

Town of Colonie, New York

Financial Report

December 31, 2013

Town of Colonie, New York

Financial Report

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Independent Auditor's Report

Supervisor and Town Board
Town of Colonie, New York
Newtonville, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colonie, 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, budgetary comparison information, and the Schedule of Funding Progress and Employee Contributions on pages 4 through 24, 66 and 67, and 68, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements are the responsibility of management and were derived from and relate 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 combining non-major fund financial statements 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 August 12, 2014, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

SaxBST LLP

Albany, New York
August 12, 2014

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Description

The Town of Colonie, New York (Town), with a land area of over 57 square miles, is located in northeastern Albany County, immediately north of the City of Albany and about halfway between the Cities of Schenectady and Troy. Its northern and eastern boundaries are the Mohawk and Hudson Rivers, respectively. The Town, which includes two incorporated villages, Colonie and Menands, and such unincorporated communities as Latham, Loudonville, Maplewood, Newtonville, and West Albany, is primarily residential with some industrial and commercial valuations.

Commercial facilities include several shopping centers. The Colonie Center is a covered mall shopping center featuring major outlets of R.H. Macy, Inc., Sears Roebuck & Co., and LL Bean, as well as specialty shops, restaurants, and parking. The Latham Farms Shopping Center, which includes Wal-Mart, Sam's Club, and Home Depot stores, opened in August 1993 and is situated between Routes 9 and 7, adjacent to the Northway. The Northway Mall complex is also located within the Town and includes Target, Lowe's, and BJ's Wholesale Club. A sizeable portion of recent development in the Town has been devoted to apartment and garden apartment complexes and to the construction of multi-story office buildings. The Town is the site of the Albany International Airport, which provides passenger service on most major routes throughout the United States; the passenger station of Amtrak is located nearby in Rensselaer.

The Town provides sanitary sewer and water distribution facilities to its residents. Police protection and emergency medical service are provided by the Town. Fire protection is provided by Fire Districts and Fire Protection Districts located in the Town. The Town is the site of a base station of one of the mutual aid systems in New York State coordinating the operations of volunteers in thirteen fire departments. The Highway Department is charged with maintenance of the paved roads in the Town and is responsible for maintaining more than 310 center-line miles of highway within the Town.

In addition to the "essential services," the Town also owns and operates a variety of recreation facilities. These facilities include a 36-hole golf course, two 125+ acre parks, thirteen pocket parks, three sports complexes, swimming pools, a boat launch, 5.5 miles of bicycle path, two dog parks, and a library.

The Town is situated in the center of the tri-city area (Albany-Troy-Schenectady) with access to such employment opportunities as the State of New York offices in Albany, the General Electric Company in Schenectady, industrial operations in Troy, and the United States Arsenal in Watervliet.

Highway facilities include the New York State Thruway, with two interchanges leading directly into the Town; Interstate Route 87 (the Northway), Interstate Route 90, New York Routes 5 and 7, and U.S. Route 9. Transportation for freight by rail and water is provided by the Delaware & Hudson, ConRail, and Amtrak Railroads, the Hudson and Mohawk Rivers, and the Barge Canal. Air passenger and freight service is available at the Albany International Airport, located in the Town.

Governmental Organization

The Town was established in 1895 pursuant to enactment of the New York State Legislature. The Town is located in the County of Albany, New York. The County is divided for local government purposes into ten towns and the Cities of Albany, Cohoes, and Watervliet. In turn, some of the towns contain incorporated villages established for purposes of providing certain municipal services and facilities to their residents. The Town is a political subdivision of the State having its own elected legislative body, the Town Board, pursuant to Constitutional provision and, except for certain contractual arrangements for cooperative provisions of some services or facilities, the Town does not rely in any manner upon the County for purposes of providing local government needs.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Governmental Organization - Continued

The legislative body of the Town is its Town Board of seven members elected at large. The presiding officer, the Town Supervisor, is elected for a two-year term, and the six Council members are elected for staggered four-year terms.

The Supervisor is the Chief Executive and Fiscal Officer of the Town. Other elected Town officials are the Town Clerk and the Receiver of Taxes, who are elected at large to two-year and four-year terms, respectively. The three Town Justices are elected to staggered four year terms. The Town Board appoints the Town Comptroller, Commissioner of Public Works, and Town Attorney for coterminous terms with the Town Supervisor. The Town Assessor and Personnel Officer are appointed by the Town Board for six year terms.

The Town provides the bulk of municipal services furnished to the residents thereof and for such purpose furnishes water and sewer facilities and builds and maintains Town highways. Police protection is provided by the Town and the County, and fire protection is provided through separate entities: the various fire districts and voluntary fire organizations in the Town. Planning and zoning and the financing of Town courts are provided by the Town. Regulation of building construction and licensing of trades and occupations along with the usual municipal services of recreational facilities and street lighting are all Town functions. Social services and health services, to the extent provided on a public basis, are essentially County responsibilities. The Town also owns a municipal solid waste facility on the borders of the Mohawk River and City of Cohoes. The Town contracted a private company to operate and maintain this facility for a minimum of twenty-five years.

This Management Discussion and Analysis (MD&A) of the Town provides an introduction to the major activities affecting governmental operations and an introduction and overview of the financial performance and statements of the Town for the fiscal year ended December 31, 2013.

Following this MD&A are the basic financial statements of the Town, together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

Financial Highlights

Over the last five years, the Town has overcome a significant deficit net position. At the end of 2007, the Town had a combined deficit net position of \$19.7 million when combining the governmental funds and environmental services fund. This deficit was modestly reduced through cost cutting, revenue management, and stringent adherence to the annual budget. Management also began looking at underutilized assets that could be sold, and underperforming assets that could be optimized. Additionally, in 2011, the Town entered into a service concession arrangement (arrangement) for the operation and maintenance of its solid waste facility. Approximately \$35 million in cash receipts were deferred and are being recognized systematically over the life of the arrangement. This arrangement also provided resources to fully cover the solid waste facilities closure and post-closure care costs, which is described in Note 8. These steps essentially cover the environmental services deficit net position.

These actions in 2011 allowed the Town to begin building fund level surpluses. 2013 marks the third year of fund balance growth for the combined governmental funds, and the second year where all governmental funds, other than capital projects, have a positive fund balance.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Financial Highlights - Continued

The entity-wide financial statement pages present a significantly different picture of the Town's financial health due to the required recognition of other postemployment benefits (OPEB). In 2008, the Town began the required recognition of OPEB, which totals approximately \$30.9 million as of December 31, 2013. While accounting standards require the recognition of this liability on the entity-wide financial statements as of the balance sheet date, it will be paid out over the lifetime of the Town's 320 retirees. Similarly, the Town is required to recognize the compensated absences liability for all active employees as a liability as of the balance sheet date. Again, this nearly \$4.6 million liability will not be paid out in the near term but as the Town's active employees retire or leave Town service.

If the impact of these two reporting requirements were excluded from the government-wide financial statements, the Town would have an unrestricted government-wide surplus of \$2,639,776 as of December 31, 2013, rather than a deficit of approximately \$32,810,000.

- At the end of the fiscal year, the General Fund reported a fund balance of \$683,490. This represents an increase in the fund balance of approximately \$109,000 over 2012. Virtually all (82%) of this fund balance is restricted by third parties for public safety purposes and the payment of judgments and claims.
- For the second consecutive year, all the governmental operating funds, those other than capital projects, are reporting positive fund balance figures. Only the Capital Projects and Environmental Services Department funds are showing fund deficits as of December 31, 2013. Both of these deficits will be eliminated in future periods through the recognition of future revenues.
- For governmental funds, the principal sources of the Town's revenue are sales and use taxes of \$22.2 million (32.4%), real property taxes of \$22.5 million (32.8%), state and federal aid of \$8.2 million (12.0%), and charges for services of \$7.6 million (11.1%), which is all fairly consistent with 2012.
- The enterprise funds (Pure Waters, Latham Water, and the Town Environmental Services Department) derived 51.2% (\$10.7 million) of their revenue from charges for services, and 48.6% (\$10.2 million) through ad valorem tax assessments, which like the governmental funds is consistent with 2012. The Environmental Services Department also recognized about \$10.6 million in 2013, as compared to \$7.8 million in 2012, as a result of the service concession arrangement it entered into in 2011. The increase was attributable to a larger percentage of waste facility capacity use in 2013 as compared to 2012.
- The largest expenditures in the Town continue to be salaries and benefits. In 2013, salaries were \$36,138,473, a decrease of \$507,727 (1.4%) from 2012 and benefits, before other postemployment benefit (OPEB), \$20,817,719, an increase of \$1,175,206 (6.0%) from 2012. Salaries and benefits combined account for 55.1% of expenditures, exclusive of the change in OPEB.
- Debt service costs make up approximately \$11,824,274 of the 2013 Town-wide budget, or about 14% of total expenditures.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. This annual report consists of four components: Management's Discussion and Analysis; Basic Financial Statements (Government-wide Statements, Fund Financial Statements, Proprietary Funds, and Fiduciary Funds); Notes to the Basic Financial Statements, and Required Supplementary Information.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1
Major Features of the Town's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Town government (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as transportation, culture and recreation, and capital projects	Activities of the Town that operate similar to private businesses, such as the landfill, water, and sewer systems	Instances in which the Town is the trustee or agent for someone else's resources
Required financial statements	1. Statement of net position 2. Statement of activities	1. Balance sheet 2. Statement of revenues, expenditures, and changes in fund balances 3. Reconciliation of the statement of revenues, expenditures, and changes in fund balances of Governmental Funds to the statement of activities	1. Statement of net position 2. Statement of revenues, expenses, changes in fund net position 3. Statement of cash flows	1. Statement of net position 2. Statement of changes in net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Town's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements

Government-wide financial statements - designed to provide a broad overview of the Town's finances, in a manner similar to a private-sector business. These statements include the Statement of Net Position and the Statement of Activities.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Fund Financial Statements

Fund financial statements - groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like many other state and local governments, uses fund accounting to ensure and demonstrate finance related legal compliance. These funds can be divided into three categories: governmental funds, proprietary 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 on balances of spendable resources available at the end of the fiscal year.

Proprietary funds in the Town are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses these enterprise funds to account for the Environmental Services Department, Latham Water Department, and Pure Waters Department.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Financial Analysis of the Town's Financial Statements

The following pages compare the Town's governmental fund type financial statements using the modified accrual basis of accounting and current financial resources measurement focus and the Town's proprietary fund type financial statements using the full accrual basis of accounting and economic resources measurement focus for years ended December 31, 2013 and 2012.

The amount by which the Town's entity-wide assets exceed its liabilities and deferred inflows of resources is called net position. At year-end 2013, the Town's net position approximated \$2,611,000. Of that amount, approximately \$25,376,000 was invested in capital assets, net of related debt, and \$10,045,000 was restricted for other purposes. Therefore, the Town has an entity-wide unrestricted deficit of approximately \$(32,810,000). Total net position decreased \$9,759,269 from the 2012 net position, primarily due to annual depreciation of capital assets, and recognition of the annual change in the OPEB obligation.

Overall, entity-wide expenses increased during 2013 by approximately \$12,265,000 principally as a result of typical revisions to the landfill closure/post-closure liability rather than the \$6.7 million reduction in 2012. The impact of the difference in annual revisions to the closure/post-closure liability accounted for about \$8.8 million of this change. Increases in depreciation expense (\$1.9 million) and contractual expenses (\$1.5 million) make up the remaining difference. The decrease in salaries and wages is essentially offset by increases in employee benefits, insurance, and interest expense.

Overall, entity-wide revenues increased by approximately \$3,819,000 primarily due to increased revenue recognized from the service concession arrangement for the solid waste management facility and increased federal aid for capital grants.

An analysis of the overall financial position and results of operations of the Town's major governmental funds and the total of all non-major governmental funds (on the modified accrual basis) is presented below.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Financial Analysis of the Town's Financial Statements

Financial Position

	<u>Current Year</u>	<u>Prior Year</u>	<u>\$ Change</u>	<u>% Change</u>
General Town-Wide Fund				
Cash and cash equivalents	\$ 1,201,509	\$ 1,062,076	\$ 139,433	13.13%
Receivables/other	7,543,250	8,023,364	(480,114)	-5.98%
Due from other funds	6,006,718	5,595,826	410,892	7.34%
	<u>\$ 14,751,477</u>	<u>\$ 14,681,266</u>	<u>\$ 70,211</u>	0.48%
Accounts payable and accrued expenses	\$ 10,412,694	\$ 9,810,799	\$ 601,895	6.14%
Revenue anticipation note	3,200,000	2,500,000	700,000	28.00%
Due to other funds	455,293	1,796,190	(1,340,897)	-74.65%
Total liabilities	14,067,987	14,106,989	(39,002)	-0.28%
Fund balance	683,490	574,277	109,213	19.02%
Total liabilities and fund balance	<u>\$ 14,751,477</u>	<u>\$ 14,681,266</u>	<u>\$ 70,211</u>	0.48%
Highway Fund				
Cash and cash equivalents	\$ 1,229,743	\$ 1,017,863	\$ 211,880	20.82%
Receivables	1,768,863	1,198,177	570,686	47.63%
Due from other funds	-	18,446	(18,446)	-100.00%
Total assets	<u>\$ 2,998,606</u>	<u>\$ 2,234,486</u>	<u>\$ 764,120</u>	34.20%
Highway Fund				
Accounts payable and accrued expenses	\$ 1,019,670	\$ 633,979	\$ 385,691	60.84%
Due to other funds	1,617,523	1,451,306	166,217	11.45%
Total liabilities	2,637,193	2,085,285	551,908	26.47%
Fund balance	361,413	149,201	212,212	142.23%
Total liabilities and fund balance	<u>\$ 2,998,606</u>	<u>\$ 2,234,486</u>	<u>\$ 764,120</u>	34.20%
Special Miscellaneous Revenue				
Cash and cash equivalents	\$ 6,795,117	\$ 6,053,372	\$ 741,745	12.25%
Total assets	<u>\$ 6,795,117</u>	<u>\$ 6,053,372</u>	<u>\$ 741,745</u>	12.25%
Accounts payable and accrued expenses	\$ 101,683	\$ 87,947	\$ 13,736	15.62%
Due to other funds	101,762	2,260	99,502	4402.74%
Total liabilities	203,445	90,207	113,238	125.53%
Fund balance	6,591,672	5,963,165	628,507	10.54%
Total liabilities and fund balance	<u>\$ 6,795,117</u>	<u>\$ 6,053,372</u>	<u>\$ 741,745</u>	12.25%

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Financial Analysis of the Town's Financial Statements - Continued

Financial Position - Continued

	<u>Current Year</u>	<u>Prior Year</u>	<u>\$ Change</u>	<u>% Change</u>
Capital Projects Fund				
Cash and cash equivalents	\$ 2,992,033	\$ 2,742,510	\$ 249,523	9.10%
Receivables	120,766	18,128	102,638	566.18%
Deposits with other governments	491,000	-	491,000	100.00%
Due from other funds	<u>830,345</u>	<u>1,461,486</u>	<u>(631,141)</u>	-43.18%
Total assets	<u>\$ 4,434,144</u>	<u>\$ 4,222,124</u>	<u>\$ 212,020</u>	5.02%
Accounts payable and accrued expenses	\$ 836,701	\$ 288,193	\$ 548,508	190.33%
Bond anticipation notes	8,540,925	6,267,000	2,273,925	36.28%
Due to other funds	<u>378,677</u>	<u>-</u>	<u>378,677</u>	100.00%
Total liabilities	<u>9,756,303</u>	<u>6,555,193</u>	<u>3,201,110</u>	48.83%
Deferred inflows of resources	-	18,128	(18,128)	-100.00%
Fund deficit	<u>(5,322,159)</u>	<u>(2,351,197)</u>	<u>(2,970,962)</u>	126.36%
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 4,434,144</u>	<u>\$ 4,222,124</u>	<u>\$ 212,020</u>	5.02%
Other Governmental Funds				
Cash and cash equivalents	\$ 707,725	\$ 903,348	\$ (195,623)	-21.66%
Receivables	1,331,150	1,237,465	93,685	7.57%
Due from other funds	<u>296,287</u>	<u>178,739</u>	<u>117,548</u>	65.77%
Total assets	<u>\$ 2,335,162</u>	<u>\$ 2,319,552</u>	<u>\$ 15,610</u>	0.67%
Accounts payable and accrued expenses	\$ 631,571	\$ 566,782	\$ 64,789	11.43%
Due to other funds	<u>300,369</u>	<u>284,823</u>	<u>15,546</u>	5.46%
Total liabilities	<u>931,940</u>	<u>851,605</u>	<u>80,335</u>	9.43%
Deferred inflows of resources	3,815	732,658	(728,843)	-99.48%
Fund balance	<u>1,399,407</u>	<u>735,289</u>	<u>664,118</u>	90.32%
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,335,162</u>	<u>\$ 2,319,552</u>	<u>\$ 15,610</u>	0.67%

Results of Operations

	<u>Current Year</u>	<u>Prior Year</u>	<u>\$ Change</u>	<u>% Change</u>
General Town-Wide Fund				
Revenues	\$ 42,904,145	\$ 42,946,080	\$ (41,935)	-0.10%
Expenditures	45,939,290	46,998,119	(1,058,829)	-2.25%
Interfund transfers	<u>3,144,358</u>	<u>4,200,000</u>	<u>(1,055,642)</u>	-25.13%
Net change in fund balance	109,213	147,961	(38,748)	-26.19%
Fund balance, <i>beginning of year</i>	<u>574,277</u>	<u>426,316</u>	<u>147,961</u>	34.71%
Fund balance, <i>end of year</i>	<u>\$ 683,490</u>	<u>\$ 574,277</u>	<u>\$ 109,213</u>	19.02%

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Financial Analysis of the Town's Financial Statements - Continued

	<u>Current Year</u>	<u>Prior Year</u>	<u>\$ Change</u>	<u>% Change</u>
Highway Fund				
Revenues	\$ 8,839,213	\$ 8,693,091	\$ 146,122	1.68%
Expenditures	8,683,870	7,977,572	706,298	8.85%
Other financing sources	-	10,000	(10,000)	-100.00%
Other financing uses	56,869	-	56,869	100.00%
Net change in fund balance	212,212	725,519	(581,176)	-80.10%
Fund balance (deficit), <i>beginning of year</i>	149,201	(576,318)	725,519	-125.89%
Fund balance, <i>end of year</i>	<u>\$ 361,413</u>	<u>\$ 149,201</u>	<u>\$ 212,212</u>	142.23%
Special Miscellaneous Revenue				
Revenues	\$ 768,665	\$ 490,518	\$ 278,147	56.70%
Expenditures	140,158	51,614	88,544	171.55%
Excess of revenues over				
Net change in fund balance	628,507	438,904	189,603	43.20%
Fund balance, <i>beginning of year</i>	5,963,165	5,524,261	438,904	7.95%
Fund balance, <i>end of year</i>	<u>\$ 6,591,672</u>	<u>\$ 5,963,165</u>	<u>\$ 628,507</u>	10.54%
Capital Project Funds				
Revenues	\$ 1,656,759	\$ 150,816	\$ 1,505,943	998.53%
Expenditures	5,625,574	4,299,348	1,326,226	30.85%
Other financing sources	997,853	9,424,642	(8,426,789)	-89.41%
Net change in fund balance	(2,970,962)	5,276,110	(8,247,072)	-156.31%
Fund deficit, <i>beginning of year</i>	(2,351,197)	(7,627,307)	5,276,110	-69.17%
Fund deficit, <i>end of year</i>	<u>\$ (5,322,159)</u>	<u>\$ (2,351,197)</u>	<u>\$ (2,970,962)</u>	126.36%
Other Governmental Funds				
Revenues	\$ 14,297,688	\$ 13,655,504	\$ 642,184	4.70%
Expenditures	13,644,570	13,784,427	(139,857)	-1.01%
Other financing sources	11,000	-	11,000	100.00%
Other financing uses	-	10,000	(10,000)	100.00%
Net change in fund balance	664,118	(138,923)	803,041	-578.05%
Fund balance (deficit), <i>beginning of year</i>	735,289	874,212	(138,923)	-15.89%
Fund balance, <i>end of year</i>	<u>\$ 1,399,407</u>	<u>\$ 735,289</u>	<u>\$ 664,118</u>	90.32%

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Financial Analysis of the Town's Financial Statements - Continued

General Town-Wide Fund

Total assets increased by approximately \$70,000 due to a combination of increased cash, interfund receivables, but reduced third-party receivables. This \$139,000 increase in cash is directly attributable to the operating surplus generated in 2013. The reduced third-party receivables are the result of increased sales tax allocations to the General Town-outside-villages and Highway Fund, and reduced overall EMS revenue due to fewer calls and lower reimbursement levels. The higher level of due from other funds and conversely the reduction in due to other funds is the result of larger interfund reimbursements related to the timing of accounts payable at year end.

