

**TOWN OF VICTOR,
ONTARIO COUNTY, NEW YORK**

**Basic Financial Statements
for the Year Ended December 31, 2011
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

TABLE OF CONTENTS DECEMBER 31, 2011

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3 - 10
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements -	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements -	
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	16
Statement of Fiduciary Net Assets	17
Statement of Changes in Fiduciary Net Assets	18
Notes to Basic Financial Statements	19 - 43
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	44
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund - Part-Town	45
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Highway Fund - Part-Town	46
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Water Fund	47
SUPPLEMENTAL SCHEDULES:	
Combining Balance Sheet - Nonmajor Governmental Funds	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	49

INDEPENDENT AUDITORS' REPORT

May 10, 2012

To the Town Board of the
Town of Victor:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Victor, New York (the Town), as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

Accounting principles generally accepted in the United States require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 44 through 47 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, 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.

171 Sully's Trail
Pittsford, NY 14534
p (585) 381-1000
f (585) 381-3131

ROCHESTER • BUFFALO
ALBANY • SYRACUSE
PERRY • GENEVA

www.bonadio.com

(Continued)

INDEPENDENT AUDITORS' REPORT

(Continued)

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Town's financial statements as a whole. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor governmental 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. The 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. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED DECEMBER 31, 2011

The management's discussion and analysis of the Town of Victor, Ontario County, New York's (the Town's) financial performance provides an overview of the Town's financial activities for the year ended December 31, 2011. Please read it in conjunction with the Town's basic financial statements.

FINANCIAL HIGHLIGHTS

- On the government-wide financial statements, the assets of the Town exceeded its liabilities by \$69,769,233. Of this amount, the unrestricted portion is \$2,531,345. The balance of net assets is either restricted for specific purposes or invested in capital assets, net of related debt.
- General revenues, which include Mortgage Tax, Non-Property Taxes, and Real Property Tax, are \$9,710,388, or 72%, of all revenues. Program specific revenues in the form of Charges for Services, Operating Grants, and Capital Grants accounted for \$3,684,072, or 28%, of total revenues.
- The Town's governmental fund financial statements report a combined ending fund balance of \$11,656,191.
- At the end of the current year, the unassigned fund balance of the General Fund was \$659,329.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains individual fund statements and supplemental schedules in addition to the basic financial statements.

Government-Wide Financial Statements

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

- The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- The *statement of activities* presents information showing how the Town's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
- The *governmental* activities of the Town include highway maintenance, snow removal, general administrative support, community service, fire protection services, water services, and interest on long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

A *fund* is a self-balancing grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Town can be divided into two categories: Governmental Funds and Fiduciary Funds.

- *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund 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 year. Such information may be useful in evaluating the Town's near-term financing requirements.

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

The Town maintains seven major individual governmental funds; General Fund, Fire Protection Fund, Highway Fund Part-Town, Water Fund, Consolidated Sewer Fund, Park Trust Fund and Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for each fund. The Town has elected to report the Special Lighting Fund and General Fund Part-Town as non-major funds.

The Town adopts an annual budget for the General Fund, General Fund Part-Town, Highway Fund Part-Town and Water Fund. A budgetary comparison statement has been provided for each major fund with an annually adopted budget within the basic financial statements to demonstrate compliance with the budget.

- The *Fiduciary Funds* are used to account for assets held by the Town in an agency capacity which accounts for assets held by the Town on behalf of others. Fiduciary Funds are not reflected in the government-wide financial statement because the resources of these funds are *not*, and never will be, available to support the Town's programs.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

Major Features of the Town-Wide and Fund Financial Statements

<u>Features</u>	<u>Fund Financial Statements</u>		
	<u>Town-Wide Statements</u>	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire Town	The activities of the Town are not proprietary or fiduciary, such as General administration, Highway, and Library	Instances in which the Town administers resources on behalf of someone else
Required Financial Statements	Statement of Net Assets Statement of Activities	Balance Sheet, Statement of Revenues and Expenditures, and Changes in Fund Balance	Statement of Fiduciary Net Assets, and Statement of Changes in Fiduciary Net Assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities both short-term and long-term; 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 the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the Town's financial position.

Table 1 - Net Assets

	<u>2011</u>	<u>2010</u>
Assets:		
Cash	\$ 11,579,164	\$ 12,088,475
Other assets	2,039,964	1,905,619
Capital assets, net	<u>60,440,819</u>	<u>62,194,671</u>
Total assets	<u>\$ 74,059,947</u>	<u>\$ 76,188,765</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 630,719	\$ 555,251
Other liabilities	1,398,375	1,631,804
Noncurrent liabilities	<u>2,261,620</u>	<u>3,023,542</u>
Total liabilities	<u>\$ 4,290,714</u>	<u>\$ 5,210,597</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 58,885,819	\$ 59,724,671
Restricted	8,352,069	8,454,294
Unrestricted	<u>2,531,345</u>	<u>2,799,203</u>
Total net assets	<u>\$ 69,769,233</u>	<u>\$ 70,978,168</u>

By far, the largest component of the Town's net assets (84%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to the residents and consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

There are restricted net asset balances which constitute 12% of total net assets at December 31, 2011 and 2010. The remaining balance of unrestricted net assets, which was \$2,531,345 (4%) and \$2,799,203 (4%) in 2011 and 2010, respectively, may be used to finance future operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Table 2 - Change in Net Assets

	<u>2011</u>	<u>% of Total</u>	<u>2010</u>	<u>% of Total</u>
Revenues:				
Charges for services	\$ 2,799,922	21%	\$ 2,575,095	21%
Operating grants and contributions	791,816	6%	743,660	6%
Capital grants and contributions	92,334	1%	89,860	1%
Taxes	8,340,517	62%	7,956,208	64%
Dedicated capital assets	1,068,285	8%	759,143	6%
Other revenues	<u>301,586</u>	<u>2%</u>	<u>256,967</u>	<u>2%</u>
Total revenues	<u>13,394,460</u>	<u>100%</u>	<u>12,380,933</u>	<u>100%</u>
Expenses:				
General governmental support	2,412,455	17%	2,631,173	18%
Public safety	3,429,199	23%	3,313,057	22%
Transportation	4,666,482	32%	4,303,330	29%
Public health	15,960	-	17,620	-
Economic assistance and opportunity	45,659	1%	58,581	-
Culture and recreation	1,962,094	13%	1,899,316	13%
Home and community services	1,929,913	13%	2,604,400	17%
Interest on long-term debt	<u>141,633</u>	<u>1%</u>	<u>107,405</u>	<u>1%</u>
Total expenses	<u>14,603,395</u>	<u>100%</u>	<u>14,934,882</u>	<u>100%</u>
Change in net assets	<u>(1,208,935)</u>		<u>(2,553,949)</u>	
Net assets - beginning of year	<u>70,978,168</u>		<u>73,532,117</u>	
Net assets - end of year	<u>\$ 69,769,233</u>		<u>\$ 70,978,168</u>	

The Town relies upon taxes, charges for services, operating grants, and capital grants as their primary revenue sources. Expenses are evenly distributed dependent on the Town's services.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

The focus of the Town's governmental funds is to provide information on near term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. Amounts to be applied against next year's fund balance are reported as assigned resources.

As of the end of the current year, the Town's combined governmental fund balances were \$11,656,191.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

Governmental Funds (Continued)

The General Fund is the chief operating fund of the Town. At the end of the current year, the total fund balance of the General Fund was \$3,084,742, of which \$659,329 was unassigned. The fund balance for the Town's General Fund increased by 3% in 2011, as a function of the Town's operating activities.

Budgetary Highlights

The key budget variances for the major funds are listed below.

<u>Revenue Items</u>	<u>Budget Variance</u>	<u>Explanation for Budget Variance</u>
General fund - Miscellaneous	\$ (322,625)	Originally budgeted for revenue from Park Trust account for parks and trails projects. The revenue is recorded in its own special revenue fund instead.
General Fund Part-Town - Departmental Income	\$ 21,108	Departmental income was budgeted for conservatively because there were more planning activities than anticipated.
Water fund - Departmental Income	\$ (157,249)	The spring and summer season was not very hot, so there was less water consumption.

