

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

**Basic Financial Statements
for the Year Ended December 31, 2012
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

TABLE OF CONTENTS DECEMBER 31, 2012

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3 - 10
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements -	
Statement of Net Position	11
Statement of Activities and Change in Net Position	12
Fund Financial Statements -	
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	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 and Change in Net Position	16
Statement of Fiduciary Net Position	17
Statement of Changes in Fiduciary Net Position	18
Notes to Basic Financial Statements	19 - 41
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	42
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Highway Fund - Part-Town	43
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Water Fund	44
SUPPLEMENTAL SCHEDULES:	
Combining Balance Sheet - Nonmajor Governmental Funds	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	46

INDEPENDENT AUDITOR'S REPORT

May 13, 2013

To the Town Board of the
Town of Victor, New York:

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, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

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, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements on pages 45 - 46 are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor 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 of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Bonadio & Co., LLP

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012. 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 \$68,038,729. Of this amount, the unrestricted portion is \$4,956,546. The balance of net position is considered either restricted for specific purposes or the net investment in capital assets.
- General revenues, which include Mortgage Tax, Non-Property Taxes, and Real Property Tax, are \$8,136,103, or 69%, of all revenues. Program specific revenues in the form of Charges for Services, Operating Grants, and Capital Grants accounted for \$3,708,115, or 31%, of total revenues.
- The Town's governmental fund financial statements report a combined ending fund balance of \$13,007,773.
- At the end of the current year, the unassigned fund balance of the General Fund was \$759,708.

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 position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 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 position 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 four major individual governmental funds; General Fund, Highway Fund Part-Town, Water Fund, and Park Trust 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 adopts an annual budget for the General Fund, 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 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>Town-Wide Statements</u>	<u>Fund Financial 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 Position Statement of Activities	Balance Sheet, Statement of Revenues and Expenditures, and Changes in Fund Balance	Statement of Fiduciary Net Position, and Statement of Changes in Fiduciary Net Position
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 position may serve over time as a useful indicator of the Town's financial position.

Table 1 - Net Position

	<u>2012</u>	<u>2011</u>
Assets:		
Cash	\$ 11,409,580	\$ 11,579,164
Other assets	2,076,370	2,039,964
Capital assets, net	<u>58,113,105</u>	<u>60,440,819</u>
Total assets	<u>\$ 71,599,055</u>	<u>\$ 74,059,947</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 401,341	\$ 630,719
Other liabilities	98,087	1,398,375
Noncurrent liabilities	<u>3,060,898</u>	<u>2,261,620</u>
Total liabilities	<u>\$ 3,560,326</u>	<u>\$ 4,290,714</u>
Net position:		
Net investment in capital assets	\$ 55,918,105	\$ 58,885,819
Restricted	7,164,078	8,352,069
Unrestricted	<u>4,956,546</u>	<u>2,531,345</u>
Total net position	<u>\$ 68,038,729</u>	<u>\$ 69,769,233</u>

By far, the largest component of the Town's net position (82%) 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 position balances which constitute 11% and 12% of total net assets at December 31, 2012 and 2011, respectively. The remaining balance of unrestricted net position, which was \$4,956,546 (7%) and \$2,531,345 (4%) in 2012 and 2011, respectively, may be used to finance future operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Table 2 - Change in Net Position

	<u>2012</u>	<u>% of Total</u>	<u>2011</u>	<u>% of Total</u>
Revenues:				
Charges for services	\$ 2,739,319	23%	\$ 2,799,922	23%
Operating grants and contributions	867,432	7%	791,816	6%
Capital grants and contributions	101,364	1%	92,334	1%
Taxes	7,471,074	63%	7,372,233	59%
Dedicated capital assets	423,234	4%	1,068,285	9%
Other revenues	<u>241,795</u>	<u>2%</u>	<u>301,586</u>	<u>2%</u>
Total revenues	<u>11,844,218</u>	<u>100%</u>	<u>12,426,176</u>	<u>100%</u>
Expenses:				
General governmental support	2,655,673	20%	2,412,455	18%
Public safety	2,689,058	20%	2,460,915	18%
Transportation	2,714,967	20%	4,666,482	34%
Public health	16,540	-%	15,960	-%
Economic assistance and opportunity	35,351	-%	45,659	1%
Culture and recreation	2,080,296	15%	1,962,094	14%
Home and community services	3,360,736	25%	1,929,913	14%
Interest on long-term debt	<u>22,101</u>	<u>-%</u>	<u>141,633</u>	<u>1%</u>
Total expenses	<u>13,574,722</u>	<u>100%</u>	<u>13,635,111</u>	<u>100%</u>
Change in net position	(1,730,504)		(1,208,935)	
Net position - beginning of year	<u>69,769,233</u>		<u>70,978,168</u>	
Net position - end of year	<u>\$ 68,038,729</u>		<u>\$ 69,769,233</u>	

The Town relies upon taxes, charges for services, operating grants, and capital grants as its primary revenue sources. Expenses are 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 \$13,007,773.