Liabilities overall decreased by \$39,000 from 2012 to 2013, primarily due to the timing of interfund payables as discussed above. Accounts payable and accrued expenses were up \$602,000 due to increased accrued payroll, retirement system contributions, and timing of accounts payable at year end. The revenue anticipation note balance was \$700,000 higher than in the prior year because of potential awards to bargaining units under negotiation during 2013.

Total revenue declined by \$1,098,000 primarily because of budgeted reductions in the interfund transfer from the Environmental Services Fund of \$1.06 million. The balance is the net effect of various other increases and decreases. Both sales tax and mortgage tax allocations from the County were higher by \$460,000 and \$576,000, respectively. The sale of property was up by \$500,000 due to the \$400,000 proceeds from the sale of an EMS station. These increases were offset by reduced EMS fees related to a lower number of calls and reimbursement rates (\$533,000), outsourcing of the Town's youth services programs (\$430,000), and lower recreation fees due to poor summer weather in 2013 (\$168,000). The interfund revenues are also down due to lower administrative chargebacks to the enterprise funds (\$444,000).

Like revenues, expenditures were also down for 2013 from 2012 levels by about \$1,059,000. This decrease was primarily the result of the scheduled pay down of debt (\$399,000), outsourcing of the youth program (\$619,000), and less spent on capital purchases due to budgetary constraints (\$126,000).

Highway Fund

Total assets increased about \$764,000 from 2012 to 2013, from a combination of \$212,000 more in cash and \$571,000 higher sales tax receivables at year end 2013. The increased cash position is a direct result of profitable operations for the year. The increase in sales tax receivable is the result of reliance on sales tax to balance the budget in 2013. In 2012, the Highway Fund had other revenue sources and, therefore, required a lower allocation of sales tax revenue.

Overall, liabilities increased about \$552,000 at year end 2013 from a combination of increases in accounts payable and accrued expenses (\$386,000) and due to other funds (\$166,000). The increase in accrued expenses is attributable to the number and size of workers' compensation claims outstanding at the end of 2013. The due to other funds is related to the timing of accounts payable at year end 2013.

The Highway Fund revenues were up by about \$195,000 for the year ended 2013 as compared to 2012. This was primarily the result of a higher sales tax allocation to the fund to cover its 2013 operations. In 2012, the Highway Fund had significant proceeds from the sale of equipment and, therefore, required a lower sales tax allocation. The same level of sales did not occur in 2013. An additional source of revenue is the proceeds placed in reserve by developers for the completion of paving to Town specifications upon completion of their projects. Reserve deposits for 2013 were about \$120,000 higher than 2012 as a result of several larger development projects currently underway.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Financial Analysis of the Town's Financial Statements - Continued

Highway Fund - Continued

Operating costs for the Highway Fund increased significantly in 2013 from 2012 by approximately \$706,000. This was primarily in the area of employee benefits (\$445,000) as a result of increased workers' compensation claims offset by reduced health insurance costs. Like health insurance, salaries and wages were down (\$75,000) due to a decrease in the number of employees within the fund. Another significant increase was in contractual expense, up \$232,000, primarily as a result of use of the various reserve funds in 2013. The final driver of the increase was the increase in debt service of approximately \$194,000. This was primarily in the area of interest because the bond anticipation notes were turned into bonds in 2012, which resulted in higher interest rates.

Special Miscellaneous Revenue Fund

Total assets and fund balance increased during 2013 by approximately \$742,000 and \$629,000, respectively, as a result of the 2013 operating surplus. Total liabilities increased by \$113,000 primarily as a result of the timing of payments out of the Boght Mitigation Area related to reimbursement of water infrastructure improvements and a refund of overpayment into the Area.

The annual revenues and expenditures depend on the development within the various mitigation areas and the resulting engineering and improvement projects that result from that development.

Capital Projects Fund

Total assets increased during 2013 by approximately \$212,000. Cash position and receivables increased by \$249,000 and \$102,000, respectively, at the end of 2013. This was the result of continuation of the Town's capital plan. Additionally, the Town was required to advance \$491,000 to the New York State Department of Transportation for the Route 9 sidewalk project. As a result of improved cash position of the operating funds, the need for year-end interfund loans was eliminated, which resulted in the \$631,000 decrease in due from other funds.

Total liabilities increased by \$3,201,000, as a result of the issuance of bond anticipation notes in 2013 related to the Town's capital plan. Accounts payable and accrued expenses were up because the Town of Colonie Industrial Development Agency loaned and granted the Town \$400,000 and \$91,000, respectively, related to the sidewalk project discussed above. Once the project is complete, the deferred grant revenue will be recognized as revenue, and the \$400,000 will be repaid to the IDA once it is returned from New York State. The due to other funds balance is the result of timing of accounts payable around year end.

2013 revenues are significantly higher than in 2012 because the Town received \$1,192,735 in federal transportation aid in conjunction with Siena College Loop Road and South Colonie Safe Routes to School Projects. Both these projects were completed in 2013. Siena College also contributed the 20% local match for the Siena College Loop Road project, which accounts for the \$334,000 increase miscellaneous revenue. Additionally, \$122,752 of unbudgeted New York State CHIPS aid was used to offset paving program expenditures in 2013.

2013 expenditures are relatively consistent with prior years, other than inclusion of the two projects noted above which accounted for \$1.5 million of the transportation projects in 2013. The remaining projects are related to the Town's paving plan and the replacement of equipment within the Information Technology Department, Police, Emergency Medical Services, and Recreation and Highway Departments.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Financial Analysis of the Town's Financial Statements - Continued

Non-Major Funds

Overall, the Town's non-major funds continued their roads to financial stability in 2013. Assets increased by about \$16,000 primarily related to the reduction of funding to the Town's Section 8 program in the U.S. Department of Housing and Urban Development's efforts to "right size" the program's fund balance. This reduction was offset by increased interfund receivables for cash advances at year-end in the amount of \$117,548, and increased receivables for the allocation of sales tax of \$93,000.

The liabilities increased by \$80,000 primarily through increased payroll accruals and retirement system contributions accrued at year end. The deferred inflow of resources went down \$728,000 because the large community development receivable was repaid in May 2014 and; therefore, qualified for recognition as revenue at year end. This resulted in the sizeable increase in fund balance at December 31, 2013. All the non-major funds have returned to positive fund balances.

Revenues increased about \$642,000 as a result of recognizing the deferred revenue related to the community development loan receivable, offset by reductions in other community development programs.

Expenditures decreased during 2013 by about \$140,000. The Community Development Fund reduced expenditures by about \$172,000 as a result of decreased Federal funding, which was offset by slight increases and decreases in the other Funds.

An analysis of the overall financial position and results of operations of the Town's proprietary funds (on the accrual basis) is presented below.

Financial Position

	<u>Current Year</u>	<u>Prior Year</u>	<u>\$ Change</u>	<u>% Change</u>
Pure Waters				
Cash and cash equivalents	\$ 4,521,466	\$ 2,370,313	\$ 2,151,153	90.75%
Receivables	23,914	24,507	(593)	-2.42%
Due from other funds	354,769	1,056,757	(701,988)	-66.43%
Capital assets, net	17,470,045	17,243,863	226,182	1.31%
Total assets	<u>\$ 22,370,194</u>	<u>\$ 20,695,440</u>	<u>\$ 1,674,754</u>	8.09%
Accounts payable and accrued expenses	\$ 980,916	\$ 878,061	\$ 102,855	11.71%
Bond anticipation note	3,154,301	599,926	2,554,375	425.78%
Bonds payable	15,715,100	16,568,600	(853,500)	-5.15%
Other noncurrent	2,153,266	1,870,127	283,139	15.14%
Due to other funds	26,031	29,174	(3,143)	-10.77%
Total liabilities	<u>22,029,614</u>	<u>19,945,888</u>	<u>2,083,726</u>	10.45%
Net position	<u>340,580</u>	<u>749,552</u>	<u>(408,972)</u>	-54.56%
Total liabilities and net position	<u>\$ 22,370,194</u>	<u>\$ 20,695,440</u>	<u>\$ 1,674,754</u>	8.09%

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Financial Analysis of the Town's Financial Statements - Continued

Financial Position - Continued

	<u>Current Year</u>	<u>Prior Year</u>	<u>\$ Change</u>	<u>% Change</u>
Environmental Services Department				
Cash and cash equivalents	\$ 8,946,568	\$ 12,079,133	\$ (3,132,565)	-25.93%
Receivables	408,128	356,508	51,620	14.48%
Due from other funds	1,724	-	1,724	-
Management agreement	19,906,333	22,798,753	(2,892,420)	100.00%
Capital assets, net	<u>13,573,735</u>	<u>19,023,390</u>	<u>(5,449,655)</u>	-28.65%
Total assets	<u>\$ 42,836,488</u>	<u>\$ 54,257,784</u>	<u>\$ (11,421,296)</u>	-21.05%
Accounts payable and accrued expenses	\$ 348,129	\$ 522,896	\$ (174,767)	-33.42%
Bond anticipation note	301,775	503,881	(202,106)	-40.11%
Bonds payable	20,437,407	22,159,715	(1,722,308)	-7.77%
Landfill closure/post-closure	11,172,368	9,054,250	2,118,118	23.39%
Due to other funds	<u>1,527,882</u>	<u>1,419,011</u>	<u>108,871</u>	7.67%
Total liabilities	33,787,561	33,659,753	127,808	0.38%
Deferred inflows of resources	17,031,053	28,174,604	(11,143,551)	100.00%
Net position	<u>(7,982,126)</u>	<u>(7,576,573)</u>	<u>(405,553)</u>	5.35%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 42,836,488</u>	<u>\$ 54,257,784</u>	<u>\$ (11,421,296)</u>	-21.05%
Latham Water				
Cash and cash equivalents	\$ 4,988,805	\$ 4,275,967	\$ 712,838	16.67%
Receivables	5,201,868	5,308,695	(106,827)	-2.01%
Capital assets, net	<u>39,466,299</u>	<u>40,544,143</u>	<u>(1,077,844)</u>	-2.66%
Total assets	<u>\$ 49,656,972</u>	<u>\$ 50,128,805</u>	<u>\$ (471,833)</u>	-0.94%
Accounts payable and accrued expenses	\$ 1,000,217	\$ 933,978	\$ 66,239	7.09%
Bond anticipation note	3,482,279	2,032,193	1,450,086	71.36%
Bonds payable	20,272,200	21,809,700	(1,537,500)	-7.05%
Other noncurrent	3,680,740	3,051,382	629,358	20.63%
Due to other funds	<u>2,721,066</u>	<u>2,575,939</u>	<u>145,127</u>	5.63%
Total liabilities	31,156,502	30,403,192	753,310	2.48%
Net position	<u>18,500,470</u>	<u>19,725,613</u>	<u>(1,225,143)</u>	-6.21%
Total liabilities and net position	<u>\$ 49,656,972</u>	<u>\$ 50,128,805</u>	<u>\$ (471,833)</u>	-0.94%

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Financial Analysis of the Town's Financial Statements - Continued

Results of Operations

	<u>Current Year</u>	<u>Prior Year</u>	<u>\$ Change</u>	<u>% Change</u>
Pure Waters				
Operating revenue	\$ 7,531,551	\$ 7,302,562	\$ 228,989	3.14%
Operating expenses	7,313,111	7,428,620	(115,509)	-1.55%
Operating income (loss)	218,440	(126,058)	344,498	-273.29%
Non-operating expenses	(627,412)	(589,043)	(38,369)	6.51%
Change in net position	(408,972)	(715,101)	306,129	-42.81%
Net position, <i>beginning of year</i>	749,552	1,464,653	(715,101)	-48.82%
Net position, <i>end of year</i>	<u>\$ 340,580</u>	<u>\$ 749,552</u>	<u>\$ (408,972)</u>	-54.56%
Environmental Services Department				
Operating revenue	\$ 1,078,048	\$ 625,505	\$ 452,543	72.35%
Operating expenses	7,851,989	(2,731,450)	10,583,439	-387.47%
Operating income	(6,773,941)	3,356,955	(10,130,896)	-301.79%
Non-operating revenues	9,512,746	6,901,953	2,610,793	37.83%
Transfers out	(3,144,358)	(4,200,000)	1,055,642	-25.13%
Change in net position	(405,553)	6,058,908	(6,464,461)	-106.69%
Net position, <i>beginning of year</i>	(7,576,573)	(13,635,481)	6,058,908	-44.43%
Net position, <i>end of year</i>	<u>\$ (7,982,126)</u>	<u>\$ (7,576,573)</u>	<u>\$ (405,553)</u>	5.35%
Latham Water				
Operating revenue	\$ 12,344,272	\$ 12,630,174	\$ (285,902)	-2.26%
Operating expenses	13,025,825	12,802,801	223,024	1.74%
Operating loss	(681,553)	(172,627)	(508,926)	294.81%
Non-operating revenue (expense)	(543,590)	(547,117)	3,527	-0.64%
Change in net position	(1,225,143)	(719,744)	(505,399)	70.22%
Net position, <i>beginning of year</i>	19,725,613	20,445,357	(719,744)	-3.52%
Net position, <i>end of year</i>	<u>\$ 18,500,470</u>	<u>\$ 19,725,613</u>	<u>\$ (1,225,143)</u>	-6.21%

Pure Waters

Assets increased by approximately \$1,675,000 due to a combination of increased levels of cash balances through the collection of interfund receivables and debt proceeds pending use. There was also a net positive investment in capital assets of about \$226,000.

Overall, liabilities increased by about \$2,084,000 primarily from the net increase in bonds and bond anticipation notes. This \$1,701,000 increase was enhanced by a \$211,000 increase in the OPEB liability, and a \$74,000 total increase in compensated absences and long-term pension amortization. Due to the generation of net losses sustained during 2013, net position declined by \$409,000.

Overall, revenue increased approximately 3.14% over the prior year, the result of an increase in the ad valorem tax and increased volume and size of user fees. Operating expenses decreased by approximately \$116,000, or 1.6%, from 2012, primarily as a result of reduced materials and supplies expenses, as salaries, benefits, insurance, and depreciation were relatively consistent with 2012 levels.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Financial Analysis of the Town's Financial Statements - Continued

Environmental Services Department

During August 2011, the Town entered into a contract with a private company to manage, maintain, and operate the Town's solid waste facility for a period of 25 years with the option to extend the contract for up to five additional five-year renewal periods. The terms of the agreement provided for an upfront payment of \$23 million and quarterly payments of \$575,000 for the next five years and minimum quarterly payments of \$275,000 thereafter for twenty years. Additionally, the company assumed the liability for all future closure and post-closure costs, and will fund these costs by establishing financial assurances as required and verified by the New York State Department of Environmental Conservation. Even in the event the company was to default on this contract, these costs are covered by the company. As a result of this transaction, the Environmental Services Fund deficit was or will be significantly reduced. Essentially this is a funded deficit because although the closure and post-closure care liability remains in the Town's records; it is a funded liability. The upfront payment of approximately \$12.9 million was placed in escrow to defease bonds, and the remaining funds were transferred to the General Town-Wide Fund to assist in deficit reduction.

Total assets decreased \$11.4 million in 2013 due to the anticipated repayment of bonds and bond anticipation notes in the amount of \$1.9 million, collection on the management contract receivable of \$2.9 million, and depreciation of capital assets in the amount of \$5.5 million and transfers to the General Fund. Total liabilities increased by \$128,000 due to the debt repayments discussed and a current year revision to the landfill closure post-closure liability of \$2.1 million. Additionally, approximately \$10.6 million of the deferred inflows from service concession arrangement were recognized in 2013.

Total net position for the fund remained stable to a total deficit of \$7.9 million, which will continue to decline as the deferred inflow of resources is recognized as the solid waste facility is utilized.

Due to changes in the utility market, the methane gas to energy operation generated significantly more revenue in 2013 than in 2012 (\$452,543).

Latham Water

Latham Water saw a reduction in total assets of \$472,000 as a result of a net reduction in capital assets (\$1,078,000) due to depreciation in excess of current year additions, and a reduction in overall receivable balances (\$106,000) due to declined consumption in 2013. These reductions were offset by higher cash positions due to unspent debt proceeds.

The liabilities increased \$753,000 primarily as a result of increases in OPEB liability (\$508,000), additional amortized pension obligations (\$119,000), and higher level of due to other funds (\$145,000) because of timing of year-end accounts payable, which were all offset by a slight decrease in the net outstanding debt (\$87,000).