<u>Expenditure Items</u>	<u>Budget Variance</u>	<u>Explanation for Budget Variance</u>
General fund - General Governmental Support	\$ 220,619	Half of the contingency funds were ultimately not needed by the Town. In addition, a data processing project was not completed until 2012. Also, court security costs did not increase as much as anticipated. In addition, the attorney and engineer costs were budgeted for conservatively.
General fund - Culture and Recreation	\$ 563,768	Originally budgeted for expenditures for parks and trails that were funded by the Park Trust Fund which was moved to a new special revenue fund.
Highway Fund Part-Town - Transportation	\$ 155,765	There was an exceptionally light winter therefore there were less snow removal expenditures.
Highway Fund Part-Town - General Government	\$ 101,000	Contingency funding was ultimately not needed.
Water fund - Home and Community Services	\$ 190,218	Equipment was not purchased and transmission construction was budgeted conservatively.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

Capital Assets

Capital assets, net of accumulated depreciation, are reflected below:

<u>Class</u>	<u>2011</u>	<u>2010</u>
Land	\$ 2,453,349	\$ 2,453,349
Work in progress	1,123,912	781,296
Infrastructure	50,021,938	51,656,835
Buildings and improvements	4,939,145	5,126,347
Machinery and equipment	<u>1,902,475</u>	<u>2,176,844</u>
Total capital assets, net of accumulated depreciation	<u>\$ 60,440,819</u>	<u>\$ 62,194,671</u>

During 2011, there were \$1,007,156 of capital asset additions offset by \$3,807,969 of depreciation expense.

More detailed information about the Town's capital assets is presented in the notes to the financial statements.

Long-Term Liabilities

The Town's general obligation and other long-term debt outstanding, was as follows at December 31:

	<u>2011</u>	<u>2010</u>
Revolving fund revenue bonds	\$ 1,255,000	\$ 1,600,000
Serial bonds	300,000	870,000
Other postemployment benefits	533,894	350,530
Early termination benefits	117,604	147,005
Compensated absences	<u>55,122</u>	<u>56,007</u>
Total	<u>\$ 2,261,620</u>	<u>\$ 3,023,542</u>

The amount of principal paid on outstanding debt was \$1,095,000 in 2011 and \$558,550 in 2010.

More detailed information about the Town's long-term liabilities is presented in the notes to the financial statements.

FACTORS BEARING ON THE TOWN'S FUTURE

The Route 96 Corridor, in particular Eastview Mall, continues to be a destination shopping area for Western N.Y. Continued growth with new cutting edge shopping experiences coming to Victor (Home Goods - April 2012, North Face - October 2012 and Von Maur - October 2013) will continue to support the Town's finances.

The Town participated in a Moody's New Issue Review process in early 2012. The Town was notified on February 22, 2012 that Moody's Investors Services have assigned an Aa3 rating to the Town. The Aa3 rating is based on the Town's satisfactory reserves, a stable economy that benefits from its proximity to Rochester, and the above average debt levels.

Effective January 1, 2012, all local governments in New York State are subject to a property tax cap which limits the levy increases to 2% or the rate of inflation, whichever is lower. The Town adopted a 2012 Budget that was below the 2% tax cap.

FACTORS BEARING ON THE TOWN'S FUTURE (Continued)

The third phase of construction on Victor Municipal Park began in 2011 including the construction of an enclosed lodge and public restroom facility as well as public water supply and sanitary sewer system. Construction began in November of 2011 and will continue through May 2012. This project is funded in large part through the Town's Capital Parks Fund. The Town will be required to provide the appropriate operational resources and funding to maintain this facility for future generations.

In 2011, the Town completed the construction of an eighty-foot pedestrian and bicycle bridge over Irondequoit Creek as part of its Auburn Trail Extension project. In addition, Town forces completed the trail surfacing from the new bridge to Railroad Mills Road. This portion of the project had been a major goal for the Town's community valued trail network since 1991. In 2012, the Town will continue its work in accord with the Federal Highway Administration and New York State Department of Transportation's SAFETEA-LU grant including the trail surfacing from Main Street Fishers northwest to Woolston Road in the Town of Perinton. It is anticipated that this project will continue through 2013. The Town will seek future State and Federal funding mechanisms to connect the current community-wide trail system and sidewalks to its parks, schools, businesses and community gathering places.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

The Town of Victor
85 East Main Street
Victor, New York 14564
(585)742-5022
Attn: Supervisor's office

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

STATEMENT OF NET ASSETS DECEMBER 31, 2011

ASSETS

Cash and cash equivalents	\$ 11,579,164
Receivables	608,478
Due from State government	1,307,090
Prepaid expenses	124,396
Capital assets, net	<u>60,440,819</u>
Total assets	<u>74,059,947</u>

LIABILITIES

Accounts payable	543,866
Due to other funds, net	71,100
Deferred revenue	2,681
Accrued liabilities	86,853
Due to other governments	74,594
Bond anticipation notes	1,250,000
Long-term obligations -	
Due within one year	518,182
Due in more than one year	<u>1,743,438</u>
Total liabilities	<u>4,290,714</u>

NET ASSETS

Invested in capital assets, net of related debt	58,885,819
Restricted	8,352,069
Unrestricted	<u>2,531,345</u>
Total net assets	<u>\$ 69,769,233</u>

The accompanying notes are an integral part of these statements.

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
PRIMARY GOVERNMENT:					
Governmental activities -					
General governmental support	\$ 2,412,455	\$ 141,735	\$ 539,541	\$ -	\$ (1,731,179)
Public safety	3,429,199	275,257	-	-	(3,153,942)
Public health	15,960	2,050	-	-	(13,910)
Transportation	4,666,482	266,316	121,765	-	(4,278,401)
Economic assistance and opportunity	45,659	-	-	-	(45,659)
Culture and recreation	1,962,094	371,102	130,510	92,334	(1,368,148)
Home and community services	1,929,913	1,743,462	-	-	(186,451)
Interest on long-term debt	<u>141,633</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(141,633)</u>
Total governmental activities	<u>14,603,395</u>	<u>2,799,922</u>	<u>791,816</u>	<u>92,334</u>	<u>(10,919,323)</u>
GENERAL REVENUES:					
					3,440,115
					4,900,402
					1,068,285
					131,674
					58,295
					<u>111,617</u>
					<u>9,710,388</u>
					(1,208,935)
					<u>70,978,168</u>
					<u>\$ 69,769,233</u>

The accompanying notes are an integral part of these statements.

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

**BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	General Fund	Fire Protection Fund	Highway Fund Part-Town	Water Fund	Consolidated Sewer Fund	Park Trust Fund	Capital Projects Fund	Total Nonmajor Governmental Funds	Total
ASSETS									
Cash and cash equivalents	\$ 2,063,129	\$ 1,379	\$ 3,500,540	\$ 4,669,330	\$ 310,500	\$ 810,856	\$ -	\$ 223,430	\$ 11,579,164
Receivables	26,575	-	6,600	407,116	65,174	-	-	103,013	608,478
Due from other funds	435,785	-	-	-	-	9,000	-	-	444,785
Due from State government	807,090	-	500,000	-	-	-	-	-	1,307,090
Prepaid expenses	<u>83,597</u>	<u>-</u>	<u>24,504</u>	<u>12,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,770</u>	<u>124,396</u>
Total assets	<u>\$ 3,416,176</u>	<u>\$ 1,379</u>	<u>\$ 4,031,644</u>	<u>\$ 5,088,971</u>	<u>\$ 375,674</u>	<u>\$ 819,856</u>	<u>\$ -</u>	<u>\$ 330,213</u>	<u>\$ 14,063,913</u>
LIABILITIES AND FUND BALANCES									
LIABILITIES:									
Accounts payable	\$ 321,861	\$ -	\$ 76,492	\$ 83,528	\$ -	\$ -	\$ -	\$ 61,985	\$ 543,866
Accrued liabilities	6,892	-	9,766	4,038	-	-	-	-	20,696
Deferred revenue	2,681	-	-	-	-	-	-	-	2,681
Bond anticipation notes	-	-	-	-	360,000	-	890,000	-	1,250,000
Due to other funds	-	-	-	-	-	515,885	-	-	515,885
Due to other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,594</u>
Total liabilities	<u>331,434</u>	<u>-</u>	<u>86,258</u>	<u>87,566</u>	<u>434,594</u>	<u>515,885</u>	<u>890,000</u>	<u>61,985</u>	<u>2,407,722</u>
FUND BALANCES:									
Nonspendable	83,597	-	24,504	12,525	-	-	-	3,770	124,396
Restricted	1,599,007	1,379	1,867,672	4,879,980	-	-	-	4,031	8,352,069
Assigned	742,809	-	2,053,210	108,900	-	303,971	-	260,427	3,469,317
Unassigned	<u>659,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,920)</u>	<u>-</u>	<u>(890,000)</u>	<u>-</u>	<u>(289,591)</u>
Total fund balances	<u>3,084,742</u>	<u>1,379</u>	<u>3,945,386</u>	<u>5,001,405</u>	<u>(58,920)</u>	<u>303,971</u>	<u>(890,000)</u>	<u>268,228</u>	<u>11,656,191</u>
Total liabilities and fund balances	<u>\$ 3,416,176</u>	<u>\$ 1,379</u>	<u>\$ 4,031,644</u>	<u>\$ 5,088,971</u>	<u>\$ 375,674</u>	<u>\$ 819,856</u>	<u>\$ -</u>	<u>\$ 330,213</u>	<u>\$ 14,063,913</u>

The accompanying notes are an integral part of these statements.

