weakness(es)? | ___ Yes <u> x </u> None reported |
| Type of auditors' report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? | ___ Yes <u> x </u> No |
| 7. The Town's major program audited was: | |
| <u>Name of Federal Program</u> | <u>CFDA Number</u> |
| Airport Improvement Program | 20.106 |
| 8. Dollar threshold used to distinguish between Type A and Type B programs? | \$ 300,000 |
| 9. Auditee qualified as low-risk auditee? | <u> x </u> Yes ___ No |

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings and questioned costs.

TOWN OF NORTH ELBA, NEW YORK

Status of Prior Audit Findings

Year ended December 31, 2014

There were no findings with regard to the prior year financial statements (December 31, 2013).