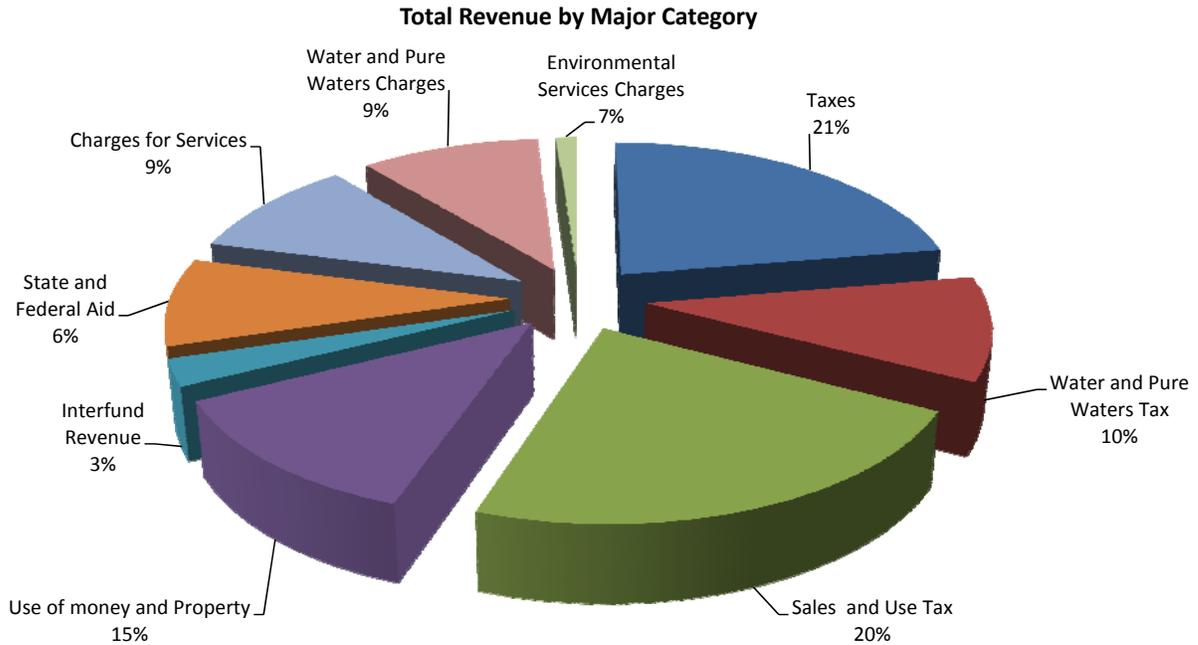
Although there was a rate increase in 2013, it was offset by a decline in consumption which resulted in lower charges for service revenue (\$144,000) compounded by a decrease in ad valorem taxes collected (\$103,000), the operating revenues declined overall by \$285,000. Operating expenses increased 1.7%, or \$223,000, primarily due to increased costs of supplies, materials, and services related to operations because of general increases and a larger number of sizeable main breaks in 2013.

Town of Colonie, New York

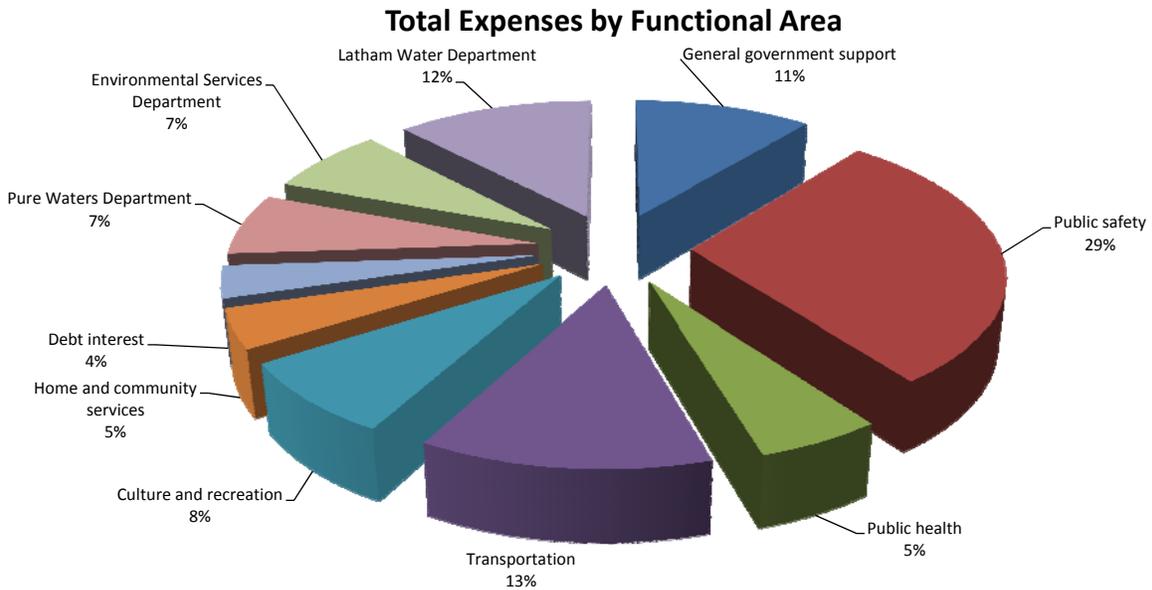
Management's Discussion and Analysis December 31, 2013

Statistical Information on Town-Wide, Governmental and Business-Type Entities

2013 Summary of Town-Wide Revenues (accrual basis)



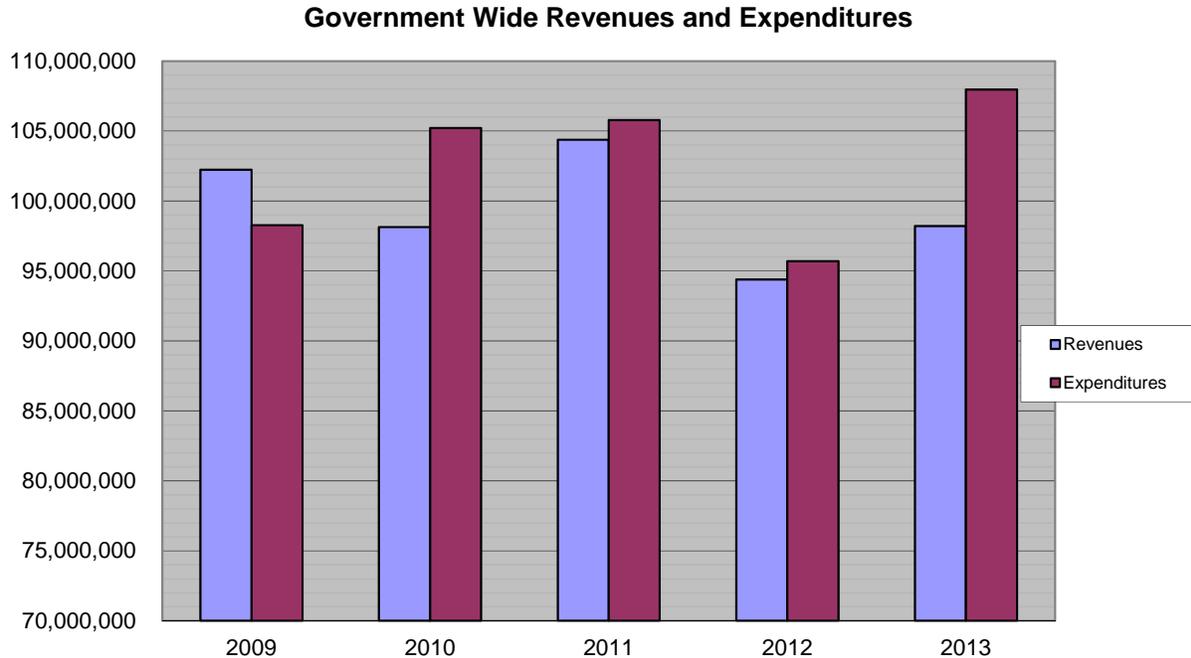
2013 Summary of Town-Wide Expenses (accrual basis)



Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Town-Wide Revenues and Expenditures for the Past Five Years



The above graph shows the government-wide revenues and expenses over the last five years (accrual basis), which does not reflect expenditures for investment in capital assets or debt principal repayment. Although the Town had significantly improved its financial condition during 2011 with the management contract for the solid waste facility, it still needs to continue to monitor closely the budget, identify new sources of revenue, and identify areas of savings through restructuring and attrition. This will allow the Town to establish the fund balance levels that are required by both the New York State Comptroller's Office and debt rating services.

Town-Wide Revenues and Expenditures for the Past Five Years:

Over the same time period identified above, outstanding debt decreased from \$99.86 million (total Bonds, BANs, and RANs) to \$97.82 million, or 2.0%. This has been accomplished by implementing a capital review committee which reviews and prioritizes the projects to be financed. This committee attempts to limit new borrowings to a level at or below the principal being paid off in a given year. The committee feels this is a conservative approach and will assist the Town in limiting its overall debt exposure.

The graph below shows the real property taxes (levied from 2004 to 2014) for both homestead and non-homestead. The tax rate stayed relatively the same from 1997 through 2004. The following table shows the increase in percentage of the combined property and highway tax for the Town over the last five years:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Homestead	2.90%	1.00%	7.00%	-0.50%	5.10%
Non-Homestead	-30.30%	7.60%	7.00%	-0.50%	5.10%

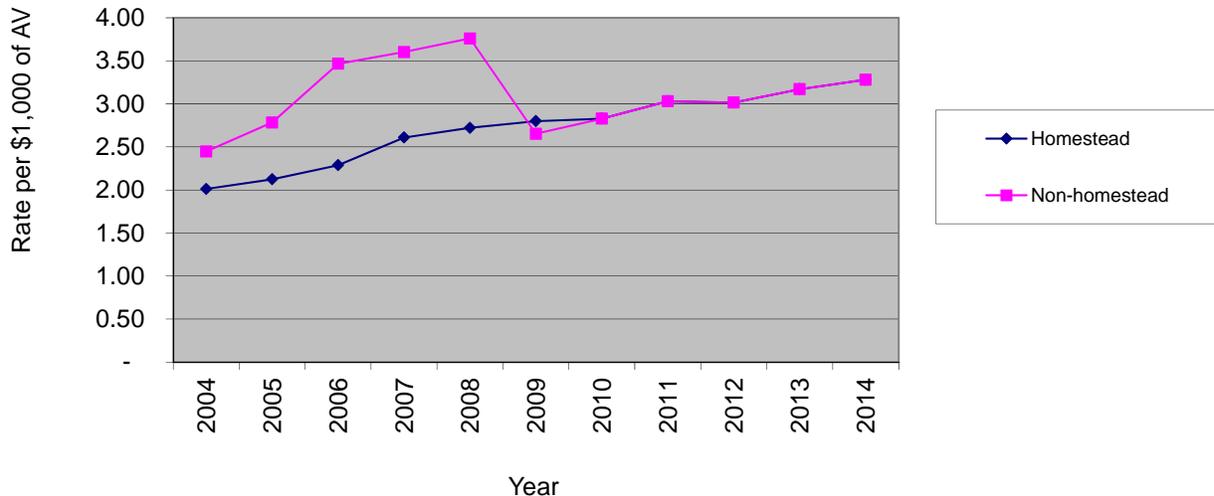
Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Town-Wide Revenues and Expenditures for the Past Five Years - Continued

Tax Rates

Property Tax Rate History



It should be noted that the Town elected to rescind the homestead tax option in 2010, which makes the homestead and non-homestead rates equal.

During the time period from 2002 to 2006, the Town experienced significant increases in sales tax revenue ranging from a low of \$17.8 million to a high of \$23.1 million. As a result, the Town did not adjust tax rates significantly and, as sales tax revenue has declined and expenses increased, the financial difficulties have developed.

Budgetary Highlights

Both the General Town-wide and Highway Fund budget to actual comparisons can be found in the supplementary section of this report on pages 66 and 67. The following are a few significant budgetary items during 2013.

Within the General Town-wide Fund, sales taxes were less than originally budget by \$240,000 due to uncertain economic conditions during 2013; however, mortgage tax exceeded original expectation by \$765,000 due to strength in the housing market and continued development within the Town. The emergency services revenue and recreation revenues were significantly less than anticipated as discussed in the previous section. These revenue fluctuations were mitigated by a significant reduction in anticipated health insurance rates for 2013. The Town had anticipated a 10% increase, but actual rates were basically level with 2012.

In all funds, any areas of over expenditure were able to be offset by areas that were under budget in 2013.

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Capital Assets and Debt

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2013, amounted to \$119,997,000 (net of accumulated depreciation and disposals). This investment in capital assets includes buildings and improvements, machinery and equipment, infrastructure, and construction in progress. A breakdown of this year's significant investments is as follows:

General Fund

\$ 88,600	Municipal training center facility improvements
99,600	Town Hall HVAC cooler
65,000	Golf club house renovations
475,000	Emergency Medical Services ambulance (4)
60,000	Emergency Medical Services vehicle and equipment
161,000	Police vehicles
102,000	Other police radio and equipment improvements

Highway

\$ 177,000	Leaf and brush collection packer
100,000	Dump truck
99,000	Backhoe
132,000	Sand Creek Road cross walk improvements at Colonie High School
55,000	Salt shed roof rehabilitation
540,000	Russell/Sand Creek Roads storm water system improvements
41,700	Maxwell Road extension

Latham Water District

\$ 167,000	Water plant improvements
62,000	Water system improvements
123,000	Dump truck
115,000	Crew truck

Pure Waters

\$ 77,000	Sewer pump station improvements
66,000	Sewer plant improvements
1,068,000	Sewer plant screen/grit improvements

Typically, the Town finances most of the annual capital investment through the issuance of bond anticipation notes, which are then rolled into serial bonds, and installment purchase debt. The Town's outstanding indebtedness for bonds, bonds anticipation notes, and installment purchase debt within governmental and business-type activities at December 31, 2013, is \$94,621,499, a decrease of \$458,000 over the previous year.

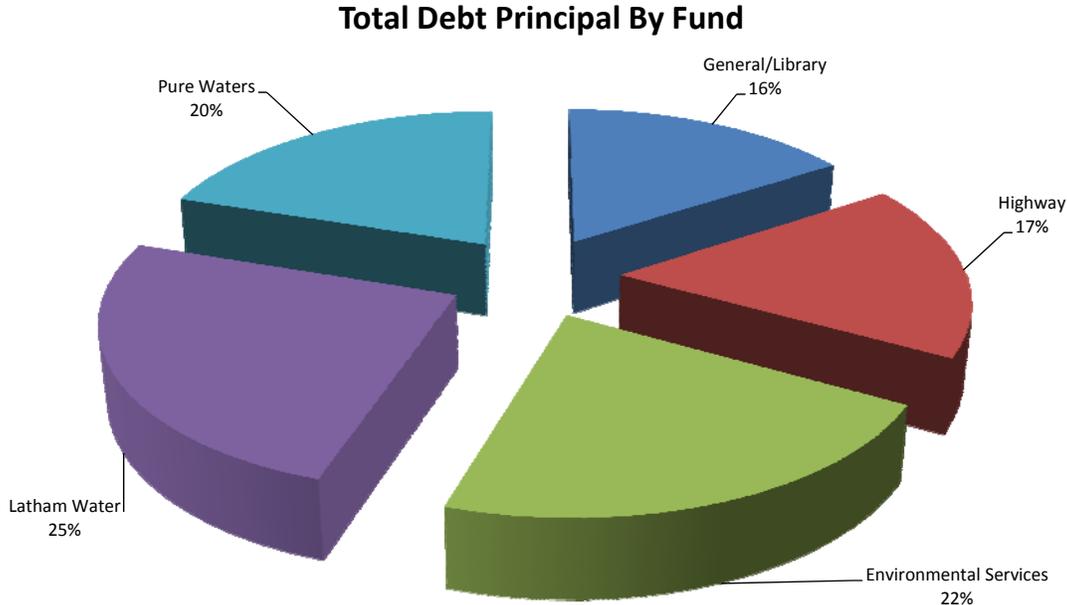
As of December 31, 2013, a summary of the Town's unused debt limit is as follows:

Town's legal debt limit	<u>\$ 587,198,254</u>
Town's indebtedness	94,039,280
Less legal exclusion	<u>36,196,550</u>
Net indebtedness	<u>57,842,730</u>
Deduct net indebtedness	<u>54,842,730</u>
Town's unused debt limit	<u><u>\$ 529,355,524</u></u>
Percent of legal indebtedness used	9.85%

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

2013 Summary of Total Outstanding Debt by Fund



The Town's debt has been rated A- by Standard and Poor's Rating Services as of March 2014. Moody's Investor Service has not reviewed the Town's Baa1 rating since April 2012. While the Standard and Poor's Rating Services rating places the Town's debt within the upper medium quality investment grade, rather than medium quality investment grade, it is not officially an "upgrade" as Standard and Poor's had not previously rated the Town's debt.

Liquidity and Capital Resources

The Town has experienced fiscal challenges since 2004. At the beginning of 2003, the Town's General Fund had a positive fund balance of \$6.2 million. In each of the succeeding fiscal years, the General Fund experienced operating deficits ranging from \$3.9 million in 2003 to \$11.1 million in 2007. These operating deficits were the direct result of structural imbalances in the annual budget, which were associated with increased costs for the years 2002-2007 for health insurance, employee pension obligations, and escalating energy costs. In January 2008, a new administration took over management of the Town and continues to take steps on its ten-year financial plan to return the Town to financial stability. This plan includes strict monitoring of the annual budget, elimination of unnecessary expenditures within the budget, maximization of revenue opportunities, potential sale of unused/underused Town property, and reducing staffing levels through attrition, all in an attempt to maintain the services provided to our community.

As of December 31, 2012, the Town had successfully established positive fund balances in all operating funds but the Environmental Services Department Fund whose deficit will be self-correcting over the next five to ten years. In 2013, the Town was able to maintain the positive fund balances and slightly increase them. Total governmental fund balances grew by \$985,543 in 2013 through profitable operations and the repayment of a loan receivable in the Community Development Fund (\$721,000).

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Liquidity and Capital Resources - Continued

In an effort to reduce health insurance costs, the Town implemented an employee health insurance premium contribution program in 2006 in which all employees pay an equivalent of 10% of premium costs. In 2013, the Town successfully negotiated a 15% health insurance contribution for new Town employees into several of its bargaining unit contracts. Town resources for equipment and capital purchases continue to be strictly monitored to assist with the debt reduction. In 2008, the Town was able to halt the significant growth in debt, and while issuing new debt on an annual basis to finance new projects and equipment acquisitions, it has been able to reduce the total outstanding debt to below 2007 levels. While the Town still must rely on revenue anticipation notes (RAN) to meet short-term cash flow needs, it has worked to reduce the size and number of RANs issued in a given calendar year. In 2013, only one \$3.2 million RAN was issued as opposed to the multiple \$6 million RANs issued in 2006.

As a result of the Town's fiscal distress, the General Town-wide Fund has become overly dependent on the annual interfund contribution of excess profits from the Environmental Services Department Fund. To that extent, in 2007 the annual contribution pushed the Environmental Services Department into an overall deficit situation for the year. This was corrected in 2008 and, although the budgeted and actual transfer for 2008 was larger than 2007, the Environmental Services Department was left with an overall profit in excess of \$575,000. In 2009, the budgeted and actual transfers were reduced from the 2008 levels and, due to the Environmental Services Department's declining revenue position, the actual transfers taken were \$725,000 less than budget. In 2013, the transfer is equal to the management agreement payments discussed below and estimated proceeds from the landfill gas to energy project.

The Town has contracted with Capital Region Landfills, Inc. (Company), a wholly-owned subsidiary of Waste Connections, Inc. to manage the Environmental Services Department. Under the contract, the Company will manage, maintain, and operate the Town's solid waste facility for a period of 25 years. The proceeds from this agreement allowed the Town to pay off the deficit in the General Fund and provide for the necessary future debt services payments. Additionally, any improvements done to the solid waste facility and closure/post-closure care costs will come at no cost to the Town, thereby saving taxpayers in excess of \$20,000,000.