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

Total fund balance - governmental funds			\$ 11,656,191
Total net assets reported for governmental activities in the statement of net assets is different because:			
Capital assets used in governmental activities are not current financial resources and; therefore, are not reported in the funds.			
	Cost of capital assets	99,304,255	
	Accumulated depreciation	<u>(38,863,436)</u>	
			60,440,819
Compensated absences are not reported in the funds under fund accounting, but are expensed in the statement of activities as the liability is incurred.			
			(55,122)
Obligations for early termination benefits are not due and payable in the current period and; therefore, are not reported as a fund liability.			
			(117,604)
Accrued interest on long-term debt is an expense in the funds when paid, but a liability in the statement of net assets when incurred.			
			(66,157)
Other postemployment benefits are not reported in the funds under fund accounting, but are a liability in the statement of net assets.			
			(533,894)
Long-term debt is not due and payable in the current period and; therefore, is not reported as a fund liability.			
			<u>(1,555,000)</u>
Total net assets of governmental activities			<u>\$ 69,769,233</u>

The accompanying notes are an integral part of these statements.

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General Fund	Fire Protection Fund	Highway Fund Part-Town	Water Fund	Consolidated Sewer Fund	Park Trust Fund	Capital Projects Fund	Total Nonmajor Governmental Funds	Total
REVENUES:									
Real property taxes and tax items	\$ 1,043,061	\$ 1,488,477	\$ -	\$ 374,880	\$ 479,213	\$ -	\$ -	\$ 54,484	\$ 3,440,115
Nonproperty tax items	2,500,304	-	2,057,461	-	-	-	-	342,637	4,900,402
Departmental income	458,403	-	-	1,490,293	-	-	-	102,958	2,051,654
Intergovernmental charges	-	-	266,316	-	-	-	-	-	266,316
Use of money and property	66,142	-	12,526	52,147	-	-	-	859	131,674
Licenses and permits	201,888	-	-	-	-	1,257	-	3,550	206,695
Fines and forfeitures	275,257	-	-	-	-	-	-	-	275,257
Sale of property and compensation for loss	56,455	-	788	819	-	-	-	233	58,295
Miscellaneous	92,575	-	18,642	100	-	-	-	300	111,617
State aid	543,165	-	121,765	-	-	-	-	-	664,930
Federal aid	219,220	-	-	-	-	-	-	-	219,220
Total revenues	5,456,470	1,488,477	2,477,498	1,918,239	479,213	1,257	-	505,021	12,326,175
EXPENDITURES:									
General governmental support	1,873,904	-	39,319	77,506	1,420	-	-	149,914	2,142,063
Public safety	123,225	1,488,842	-	-	-	-	-	-	1,612,067
Public health	15,960	-	-	-	-	-	-	-	15,960
Transportation	202,278	-	2,189,638	29,869	-	-	-	69,760	2,491,545
Economic assistance and opportunity	40,115	-	-	-	-	-	-	-	40,115
Culture and recreation	1,703,658	-	-	-	-	381,785	-	-	2,085,443
Home and community services	738,831	-	-	1,213,940	-	-	-	229,144	2,181,915
Employee benefits	420,924	-	336,615	136,757	-	-	-	23,143	917,439
Debt service -									
Principal	215,000	-	-	455,000	425,000	-	-	-	1,095,000
Interest	30,719	-	-	24,885	56,891	-	-	-	112,495
Total expenditures	5,364,614	1,488,842	2,565,572	1,937,957	483,311	381,785	-	471,961	12,694,042
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	91,856	(365)	(88,074)	(19,718)	(4,098)	(380,528)	-	33,060	(367,867)
OTHER FINANCING SOURCES:									
Proceeds from debt issuance	-	-	-	-	80,000	-	100,000	-	180,000
Total other financing sources and uses	-	-	-	-	80,000	-	100,000	-	180,000
CHANGE IN FUND BALANCE	91,856	(365)	(88,074)	(19,718)	75,902	(380,528)	100,000	33,060	(187,867)
FUND BALANCE - beginning of year	2,992,886	1,744	4,033,460	5,021,123	(134,822)	684,499	(990,000)	235,168	11,844,058
FUND BALANCE - end of year	\$ 3,084,742	\$ 1,379	\$ 3,945,386	\$ 5,001,405	\$ (58,920)	\$ 303,971	\$ (890,000)	\$ 268,228	\$ 11,656,191

The accompanying notes are an integral part of these statements.

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances - governmental funds \$ (187,867)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. Also, depreciation is recorded in the statement of activities, but not as a change in fund balance of the governmental funds. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital additions	2,075,441	
Depreciation	<u>(3,829,293)</u>	(1,753,852)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,095,000

Borrowing new bond principal is an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. (180,000)

Accrued interest on bonds is an expenditure in the statement of activities of the government-wide statement, but is not reported as an expenditure in the governmental funds. (29,138)

The change in compensated absences is reported in the statement of activities, but does not require the use of current financial resources and; therefore, this is not reported as an expenditure in the governmental funds. 885

The change in early termination benefits is reported in the statement of activities, but does not require the use of current financial resources and; therefore, this is not reported as an expenditure in the governmental funds. 29,401

Other postemployment benefit obligations do not require the use of current financial resources and; therefore, are not reported as expenditures in the governmental funds, but are reported as an expense in the statement of activities. (183,364)

Change in net assets of governmental activities \$ (1,208,935)

The accompanying notes are an integral part of these statements.

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

**STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2011**

	<u>Expendable Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 4,472	\$ 68,809
Due from other funds	<u>-</u>	<u>80,100</u>
Total assets	<u>4,472</u>	<u>148,909</u>
LIABILITIES		
Due to other funds	-	9,000
Other liabilities	<u>-</u>	<u>139,909</u>
Total liabilities	<u>-</u>	<u>148,909</u>
NET ASSETS	<u><u>\$ 4,472</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these statements.

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Expendable <u>Trust</u>
ADDITIONS	
Contributions	\$ <u>1,292</u>
Total additions	<u>1,292</u>
CHANGE IN NET ASSETS	1,292
NET ASSETS - BEGINNING OF YEAR	<u>3,180</u>
NET ASSETS - END OF YEAR	<u><u>\$ 4,472</u></u>

The accompanying notes are an integral part of these statements.

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Victor, Ontario County, New York (the Town) are prepared in conformity with accounting principles generally accepted in the United States. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town's significant accounting policies are described below.

Financial Reporting Entity

The Town is governed by its charter, Town Law, other general laws of the State of New York and various local laws. The Town Council, which is the legislative body responsible for the overall operation of the Town, consists of the Supervisor and four Councilpersons. The Supervisor serves as Chief Executive Officer and Chief Fiscal Officer of the Town. The Supervisor is elected to serve a two-year term. The Councilpersons are elected to serve four-year terms with two Councilpersons on the ballot every two years.

The Town provides the following basic services to all or some residents of the Town: street lighting, water, environmental services (zoning, planning, etc.), debris removal, snowplowing, street repair, fire protection, recreation facilities, and public safety.

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

All governmental activities and functions performed by the Town are its direct responsibility; no other governmental organizations have been included or excluded from the reporting entity.

The decision to include a potential component unit in the Town's reporting entity is based on several criteria set forth by the GASB including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the Town's reporting entity.