Economic Factors for Future Budgets

Appropriations - The Town of Colonie, New York, like many other towns in New York State, is challenged on a fiscal level by increasing retirement costs. The Town participates in the New York State Retirement System, a cost sharing and multiple public employers system. Due to enhanced benefits offered by the State, coupled with the prolonged market turndown, spending has increased as follows:

2006	\$ 4,547,023
2007	4,510,086
2008	4,673,450
2009	4,380,475
2010	5,173,342
2011	7,516,293
2012	8,513,767
2013	9,590,643

Town of Colonie, New York

Management's Discussion and Analysis December 31, 2013

Economic Factors for Future Budgets - Continued

Appropriations - Continued

In an effort to mitigate the sizeable increases in costs, the Town has opted into the New York State Retirement System's annual amortization program. This program allows municipalities to amortize annual increases in excess of 1% over a ten-year period. When the costs decrease by more than 1%, the excess contributions made by the municipality will be used by the Retirement System to repay outstanding amortizations and eventually build a cash reserve to offset future amortizations. As of December 31, 2013, the Town has an outstanding debt related to these amortizations totaling approximately \$8,307,600.

In addition to retirement costs, health insurance, inclusive of dental and vision insurance, premiums continue to increase each year due to market pressures and the increasing cost of health care. Since 2001, the Town has shared health insurance premiums with its employees. The Town has seven bargaining units plus the non-bargaining employees. The contribution toward the premium is different depending on the bargaining unit the employee is associated with. The contribution is either based on percentage of premium or salary. In addition, the Town has worked to negotiate equal co-pays across all employees at about 10% of premium. During 2013, the Town was successful in negotiating into several of the bargaining unit contracts a 15% co-pay for new employees to the Town. It has also changed to an experience rated plan in order to keep premiums low.

The Town has expended the following premiums:

2006	\$4,622,268
2007	5,978,488
2008	6,759,965
2009	6,486,656
2010	7,569,346
2011	7,980,735
2012	8,203,005
2013	7,942,261

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact Craig T. Blair, Comptroller, Memorial Town Hall, Newtonville, New York 12128.

Town of Colonie, New York
Government-Wide Financial Statements
Statement of Net Position

	December 31, 2013		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 10,409,152	\$ 8,949,414	\$ 19,358,566
Other receivables, net	1,892,539	5,224,654	7,117,193
Management agreement proceeds, current portion	-	2,300,000	2,300,000
Due from other activities	4,153,255	234,769	4,388,024
Due from fiduciary funds	361,240	-	361,240
State and Federal aid receivables	158,451	-	158,451
Due from other governments	7,981,444	409,256	8,390,700
Deposit with other governments	491,000	-	491,000
Loans receivable, current portion	721,755	-	721,755
Other assets	9,840	-	9,840
Cash, restricted	2,516,975	9,507,425	12,024,400
NONCURRENT ASSETS			
Management agreement proceeds, less current portion	-	17,606,333	17,606,333
Capital assets, net of depreciation	49,487,214	70,510,079	119,997,293
Total assets	<u>78,182,865</u>	<u>114,741,930</u>	<u>192,924,795</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	5,559,000	28,653	5,587,653
Accrued liabilities	1,517,539	258,106	1,775,645
Retainage payable	-	52,630	52,630
Other liabilities	1,363,205	245,751	1,608,956
Unearned revenue	175,119	11,794	186,913
Revenue anticipation note payable	3,200,000	-	3,200,000
Bond anticipation notes payable	8,540,925	6,938,355	15,479,280
Due to other activities	234,769	4,153,255	4,388,024
Due to other governments	795,421	453,998	1,249,419
Accrued pension liability	3,670,624	485,849	4,156,473
Accrued interest	282,219	630,407	912,626
Current portion of bonds payable	2,537,196	4,152,804	6,690,000
Current portion of installment purchase debts	207,257	-	207,257
Current portion of pension related debt	1,173,183	162,074	1,335,257
NONCURRENT LIABILITIES			
Bonds payable, less current portion	19,598,097	52,271,903	71,870,000
Installment purchase debts, less current portion	374,962	-	374,962
Judgments and claims	63,974	77,420	141,394
Landfill closure and post-closure costs	-	11,172,368	11,172,368
Due to other governments, less current portion	471,461	-	471,461
Pension related debt, less current portion	6,139,435	832,919	6,972,354
Compensated absences	4,034,501	533,825	4,568,326
Other postemployment benefits obligation	26,492,018	4,389,842	30,881,860
Total liabilities	<u>86,430,905</u>	<u>86,851,953</u>	<u>173,282,858</u>
DEFERRED INFLOWS			
Deferred service concession arrangement receipts	-	17,031,053	17,031,053
NET POSITION			
Net investment in capital assets	18,228,777	7,147,017	25,375,794
Restricted	615,495	9,430,005	10,045,500
Unrestricted (deficit)	<u>(27,092,312)</u>	<u>(5,718,098)</u>	<u>(32,810,410)</u>
TOTAL NET POSITION	<u>\$ (8,248,040)</u>	<u>\$ 10,858,924</u>	<u>\$ 2,610,884</u>

See accompanying Notes to Financial Statements.

Town of Colonie, New York
Government-Wide Financial Statements
Statement of Activities

Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government support	\$ 11,797,131	\$ 1,363,648	\$ -	\$ -	\$ (10,433,483)	\$ -	\$ (10,433,483)
Public safety	31,328,891	1,413,334	31,331	112,836	(29,771,390)	-	(29,771,390)
Public health	5,908,379	3,697,749	38,433	-	(2,172,197)	-	(2,172,197)
Transportation	13,625,743	698,407	562,751	1,508,965	(10,855,620)	-	(10,855,620)
Economic assistance and opportunity	1,809	-	-	-	(1,809)	-	(1,809)
Culture and recreation	8,632,601	1,722,739	63,797	-	(6,846,065)	-	(6,846,065)
Home and community services	4,673,568	729,647	2,636,928	-	(1,306,993)	-	(1,306,993)
Debt interest	1,200,638	-	-	-	(1,200,638)	-	(1,200,638)
Total governmental activities	<u>77,168,760</u>	<u>9,625,524</u>	<u>3,333,240</u>	<u>1,621,801</u>	<u>(62,588,195)</u>	<u>-</u>	<u>(62,588,195)</u>
Business-type activities							
Pure Waters Department	8,011,181	219,659	-	-	-	(7,791,522)	(7,791,522)
Environmental Services Department	8,979,903	1,078,048	-	-	-	(7,901,855)	(7,901,855)
Latham Water Department	13,804,175	9,466,437	-	-	-	(4,337,738)	(4,337,738)
Total business-type activities	<u>30,795,259</u>	<u>10,764,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,031,115)</u>	<u>(20,031,115)</u>
Total	<u>\$ 107,964,019</u>	<u>\$ 20,389,668</u>	<u>\$ 3,333,240</u>	<u>\$ 1,621,801</u>	<u>(62,588,195)</u>	<u>(20,031,115)</u>	<u>(82,619,310)</u>
		GENERAL REVENUES					
					21,910,874	10,189,727	32,100,601
					22,165,614	-	22,165,614
					34,281	38,840	73,121
					1,352,752	10,840,656	12,193,408
					(204,196)	66,582	(137,614)
					36,521	-	36,521
					2,621,301	-	2,621,301
					148,784	-	148,784
					3,677,710	-	3,677,710
					51,743,641	21,135,805	72,879,446
					3,144,358	(3,144,358)	-
					54,887,999	17,991,447	72,879,446
					(7,700,196)	(2,039,668)	(9,739,864)
					(547,844)	12,898,592	12,350,748
					\$ (8,248,040)	\$ 10,858,924	\$ 2,610,884

See accompanying Notes to Financial Statements.

Town of Colonie, New York
Fund Financial Statements
Balance Sheet - Governmental Funds

December 31, 2013

	Major Funds					Total Governmental Funds
	General Fund	Highway Fund	Special Miscellaneous Revenue Fund	Capital Projects Fund	Non-Major Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 233,327	\$ 136,086	\$ 6,795,117	\$ 2,769,834	\$ 474,788	\$ 10,409,152
Cash, restricted	968,182	1,093,657	-	222,199	232,937	2,516,975
State and Federal aid receivables	31,917	-	-	120,285	6,249	158,451
Due from other governments	5,646,985	1,744,459	-	-	590,000	7,981,444
Other accounts receivable, net	1,854,508	24,404	-	481	13,146	1,892,539
Due from other funds	6,006,718	-	-	830,345	296,287	7,133,350
Rehabilitation loan receivable	-	-	-	-	721,755	721,755
Deposit with other governments	-	-	-	491,000	-	491,000
Other assets	9,840	-	-	-	-	9,840
Total assets	<u>\$ 14,751,477</u>	<u>\$ 2,998,606</u>	<u>\$ 6,795,117</u>	<u>\$ 4,434,144</u>	<u>\$ 2,335,162</u>	<u>\$ 31,314,506</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)						
LIABILITIES						
Accounts payable	\$ 5,543,860	\$ 8,400	\$ -	\$ 3,217	\$ 3,523	\$ 5,559,000
Accrued liabilities	1,192,657	144,351	-	-	180,531	1,517,539
Other liabilities	366,069	584,186	-	342,484	70,466	1,363,205
Revenue anticipation note payable	3,200,000	-	-	-	-	3,200,000
Bond anticipation notes payable	-	-	-	8,540,925	-	8,540,925
Due to other governments	213,165	-	101,683	400,000	1,984	716,832
Accrued pension liability	3,056,920	281,281	-	-	332,423	3,670,624
Due to other funds	455,293	1,617,523	101,762	378,677	300,369	2,853,624
Unearned revenue	40,023	1,452	-	91,000	42,644	175,119
Total liabilities	<u>14,067,987</u>	<u>2,637,193</u>	<u>203,445</u>	<u>9,756,303</u>	<u>931,940</u>	<u>27,596,868</u>
DEFERRED INFLOWS OF RESOURCES						
Revenue earned but unavailable	-	-	-	-	3,815	3,815
FUND BALANCE (DEFICIT)						
Restricted	561,502	-	-	-	53,993	615,495
Unrestricted	121,988	361,413	6,591,672	(5,322,159)	1,345,414	3,098,328
Total fund balance (deficit)	<u>683,490</u>	<u>361,413</u>	<u>6,591,672</u>	<u>(5,322,159)</u>	<u>1,399,407</u>	<u>3,713,823</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 14,751,477</u>	<u>\$ 2,998,606</u>	<u>\$ 6,795,117</u>	<u>\$ 4,434,144</u>	<u>\$ 2,335,162</u>	<u>\$ 31,314,506</u>

See accompanying Notes to Financial Statements.

Town of Colonie, New York

Reconciliation of Total Fund Balance Shown in the Governmental Funds to the Statement of Net Position

	December 31, 2013
Total fund balance in the fund financial statements for the governmental funds	\$ 3,713,823
This amount differs from the amount of net position shown in the statement of net position due to the following:	
<i>Assets</i>	
Capital assets, net of accumulated depreciation, are included as assets in the government-wide financial statements.	49,487,214
<i>Liabilities</i>	
Current liabilities for interest payable on long-term debt are included in the government-wide financial statements.	(282,219)
Liabilities for the retirement system for early incentive programs, long-term due to other governments, compensated absences, and other postemployment benefit obligations are included in the government-wide financial statements	
Due to the retirement system for amortization programs	(7,312,618)
Due to other governments, long-term	(550,050)
Due to employees for compensated absences	(4,034,501)
Due to employees for other postemployment benefits	(26,492,018)
	(38,389,187)
Bonded and installment purchase debt liabilities are included in the government-wide financial statements.	(22,717,512)
Liabilities for judgments and claims are included in the government-wide financial statements.	(63,974)
<i>Deferred Inflows of Resources</i>	
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,815
<i>Interfund Activity</i>	
Amounts due between the various governmental activities are eliminated in the government-wide financial statements	
Due from other funds	2,618,855
Due to other funds	(2,618,855)
	-
Total net position per statement of net position	\$ (8,248,040)

See accompanying Notes to Financial Statements.

Town of Colonie, New York
Fund Financial Statements
Statement of Revenues, Expenditures, and Changes in
Fund Balance (Deficit) - Governmental Funds

Year Ended December 31, 2013

	Major Funds				Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Highway Fund	Special Miscellaneous Revenue Fund	Capital Projects Fund		
REVENUES						
Real property taxes and tax items	\$ 16,047,186	\$ -	\$ -	\$ -	\$ 6,413,738	\$ 22,460,924
Sales and use tax	11,624,970	8,053,229	-	-	2,487,415	22,165,614
Departmental income	5,537,669	309,801	757,588	-	1,044,348	7,649,406
Intergovernmental charges	234,484	-	-	-	-	234,484
Interest and use of property	1,357,928	1,119	11,077	6,914	9,995	1,387,033
Licenses and permits	67,647	-	-	-	1,013,754	1,081,401
Fines and forfeitures	1,334,040	-	-	-	-	1,334,040
Miscellaneous	46,591	35,065	-	334,358	120,923	536,937
Interfund revenues	2,667,022	-	-	-	72,630	2,739,652
State aid	3,348,227	439,999	-	122,752	475,661	4,386,639
Federal aid	38,433	-	-	1,192,735	2,636,928	3,868,096
Total revenues	<u>42,304,197</u>	<u>8,839,213</u>	<u>768,665</u>	<u>1,656,759</u>	<u>14,275,392</u>	<u>67,844,226</u>
EXPENDITURES						
General government support	7,972,419	-	-	92,189	249,643	8,314,251
Public safety	14,401,657	-	-	20,000	5,096,600	19,518,257
Health	3,713,897	-	-	9,447	4,229	3,727,573
Transportation	512,601	5,127,383	19,567	3,439,663	790,666	9,889,880
Economic assistance and opportunity	1,809	-	-	-	-	1,809
Culture and recreation	4,168,480	-	1,914	6,027	1,908,556	6,084,977
Home and community services	133,544	-	118,677	-	3,757,295	4,009,516
Employee benefits	11,904,358	2,006,793	-	-	1,757,095	15,668,246
Debt service, principal	2,387,833	955,571	-	-	61,463	3,404,867
Debt service, interest	660,293	588,524	-	-	19,023	1,267,840
Capital outlay	82,399	5,599	-	2,058,248	-	2,146,246
Total expenditures	<u>45,939,290</u>	<u>8,683,870</u>	<u>140,158</u>	<u>5,625,574</u>	<u>13,644,570</u>	<u>74,033,462</u>
OTHER FINANCING SOURCES (USES)						
Bond anticipation notes redeemed from appropriations	-	-	-	646,075	-	646,075
Proceeds from issuance of installment purchase debts	-	-	-	337,752	-	337,752
Premium on issuance of debt	-	-	-	14,026	-	14,026
Sale of property and compensation for loss	599,948	67,869	-	-	22,296	690,113
Operating transfers in	3,144,358	-	-	-	11,000	3,155,358
Operating transfers out	-	(11,000)	-	-	-	(11,000)
Total other financing sources (uses)	<u>3,744,306</u>	<u>56,869</u>	<u>-</u>	<u>997,853</u>	<u>33,296</u>	<u>4,832,324</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	109,213	212,212	628,507	(2,970,962)	664,118	(1,356,912)
FUND BALANCE (DEFICIT), <i>beginning of year</i>	<u>574,277</u>	<u>149,201</u>	<u>5,963,165</u>	<u>(2,351,197)</u>	<u>735,289</u>	<u>5,070,735</u>
FUND BALANCE (DEFICIT), <i>end of year</i>	<u>\$ 683,490</u>	<u>\$ 361,413</u>	<u>\$ 6,591,672</u>	<u>\$ (5,322,159)</u>	<u>\$ 1,399,407</u>	<u>\$ 3,713,823</u>

See accompanying Notes to Financial Statements.

Town of Colonie, New York

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit) of Governmental Funds to the Change in Net Position Shown in the Statement of Activities

	Year Ended December 31, 2013
Net change in fund balance, total governmental funds	\$ (1,356,912)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities those expenditures were reported as capital asset additions.	2,228,246
Governmental funds do not report depreciation expense. This is the total depreciation expense reported in the statement of activities.	(3,078,960)
Governmental funds do not recognize the effects of disposing of capital assets which are not fully depreciated. This is the remaining net book value of capital assets disposed of reported in the statement of activities.	(890,787)
Governmental funds do not recognize the effect of revenues that do not provide current financial resources in the fund financial statements.	(746,971)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as an expenditure in governmental funds.	67,202
Bond and installment purchase debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and installment purchased debt principal is an expenditure in the governmental funds, but the repayments reduce the long-term liabilities in the statement of net position. This difference is the net of debt proceeds and principal repayments reported in the governmental funds.	2,421,040
Certain expenses reported in the governmental funds were reclassified as prepaid expenses in the statement of activities, and payables were reported in the statement of activities for expenses that will be recognized in the governmental funds in following years.	(2,402,092)
Governmental funds do not recognize the effect of the changes in other postemployment benefit obligations in the fund financial statements	(3,940,962)
Operating transfers between the various governmental activities are eliminated in the government-wide financial statements	
Operating transfers in	11,000
Operating transfers out	(11,000)
Governmental activities changes in net position per statement of activities	<u>\$ (7,700,196)</u>

See accompanying Notes to Financial Statements.

Town of Colonie, New York
Fund Financial Statements
Statement of Net Position - Proprietary Funds

	December 31, 2013			
	Pure Waters Department	Environmental Services Department	Latham Water Department	Total Business-Type Activities
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 4,358,613	\$ 77,786	\$ 4,513,015	\$ 8,949,414
Cash, restricted	162,853	8,868,782	475,790	9,507,425
Other receivables, net	23,914	408,128	4,792,612	5,224,654
Management agreement proceeds, current portion	-	2,300,000	-	2,300,000
Due from other governments	-	-	409,256	409,256
Due from governmental activities	234,769	-	-	234,769
Due from other business-type activities	120,000	1,724	-	121,724
NONCURRENT ASSETS				
Management agreement proceeds, less current portion	-	17,606,333	-	17,606,333
Capital assets, net	17,470,045	13,573,735	39,466,299	70,510,079
Total assets	<u>22,370,194</u>	<u>42,836,488</u>	<u>49,656,972</u>	<u>114,863,654</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	2,033	-	26,620	28,653
Accrued expenses	84,016	-	174,090	258,106
Retainage payable	52,630	-	-	52,630
Other liabilities	16,985	158,916	69,850	245,751
Unearned revenue	-	-	11,794	11,794
Current portion of bonds payable	898,400	1,686,804	1,567,600	4,152,804
Bond anticipation notes payable	3,154,301	301,775	3,482,279	6,938,355
Due to governmental activities	26,031	1,527,882	2,599,342	4,153,255
Due to other business-type activities	-	-	121,724	121,724
Due to other governments	453,998	-	-	453,998
Accrued interest	166,930	189,213	274,264	630,407
Current portion of pension related debt	50,898	-	111,176	162,074
Accrued pension costs	153,426	-	332,423	485,849
NONCURRENT LIABILITIES				
Bonds payable, less current portion	14,816,700	18,750,603	18,704,600	52,271,903
Landfill closure and post-closure costs	-	11,172,368	-	11,172,368
Judgments and claims	16,771	-	60,649	77,420
Pension related debt, less current portion	261,549	-	571,370	832,919
Compensated absences	212,259	-	321,566	533,825
Other postemployment benefits obligation	1,662,687	-	2,727,155	4,389,842
Total liabilities	<u>22,029,614</u>	<u>33,787,561</u>	<u>31,156,502</u>	<u>86,973,677</u>
DEFERRED INFLOW OF RESOURCES				
Deferred service concession arrangement receipts	-	17,031,053	-	17,031,053
NET POSITION				
Net investment in capital assets	(1,399,356)	(7,165,447)	15,711,820	7,147,017
Restricted for other purposes	146,082	8,868,782	415,141	9,430,005
Unrestricted (deficit)	<u>1,593,854</u>	<u>(9,685,461)</u>	<u>2,373,509</u>	<u>(5,718,098)</u>
Total net position	<u>\$ 340,580</u>	<u>\$ (7,982,126)</u>	<u>\$ 18,500,470</u>	<u>\$ 10,858,924</u>

See accompanying Notes to Financial Statements.