A. Excluded From the Reporting Entity

Although the following organizations, functions or activities are related to the Town they are not included in the Town reporting entity because of the reasons noted:

1. The Victor Free Library Association was established in 1939, and in 1951, was granted a charter by the State Board of Regents as provided in Article 5 of the Education Law. In 2011, the Town contributed \$297,500 to the Library or approximately 70% of the Library's total receipts. However, line item control over the Library budget rests exclusively with the Library Board of Trustees. The Library also maintains its own set of accounts, including payroll, and files a separate annual financial report with New York State. In addition, the Library Board of Trustees is wholly exclusive of the Town, and the right to appoint Trustees when vacancies occur rests with the Library Board.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Excluded From the Reporting Entity (Continued)

2. The Victor Local Development Corporation (LDC) was established in 2000, as an Internal Revenue Service (IRS) Section 501(c)(4) not-for-profit entity, to stimulate economic development activities that encourage small business investment in the Village and Town of Victor, New York, emphasizing and focusing on the goal of revitalization in the downtown commercial district. Increasing employment opportunities, retaining jobs, attracting new businesses, encouraging existing businesses to expand, and increasing the tax base are key objectives of the LDC. The Town and the Village of Victor each contribute approximately 50% of the budget for the LDC, and the Board of Directors of the LDC has sole responsibility for management of the LDC and full accountability for fiscal matters.

B. Basis of Presentation

1. Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the Town's services are classified as governmental activities.

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first uses restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions, i.e., public safety and transportation, etc. The functions are also supported by general government revenues (property, sales taxes, mortgage tax, state revenue sharing, and investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (restricted purposes and agency). Since by definition these assets are being held for the benefit of a third party and can not be used to address activities or obligations of the Town, these funds are not incorporated into the government-wide financial statements.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

2. Fund Financial Statements

The emphasis in fund financial statements is on the major fund in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. Generally accepted accounting principles sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in one column in the fund financial statements.

- a. **Governmental Funds** - Governmental funds are those major and non-major funds through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. The following are the Town's governmental fund types:

1. Major Governmental Funds:

- **General Fund** - the Town uses the General Fund to account for the financial resources related to the general town-wide activities within the Village of Victor (the Village) and the activities associated solely with the portion of the Town which lies outside the Village.

The General Fund is the primary operating fund of the Town. It includes all revenues and expenditures not required by law to be accounted for in other funds.

- **Fire Protection Fund** - a special revenue fund used to account for taxes, user fees, or other revenues which are raised or received to provide fire protection services to areas throughout the Town.
- **Highway Fund Part-Town** - a special revenue fund used to account for taxes, user fees, or other revenues which are raised or received to provide highway services to areas throughout the Town.
- **Water Fund** - a special revenue fund used to account for taxes, user fees, or other revenues which are raised or received to provide water transmission throughout the Town.
- **Consolidated Sewer Fund** - a special revenue fund used to account for taxes, user fees, or other revenues which are raised or received to provide sewer services throughout the Town.
- **Park Trust Fund** - a special revenue fund used to account for monies raised from new real property developments in the Town which are then used to provide parks and recreation services.
- **Capital Project Fund** - used to account for financial resources to be used for the acquisition, construction or renovation of capital facilities; or the acquisition of equipment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

2. Fund Financial Statements (Continued)

a. Governmental Funds (Continued)

2. Non-Major Governmental Funds

The other funds which do not meet the major fund criteria are aggregated and reported as non-major governmental funds. The following are reported as non-major governmental funds:

- **Special Revenue Funds** - used to account for taxes, user fees, or other revenues which are raised or received to provide special services to areas that may or may not encompass the whole Town. The following are non-major special revenue funds utilized by the Town:
 - Special Lighting Fund
 - General Fund Part-Town
 - Bicentennial Fund

3. Fiduciary Funds

Fiduciary funds are used to account for assets held by the local government in a trustee or custodial capacity.

- Agency Fund - is custodial in nature and does not present results of operations or have a measurement focus. The Agency Fund is accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.
- Private Purpose Trust Funds - are used to report certain trust arrangements under which principal and income benefit individuals, private organizations, or other governments, but not the Town itself.

C. Basis of Accounting/Measurement Focus

1. Accrual

The government-wide 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 transaction takes place. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. On an accrual basis, revenue from grants and donations are recognized in the year in which all eligibility requirements have been satisfied.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting/Measurement Focus (Continued)

2. Modified Accrual

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the year.

Material revenues that are accrued include real property taxes, state and federal aid, distributed sales taxes, certain user charges, and some departmental fees. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred except that:

- Expenditures for prepaid expenses and inventory-type items are recognized at the time of the disbursement.
- Principal and interest on indebtedness are not recognized as an expenditure until due and paid.
- Compensated absences, such as vacation and compensatory time which vests or accumulates, are charged as an expenditure when paid.

D. Real Property Taxes

Real property taxes are levied January 1 and collected by the Receiver of Taxes without interest through January 31, and through March 31 with interest and penalties. Taxes for County purposes are levied together with taxes for town and special district purposes on a single bill. The Town and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. Uncollected taxes at April 1 are turned over to Ontario County for collection. At year-end, all Town and special district taxes had been collected; and, therefore, no reserve was necessary.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

F. Cash and Cash Equivalents

The Town's cash and cash equivalents consist of cash on hand and demand deposits.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. Generally accepted accounting principles require the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

H. Due To/From Other Funds

The amounts reported on the Governmental Funds Balance Sheet for due to and from other funds represents amounts due between different fund types (i.e. general, highway, and non-major funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

I. Prepaid Items

Inventory purchases in the General and Special Revenue Funds are recorded as expenditures at the time of purchase and year-end balances are not maintained.

Prepaid items represent payments made by the Town for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as assets on the statement of net assets or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

J. Capital Assets - Property, Plant and Equipment

1. Governmental Activities

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded at fair market value at the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

<u>Class</u>	<u>Life in Years</u>
Buildings and improvements	15 - 20 years
Machinery and equipment	5 - 15 years
Infrastructure:	
Sanitary sewer system	30 years
Improvements - parking lots, roads, sidewalks, curbing	5 - 10 years
Gutters	30 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

Town employees are granted vacation leave and earn compensated absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and unused compensated absences at various rates subject to certain maximum limitations.

L. Postemployment Benefits

The Town provides postemployment health insurance coverage to its retired employees and their survivors. Substantially all employees may become eligible for these benefits when they reach eligible retirement age and have worked 20 years for the Town. The Town made no provision for recognizing the cost of postemployment benefits which may eventually be paid to employees who have not yet retired, on the governmental funds statements. On the government-wide statements, these amounts attributable to past service have been recorded as a liability.

M. Deferred Revenue

The Town reports deferred revenues in its basic financial statements, if applicable. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period under the modified accrual method of accounting. Deferred revenue also arises when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the Town has legal claim to resources, the liability for deferred revenue is removed and revenue is recognized.

N. Short-Term Debt

The Town may issue Bond Anticipation Notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years of the original issue date.

O. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the Town's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the funds. Encumbrances are reported within the fund balance category from which their spending authorization has been recorded since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

Q. Interfund Transactions

The operations of the Town include transactions between funds. These transactions may be temporary in nature, such as with certain interfund borrowings. The Town typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financial or other services.

R. Equity Classifications

1. Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. **Invested in capital assets, net of related debt** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. **Restricted net assets** - consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of an other government; or (2) law through constitutional provisions or enable legislation.
- c. **Unrestricted net assets** - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Equity Classifications (Continued)

2. Fund Statements

For the year ended December 31, 2011, the Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

a. Nonspendable Fund Balances

These are amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

b. Restricted Fund Balances

These are amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

c. Committed Fund Balances

These are amounts that can be used only for specific purposes determined by a formal action of the Town Board prior to year-end. The Town Board is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Board.

d. Assigned Fund Balances

These are amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Town Board authorizes the Town Supervisor to make a determination of the assigned amounts of fund balance.

e. Unassigned Fund Balances

These are all other spendable amounts.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town Board has provided otherwise in its commitment or assignment actions.

2. STEWARDSHIP

Capital Projects Fund and Consolidated Sewer Fund

The deficits of the Capital Projects Fund and the Consolidated Sewer Fund were \$(890,000) and \$(58,920) in 2011, respectively. These deficits result from the recognition of Bond Anticipation Notes (BAN) payable of \$890,000 and \$360,000, respectively. Modified accrual accounting at the fund level requires the recording of the full amount of the BAN at the time of issuance, while the revenue for the fund is recognized each year as it becomes measureable and available. It is expected that the deficit will decrease to zero in 2012 when the BANs are converted into long-term bonds.