Town of Colonie, New York

Fund Financial Statements Statement of Revenues, Expenditures, and Changes in Net Position - Proprietary Funds

	Year Ended December 31, 2013			
	Pure Waters Department	Environmental Services Department	Latham Water Department	Total Business-Type Activities
OPERATING REVENUES				
Charges for services	\$ 212,944	\$ 1,078,048	\$ 9,443,094	\$ 10,734,086
Ad valorem tax	7,311,892	-	2,877,835	10,189,727
Miscellaneous services	6,715	-	23,343	30,058
Total operating revenues	7,531,551	1,078,048	12,344,272	20,953,871
OPERATING EXPENSES				
Personal services	1,653,715	-	3,438,291	5,092,006
Employee benefits	979,258	76,196	2,212,793	3,268,247
Other postemployment benefits	211,012	-	508,281	719,293
Supplies, materials, and services	3,399,927	133,746	5,158,679	8,692,352
Insurance	65,439	74,274	120,900	260,613
Depreciation	1,003,760	5,449,655	1,575,272	8,028,687
Closure and post-closure costs	-	2,118,118	-	2,118,118
Provision for uncollectible receivables	-	-	11,609	11,609
Total operating expenses	7,313,111	7,851,989	13,025,825	28,190,925
Operating income (loss)	218,440	(6,773,941)	(681,553)	(7,237,054)
NONOPERATING REVENUES (EXPENSES)				
Use of property	-	10,623,890	216,766	10,840,656
Gain on the sale of capital assets	58,624	-	7,958	66,582
Interest expense	(698,070)	(1,127,914)	(778,350)	(2,604,334)
Interest income	12,034	16,770	10,036	38,840
Total nonoperating revenues (expenses)	(627,412)	9,512,746	(543,590)	8,341,744
Income (loss) before transfers	(408,972)	2,738,805	(1,225,143)	1,104,690
TRANSFERS				
Operating transfers out	-	(3,144,358)	-	(3,144,358)
CHANGE IN NET POSITION	(408,972)	(405,553)	(1,225,143)	(2,039,668)
NET POSITION, beginning of year	749,552	(7,576,573)	19,725,613	12,898,592
NET POSITION, end of year	\$ 340,580	\$ (7,982,126)	\$ 18,500,470	\$ 10,858,924

See accompanying Notes to Financial Statements.

Town of Colonie, New York
Fund Financial Statements
Statement of Cash Flows - Proprietary Funds

	Year Ended December 31, 2013			
	Pure Waters Department	Environmental Services Department	Latham Water Department	Total Business-Type Activities
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Cash received from providing services	\$ 7,532,144	\$ 981,555	\$ 12,451,851	\$ 20,965,550
Cash paid for contractual expenses	(3,452,919)	(208,020)	(5,297,610)	(8,958,549)
Cash paid for personal services and employee benefits	(2,533,840)	(136,691)	(5,438,176)	(8,108,707)
	<u>1,545,385</u>	<u>636,844</u>	<u>1,716,065</u>	<u>3,898,294</u>
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES				
Interfund transfers out	-	(3,144,358)	-	(3,144,358)
Change in due from/to other funds	698,845	107,147	145,127	951,119
	<u>698,845</u>	<u>(3,037,211)</u>	<u>145,127</u>	<u>(2,193,239)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(1,177,312)	-	(497,428)	(1,674,740)
Proceeds from sale of capital assets, net	58,624	-	7,958	66,582
Capital grant proceeds	-	34,138	-	34,138
Proceeds from the issuance of bond anticipation notes	2,625,280	-	1,611,000	4,236,280
Payments of debt principal (BANs, Bonds, and installment purchase debts)	(924,405)	(1,924,414)	(1,698,414)	(4,547,233)
Interest paid	(687,298)	(1,233,626)	(798,272)	(2,719,196)
Use of property	-	2,374,934	216,766	2,591,700
	<u>(105,111)</u>	<u>(748,968)</u>	<u>(1,158,390)</u>	<u>(2,012,469)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES				
Interest income	<u>12,034</u>	<u>16,770</u>	<u>10,036</u>	<u>38,840</u>
Net increase (decrease) in cash and cash equivalents	2,151,153	(3,132,565)	712,838	(268,574)
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,370,313</u>	<u>12,079,133</u>	<u>4,275,967</u>	<u>18,725,413</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,521,466</u>	<u>\$ 8,946,568</u>	<u>\$ 4,988,805</u>	<u>\$ 18,456,839</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 218,440	\$ (6,773,941)	\$ (681,553)	\$ (7,237,054)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Provision for bad debts	-	-	11,609	11,609
Depreciation	1,003,760	5,449,655	1,575,272	8,028,687
(Increase) decrease in				
Accounts receivable	593	(87,933)	96,911	9,571
Due from other governments	-	-	(1,693)	(1,693)
Increase (decrease) in				
Accounts payable	(14,767)	-	6,769	(7,998)
Accrued expenses	7,212	-	5,914	13,126
Other liabilities	1,651	(69,055)	36,929	(30,475)
Due to other governments	28,646	-	-	28,646
Deferred revenue	-	-	752	752
Accrued pension costs	6,304	-	13,659	19,963
Landfill closure and post-closure costs	-	2,118,118	-	2,118,118
Judgment and claims	(1,432)	-	(13,191)	(14,623)
Pension related debt	65,663	-	141,422	207,085
Compensated absences	18,303	-	14,984	33,287
Other postemployment benefits obligation	211,012	-	508,281	719,293
	<u>\$ 1,545,385</u>	<u>\$ 636,844</u>	<u>\$ 1,716,065</u>	<u>\$ 3,898,294</u>

See accompanying Notes to Financial Statements.

Town of Colonie, New York

Fund Financial Statements Statement of Net Position - Fiduciary Funds

	December 31, 2013		
	Benefit Trusts	Private Purpose Trust	Agency
ASSETS			
Cash and cash equivalents	\$ 138,942	\$ 7,771	\$ 2,350,646
Letters of credit	-	-	840,489
Investments	2,728,792	-	-
Other receivables	361,483	-	6,980
Prepaid benefits	5,365	-	-
	3,234,582	7,771	3,198,115
LIABILITIES			
Due to other governments	-	-	4,205
Due to other activities	-	-	361,240
Developer escrow funds	-	-	2,673,730
Bail deposits	-	-	120,788
Other liabilities	-	-	38,152
	-	-	3,198,115
NET POSITION			
Restricted			
Assets held in trust	\$ 3,234,582	\$ 7,771	\$ -

See accompanying Notes to Financial Statements.

Town of Colonie, New York

Fund Financial Statements Statement of Changes in Net Position - Fiduciary Funds

	Year Ended December 31, 2013	
	Benefit Trusts	Private Purpose Trust
ADDITIONS		
Contributions	\$ 289,613	\$ -
Interest and earnings	148,875	-
	438,488	-
DEDUCTIONS		
Benefits	177,460	-
Management fees	34,847	-
Net increase in the fair value of investments	87,579	-
	299,886	-
CHANGE IN NET POSITION	138,602	-
NET POSITION, <i>beginning of year</i>	3,095,980	7,771
NET POSITION, <i>end of year</i>	\$ 3,234,582	\$ 7,771

See accompanying Notes to Financial Statements.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 1 - Organization and Summary of Significant Accounting Policies

The financial statements of the Town of Colonie, New York (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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.

a. Reporting Entity

The Town is a municipal corporation, which performs local governmental functions within its jurisdiction, including public safety, public works, highway, sewer, water, landfill, recreation, health and planning, and economic assistance and opportunity. The Town charter was adopted in 1895. The Town is governed by an elected Town Supervisor and a six member Town Board.

The financial reporting entity consists of: (a) the primary government, which is the Town of Colonie, (b) organizations for which the primary government is financially accountable, and (c) 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.

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. 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 within geographic boundaries of the Town and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity 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 component units that should be included in the reporting entity.

The following organizations are not part of the Town and are thus excluded from the Town's financial reporting entity:

i. Town of Colonie Industrial Development Agency

The Town of Colonie Industrial Development Agency (IDA) was created in 1977 by the Town under the provisions of Chapter 232 of the 1977 Laws of New York State for the purpose of encouraging economic growth in the Town. The IDA is a legally separate organization for which the Town, by statute, appoints the members of the IDA Board. IDA Board members have complete responsibility for management of the IDA and accountability for fiscal matters. Neither the Town nor the IDA is liable for IDA bonds or notes.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

a. Reporting Entity - Continued

i. Town of Colonie Industrial Development Agency - Continued

Town Departments provide staff support and office space to the IDA. Under the terms of an annual agreement, the IDA paid the Town \$57,288 in support services provided during the year ended December 31, 2013. Additionally, during 2013, the IDA issued a grant (\$91,000) and loan (\$400,000) to the Town for the completion of sidewalks along the Route 9 corridor. The loan will be repaid when funds advanced to the New York State Department of Transportation are returned to the Town upon completion of the project (see Note 4).

ii. Town of Colonie Local Development Corporation

The Town of Colonie Local Development Corporation (LDC) was created in 2010 by the Town under Sections 402 and 1411 of the Not-For-Profit Corporation Laws of New York State for the purpose of encouraging growth in the Town. The LDC is a legally separate organization for which the Town, by statute, appoints the members of the LDC Board. LDC Board members have complete responsibility for management of the LDC and accountability for fiscal matters. Neither the Town nor the LDC is liable for LDC bonds or notes.

Town Departments provide staff support and office space to the LDC. Under the terms of an annual agreement, the LDC paid the Town \$2,000 in support services provided during the year ended December 31, 2013.

iii. School Boards and Districts

The five school boards and districts within the geographical limits of the Town are not considered part of the Town's reporting entity. The School Boards' members are elected by the general public, and the Town does not provide funding to the Districts. The Districts report their activities independently.

iv. Fire Districts

The six fire districts within the geographical limits of the Town are not considered part of the Town's reporting entity. The Fire Commission members are elected by the general public, and the Town does not provide funding to the Districts. The Districts report their activities independently.

The Town's significant accounting policies are described below.

b. Government-wide and Fund Financial Statements

The government-wide statements include the statement of net position and the statement of activities and report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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 (a) charges paid by the recipients for goods or services offered by the programs, and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

b. Government-wide and Fund Financial Statements - Continued

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

c. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

d. Basis of Accounting - Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Sales tax is recognized in the period in which it is earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. With this measurement focus, all assets and liabilities are included on the statement of net position. Operating statements present increases and decreases in net position.

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means the amount of the transaction can be determined. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax, sales tax, and other tax revenue reported in the governmental funds to be available if collected within sixty days, and other revenues to be available if collected within one year, after the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments and claims, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Latham Water, Environmental Services, and Pure Waters Funds are ad valorem tax and charges to customers for sales and services. Operating expenses for these proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

d. Basis of Accounting - Measurement Focus - Continued

The Town reports the following major governmental funds:

General Fund - is the general operating fund of the Town. All financial transactions related to revenues and expenditures for delivery of those services traditionally provided by municipal governments, which are not accounted for in other funds, are accounted for in the General Fund.

Highway Fund - is for maintenance of the Town's roadways and their infrastructure costs, such as paving, storm sewer management, snow removal, and leaf and brush.

Miscellaneous Special Revenue Fund - is used to account for the receipt and disbursement of resources related to the Town's four mitigation areas.

Capital Projects Fund - is used to account for the receipt and disbursement of resources for the construction of capital assets.

The Town reports the following major enterprise funds:

Pure Waters Department - is used to account for the activities of the Town's sewer system.

Environmental Services Department - is used to account for the activities of the Town's landfill.

Latham Water Department - is used to account for the activities of the Town's water department.

Additionally, the Town reports the following fiduciary fund types:

Benefit Trusts Fund - is a fiduciary fund used to account for transactions and funds held in a trustee capacity for the various volunteer firemen's service award programs. This fund does not issue separate statements.

Private Purpose Trust Fund - is a fiduciary fund used to account for transactions related to a memorial fund to send children to summer camp.

Agency Fund - is a fiduciary fund used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments.

e. Cash and Cash Equivalents

The Town's cash and cash equivalents are defined as restricted and unrestricted short-term, highly liquid investments that are both readily convertible to known amounts of cash and their near maturity (90 days).

f. Investments

Investments of the Benefit Trust Fund are for the Town's Length of Service Award Programs (LOSAP) and are reported at fair value which is determined using selected bases. Securities traded on a national exchange are valued at the last reported sales price as of year-end. Cash deposits are reported at carrying amounts which reasonably estimates fair value. The composition of benefit trust investments, investment information, and fair values are presented in Note 13.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

f. Investments - Continued

Investment policies provide for an investment manager who has full discretion of assets allocated subject to the overall investment policy guidelines. Overall investment guidelines provide for diversification and allow investment in money markets; obligations of the United States government and its agencies; and fixed income and equity mutual funds.

Asset allocation guidelines for the benefit trusts are as follows:

	<u>Limit</u>
Money markets	As needed
Obligations of the United States of America and/or its agencies	0% - 100%
Mutual funds investing in any type of fixed investments	20% - 50%
Mutual funds or trusts investing in blue chip stocks of the United States of America	10% - 30%

The benefit trusts address credit risk and concentration of credit risk with the asset allocation guidelines stated above.

g. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "due from/due to."

All accounts receivable are shown net of allowances for uncollectible revenues.

The Town provides for uncollectible accounts for the governmental and proprietary fund types based on a review of accounts by management. In both the fund and government-wide financial statements, allowances of \$428,033, \$57,053, and \$40,284 were reported for ambulance, landfill, and water receivables, respectively, at December 31, 2013.

h. Capital Assets, Net

Within the government-wide financial statements, capital assets (property, buildings, improvements other than buildings, equipment, and infrastructure) are reported in the applicable governmental or business-type columns. For the fund financial statements, capital assets are reported only in the proprietary funds. In the governmental funds, capital asset acquisition and construction costs are reflected as expenditures. Capital assets are valued at historical cost or at an estimated historical cost where no historical records exist. Donated capital assets are valued at the estimated fair value as of the date of donation. Depreciation expense in the government-wide financial statements includes amortization of deferred financing costs.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

h. Capital Assets, Net - Continued

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 5,000	Straight-line	5-40 years
Machinery and equipment	5,000	Straight-line	4-25 years
Infrastructure	100,000	Straight-line	25-40 years
Landfill improvements	100,000	Modified units of production/consumption	Based upon remaining capacity

i. Compensated Absences

Employees earn vacation time as they provide service. Pursuant to collective bargaining agreements, employees may accumulate (subject to certain limitations) unused time earned and upon retirement, termination, or death may be compensated for such accumulated time. Additionally, employees may accumulate compensation pay for overtime to be utilized as paid time off or cash payments at a future date.

For governmental activities, the current portion of leave time that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability in the governmental fund that will pay it. The long-term portion of leave time is accrued in the government-wide statement of net position as a non-current liability. For business-type funds, the full liability is recognized at both the fund and government-wide level.

j. Unearned Revenues

The Town reports unearned revenues on the balance sheet of the governmental and proprietary funds. Unearned revenues arise when revenues have been received but not yet earned by the Town. In subsequent periods, when the Town has earned the revenue, the liability for unearned revenue is removed from the balance sheet, and revenue is recognized.

k. Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. The current year's debt principal and interest payments are recognized as expenditures.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

l. Landfill Closure and Post-Closure Costs

State and federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and post-closure costs in the Environmental Services Department Fund as a liability in each period based on landfill capacity used as of each balance sheet date, as determined by the Town's independent engineering firm. The \$11,172,368 accrued as landfill closure and post-closure costs at December 31, 2013, represents the cumulative amount reported to date based on the use of the full capacity of Cells 1 through 4, 91.6% of the estimated capacity of Cell 5, and 64.06% of the estimated capacity of Cell 6 currently being used.

The Town will recognize the remaining estimated cost of closure and post-closure care of \$3,669,743 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2013. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. In 2012, with the continued use of Cell 6, which overlaps Cell 5, the calculations were revised to reduce the closure acreage of Cell 5. This "overlap" will be closed when Cell 6 reaches capacity.

During August 2011, the Town entered into a contract with a private company (Company) to manage, maintain, and operate the Town's solid waste facility for a period of 25 years with the option to extend the contract for up to five additional five-year renewal periods. As outlined in the contract, the Company will assume the liability for all future closure and post-closure care costs, and fund these costs by establishing financial assurances (e.g., reserve account, performance bond) as required and verified by the New York State Department of Environmental Conservation. Even in the event the Company was to default on this contract, these costs will be covered by the Company. See Notes 2b and 8 in conjunction with this footnote.

m. Deferred Inflows Resources

In the governmental funds, the fund balance amount of \$3,713,823 includes the effect of deferring the recognition of revenues that are not received within the Town's 180-day availability period. The \$3,815 balance of deferred inflows of resources at December 31, 2013, will be recognized in future periods once payment is received.

For the Environmental Services Department, the unrestricted deficit net position amount of \$9,685,461 includes the effect of deferring the recognition of revenue from the solid waste facility service concession arrangement. The \$17,031,053 balance of the deferred inflow of resources at December 31, 2013, will be recognized as the remaining capacity of the solid waste facility is utilized over the term of the agreement. See Note 8 in conjunction with this footnote.

n. Fund Balance

The Town applies GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes accounting and financial reporting standards for governments that report governmental funds as well as criteria for classifying fund balances into specifically defined classifications. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The five fund balance classifications are as follows:

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

n. Fund Balance - Continued

Nonspendable - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact.

Restricted - Amounts that have restraints that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action, such as legislation, resolution, or ordinance by the government's highest level of decision-making authority.

Assigned - Amounts that are constrained only by the government's *intent* to be used for a specified purpose, but are not restricted or committed in any manner.

Unassigned - The residual amount in the General Fund after all of the other classifications have been established. In a special revenue fund, if expenditures and other financing uses exceed the amounts restricted, committed or assigned for those purposes, then a negative unassigned fund balance will occur.

The Town is in the process of establishing a formal fund balance policy. Currently, the Town Board is the highest level of decision-making authority, and restricts fund balance through formal resolutions. Assignment of fund balance is done by the Town Supervisor's and Comptroller's authorization.