A. Budgetary Data

1. Budget Policies - The budget policies are as follows:

- a.** No later than September 30, the budget officer submits a tentative budget to the Town Clerk for submission to the Town Board for the year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing them.
- b.** After public hearings are conducted to obtain taxpayer comments, no later than November 20, the Town Board adopts the budget.
- c.** All modifications of the budget must be approved by the Town Board. (However, the Supervisor is authorized to transfer certain budgeted amounts within departments.)
- d.** Budgetary controls are established for the capital projects fund through resolutions authorizing individual projects which remain in effect for the life of the project.

2. STEWARDSHIP (Continued)

A. Budgetary Data (Continued)

2. Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Budgetary comparison schedules are presented as required supplementary information in the basic financial statements.

Budget/GAAP Reconciliation

The Town reports its budgetary status with the actual data, including outstanding encumbrances as charges against budget appropriations. This results in the following reconciliation of the fund balances computed on GAAP basis and budgetary basis:

General Fund:	
GAAP basis fund balance at December 31, 2011	\$ 3,084,742
Less: Outstanding encumbrances	<u>(42,809)</u>
Budgetary basis fund balance at December 31, 2011	<u>\$ 3,041,933</u>
Highway Fund Part-Town:	
GAAP basis fund balance at December 31, 2011	\$ 3,945,386
Less: Outstanding encumbrances	<u>(378,892)</u>
Budgetary basis fund balance at December 31, 2011	<u>\$ 3,566,494</u>
Water Fund:	
GAAP basis fund balance at December 31, 2011	\$ 5,001,405
Less: Outstanding encumbrances	<u>(8,900)</u>
Budgetary basis fund balance at December 31, 2011	<u>\$ 4,992,505</u>

No adjustments are necessary to convert the General Fund Part-Town's fund balance on the GAAP basis to the budgetary basis.

3. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources are those revenues raised for the special district special revenue funds.

3. DEPOSITS

Primary Government, Including Fiduciary Funds

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. While the Town does not have a specific policy for custodial credit risk, New York State statutes govern the Town's investment policies.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities. At year-end, demand deposits and certificates of deposit for the Town were entirely covered by FDIC insurance or collateral held by trust companies located within the State.

The Town's aggregate bank balances were insured and collateralized as follows:

<u>Description</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Primary government	\$ 11,871,667	\$ 11,579,164
Fiduciary funds	<u>73,281</u>	<u>73,281</u>
Cash and cash equivalents	<u>\$ 11,944,948</u>	<u>\$ 11,652,445</u>
Category 1: Covered by FDIC insurance	\$ 534,719	
Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name	<u>11,935,796</u>	
	<u>\$ 12,470,515</u>	

4. RECEIVABLES

Receivables at December 31, 2011 for individual major and non-major funds consisted of the following which are stated at net realizable value. Town management has deemed the amounts to be fully collectible:

<u>Description</u>	<u>General Fund</u>	<u>Highway Fund Part-Town</u>	<u>Consolidated Sewer Fund</u>	<u>Water Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receivables:						
Franchise fees	\$ -	\$ -	\$ -	\$ -	\$ 103,013	\$ 103,013
Sewer rents	-	-	65,174	-	-	65,174
Other	26,575	6,600	-	-	-	33,175
4 th quarter water billings	<u>-</u>	<u>-</u>	<u>-</u>	<u>407,116</u>	<u>-</u>	<u>407,116</u>
Total	<u>\$ 26,575</u>	<u>\$ 6,600</u>	<u>\$ 65,174</u>	<u>\$ 407,116</u>	<u>\$ 103,013</u>	<u>\$ 608,478</u>
Due from State government	<u>\$ 807,090</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,307,090</u>

5. CAPITAL ASSETS

A summary of changes in capital assets follows:

<u>Type</u>	<u>Balance</u> <u>1/01/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>12/31/11</u>
Capital assets not being depreciated:					
Land	\$ 2,453,349	\$ -	\$ -	\$ -	\$ 2,453,349
Work in progress	<u>781,296</u>	<u>342,616</u>	<u>-</u>	<u>-</u>	<u>1,123,912</u>
Total capital assets not being depreciated	<u>3,234,645</u>	<u>342,616</u>	<u>-</u>	<u>-</u>	<u>3,577,261</u>
Depreciable capital assets:					
Buildings and improvements	10,907,607	12,058	-	-	10,919,665
Machinery and equipment	4,806,055	119,922	-	-	4,925,977
Infrastructure	<u>78,280,507</u>	<u>1,600,845</u>	<u>-</u>	<u>-</u>	<u>79,881,352</u>
Total depreciable capital assets	<u>93,994,169</u>	<u>1,732,825</u>	<u>-</u>	<u>-</u>	<u>95,726,994</u>
Less: Accumulated depreciation:					
Buildings and improvements	(5,781,260)	(199,261)	-	-	(5,980,521)
Machinery and equipment	(2,629,211)	(394,290)	-	-	(3,023,501)
Infrastructure	<u>(26,623,672)</u>	<u>(3,235,742)</u>	<u>-</u>	<u>-</u>	<u>(29,859,414)</u>
Total accumulated depreciation for depreciable capital assets, net	<u>(35,034,143)</u>	<u>(3,829,293)</u>	<u>-</u>	<u>-</u>	<u>(38,863,436)</u>
Total depreciable assets, net	<u>58,960,026</u>	<u>(2,096,468)</u>	<u>-</u>	<u>-</u>	<u>56,863,558</u>
Governmental activities capital assets, net	<u>\$ 62,194,671</u>	<u>\$ (1,753,852)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,440,819</u>

6. INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

Interfund receivables and payables at December 31, 2011 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 435,785	\$ -
Agency Fund	80,100	9,000
Park Trust Fund	<u>9,000</u>	<u>515,885</u>
Total	<u>\$ 524,885</u>	<u>\$ 524,885</u>

Interfund transactions between governmental activities are eliminated on the Statement of Net Assets. The Town typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

7. PENSION PLANS

Plan Description

The Town participates in the New York State and Local Employees' Retirement System (the System). This is a cost sharing multiple employer retirement system. The System provides 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 serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building Albany, NY 12244.

Funding Policy

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, employees in the System contribute 3% of their salary throughout their active membership. For the System, the Comptroller certifies the rates expressed as proportions of members' payroll annually which are used in computing the contributions required to be made by employers to the pension accumulation fund.

The Town is required to contribute at an actuarially determined rate. The required contributions for the current year and the two preceding years were:

	<u>ERS</u>
2011	\$ 406,389
2010	\$ 286,890
2009	\$ 175,418

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

8. OTHER POSTEMPLOYMENT HEALTH BENEFITS

Plan Description

The Town provides certain health care benefits for retired employees. The Town administers the Retirement Benefits Plan (the "Retirement Plan") as a single-employer defined benefit Other Postemployment Benefit Plan (OPEB).

In general, the Town provides health care benefits for those retired personnel who have reached retirement age with at least 20 years of full-time employment. The Retirement Plan can be amended by action of the Town subject to applicable collective bargaining and employment agreements. There were 17 retired employees eligible to receive benefits at December 31, 2011. The Retirement Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Funding Policy

The obligations of the Retirement Plan are established by action of the Town pursuant to applicable collective bargaining and employment agreements. The required premium contribution rates of retirees range from 0% to 60%, depending on the age of the employee. The Town will pay its portion of the premium for the retiree and spouse for their lifetimes. The costs of administering the Retirement Plan are paid by the Town. The Town currently contributes enough money to the Retirement Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums. The amount paid during 2011 was approximately \$39,000.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the Retirement Plan, and the changes in the Town's net OPEB obligation:

Annual required contribution	\$ 221,454
Interest on net OPEB obligation	7,327
Adjustment to ARC	<u>(6,738)</u>
Annual OPEB cost	222,043
Contributions made	<u>(38,679)</u>
Increase in net OPEB obligation	183,364
Net OPEB obligation - beginning of year	<u>350,530</u>
Net OPEB obligation - end of year	<u>\$ 533,894</u>

8. OTHER POSTEMPLOYMENT HEALTH BENEFITS (Continued)

Trend Information

The following table provides trend information for the Retirement Plan:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percent Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 222,043	\$ 38,679	17.42%	\$ 533,894
2010	\$ 222,043	\$ 34,332	15.46%	\$ 350,530
2009	\$ 109,122	\$ 28,079	25.73%	\$ 162,819

Funded Status and Funding Progress

The projection of future benefits 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 Retirement Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Retirement Plan is currently not funded.

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress for the Town's Retirement Plan

<u>Actuarial Valuation Date</u>	<u>Year Ended</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll (b-a)/(c)</u>
4/27/2010	12/31/11	\$ -	\$ 1,923,307	\$ 1,923,307	0.0%	\$ 2,767,283	69.5%
4/27/2010	12/31/10	\$ -	\$ 1,923,307	\$ 1,923,307	0.0%	\$ 2,880,691	66.8%
1/1/2007	12/31/09	\$ -	\$ 944,427	\$ 944,427	0.0%	\$ 2,758,951	34.2%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 27, 2010 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Entry Age Normal Method
Discount rate*	4.5%
Medical care cost trend rate	4.3% initially. The rate changes each year to an ultimate rate of 5.0% in 2019.
Dental care cost trend rate	Dental care costs are assumed to increase 4.2% each year.
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

* As the plan is unfunded, the assumed discount rate considers that the Town's investment assets are low risk in nature, such as money market funds or certificates of deposit.

9. SHORT-TERM DEBT

Short-term debt provides financing for governmental activities. The Town issued two Bond Anticipation Notes (BANs) in order to finance the construction of the Town Hall building and a sewer improvement system. These BANs have been renewed and reissued since their original maturity dates.

The following is a summary of changes in short-term debt for the year ended December 31, 2011:

Balance, January 1, 2011	\$ 1,433,056
Increases	4,030,000
Decreases	<u>(4,213,056)</u>
Balance, December 31, 2011	<u>\$ 1,250,000</u>

The following shows the maturity of the BANs:

<u>Purpose</u>	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Amount Outstanding 12/31/11</u>	<u>Final Maturity</u>
Town Hall construction	2008	0.90%	\$ 890,000	9/2012
Sewer improvement system	2009	2.48%	\$ 360,000	9/2012

10. LONG-TERM OBLIGATIONS

At December 31, 2011, the total outstanding long-term obligations of the Town aggregated \$2,261,620.

Serial Bonds

The Town borrows money in order to acquire land, high cost equipment, or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These serial bonds are full faith and credit debt of the Town. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidations of the long-term liabilities.

Environmental Facilities Corporation/Revolving Fund Revenue Bonds

The Town has borrowed money from the New York State Environmental Facilities Corporation (EFC) for water pollution control in the Town.

In 2011, the EFC issued the 2011A Series bonds which refunded the 1996C Series bonds. This refinancing and its associated costs were paid by the Town. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of approximately \$11,000.

10. LONG-TERM DEBT OBLIGATIONS (Continued)

Other Long-Term Debt

In addition to the above long-term debt the Town had the following non-current liabilities:

- **Compensated absences** - represents the value earned and unused portion of the liability for compensated absences.
- **Other postemployment benefits** - represents the cost of health care benefits provided to retirees.
- **Early termination benefits** - represents benefits to be paid to New York State under the NYS Early Retirement incentive program.

Long-term debt obligation balances and activity for the year are summarized below:

<u>Governmental Activities</u>	<u>Balance</u> <u>01/01/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/11</u>	<u>Classified as</u>	
					<u>Current</u>	<u>Non-Current</u>
Revolving fund revenue bonds	\$ 1,600,000	\$ 180,000	\$ (525,000)	\$ 1,255,000	\$ 350,000	\$ 905,000
Serial bonds	870,000	-	(570,000)	300,000	125,000	175,000
Other postemployment benefits	350,530	222,043	(38,679)	533,894	-	533,894
Early termination benefits	147,005	-	(29,401)	117,604	29,401	88,203
Compensated absences	<u>56,007</u>	<u>-</u>	<u>(885)</u>	<u>55,122</u>	<u>13,781</u>	<u>41,341</u>
Total obligations	<u>\$ 3,023,542</u>	<u>\$ 402,043</u>	<u>\$(1,163,965)</u>	<u>\$ 2,261,620</u>	<u>\$ 518,182</u>	<u>\$ 1,743,438</u>

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

The following is a statement of bonds with corresponding maturity schedules:

<u>Purpose</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Amount</u> <u>Outstanding</u> <u>12/31/11</u>	<u>Final Maturity</u>
Serial Bonds:				
Public improvement	1992	6.15%	\$ 200,000	2013
Public improvement	1996	4.70 - 5.20%	100,000	2015
Revolving Fund Revenue Bonds:				
State water pollution control	2005D	Various*	655,000	2014
State water pollution control	2002L	Various*	420,000	2015
State water pollution control	2011A	Various*	<u>180,000</u>	2017
Total			<u>\$ 1,555,000</u>	

* This interest is subsidized by the EFC through the State Revolving Fund by approximately one half of total interest paid.

Interest on long-term debt for the year was composed of:

Interest paid	\$ 112,495
Plus: Interest accrued in the current year	66,157
Less: Interest accrued in the prior year	<u>(37,019)</u>
Total interest expense	<u>\$ 141,633</u>

10. LONG-TERM DEBT OBLIGATIONS (Continued)

Other Long-Term Debt (Continued)

The following table summarizes the Town's future debt service requirements as of December 31:

<u>Year</u>	<u>Bonds</u>	<u>Interest</u>
2012	\$ 475,000	\$ 51,528
2013	480,000	34,704
2014	380,000	17,200
2015	160,000	5,330
2016	30,000	1,294
2017	<u>30,000</u>	<u>450</u>
Total	<u>\$ 1,555,000</u>	<u>\$ 110,506</u>

In prior years, the Town defeased certain obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. \$1,075,000 of bonds outstanding were considered defeased at December 31, 2011.

Taxable Increment Bonds

Taxable Increment (Limited Obligation) Bonds were issued in 1994 by the Town on behalf of the Great Eastern Mall in the amount of \$8,000,000, of which \$2,925,000 was a term bond at 9.05% with a final maturity of May 1, 2008, and \$5,075,000 is a term bond at 9.20% with a final maturity of May 1, 2014. The proceeds of these bonds were used to finance acquisition of the mall, for the Town improvements, and for mall expansion. Because the Town is only liable to the extent of lease payments received from the mall, and has no obligation beyond those lease payments received, the debt is not included as a liability in these financial statements. Rather, the Town records the transactions related to the tax increment bonds in the Agency fund. During 2011, the Town collected lease payments and made debt principal and interest payments in the amount of \$1,101,300. As of December 31, 2011, the balance due on the remaining term bonds was \$2,875,000.

11. EARLY TERMINATION BENEFITS

During 2010, the Town approved a one-time early retirement incentive plan, known as the 2010-2011 Retirement Incentive Program (the Program), for all employees. This Program was initiated by the System and has two different incentive programs, Part A and Part B. To be eligible for Part A under the Program, employees were required to have 10 years of service with the Town and be at least 50 years of age, or employees had to have at least 55 years of age and have five or more years of service as of the date of retirement. To be eligible for Part B of the Program, employees must have been Tier 2, 3, or 4 and must have been at least 55 years of age and have 25 or more years of service credit. The Town did not approve Part B of the Program. For Part A of the Program, an employee also must have been in active service from February 1, 2010 until the commencement of the open period on October 1, 2010. Eligible employees under both Part A of the Program were required to retire by December 29, 2010.

Employees taking advantage of Part A of the Program received approximately one month of additional service credit for each year of service, up to a maximum of three additional years of service credit.

11. EARLY TERMINATION BENEFITS (Continued)

During the year ended December 31, 2010, three employees elected early retirement under the Program. The estimated present value of the benefits provided to the retirees under the Program is reported as a liability to the Town of approximately \$118,000 and is included in the long-term obligations portion in the Statement of Net Assets at December 31, 2011. The Town intends to fund the Program through a five-year payment amortization beginning February 1, 2012.

12. NET ASSETS

A. Net Assets - Restricted

The following table shows the net assets restricted for special districts as shown on the Statement of Net Assets:

<u>Special District</u>	<u>Restricted By</u>	<u>Amount</u>
Fire protection	Law	\$ 1,379
Special lighting	Law	4,031
Water fund	Law	<u>4,879,980</u>
Total restricted net assets for special districts		<u>\$ 4,885,390</u>

In addition, the General Fund and the Highway Fund Part-Town have \$1,599,007 and \$1,867,672, respectively that is restricted by law at December 31, 2011.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first.