Note 9 provides further details regarding the Town's fund balance classifications.

o. Postemployment Benefits

In addition to providing pension benefits, the Town provides health insurance benefits, in accordance with its union contracts, to retired employees and their families. Substantially all of the Town's employees may become eligible for these benefits, which vary by length of service and type of coverage, if they reach retirement age while working for the Town. For those retirees hired by the Town prior to January 1, 1980, the health insurance premiums borne by the Town vary up to 100% for employees and 75% for families, based upon years of service. For retirees hired subsequent to December 31, 1979, the health insurance premiums are borne by the Town at 50% for employees and 35% for families. The Town's policy is to account for and fund these benefits on a pay-as-you-go basis. The cost to the Town of providing health care benefits to approximately 320 retired participants during 2013 totaled \$1,672,909.

p. Subsequent Events

The Town has evaluated subsequent events for potential recognition or disclosure through August 12, 2014, the date the financial statements were available to be issued.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 2 - Stewardship, Compliance, and Accountability

a. Budgetary Information

Annual budgets are adopted on a basis consistent with U.S. GAAP for all governmental funds except for the Community Development Special Grant Special Revenue Fund and the Capital Projects Fund, which adopt project-length budgets, and the Special Miscellaneous Revenue Fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The Town Comptroller may make transfers of appropriations within a department. Town Council approval is required for the transfer of appropriations between departments. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level.

Encumbrance accounting is employed in governmental funds. Encumbrances, if any, outstanding at year end are reported as assigned fund balance within the governmental fund financial statements and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no encumbrances outstanding at December 31, 2013.

b. Fund Deficit

The Town has a fund deficit of \$5,322,159 in the Capital Projects Fund as of December 31, 2013, that will be eliminated through future repayment of principal on bond anticipation notes and the issuance of serial bonds.

The Town has a fund deficit of \$7,982,126 in the Environmental Services Department Fund for the fiscal year ended December 31, 2013, up slightly from the 2012 deficit of \$7,576,573. In August 2011, the Town entered into a contract with a private company (Company) to manage, maintain, and operate the Town's solid waste facility for a period of 25 years with the option to extend the contract for up to five additional five-year renewal periods. The terms of the agreement provided for an upfront payment of \$23 million and quarterly payments of \$575,000 for the next five years and minimum quarterly payments of \$275,000 thereafter for twenty years. Additionally, the Company assumed the liability for all future closure and post-closure costs, and will fund these costs by establishing financial assurances as required and verified by the New York State Department of Environmental Conservation. Even in the event the Company was to default on this contract, these costs are covered by the Company. As a result of this transaction, the Environmental Services Department Fund initially recognized a deferred inflow of resources of approximately \$35 million, which is being recognized as revenue over the life of the agreement. Essentially, this is a funded deficit because as the deferred inflow is recognized as revenue, the deficit will be eliminated.

Note 3 - Cash and Cash Equivalents

Statutes authorize the Town to invest in obligations of the U.S. Treasury, U.S. government agencies, and New York State, revenue anticipation notes and tax anticipation notes of other local governments, and repurchase agreements. Investments are carried at cost, which approximates market, and consist principally of certificates of deposit. New York State statutes require collateral be maintained for cash, time deposits, and certificates of deposit.

At year end, the bank balance of the Town's deposits was \$34,094,925, which was available for use and required collateral. Of the available bank balance, \$2,460,582 was covered by federal depository insurance (FDIC), and \$31,634,343 was covered by collateral with securities held by an agent of the Town in the Town's name.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 3 - Cash and Cash Equivalents - Continued

Restricted cash and cash equivalents consists of funds restricted by Town Board action to reserve for future unknown capital purposes and insurance claims; in addition to funds received as contributions for specific purposes which will benefit the Town.

Note 4 - Deposits Held With Other Governments

During 2013, the Town entered into a Multi-Modal Program Capital Project Agreement with the New York State Department of Transportation (NYS DOT) for construction of a sidewalk along the east side of Route 9 in the amount of \$400,000. The agreement also required the Town to contribute \$91,000 to the project.

The Town was required to place the \$491,000 on deposit with NYS DOT, who will be administering the project. Upon completion of the sidewalk project the \$400,000 will be returned to the Town. The project is expected to be completed by the end of 2014.

Note 5 - Capital Assets, Net of Depreciation

A summary of changes in the capital assets of the governmental activities is as follows:

	Balance January 1, 2013	Additions	Disposals/ Retirements	Balance December 31, 2013
Capital assets not being depreciated				
Land	\$ 18,939,654	\$ -	\$ (383,506)	\$ 18,556,148
Construction in progress	248,067	2,149,480	(1,690,934)	706,613
	<u>19,187,721</u>	<u>2,149,480</u>	<u>(2,074,440)</u>	<u>19,262,761</u>
Capital assets, being depreciated				
Buildings and improvements	30,919,899	565,495	(658,358)	30,827,036
Machinery and equipment	36,610,587	1,072,436	(1,440,160)	36,242,863
Infrastructure	9,444,891	131,767	-	9,576,658
	<u>76,975,377</u>	<u>1,769,698</u>	<u>(2,098,518)</u>	<u>76,646,557</u>
Less accumulated depreciation for				
Buildings and improvements	(15,649,292)	(806,016)	169,535	(16,285,773)
Machinery and equipment	(26,072,558)	(1,908,838)	1,421,704	(26,559,692)
Infrastructure	(3,212,533)	(364,106)	-	(3,576,639)
	<u>(44,934,383)</u>	<u>(3,078,960)</u>	<u>1,591,239</u>	<u>(46,422,104)</u>
Capital assets being depreciated, net	<u>32,040,994</u>	<u>(1,309,261)</u>	<u>(507,280)</u>	<u>30,224,453</u>
	<u>\$ 51,228,715</u>	<u>\$ 840,219</u>	<u>\$ (2,581,720)</u>	<u>\$ 49,487,214</u>

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 5 - Capital Assets, Net of Depreciation - Continued

A summary of changes in the capital assets of the business-type activities is as follows:

	Balance January 1, 2013	Additions	Disposals/ Retirements	Balance December 31, 2013
Capital assets not being depreciated				
Land	\$ 3,708,251	\$ -	\$ -	\$ 3,708,251
Construction in progress	2,066,886	1,454,448	(724,791)	2,796,543
	<u>5,775,137</u>	<u>1,454,448</u>	<u>(724,791)</u>	<u>6,504,794</u>
Capital assets being depreciated				
Landfill improvements	30,540,654	-	-	30,540,654
Buildings and improvements	53,049,176	-	-	53,049,176
Machinery and equipment	4,332,050	272,922	(107,206)	4,497,766
Infrastructure	37,892,762	724,791	-	38,617,553
	<u>125,814,642</u>	<u>997,713</u>	<u>(107,206)</u>	<u>126,705,149</u>
Less accumulated depreciation for				
Landfill improvements	(16,085,814)	(5,290,965)	-	(21,376,779)
Buildings and improvements	(23,963,109)	(956,175)	-	(24,919,284)
Machinery and equipment	(2,563,749)	(311,861)	107,206	(2,768,404)
Infrastructure	(12,165,711)	(1,469,686)	-	(13,635,397)
	<u>(54,778,383)</u>	<u>(8,028,687)</u>	<u>107,206</u>	<u>(62,699,864)</u>
Capital assets being depreciated, net	<u>71,036,259</u>	<u>(7,030,974)</u>	<u>-</u>	<u>64,005,285</u>
	<u>\$ 76,811,396</u>	<u>\$ (5,576,526)</u>	<u>\$ (724,791)</u>	<u>\$ 70,510,079</u>

Depreciation expense was charged to programs as follows:

	Year Ended December 31, 2013
<i>Primary Government</i>	
Governmental activities	
General government	\$ 391,340
Public safety	965,887
Health	470,276
Transportation	921,909
Culture and recreation	320,981
Home and community services	8,566
	<u>\$ 3,078,959</u>
Business-type activities	
Pure Waters Department	\$ 1,003,760
Environmental Services Department	5,449,655
Latham Water Department	1,575,272
	<u>\$ 8,028,687</u>

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 6 - Interfund Balances and Activity

A summary of interfund receivables and payables is as follows:

	December 31, 2013							Total Payable to
	General	Capital Projects	Non- Major	Pure Waters	Environmental Services	Latham Water	Agency	
General	\$ -	\$ -	\$ 220,524	\$ 234,769	\$ -	\$ -	\$ -	\$ 455,293
Highway	784,045	830,345	3,133	-	-	-	-	1,617,523
Special miscellaneous revenue	101,762	-	-	-	-	-	-	101,762
Capital projects	378,677	-	-	-	-	-	-	378,677
Non-major funds	300,369	-	-	-	-	-	-	300,369
Pure Waters	-	-	26,031	-	-	-	-	26,031
Environmental services	1,527,882	-	-	-	-	-	-	1,527,882
Latham Water	2,552,743	-	46,599	120,000	1,724	-	-	2,721,066
Agency	361,240	-	-	-	-	-	-	361,240
Total payable from	<u>\$ 6,006,718</u>	<u>\$ 830,345</u>	<u>\$ 296,287</u>	<u>\$ 354,769</u>	<u>\$ 1,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,489,843</u>

A summary of the interfund transfers in and out are as follows:

	Year Ended December 31, <u>2013</u>
General Fund, transfer in	\$ 3,144,358
Highway Fund, transfer in	11,000
Non-major funds, transfer out	(11,000)
Environmental Services Department, transfer out	<u>(3,144,358)</u>
	<u>\$ -</u>

Interfund receivables and payables result from cash advances made between funds to cover capital expenses and cash flow shortages. The amounts transferred to the General and Non-Major Funds were from operating surplus, before depreciation.

Note 7 - Indebtedness

A summary of the changes in governmental activities' long-term liabilities, is as follows:

	Balance January 1, 2013	Issuance	Payments	Balance December 31, 2013	Due Within One Year
Revenue anticipation note (RAN)	\$ 2,500,000	\$ 3,200,000	\$ (2,500,000)	\$ 3,200,000	\$ 3,200,000
Bond anticipation notes (BANs)	6,267,000	9,187,000	(6,913,075)	8,540,925	8,540,925
Installment purchase debts (IPDs)	465,167	337,752	(220,700)	582,219	207,257
General obligation bonds (Bonds)	24,673,385	-	(2,538,092)	22,135,293	2,537,196
Total RAN, BANs, IPDs, and Bonds	<u>33,905,552</u>	<u>12,724,752</u>	<u>(12,171,867)</u>	<u>34,458,437</u>	<u>14,485,378</u>
Judgments and claims	114,878	75,238	(126,142)	63,974	-
Due to other governments	-	550,050	-	550,050	78,589
Pension related debt (see Note 11)	5,510,919	2,702,299	(900,600)	7,312,618	1,173,183
Compensated absences	3,933,254	145,263	(44,016)	4,034,501	-
	<u>\$ 43,464,603</u>	<u>\$ 16,197,602</u>	<u>\$ (13,242,625)</u>	<u>\$ 46,419,580</u>	<u>\$ 15,737,150</u>

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 7 - Indebtedness - Continued

General long-term debt of the Town is issued principally as serial bonds, which are due at various times through 2033. The bonds are issued primarily to finance acquisition or construction of capital facilities. Bonds have been issued to advance-refund previously issued bonds. These bonds are guaranteed by the full faith and credit of the Town and are being repaid from applicable taxes. Principal and interest payments are included in the expenditures of the related governmental funds. The Town has utilized 9.85% of its constitutional debt limit as of December 31, 2013.

Installment purchase debts (IPDs) represent the remaining principal installments due on the purchase of equipment within the General and the Special Revenue Funds. The IPDs are issued to finance the acquisition of capital equipment. Principal and interest payments are included in the expenditures of the related governmental funds.

Due to other governments represents an amount due to the North Colonie Central School District under a long-term repayment agreement for a payment in lieu of taxes. It is a seven-year agreement with fixed principal payments and bears interest at the prime rate in effect at December 31st of each year of the agreement.

Compensated absences, judgments, and claims for governmental activities typically have been liquidated from the General Fund and the Special Revenue Funds.

The pension related debt is the amount of the required annual contribution to the New York State Retirement System that has been deferred under Chapter 260. The contributions will be paid over a ten-year period at interest rates ranging from 3% to 5%. The Town elected to participate in New York State's retirement incentive under Chapter 105 of the Laws of 2010, which is payable over a five-year period, starting in 2011, at an interest rate of 7.5% (see Note 11).

A summary of the governmental activities' indebtedness under bonds, installment purchase debts, bond anticipation notes, and revenue anticipation notes payable is as follows:

<u>Interest Rate</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding December 31, 2013</u>	<u>Annual Principal Installments</u>
<u>Revenue Anticipation Notes</u>					
0.87%	Sept. 2013	January 2014	\$ 3,200,000	<u>\$ 3,200,000</u>	\$ 3,200,000
<u>Bond Anticipation Notes</u>					
0.85%	May 2013	March 2014	9,952,500	<u>8,540,925</u>	8,540,925
<u>Installment Purchase Debts</u>					
5.67%	2010	2015	182,801	64,199	26,455 - 32,984
3.67%	2011	2014	78,136	19,873	18,490 - 20,603
2.87%	2011	2015	109,448	44,372	20,669 - 23,145
1.40%	2012	2015	163,674	81,829	40,070 - 41,775
1.36%	2012	2015	35,688	17,842	8,742 - 9,104
1.86%	2012	2016	58,279	34,960	11,230 - 12,089
1.40%	2012	2015	45,862	22,928	11,173 - 11,762
1.98%	2013	2016	28,560	21,208	6,931 - 7,352
2.30%	2013	2016	132,202	98,018	31,934 - 34,184
2.95%	2013	2020	176,990	<u>176,990</u>	23,135 - 27,540
				<u>582,219</u>	

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 7 - Indebtedness - Continued

Interest Rate	Date Issued	Maturity Date	Amount of Original Issue	Outstanding December 31, 2013	Annual Principal Installments
<u>General Obligation Bonds</u>					
4.00%	2002	2020	4,600,000	2,059,900	\$27,400 - \$263,900
3.00%	2003	2021	3,520,000	1,122,000	26,900 - 256,500
4.25%	2006	2015	2,685,600	401,500	231,700 - 444,000
4.25%	2007	2027	2,630,000	1,641,300	24,900 - 177,900
5.5-6.0%	2008	2033	7,130,000	6,277,200	26,300 - 177,900
5.0-6.125%	2009	2033	6,050,800	1,982,000	34,000 - 1,185,700
3.0-4.0%	2010	2016	2,009,800	1,031,100	271,500 - 291,400
3.0-4.5%	2012	2031	8,190,385	7,620,293	804,200 - 75,000
				<u>22,135,293</u>	
				<u>\$ 34,458,437</u>	

A summary of the changes in business-type activities' long-term indebtedness, for the year ended December 31, 2013, is as follows:

	Balance January 1, 2013	Issuance	Payments	Balance December 31, 2013	Due Within One Year
Bond anticipation notes (BANs)	\$ 3,136,000	\$ 7,372,280	\$ (3,569,925)	\$ 6,938,355	\$ 6,938,355
General obligation bonds (Bonds)	60,538,015	-	(4,113,308)	56,424,707	4,152,804
Total Bonds and BANs payable	63,674,015	7,372,280	(7,683,233)	63,363,062	11,091,159
Judgments and claims	92,043	163	(14,786)	77,420	-
Landfill closure and post-closure costs (see Note 11)	9,054,250	2,152,056	(33,938)	11,172,368	-
Pension related debt (see Note 11)	787,908	334,210	(127,125)	994,993	162,074
Compensated absences	500,538	33,287	-	533,825	-
	<u>\$ 74,108,754</u>	<u>\$ 9,891,996</u>	<u>\$ (7,859,082)</u>	<u>\$ 76,141,668</u>	<u>\$ 11,253,233</u>

A summary of the business-type activities indebtedness under bonds and bond anticipation notes is as follows:

Interest Rate	Date Issued	Maturity Date	Amount of Original Issue	Outstanding December 31, 2013	Annual Principal Installments
<u>Bond Anticipation Notes</u>					
0.85%	May 2013	March 2014	3,737,000	\$ 6,938,355	\$ 6,938,355
<u>Bonds Payable</u>					
3.41%	1999/2002	2018	\$ 2,440,000	\$ 875,000	135,000 - 185,000
3.41%	1999/2002	2027	6,900,000	4,440,000	210,000 - 395,000
4.125%	2001	2016	3,875,300	1,635,000	226,000 - 307,000
4.00%	2002	2020	5,250,000	2,340,100	240,000 - 345,000
3.00%	2003	2021	2,520,000	1,128,000	180,000
1.20%	2004	2025	19,767,387	12,760,000	1,275,000
1.20%	2004	2025	3,307,082	2,085,000	200,000
4.25%	2006	2015	2,939,400	463,500	198,300 - 401,000
4.25%	2007	2027	2,260,000	1,608,700	106,700 - 147,100
5.0-6.0%	2008	2033	9,555,000	8,397,800	151,400 - 451,100
5.0-6.125%	2009	2033	8,815,000	5,993,000	166,200 - 632,100
3.0-4.0%	2010	2016	1,790,200	918,900	271,500 - 291,400
3.0-5.5%	2012	2030	10,117,200	9,575,000	542,000 - 250,000
3.0-4.5%	2012	2031	4,438,815	4,204,707	804,200 - 75,000
				<u>56,424,707</u>	
				<u>\$ 63,363,062</u>	

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 7 - Indebtedness - Continued

Annual debt service requirements to amortize general long-term debt, exclusive of bond and revenue anticipation notes, which are expected to be refinanced as of December 31, 2013, are as follows:

Year ending December 31,	Governmental Activities		Business-type Activities	
	Bonds and IPDs		Bonds and IPDs	
	Principal	Interest	Principal	Interest
2014	\$ 2,744,453	\$ 963,240	\$ 4,152,804	\$ 2,242,869
2015	2,733,827	851,852	4,263,404	2,097,249
2016	2,336,372	747,389	4,080,441	1,938,474
2017	1,581,491	662,557	3,858,551	1,791,347
2018	1,613,614	600,559	3,977,671	1,648,367
2019 through 2023	5,982,586	2,120,720	18,945,805	5,927,880
2024 through 2028	3,411,142	1,034,434	13,024,858	2,335,326
2029 through 2033	2,314,027	335,627	4,121,173	496,957
	<u>\$ 22,717,512</u>	<u>\$ 7,316,378</u>	<u>\$ 56,424,707</u>	<u>\$ 18,478,469</u>

See Note 19 for information related to the Bonds, BANs, and RANs described within Note 7.

Note 8 - Deferred Service Concession Arrangement Receipts

In August 2011, the Town entered into an agreement with Capital Region Landfills, Inc. (Company) under which the Company will manage, maintain, operate, and retain fees from the Town's solid waste facility for a period of twenty-five years. The Company is required to operate and maintain the solid waste facility in accordance with the terms of this solid waste facility operating agreement; this agreement also regulates the rates at which fees may be charged and increased. The Town received from the Company a lump-sum payment of \$23 million, and will receive quarterly payments of \$575,000 for the first five years of the agreement and minimum quarterly payments of \$275,000 thereafter for twenty years. The Town used the up-front-payment to defease existing bonds related to the solid waste facility in the amount of \$12,938,924, and the balance was transferred to the General Fund to assist in deficit fund balance reduction.

Additionally, under the agreement the Company assumed the liability for all future closure and post-closure costs, and has funded these costs by establishing financial assurances as required and verified by the New York State Department of Environmental Conservation. Even in the event the Company was to default on this contract, these costs are covered by the Company.