13. FUND BALANCES

As of December 31, 2011, fund balances are composed of the following:

	General Fund	Fire Protection Fund	Highway Fund Part- Town	Water Fund	Consolidated Sewer Fund	Park Trust Fund	Capital Projects Fund	Nonmajor Governmental Funds
Nonspendable -								
Prepaid expenditures	\$ 83,597	\$ -	\$ 24,504	\$ 12,525	\$ -	\$ -	\$ -	\$ 3,770
Restricted -								
Enabling legislation	-	1,379	-	4,879,980	-	-	-	4,031
Law	1,599,007	-	1,867,672	-	-	-	-	-
Assigned -								
Outstanding encumbrances	42,809	-	378,893	108,900	-	166,127	-	-
Other spendable amounts	700,000	-	1,674,317	-	-	137,844	-	260,427
Unassigned	<u>659,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,920)</u>	<u>-</u>	<u>(890,000)</u>	<u>-</u>
Total	<u>\$ 3,084,742</u>	<u>\$ 1,379</u>	<u>\$ 3,945,386</u>	<u>\$ 5,001,405</u>	<u>\$ (58,920)</u>	<u>\$ 303,971</u>	<u>\$ (890,000)</u>	<u>\$ 268,228</u>

14. DEFERRED COMPENSATION PLAN

Employees of the Town may elect to participate in the Public Employees Benefits Services Corporation Deferred Compensation Plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years, usually after retirement. As of December 31, 2011, the market value of the assets of the Plan totaled \$1,677,001.

Employees contribute to the Plan through voluntary salary deductions. Participation in the Plan is voluntary and the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Plan is administered by an independent third-party which is responsible for administering the fund's investments and record keeping.

15. OTHER INFORMATION

A. Risk Management

1. Workers' Compensation (the Comp Plan)

The Town, together with Ontario County, sixteen (16) towns, eight (8) villages, and two (2) cities have joined together to self-insure for workers' compensation coverage which is maintained and administered by Ontario County. Ontario County also utilizes a third-party administrator who is responsible for processing claims, estimating liabilities, and providing actuarial services. The Comp Plan, which was approved in 1956, states participants are charged an annual assessment on the basis of their five-year experience (60%), exposure (20%) and assessed value (20%). The pool does not take into consideration estimated investment income when determining if premium deficiencies exist. Effective January 1, 1999, Ontario County has excess insurance coverage in the amount of \$300,000 per occurrence with coverage to full statutory limits. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR's). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The Comp Plan as of December 31, 2011 is fully funded.

For the year ended December 31, 2011, the Town was assessed and paid Workers' Compensation fees of \$100,772.

B. Commitments and Contingencies

1. Commitments

The Town participates in a number of federal and New York State grant and assistance programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

2. Litigation

There are tax certiorari claims requesting reduction of assessments pending. The outcome of the tax certiorari claims is undeterminable at this time; as such no allowance has been recorded.

16. OPERATING LEASES

The Town entered into a lease agreement with Blossom Properties, LLC to rent a 12,572 square foot space for the Parks and Recreation Department. The term of this lease began July 1, 2006 and terminated June 30, 2011. The Town also pays as additional rent those costs, expenses, taxes, assessments, and insurance premiums set forth in the lease agreement. Additional rent is paid monthly on top of the base rent. The Town renewed this lease agreement for an additional year through June 30, 2012 under the same terms and conditions as the original lease.

The Town also has a lease agreement with DiFelice Development, Inc. to rent a 7,600 square foot space for the Town Courts at 11 Framark Drive in the Village of Victor. The Town’s lease agreement expires August 31, 2016.

The estimated future base rent payments, under the original lease agreements, are as follows for the years ended:

2012	\$	112,500
2013	\$	112,500
2014	\$	112,500
2015	\$	112,500
2016	\$	75,000

The total lease expense in 2011 was approximately \$113,000.

17. RENTAL OF TOWN PROPERTY

The Town has entered into multiple lease agreements for the placement of cellular towers on Town property. The agreements expire in 2016 and have various terms. The total rental income received and accrued for the year ended December 31, 2011 totaled approximately \$98,000. All leases have an option to renew after five years. The future minimum amounts expected from these agreements are:

2012	\$	101,356
2013	\$	104,493
2014	\$	104,680
2015	\$	87,461
2016	\$	87,461

18. INTER-MUNICIPAL AGREEMENTS

Village Water Transmission Fees

In 2001, the Town entered into an agreement with the Village of Victor (the Village) whereby the Village agreed to pay a transmission fee of 15% of the base billing by the Monroe County Water Authority (the Authority) for all water received from the Authority passing through water lines owned and operated by the Town. The agreement expired in 2006. As of December 31, 2011, the contract still has not been renewed; however, the Town has received payments at the 15% rate during 2011 totaling \$19,803.

18. INTER-MUNICIPAL AGREEMENTS (Continued)

Town of Farmington Sewer Management and Billing/Service Contract

The Town executed a management and billing/service agreement with the Town of Farmington on December 14, 2005. The agreement states that the Town of Farmington will provide operation, maintenance, accounting, billing, and overall management services to the Town's Sewer Districts. Any operational and/or maintenance, repair or replacement to the existing Victor Sanitary Sewer System which exceeds a cost of \$10,000 shall be considered a capital expense. The Town must share any capital expenses for repair and replacements made to the Town's sewer system. The management and billing/service agreement cannot be cancelled and has a term of 25 years.

Village of Victor Sewer Contract Agreement

The Town executed a Sewer Contract Agreement with the Village on April 27, 2004. The agreement states that the Village of Victor will provide wastewater treatment service to specified areas of the Town. The Village bills all Town properties connected to the Village sewer system for sewer rents, connection, inspection, and any review charges. The agreement pertains to maintenance and operations only. Any capital replacement or reconstruction costs of sewer system components in the Town will be borne by the Town.

19. JOINT VENTURE - BOUGHTON PARK

The Towns of East Bloomfield, New York, West Bloomfield, New York, and Victor, New York entered into a municipal cooperation agreement to jointly establish and operate Boughton Park (the Park). The towns jointly share the costs of operation and maintenance on the basis of each Town's full equalized value to the combined total full value. The Town contributes approximately 72% of these costs. The management of the Park is overseen by the Joint Boughton Park Commission which consists of nine members appointed by the respective Town Boards. One member of the Commission serves as the Treasurer. The Commission maintains its own accounting records and reports. Financial statements for the Park are on file at the Town of East Bloomfield, 99 Main Street, East Bloomfield, New York.

20. IMPACT OF FUTURE GASB PRONOUNCEMENTS

In December 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCA)*. This standard provides guidance on accounting and reporting for public-private or public-public partnerships. The Town is required to adopt the provisions of Statement No. 60 for the year ending December 31, 2012. The Town's management has not yet assessed the impact of this statement on its future financial statements.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. This standard modifies requirements for inclusion of component units in the Town's financial statements. This standard provides additional guidance on blending component units. The Town is required to adopt the provisions of Statement No. 61 for the year ending December 31, 2013. The Town's management has not yet assessed the impact of this statement on its future financial statements.

20. IMPACT OF FUTURE GASB PRONOUNCEMENTS (Continued)

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This standard incorporates certain accounting and financial reporting guidance from the Financial Accounting Standards Board (FASB) Statements and Interpretations, the Accounting Principles Board Opinions, and the Accounting Research Bulletins into GASB's authoritative literature. The Town is required to adopt the provisions of Statement No. 62 for the year ending December 31, 2012. The Town's management has not yet assessed the impact of this statement on its future financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and identifies net position as the residual of all other elements presented in a statement of financial position. The Town is required to adopt the provisions of Statement No. 63 for the year ending December 31, 2012. The Town's management has not yet assessed the impact of this statement on its future financial statements.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53*. This standard clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The Town is required to adopt the provisions of Statement No. 64 for the year ending December 31, 2012. The Town's management has not yet assessed the impact of this statement on its future financial statements.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This standard establishes accounting and financial reporting standards that reclassify, as deferred resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. The Town is required to adopt the provisions of Statement No. 65 for the year ending December 31, 2013. The Town's management has not yet assessed the impact of this statement on its future financial statements.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. This standard improves accounting and financial reporting by clarifying guidance regarding risk financing, operating lease payments, and accounting for loans. The Town is required to adopt the provisions of Statement No. 66 for the year ending December 31, 2013. The Town's management has not yet assessed the impact of this statement on its future financial statements.