The Town reports the solid waste facility within the Environmental Services Department Fund with capital assets reported at a carrying value of \$13,573,735 and a deferred inflow of resources in the amount of \$17,031,053 at December 31, 2013, pursuant to the service concession arrangement. The Town has reported a receivable for the present value of future quarterly payments. At December 31, 2013, \$2,300,000 is reported as a current receivable and \$17,606,333 as a noncurrent receivable. Both the receivable and deferred inflow of resources will decline as payments are received and revenue is recognized. Revenue will be recognized based on consumption of the remaining landfill capacity.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 9 - Fund Balance

The specific purposes that comprise the classifications of fund balance at December 31, 2013, are as follows:

	General Fund	Highway Fund	Special Misc. Rev. Fund	Capital Projects Fund	Non-Major Funds	Total
Restricted for						
Police asset forfeiture	\$ 542,218	\$ -	\$ -	\$ -	\$ -	\$ 542,218
DARE program donations	19,284	-	-	-	-	19,284
Community development programs	-	-	-	-	53,993	53,993
Total restricted fund balance	<u>561,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,993</u>	<u>615,495</u>
Committed to						
Capital purposes	240,106	-	-	-	-	240,106
Green space acquisition	-	-	-	-	113,628	113,628
Highway infrastructure	-	1,072,061	-	-	-	1,072,061
Judgment and claims	39,644	22,967	-	-	1,363	63,974
Assigned to						
Youth court program	100,020	-	-	-	-	100,020
Ambulance service	13,149	-	-	-	-	13,149
Operations of the fund	-	-	6,591,672	-	1,230,423	7,822,095
Unassigned	<u>(270,931)</u>	<u>(733,615)</u>	<u>-</u>	<u>(5,322,159)</u>	<u>-</u>	<u>(6,326,705)</u>
Total unrestricted fund balance	<u>121,988</u>	<u>361,413</u>	<u>6,591,672</u>	<u>(5,322,159)</u>	<u>1,345,414</u>	<u>3,098,328</u>
Total fund balance	<u>\$ 683,490</u>	<u>\$ 361,413</u>	<u>\$ 6,591,672</u>	<u>\$ (5,322,159)</u>	<u>\$ 1,399,407</u>	<u>\$ 3,713,823</u>

Note 10 - Property Taxes

Property taxes to be used for general purposes are levied on all properties within the Town. In addition, certain water and refuse services are levied against those properties benefited by this service.

Property taxes are levied by December 31 and are payable in January. The Town's property taxes are levied together with Albany County and certain special districts. The Town and the special districts receive their full levy out of the first amounts collected. Albany County assumes enforcement responsibility for all uncollected taxes levied in the Town. Accordingly, the total levy is considered measurable and available, and there is no allowance for uncollectible property taxes at December 31.

The taxable assessed value of real property included in the general town-wide tax levy of 2013 is \$5,700,088,161. The effective tax rate on this value is \$3.28 per thousand. The Town utilizes a full value method of assessing property values which is intended to approximate market.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 11 - Retirement Systems

Plan Description

The Town participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS), and the Public Employees' Group Life Insurance Plan (GLI) (Systems). These are cost-sharing multi-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems 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 Retirement Systems, 110 State Street, Albany, New York 12244.

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System: on or after July 26, 1976, who generally contribute 3% of their salary for the first ten years of membership, on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3% of their salary for their entire length of service, and on or after April 1, 2012 who generally contribute between 3% and 6% (based on annual wage) for the entire length of service.

Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed in computing the employer's contributions based on salaries paid during the System's fiscal year ending March 31. Each year, the Comptroller renders a billing to participating employers requesting payment of amounts due in advance for the plan year April 1 to March 31. The NYSRSSL allows participating employers to pay their annual contributions on either December 15 of the current year, or February 1 of the following year. The Town elected to pay its contribution billed in 2013 on February 1, 2014. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2013	\$ 5,754,801	\$ 3,835,842
2012	5,128,227	3,385,540
2011	4,934,048	3,027,083

Contributions made to the Systems were equal to 100% of the contributions required for each year, less the applicable amortizations.

Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5% of employee's covered pensionable salaries.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 11 - Retirement Systems - Continued

Funding Policy - Continued

- For SFY 2007-08, the amount in excess of 10.5% of employee's covered pensionable salaries.

Chapter 57 of the Laws of 2010 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For State fiscal year (SFY) 2010-11, the amount in excess of the graded rate of 9.5% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent SFY, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- The interest rate will be set annually, and will be comparable to taxable fixed income investments of a similar duration.
- For SFYs in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

Chapter 105 of the Laws of 2010 of the State of New York authorizes local governments to make available a retirement benefit incentive program with an estimated total cost of \$1,199,241. The cost of the program will be billed and paid over five years beginning February 1, 2012.

Chapter 57 of the Laws of 2013 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for up to 12 years in accordance with the following stipulations:

- The maximum amount and employer can amortize is the difference between the normal annual contribution (total bill, excluding payments for deficiency, group life, previous amortization, incentive costs, and prior year adjustments) and the graded contribution.
- For subsequent SFY, the graded rate will increase or decrease by up to one-half of one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- The interest rate will be set annually, and will be comparable to a 12 year United States Treasury Bond plus one percent.
- For SFYs in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

These laws requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts related to the System's fiscal years when the local employer opts to participate in the programs. The total unpaid liability at the end of the fiscal year was \$8,307,611, of which \$994,993 is reported in the various proprietary funds and \$7,312,618 on the statement of net position for the governmental activities.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 11 - Retirement Systems - Continued

For the years ended December 31, 2004 through 2006 and 2010 through 2013, the Town opted to amortize the allowable portions of the annual ERS and PFRS retirement payment over a ten-year period. The principal amount amortized was \$6,153,262 for the ERS plan and \$5,051,355 for the PFRS plan. The principal and interest payments began in December 2005 and will end in February 2024, with interest ranging from 3% to 5% per annum. The principal amount amortized for the 2010 retirement benefit incentive was \$1,199,241 with principal and interest payments from February 2012 through February 2016, with interest at 7.5% per annum.

The maturity schedule for this debt is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Payable February 1,			
2015	\$ 1,335,257	\$ 324,607	\$ 1,659,864
2016	1,140,930	261,712	1,402,642
2017	813,194	208,424	1,021,618
2018	767,556	178,281	945,837
2019	795,060	150,780	945,840
2020	823,564	122,272	945,836
2021	853,111	92,727	945,838
2022	824,939	62,101	887,040
2023	598,784	33,296	632,080
2024	<u>355,216</u>	<u>13,033</u>	<u>368,249</u>
	<u>\$ 8,307,611</u>	<u>\$ 1,447,233</u>	<u>\$ 9,754,844</u>

Of the total unpaid principal balance of \$8,307,611 for the above amortizations, \$6,972,354 is included in the statement of net position as a non-current liability, and \$1,335,257 is shown as a current liability as December 31, 2013.

Note 12 - Deferred Compensation Plan

The Town offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457. The Plan permits the participants to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The market value of Plan assets held by the related trust at December 31, 2013, totaling \$34,440,056 is not recorded in these financial statements, as they are not an asset of the Town. The Plan issues a publicly available financial report that includes financial statements and any required supplementary information. That report may be obtained by writing to the Town of Colonie Comptroller, 534 Loudon Road, Latham, New York 12110.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 13 - Volunteer Firefighter Service Award Programs

The Town sponsors, and is the program administrator for, volunteer firefighter service award programs for four fire protection districts within the Town: Fuller Road, Latham, Maplewood, and Shaker Road-Loudonville Fire Districts.

Length of Service Awards Programs (LOSAP)

The Town established three separate defined contribution service award programs effective January 1, 1991, for the active volunteer firefighter members of the Fuller Road Fire Department, Inc. (Fuller Road), Shaker Road-Loudonville Fire Department (Shaker Road), and Maplewood Volunteer Fire Department, Inc. (Maplewood). A defined benefit service award program for the active members of the Latham-S.W. Pitts Hose Company, Inc. (Latham) was also established effective January 1, 1991. The programs were established pursuant to Article 11-A of the New York State General Municipal Law. The programs provide municipally-funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters.

Under Section 457(e)(11) of the Internal Revenue Code, Service Award Programs for volunteer firefighters and EMS volunteers are referred to as "LOSAP" - Length of Service Award Programs.

Defined Contribution Program Description

(a) Participation, Vesting, and Service Credit

In a defined contribution LOSAP, each participant has an individual program account. The program account balance of a participation volunteer is credited with a "service award" contribution as of the end of each year during which the volunteer was active enough to earn a year of service award program service credit. The participant is paid his or her account balance upon attainment of the "entitlement age." The amount paid will vary depending upon the number of years of service credit earned by the volunteer and the investment income (less administrative and/or investment expenses not paid by the Town) earned by the program assets and allocated to the participant's program account.

Active volunteer firefighters who have reached the age of 18 and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a non-forfeitable right to be paid their program account balance after being credited with five years of firefighting service or upon attaining the program's entitlement age while an active volunteer. The Fuller Road and Shaker Road programs' entitlement age is 62, and the Maplewood program's entitlement age is 55. An active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain firefighter activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of active volunteer firefighting service rendered prior to the establishment of the program as an active volunteer firefighter member of Fuller Road, Shaker Road, or Maplewood.

(b) Defined Contribution Benefits

A participant's benefit under the program is his or her program account balance paid upon attainment of the entitlement age in a lump sum to the participant. The annual contribution paid by the Town and credited to the account of a participant who earned fifty points during a calendar year for Fuller Road, Shaker Road, and Maplewood is currently \$700. The maximum number of years of service credit a participant may earn for the Fuller Road and Shaker Road programs is 40 years, and for the Maplewood program, the maximum is 30 years.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 13 - Volunteer Firefighter Service Award Programs - Continued

(b) Defined Contribution Benefits - Continued

Currently, there are two other optional forms of payment of a volunteer's earned service award under the programs (five or ten-year installment payments). Except in the case of death or total and permanent disablement, service awards commence to be paid as of the January next following the date a participant attains the entitlement age. Volunteers who continue to be active after attaining the entitlement age continue to have the opportunity to earn program credit and to thereby be paid additional service awards. The program provides death and disability benefits equal to the participant's program account balance at the time of death or disablement. The program does not provide extra line-of-duty death or disability benefits. All death and disability benefits are "self-insured" and are paid from the program trust fund.

For a complete explanation of the defined contribution program, see the Program Document, a copy of which is available from the Town Attorney.

Defined Benefit Program Description

(a) Participation, Vesting, and Service Credit

Active volunteer firefighters who have reached the age of 18 and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a non-forfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program's entitlement age while an active volunteer. The program's entitlement age is age 60. An active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain firefighter activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of active volunteer firefighting service rendered prior to the establishment of the program as an active volunteer firefighter member of Latham.

(b) Defined Benefit Benefits

A participant's service award benefit is paid as a ten-year certain and continuous monthly payment life annuity. The amount payable each month equals \$10 multiplied by the total number of years of service credit earned under the point system for years prior to 2006 plus \$15 multiplied by the total number of years of service credit earned by the volunteer under the point system for years after 2006. The maximum number of years of service credit a participant may earn is 40 years under the program. Currently, there is one other form of payment of a volunteer's earned service award under the program (an actuarially equivalent lump sum). Except in the case of death or total and permanent disablement, service awards commence to be paid when a participant attains the entitlement age. Volunteers who continue to be active after attaining the entitlement age and beginning to be paid a service award continue to have the opportunity to earn program credit and to thereby increase their service award payments. The program provides death and disability benefits equal to the actuarial value of the participant's earned service award at the time of death or disablement (the minimum death benefit payable is \$10,000 if the participant was an active volunteer at death). The program does not provide extra line-of-duty death or disability benefits. All death and disability benefits are "self-insured" and are paid from the program trust fund.

For a complete explanation of the defined benefit program, see the Program Document, a copy of which is available from the Town Attorney.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 13 - Volunteer Firefighter Service Award Programs - Continued

Defined Benefit Program Description - Continued

(c) Funding Methodology and Actuarial Assumptions

The assets available for benefits totaled \$1,232,595 and the actuarial present value of accrued benefits was \$1,479,429 at December 31, 2013, for a funding percentage of 83.3%. However, the Plan has an unfunded liability for separately amortized costs for the 2010 program amendments in the amount of \$310,442, which will be amortized over the next seven years.

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the Attained Age Normal Frozen Initial Liability method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return on program investments	6.0%
Tables used for:	
Post-Entitlement Age mortality	1994 Uninsured Pensioner Male Mortality Table projected with scale AA to 2008
Pre-Entitlement Age mortality*	None
Pre-Entitlement Age disability*	None
Pre-Entitlement Age withdrawal*	None
Pre-Entitlement Age service credit accruals	100%

* For program cost calculation purposes, all pre-entitlement age active volunteer firefighter participants are assumed to: service to the entitlement age; remain active and earn 50 points each year; and begin to be paid service awards upon attainment of the entitlement age.

Fiduciary Investment and Control

After the end of each calendar year, each fire department prepares and certifies a list of names of all persons who were active volunteer members of the fire department during the year indicating which volunteers earned 50 points. The certified lists are delivered to the Town for the Town Board's review and approval. The fire departments must maintain the point system records to verify each volunteer's points on forms provided and/or approved by the Town Board.

The Town Board has retained Penflex, Inc. to assist in the administration of the program. The services provided by Penflex, Inc. are described in an agreement between Penflex, Inc. and the Town, which is available at the Town Attorney's office.

Based on the certified calendar year volunteer firefighter listings, Penflex, Inc. determines and certifies in writing to the Town the amount of the service award to be paid to a participant or to a participant's designated beneficiary. The person(s) authorized by the Town Board then authorizes, in writing, the custodian of the Town's LOSAP trust funds to pay the service award. No service award benefit payment is made without the written certification from Penflex, Inc. and the written directive from the authorized representative of the Town Board.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 13 - Volunteer Firefighter Service Award Programs - Continued

Fiduciary Investment and Control - Continued

Penflex, Inc. bills the Town for the services it provides. Invoices are authorized for payment by the Town in the same manner as any other invoice presented to the Town for payment. The Town pays Penflex, Inc.'s invoices from the LOSAP trust fund, in which case the Town reimburses the trust fund for the amounts paid to Penflex, Inc. to provide services for the defined benefit program (there is no reimbursement for Penflex, Inc.'s administrative costs paid under the defined contribution program).

Program assets are required to be held in trust by Article 11-A, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. The Town Board created a Service Award Program Trust Fund through the adoption of a Trust Document, a copy of which is available from the Town Attorney. The Town Board is the program trustee.

Authority to invest program assets is vested in the program trustee. Program assets are invested in accordance with a statutory prudent person rule and in accordance with the written investment policy statement adopted by the Town Board.

The Town Board is required to retain an actuary to determine the amount of the Town's contributions to the plan. The actuary retained by the Town for this purpose is Edward J. Holohan of Penflex, Inc. Mr. Holohan is an Associate of the American Society of Actuaries. Portions of the following information are derived from a report prepared by the actuary dated June 6, 2014.

The Town Board has retained RBC Wealth Management (previously UBS Financial Services) to provide investment management and custodial services. The assets for all four programs are pooled into one investment account.

Prior Service Costs

Prior service costs have been amortized and paid in all four programs. In the defined benefit program, the program assets are greater than the actuarial present value of accrued benefits, and there are no separately amortized costs.

Contributions

The Town lags the contributions due to each program by fourteen months. For example, the contribution due for the program year ended December 31, 2012, was paid in February 2014, with interest.

A summary of the sponsor's required contribution for program year ended December 31, 2013, and scheduled to be paid in February 2015, is as follows:

Fuller Road	\$ 29,403
Shaker Road	56,267
Maplewood	19,469
Latham	<u>181,130</u>
	<u><u>\$ 286,269</u></u>

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 13 - Volunteer Firefighter Service Award Programs - Continued

Administrative Services

A summary of the administrative/actuarial services provided allocated to the Departments for the year ended December 31, 2013, is as follows:

Fuller Road	\$ 7,089
Shaker Road	9,589
Maplewood	4,856
Latham	<u>13,313</u>
	<u><u>\$ 34,847</u></u>

All of the activity of the LOSAP is reflected in the statement of changes in net position - fiduciary funds on page 35 of the fund financial statements.

Assets Held in Trust

The Town's benefit trust had the following cash, cash equivalents, and investments:

	December 31, 2013		
	Fair Value	Cost	% Total Cost
Cash and cash equivalents	\$ 138,942	\$ 138,942	5.2%
Equities			
United States	88,582	85,352	3.2%
International	143,314	106,763	4.0%
Fixed income securities			
Corporate obligations	87,535	86,979	3.3%
Mutual funds	1,057,313	953,018	35.6%
Mixed asset securities			
Mutual funds	1,207,295	1,161,297	43.4%
Other asset securities			
Mutual funds	<u>144,753</u>	<u>142,262</u>	<u>5.3%</u>
	<u><u>\$ 2,867,734</u></u>	<u><u>\$ 2,674,613</u></u>	<u><u>100.0%</u></u>

A summary of the net assets held in trust for the Departments for the year ended December 31, 2013, is as follows:

Fuller Road	\$ 593,200
Shaker Road	956,289
Maplewood	282,116
Latham	<u>1,402,977</u>
	<u><u>\$ 3,234,582</u></u>

All the components of net position for the LOSAP are reflected in the statement of net position - fiduciary funds on page 34 of the fund financial statements.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 14 - Postemployment Benefits Other Than Pensions

Plan Description - The Town provides a single-employer defined benefit healthcare plan (Plan). The plan provides lifetime healthcare insurance and prescription drug coverage for eligible retirees and their spouses through the Town's Plan, which covers both active and retired members. Benefit provisions are established through negotiations between the Town and the unions representing employees and are renegotiated at the end of each of the bargaining periods.

Funding Policy - Contribution requirements also are negotiated between the Town and union representatives. The Town contributes a percent of the cost of current-year premiums for eligible retired Plan members and their spouses. For the year ended December 31, 2013, the Town contributed \$1,672,909 to the Plan. Plan members receiving benefits contribute a percent of their premium costs. Total member contributions were \$663,298 for the year ended December 31, 2013.

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	\$ 7,551,992
Interest on net OPEB obligation	1,048,864
Adjustments to annual required contribution	<u>(2,267,692)</u>
Annual OPEB cost	6,333,164
Contributions made	(1,672,909)
Net OPEB obligation, <i>beginning of year</i>	<u>26,221,605</u>
 Net OPEB obligation, <i>end of year</i>	 <u><u>\$ 30,881,860</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

12/31/2013	\$ 6,333,164	26.40%	\$ 30,881,860
12/31/2012	7,376,643	23.50%	26,221,605
12/31/2011	6,503,863	25.85%	20,578,341
12/31/2010	4,844,187	28.70%	15,755,614
12/31/2009	5,329,810	21.10%	12,302,071

Funded Status and Funding Progress - As of December 31, 2013, the actuarial accrued liability for benefits was \$57,578,521, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$33,835,815, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 170 percent.

The projection of future benefit payments for 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 revision as actual results are compared with past expectations and new estimates are made about the future.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 14 - Postemployment Benefits Other Than Pensions - Continued

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The 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 following simplifying assumptions were made:

Retirement Age for Active Employees - Rates of decrement due to retirement based on the experience under the New York State & Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation.

Marital Status - It is assumed that 70% of retirees will be married at the time of retirement, with the male spouse assumed to be approximately three years older than the female.

Mortality - Life expectancies were based on RP-2000 Mortality Table for Health Annuitants, sex distinct, with generational mortality.