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2011

	GENERAL FUND			
	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
REVENUES:				
Real property taxes and tax items	\$ 1,035,821	\$ 1,035,821	\$ 1,043,061	\$ 7,240
Nonproperty tax items	2,431,123	2,431,123	2,500,304	69,181
Departmental income	400,200	400,200	458,403	58,203
Use of money and property	63,000	63,000	66,142	3,142
Licenses and permits	213,040	213,040	201,888	(11,152)
Fines and forfeitures	215,000	215,000	275,257	60,257
Sale of property and compensation for loss	29,750	29,750	56,455	26,705
Miscellaneous	415,200	415,200	92,575	(322,625)
State aid	540,000	540,000	543,165	3,165
Federal aid	193,750	193,750	219,220	25,470
	<u>5,536,884</u>	<u>5,536,884</u>	<u>5,456,470</u>	<u>(80,414)</u>
Total revenues				
EXPENDITURES:				
General governmental support	2,219,356	2,137,337	1,916,713	220,624
Public safety	112,750	125,904	123,225	2,679
Public health	18,700	18,700	15,960	2,740
Transportation	205,757	248,263	202,278	45,985
Economic assistance and opportunity	59,970	54,015	40,115	13,900
Culture and recreation	2,180,481	2,267,426	1,703,658	563,768
Home and community services	772,682	788,406	738,831	49,575
Employee benefits	395,908	481,927	420,924	61,003
Debt service	271,280	271,280	245,719	25,561
	<u>6,236,884</u>	<u>6,393,258</u>	<u>5,407,423</u>	<u>985,835</u>
Total expenditures				
CHANGE IN FUND BALANCE	(700,000)	(856,374)	49,047	(1,066,249)
FUND BALANCE - beginning of year	<u>2,992,886</u>	<u>2,992,886</u>	<u>2,992,886</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 2,292,886</u>	<u>\$ 2,136,512</u>	<u>\$ 3,041,933</u>	<u>\$ (1,066,249)</u>

The accompanying notes are an integral part of this supplementary information.

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND - PART-TOWN
FOR THE YEAR ENDED DECEMBER 31, 2011**

	GENERAL FUND - PART-TOWN			
	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
REVENUES:				
Nonproperty tax items	\$ 335,624	\$ 335,624	\$ 342,637	\$ 7,013
Departmental income	81,850	81,850	102,958	21,108
Licenses and permits	2,500	2,500	3,550	1,050
Use of money and property	2,000	2,000	859	(1,141)
Sale of property and compensation for loss	<u>660</u>	<u>660</u>	<u>233</u>	<u>(427)</u>
Total revenues	<u>422,634</u>	<u>422,634</u>	<u>450,237</u>	<u>27,603</u>
EXPENDITURES:				
General governmental support	155,600	152,699	149,914	2,785
Transportation	18,000	15,941	15,680	261
Home and community services	238,840	227,274	229,144	(1,870)
Employee benefits	<u>10,194</u>	<u>26,720</u>	<u>23,143</u>	<u>3,577</u>
Total expenditures	<u>422,634</u>	<u>422,634</u>	<u>417,881</u>	<u>4,753</u>
CHANGE IN FUND BALANCE	-	-	32,356	32,356
FUND BALANCE - beginning of year	<u>231,541</u>	<u>231,541</u>	<u>231,541</u>	-
FUND BALANCE - end of year	<u>\$ 231,541</u>	<u>\$ 231,541</u>	<u>\$ 263,897</u>	<u>\$ 32,356</u>

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - HIGHWAY FUND PART-TOWN
FOR THE YEAR ENDED DECEMBER 31, 2011**

HIGHWAY FUND - PART-TOWN

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES:				
Nonproperty tax items	\$ 2,057,461	\$ 2,057,461	\$ 2,057,461	\$ -
Intergovernmental charges	240,000	240,000	266,316	26,316
Use of money and property	9,000	9,000	12,526	3,526
Sale of property and compensation for loss	200	200	788	588
Miscellaneous	350	350	18,642	18,292
State aid	120,000	120,000	121,765	1,765
Total revenues	2,427,011	2,427,011	2,477,498	50,487
EXPENDITURES:				
General government	160,000	140,319	39,319	101,000
Transportation	2,460,369	2,724,295	2,568,530	155,765
Employee benefits	341,642	361,323	336,615	24,708
Total expenditures	2,962,011	3,225,937	2,944,464	281,473
EXCESS (DEFICIENCY) OR REVENUES OVER EXPENDITURES	(535,000)	(798,926)	(466,966)	331,960
INTERFUND TRANSFERS - IN	200,000	280,756	-	(280,756)
CHANGE IN FUND BALANCE	(335,000)	(518,170)	(466,966)	51,204
FUND BALANCE - beginning of year	4,202,080	4,202,080	4,033,460	(168,620)
FUND BALANCE - end of year	\$ 3,867,080	\$ 3,683,910	\$ 3,566,494	\$ (117,416)

The accompanying notes are an integral part of this supplementary information.

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - WATER FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	WATER FUND			
	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES:				
Real property and tax items	\$ 374,880	\$ 374,880	\$ 374,880	\$ -
Departmental income	1,647,542	1,647,542	1,490,293	(157,249)
Use of money and property	82,300	82,300	52,147	(30,153)
Miscellaneous	50	50	919	869
Total revenues	<u>2,104,772</u>	<u>2,104,772</u>	<u>1,918,239</u>	<u>(186,533)</u>
EXPENDITURES:				
General governmental support	225,250	128,090	77,506	50,584
Transportation	40,000	40,000	29,869	10,131
Home and community services	1,450,111	1,413,058	1,222,840	190,218
Employee benefits	119,525	152,638	136,757	15,881
Debt service -				
Principal	95,000	455,000	455,000	-
Interest	24,886	24,886	24,885	1
Total expenditures	<u>1,954,772</u>	<u>2,213,672</u>	<u>1,946,857</u>	<u>266,815</u>
CHANGE IN FUND BALANCE	<u>150,000</u>	<u>(108,900)</u>	<u>(28,618)</u>	<u>80,282</u>
FUND BALANCE - beginning of year	<u>4,664,947</u>	<u>4,664,947</u>	<u>5,021,123</u>	<u>356,176</u>
FUND BALANCE - end of year	<u>\$ 4,814,947</u>	<u>\$ 4,556,047</u>	<u>\$ 4,992,505</u>	<u>\$ 436,458</u>

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	Special Lighting <u>Fund</u>	General Fund <u>Part-Town</u>	Bicentennial <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 4,312	\$ 218,818	\$ 300	\$ 223,430
Receivables	-	103,013	-	103,013
Prepaid expenses	-	3,770	-	3,770
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,312</u>	<u>\$ 325,601</u>	<u>\$ 300</u>	<u>\$ 330,213</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 281	\$ 61,704	\$ -	\$ 61,985
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>281</u>	<u>61,704</u>	<u>-</u>	<u>61,985</u>
FUND BALANCES:				
Nonspendable	-	3,770	-	3,770
Restricted	4,031	-	-	4,031
Assigned	-	260,127	300	260,427
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>4,031</u>	<u>263,897</u>	<u>300</u>	<u>268,228</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 4,312</u>	<u>\$ 325,601</u>	<u>\$ 300</u>	<u>\$ 330,213</u>

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Special Lighting <u>Fund</u>	General Fund <u>Part-Town</u>	Bicentennial <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
REVENUES:				
Real property taxes and tax items	\$ 54,484	\$ -	\$ -	\$ 54,484
Nonproperty tax items	-	342,637	-	342,637
Departmental income	-	102,958	-	102,958
Licenses and permits	-	3,550	-	3,550
Sale of property and compensation for loss	-	233	-	233
Miscellaneous	-	-	300	300
Use of money and property	-	859	-	859
	<u>54,484</u>	<u>450,237</u>	<u>300</u>	<u>505,021</u>
Total revenues				
EXPENDITURES:				
General governmental support	-	149,914	-	149,914
Transportation	54,080	15,680	-	69,760
Home and community services	-	229,144	-	229,144
Employee benefits	-	23,143	-	23,143
	<u>54,080</u>	<u>417,881</u>	<u>-</u>	<u>471,961</u>
Total expenditures				
CHANGE IN FUND BALANCE	404	32,356	300	33,060
FUND BALANCE - beginning of year	<u>3,627</u>	<u>231,541</u>	<u>-</u>	<u>235,168</u>
FUND BALANCE - end of year	<u>\$ 4,031</u>	<u>\$ 263,897</u>	<u>\$ 300</u>	<u>\$ 268,228</u>