Turnover - Rates of decrement due to turnover based on the experience under the New York State & Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on projections of medical blended trend rates. A rate of 9.5% initially, reduced to an ultimate rate of 5% after ten years, was used.

Health Insurance Premiums - 2013 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 4.0% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2013, is 15 years.

Note 15 - Risk Financing Activities

Workers' Compensation

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; business interruption; errors or omissions, injuries to employees, and natural disasters. The Town assumes the risk of loss relating to workers' compensation. The Town has established liability accounts within each fund to account for losses, claims, and judgments, relating to this exposure. The Town purchases insurance for claims in excess of \$350,000. Settled claims have not exceeded the annual self-insurance funding in any of the past three fiscal years.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 15 - Risk Financing Activities - Continued

Claims and judgments are recognized consistent with the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Losses*, which requires that claims and judgments be recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Claim liabilities were \$1,093,288 at December 31, 2013, and are included in other liabilities. Changes in the workers' compensation claims liabilities for 2013 were:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Year Liability
General Fund	\$ 584,091	\$ 214,234	\$ (432,256)	\$ 366,069
Highway Fund	201,730	437,562	(157,824)	481,468
Non-major Funds	-	2,058	(2,058)	-
Pure Waters Department	15,334	16,283	(14,632)	16,985
Environmental Services Department	227,971	76,196	(145,251)	158,916
Latham Water Department	32,921	97,644	(60,715)	69,850
Total	<u>\$ 1,062,047</u>	<u>\$ 843,977</u>	<u>\$ (812,736)</u>	<u>\$ 1,093,288</u>

Note 16 - Commitments and Contingencies

a. Grant Programs

The Town participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs may be conducted, in accordance with grantor requirements, on a periodic basis. Accordingly, the Town's compliance with applicable grant requirements will be established at some future date. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Town believes, based upon its review of current activity and prior experience, the amount of such disallowances, if any, will be minimal.

b. Construction Commitments

The Town has active construction and infrastructure improvement projects as of December 31, 2013. These projects include various sewer plant improvement projects. At year end, the Town's commitments with contractors are as follows:

Project	Total Commitment	Remaining Commitment
Pure Waters Department		
Plant screen and grit upgrade project	<u>\$ 2,288,902</u>	<u>\$ 1,236,304</u>

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 16 - Commitments and Contingencies - Continued

c. Litigation

Various suits and claims against the Town are presently pending involving claims for personal injury, tax appeals, and miscellaneous other cases. The Town is self-insured for up to \$1,000,000 for general liability claims. The Town purchases commercial insurance for claims in excess of the self-insured amount. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Of the pending or threatened litigation as of December 31, 2013, certain cases are covered by insurance: the remainder is self-insured for which the Town has designated a portion of the fund balance of the General, Highway, other non-major governmental, and a judgment and claims liability has been recognized in the Proprietary Funds. In the opinion of the Town attorney, after considering all relevant facts, including discussions with outside counsel in certain instances, such litigation will not in the aggregate have a material adverse effect on the financial position, results of operations, or cash flows of the Town. The Town estimates the cost of these matters and records a liability for claims if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. At December 31, 2013, the Town recorded an insurance reserve of \$63,974 in the Governmental Funds and \$77,420 in the caption "Judgments and Claims" in the Proprietary Funds.

Changes in the Town's claim liability amount during 2013 were:

<u>Fund</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
General Fund	\$ 55,105	\$ 50,137	\$ (65,598)	\$ 39,644
Highway	19,316	14,055	(10,404)	22,967
Other non-major	40,457	11,046	(50,140)	1,363
Pure Water	18,203	32	(1,464)	16,771
Latham Water	73,840	131	(13,322)	60,649
Total	<u>\$ 206,921</u>	<u>\$ 75,401</u>	<u>\$ (140,928)</u>	<u>\$ 141,394</u>

d. Environmental Risks

Certain facilities are subject to federal, state, and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the Town expect such compliance to have, any material affect upon the capital expenditures or financial condition of the Town. The Town believes that its current practices and procedures for control and disposition of regulated wastes comply with applicable federal, state, and local requirements.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 17 - Accounting Standards Issued, But Not Yet Implemented

- a. During June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

- b. In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations, including mergers and acquisitions. This statement requires disclosures to be made that will enable financial statement users to evaluate the nature and financial effect of those transactions. This statement is effective for periods beginning after December 15, 2013, with earlier application encouraged.
- c. In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement will require a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. An obligation guaranteed in a nonexchange transaction will need to be reported until it is legally released as an obligor. This statement is effective for periods beginning after June 15, 2013, with earlier application encouraged.
- d. In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement amends paragraph 137 of statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability previously this was required not to be reported. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. This statement is effective for periods beginning after June 15, 2014, with early application encouraged.

Management has not estimated the extent of potential impact of these statements on the Town's financial statements.

Town of Colonie, New York

Notes to Financial Statements December 31, 2013

Note 18 - Subsequent Events

- a. The Town fully repaid the revenue anticipation notes outstanding at December 31, 2013, including \$9,512 of accrued interest, when they matured in January 2014.
- b. Refunding serial bond series 2014A were issued on January 8, 2014, in the amount of \$3,235,000 to advance refund Series 2002 (\$2,098,500) and 2003 (\$1,136,500) bonds. The bonds have principal and interest payments on April 1st and October 1st from 2014 to 2021, and bear interest at rates between 2.0% and 3.5%. The estimated total present value savings of this refunding is approximately \$165,200 over the life of the bonds.

In conjunction with this refunding, on February 10, 2014, the environmental services portion of the 2002 and 2003 bonds were called (\$3,468,100) and paid off in full with accrued interest (\$49,421). The estimated savings of calling these bonds is estimated to be approximately \$540,700.

- c. Bond anticipation note 2014A was issued on March 19, 2014, in the amount of \$11,141,000, will mature in March 2015 and bears interest at an effective rate of 0.814%. It was issued to refinance \$1,179,000 of existing bond anticipation notes 2013A and provide financing for the purchase of capital equipment and construction/improvement of capital facilities in the amount of \$9,962,000.
- d. Public improvement serial bond series 2014A were issued on March 19, 2014, in the amount of \$12,761,280. The bonds have principal and interest payments on March 15th and September 15th from 2015 to 2033, and bear interest at rates between 2.00% and 4.00%. They were issued to refinance portions of bond anticipation note series 2013A, which was originally issued to provide financing for the purchase of capital equipment and construction/improvement of capital facilities.
- e. On July 2, 2014, the New York State Environmental Facilities Corporation (EFC) completed a refinancing initiative on behalf of the municipalities that financed projects through various State Clean Water and Drinking Water Revolving Funds. As a result, both of the Latham Water Department's existing EFC Revenue Bond Series 2004D bonds were refunded by EFC Refunding Bond Series 2014B. The original maturity dates and principal payments remained as scheduled, and the total present value of the interest rate reduction is approximately \$1,249,000.

Town of Colonie, New York

Required Supplementary Information - Schedule of Revenues and Expenditures - Budget to Actual - General Fund

	Year Ended December 31, 2013					
	2013 Adopted Budget	2013 Modified Budget	Difference Adopted vs. Modified Positive (Negative)	2013 Actual	Variance With Actual vs. Modified Positive (Negative)	2014 Adopted Budget
REVENUES						
Real property taxes and tax items	\$ 16,012,125	\$ 16,012,125	\$ -	\$ 16,047,186	\$ 35,061	\$ 16,655,000
Sales and use tax	11,863,676	11,623,676	(240,000)	11,624,970	1,294	11,501,951
Departmental income	6,501,000	5,536,000	(965,000)	5,537,669	1,669	6,623,000
Intergovernmental charges	140,000	230,000	90,000	234,484	4,484	226,000
Interest and use of property	1,422,170	1,357,170	(65,000)	1,357,928	758	1,401,270
Licenses and permits	70,000	67,000	(3,000)	67,647	647	68,000
Fines and forfeitures	1,200,000	1,330,000	130,000	1,334,040	4,040	1,225,000
Sale of property and compensation for loss	348,000	598,000	250,000	599,948	1,948	171,000
Miscellaneous	85,678	45,678	(40,000)	46,591	913	67,365
Interfund revenues	3,250,000	2,665,000	(585,000)	2,667,022	2,022	3,211,000
State aid	2,579,760	3,344,760	765,000	3,348,227	3,467	2,716,050
Federal aid	-	35,000	35,000	38,433	3,433	-
Interfund transfers	3,100,000	3,140,000	40,000	3,144,358	4,358	3,100,000
Total revenues	<u>46,572,409</u>	<u>45,984,409</u>	<u>(588,000)</u>	<u>46,048,503</u>	<u>64,094</u>	<u>46,965,636</u>
EXPENDITURES						
General government support	7,704,077	7,984,077	(280,000)	7,972,419	11,658	7,553,126
Public safety	14,399,578	14,452,578	(53,000)	14,451,626	952	14,894,937
Public health	3,866,531	3,751,531	115,000	3,746,327	5,204	3,939,349
Transportation	503,760	513,760	(10,000)	512,601	1,159	487,625
Economic assistance and opportunity	2,000	2,000	-	1,809	191	2,000
Culture and recreation	4,248,103	4,173,103	75,000	4,168,480	4,623	4,141,764
Home and community services	133,010	134,010	(1,000)	133,544	466	136,354
Benefits	12,903,300	11,921,300	982,000	11,904,358	16,942	12,912,881
Debt service	2,812,050	3,052,050	(240,000)	3,048,126	3,924	2,897,600
Total expenditures	<u>46,572,409</u>	<u>45,984,409</u>	<u>588,000</u>	<u>45,939,290</u>	<u>45,119</u>	<u>46,965,636</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,213</u>	<u>\$ 109,213</u>	<u>\$ -</u>

See Independent Auditor's Report.

Town of Colonie, New York

Required Supplementary Information - Schedule of Revenues and Expenditures - Budget to Actual - Highway Fund

	Year Ended December 31, 2013					
	2013 Adopted Budget	2013 Modified Budget	Difference Adopted vs. Modified Positive (Negative)	2013 Actual	Variance With Actual vs. Modified Positive (Negative)	
REVENUES						
Sales and use tax	\$ 8,053,229	\$ 8,053,229	\$ -	\$ 8,053,229	\$ -	\$ 8,285,597
Departmental income	-	290,000	290,000	309,801	19,801	-
Interest and use of property	-	-	-	1,119	1,119	1,500
Miscellaneous	20,000	30,100	10,100	35,065	4,965	20,000
State aid	440,000	439,900	(100)	439,999	99	562,000
Sale of property and compensation for loss	25,000	35,000	10,000	67,869	32,869	25,000
Total revenues	<u>8,538,229</u>	<u>8,848,229</u>	<u>310,000</u>	<u>8,907,082</u>	<u>58,853</u>	<u>8,894,097</u>
EXPENDITURES						
Transportation	5,004,183	5,294,183	(290,000)	5,127,383	166,800	5,342,672
Benefits	1,984,850	2,009,850	(25,000)	2,006,793	3,057	1,849,425
Debt service	1,549,196	1,544,196	5,000	1,544,095	101	1,702,000
Total expenditures	<u>8,538,229</u>	<u>8,848,229</u>	<u>(310,000)</u>	<u>8,678,271</u>	<u>169,958</u>	<u>8,894,097</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,811</u>	<u>\$ 228,811</u>	<u>\$ -</u>

See Independent Auditor's Report.

Town of Colonie, New York

Required Supplementary Information - Other Postemployment Benefits - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
12/31/13	<u>\$ -</u>	<u>\$ 57,578,521</u>	<u>\$ 57,578,521</u>	<u>0.00%</u>	<u>\$ 33,835,815</u>	<u>170%</u>
12/31/11	<u>\$ -</u>	<u>\$ 60,936,469</u>	<u>\$ 60,936,469</u>	<u>0.00%</u>	<u>\$ 34,657,021</u>	<u>176%</u>
12/31/09	<u>\$ -</u>	<u>\$ 46,244,157</u>	<u>\$ 46,244,157</u>	<u>0.00%</u>	<u>\$ 34,783,377</u>	<u>133%</u>

See Independent Auditor's Report.

Town of Colonie, New York

Supplementary Information - Nonmajor Governmental Funds

The Town maintains seven special revenue funds that are not considered major governmental funds. These nonmajor special revenue funds include the following:

- The Library Fund was created to account for the assets, liabilities, fund balance, and activities of the William K. Sanford Town Library and is funded in large part by property taxes.
- The Community Development Special Grant Fund was created to account for the assets, liabilities, fund balance, and activities of the Town's Section 8 Housing Choice Voucher, HOME, Community Development Block Grant, and Housing Development Programs and is funded by various state and federal grants.
- The Refuse and Garbage District was created to account for the assets, liabilities, fund balance, and activities of the Maplewood portion of the Town for separate refuse and garbage collection services and is funded through a special assessment on the property owners in the District.
- The Water District was created to account for the assets, liabilities, fund balance, and activities of the Maplewood portion of the Town for separate water transmission services and is funded through a special assessment on the property owners in the District.
- The Drainage District was created to account for the assets, liabilities, fund balance, and activities of the Albany Street Drainage District for a drainage project and is funded through a special assessment on the property owners in the District.
- The Fire Protection Districts were created to account for the activities of fire protection service contracts between the Town and four nonprofit fire companies and is funded through property taxes.
- The General-Town Outside Villages Fund was created to account for the assets, liabilities, fund balance, and activities of certain services provided to residents who are not located within one of the two villages contained in the Town and is funded primarily by sales taxes.

The following are financial statements for these non-major governmental funds:

Town of Colonie, New York

Supplementary Information - Combining Balance Sheet Nonmajor Governmental Funds

December 31, 2013

	Non-Major Funds						Total Non-Major Governmental Funds
	Library	Community Development Special Grant	Refuse and Garbage District	Water District	Drainage District	General, Outside Village	
ASSETS							
Cash and cash equivalents	\$ 80,764	\$ 276,715	\$ 21,080	\$ 14,418	\$ 53,865	\$ 27,946	\$ 474,788
Cash and cash equivalents, restricted	1,014	113,283	-	-	-	118,640	232,937
State and Federal aid receivables	-	6,249	-	-	-	-	6,249
Due from other governments	-	-	-	-	-	590,000	590,000
Other accounts receivable, net	-	3,815	-	-	-	9,331	13,146
Due from other funds	220,524	-	-	-	-	75,763	296,287
Rehabilitation loan receivable	-	721,755	-	-	-	-	721,755
Total assets	<u>\$ 302,302</u>	<u>\$ 1,121,817</u>	<u>\$ 21,080</u>	<u>\$ 14,418</u>	<u>\$ 53,865</u>	<u>\$ 821,680</u>	<u>\$ 2,335,162</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE							
LIABILITIES							
Accounts payable	\$ 578	\$ 1,093	\$ -	\$ -	\$ -	\$ 1,852	\$ 3,523
Accrued liabilities	64,690	-	-	-	-	115,841	180,531
Other liabilities	-	57,307	-	-	-	13,159	70,466
Due to other governments	-	1,984	-	-	-	-	1,984
Accrued pension liability	127,855	-	-	-	-	204,568	332,423
Due to other funds	-	5,155	2,415	-	-	292,799	300,369
Unearned revenue	12,002	-	-	-	-	30,642	42,644
Total liabilities	<u>205,125</u>	<u>65,539</u>	<u>2,415</u>	<u>-</u>	<u>-</u>	<u>658,861</u>	<u>931,940</u>
DEFERRED INFLOW OF RESOURCES							
Revenue earned but unavailable	-	3,815	-	-	-	-	3,815
FUND BALANCE							
Restricted	-	53,993	-	-	-	-	53,993
Unrestricted	97,177	998,470	18,665	14,418	53,865	162,819	1,345,414
Total fund balance	<u>97,177</u>	<u>1,052,463</u>	<u>18,665</u>	<u>14,418</u>	<u>53,865</u>	<u>162,819</u>	<u>1,399,407</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 302,302</u>	<u>\$ 1,121,817</u>	<u>\$ 21,080</u>	<u>\$ 14,418</u>	<u>\$ 53,865</u>	<u>\$ 821,680</u>	<u>\$ 2,335,162</u>

See Independent Auditor's Report.

Town of Colonie, New York

Supplementary Information - Combining Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governments Funds

	Year Ended December 31, 2013							Total Non-Major Governmental Funds
	Non-Major Funds							
	Library	Community Development Special Grant	Refuse and Garbage District	Water District	Drainage District	Fire Protection District	General, Outside Village	
REVENUES								
Real property taxes and tax items	\$ 2,432,067	\$ -	\$ 27,000	\$ 13,000	\$ -	\$ 3,941,671	\$ -	\$ 6,413,738
Sales and use tax	-	-	-	-	-	-	2,487,415	2,487,415
Departmental income	54,152	795,738	-	-	-	-	194,458	1,044,348
Use of money and property	2,105	7,382	17	17	17	-	457	9,995
Licenses and permits	-	-	-	-	-	-	1,013,754	1,013,754
Miscellaneous	32,757	-	-	-	-	-	88,166	120,923
Interfund revenue	-	-	-	-	-	-	72,630	72,630
State aid	19,094	-	-	-	-	-	456,567	475,661
Federal aid	-	2,636,928	-	-	-	-	-	2,636,928
Total revenues	<u>2,540,175</u>	<u>3,440,048</u>	<u>27,017</u>	<u>13,017</u>	<u>17</u>	<u>3,941,671</u>	<u>4,313,447</u>	<u>14,275,392</u>
EXPENDITURES								
General government support	-	-	-	-	-	-	249,643	249,643
Public safety	-	-	-	-	-	3,941,671	1,154,929	5,096,600
Health	-	-	-	-	-	-	4,229	4,229
Transportation	-	-	-	-	-	-	790,666	790,666
Culture and recreation	1,908,556	-	-	-	-	-	-	1,908,556
Home and community services	-	2,795,613	28,980	14,577	-	-	918,125	3,757,295
Employee benefits	505,288	21,720	-	-	-	-	1,230,087	1,757,095
Debt service, principal	50,000	-	-	-	2,600	-	8,863	61,463
Debt service, interest	18,736	-	-	-	-	-	287	19,023
Total expenditures	<u>2,482,580</u>	<u>2,817,333</u>	<u>28,980</u>	<u>14,577</u>	<u>2,600</u>	<u>3,941,671</u>	<u>4,356,829</u>	<u>13,644,570</u>
OTHER FINANCING USES								
Sale of property and compensation for loss	19,750	-	-	-	-	-	2,546	22,296
Operating transfers in	-	-	-	-	-	-	11,000	11,000
Total other financing sources	<u>19,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,546</u>	<u>33,296</u>
NET CHANGE IN FUND BALANCE	77,345	622,715	(1,963)	(1,560)	(2,583)	-	(29,836)	664,118
FUND BALANCE, beginning of year	<u>19,832</u>	<u>429,748</u>	<u>20,628</u>	<u>15,978</u>	<u>56,448</u>	<u>-</u>	<u>192,655</u>	<u>735,289</u>
FUND BALANCE, end of year	<u><u>\$ 97,177</u></u>	<u><u>\$ 1,052,463</u></u>	<u><u>\$ 18,665</u></u>	<u><u>\$ 14,418</u></u>	<u><u>\$ 53,865</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 162,819</u></u>	<u><u>\$ 1,399,407</u></u>

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