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 \$3,188,886, of which \$759,708 was unassigned. The fund balance for the Town's General Fund increased by 3% in 2012, 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 – Nonproperty tax items	\$ 226,298	Sales tax was greater than budgeted because of economic gains.
General Fund – Licenses and permits	\$ 121,574	Development and housing in the Town increased more than anticipated.
Water fund - Departmental Income	\$ (550,380)	The Town had anticipated increasing the water rates if there had been a successful agreement with Monroe County Water Authority. There was not an agreement put in place until 2013 and rates were not raised in 2012 so the actual amount of revenue was lower than budgeted.

<u>Expenditure Items</u>	<u>Budget Variance</u>	<u>Explanation for Budget Variance</u>
General fund - General Governmental Support	\$ 95,733	The positive variance is due to a reduction in Attorney and Engineer expenses.
General fund - Culture and Recreation	\$ 94,456	The positive variance to budget is due to a vacancy of a position for 5 months and lower recreation salaries because of fewer programs.

Capital Assets

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

<u>Class</u>	<u>2012</u>	<u>2011</u>
Land	\$ 2,453,350	\$ 2,453,349
Work-in-progress	622,623	1,123,912
Infrastructure	48,273,393	50,021,938
Buildings and improvements	4,903,745	4,939,145
Machinery and equipment	<u>1,859,994</u>	<u>1,902,475</u>
Total capital assets, net of accumulated depreciation	<u>\$ 58,113,105</u>	<u>\$ 60,440,819</u>

During 2012, there were \$1,526,154 of capital asset additions offset by \$3,853,868 of depreciation expense.

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

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

Long-Term Liabilities

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

	<u>2012</u>	<u>2011</u>
Revolving fund revenue bonds	\$ 905,000	\$ 1,255,000
Serial bonds	1,290,000	300,000
Postemployment benefits	719,794	533,894
Early termination benefits	88,468	117,604
Compensated absences	<u>57,636</u>	<u>55,122</u>
Total	<u>\$ 3,060,898</u>	<u>\$ 2,261,620</u>

The amount of principal paid on outstanding debt was \$610,000 in 2012 and \$1,095,000 in 2011. The Town borrowed \$1,250,000 of new serial bonds in 2012.

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 continues to see new commercial businesses opening up or plans underway to build. The corridor has added McDonald's and Taco Bell restaurants within recent months. Fisher's Landing which brought to us the new high-end day care center Doodle Bugs is under plan review to build three additional buildings totaling another 32,700 square ft. These endeavors help to bring more sales tax and property tax revenue to the Town.

The newest "Gem" to the Town which will ultimately be a Regional draw for the area is the proposed Pinnacle Athletic Campus. The Pinnacle Athletic Campus, following the completion of plan approval, hopes to break ground and have phase I completed during 2013. The full Campus build out will be on 95 acres and will include; a 120,000 square foot indoor field house, outdoor action sports, outdoor field complex with multi use sites, playground area, sports medicine, health and wellness, two hotels or motel and a restaurant. This Athletic Campus will draw travelers from all around this State and bordering States for sports tournaments. The financial impact on all of our town services (gas stations, restaurants, specialty shops and Eastview Mall) will continue to add to the Town's sales tax revenue on an annual basis.

An enclosed lodge and public restroom facility were constructed at Victor Municipal Park in the winter and spring (2011 - 2012). The facility was officially opened in May 2012. The project was funded through the Town's Capital Parks Fund. The facility is managed and maintained by the Department of Parks and Recreation and contributes to the Department's cost recovery efforts through its rental and reservation program.

The Department of Parks and Recreation and Highway Department completed the clearing, grubbing, drainage and surfacing of the Auburn Trail Extension in November 2012. The project was largely funded (70%) through a Federal Highway Administration and New York State Department of Transportation (NYSDOT) Transportation Enhancements Program grant. In 2013 - 2014, the Town is scheduled to install safety railing, interpretive and wayfinding signage, a trailside kiosk and plaza and landscaping along the newly improved 2.5 mile trail.

FACTORS BEARING ON THE TOWN'S FUTURE (Continued)

Lease with Monroe County Water Authority

On February 28, 2013, the Town and Monroe County Water Authority (the Authority) agreed that the Town would lease the entire water plant, storage and distribution system of the Town to the Authority. The decision was not easy, but encompassed essentially the following key considerations:

What led the Town to consider a Lease Agreement with the Authority?

Projected increases in the cost of providing water services caused the Town to consider a relationship with the Authority. The Board is aware of the Authority's many successful relationships with municipalities, both inside and outside Monroe County, and believes that the Town water users could benefit from the level of service and economies of scale that the Authority is able to provide.

What is the current condition of the infrastructure of the Town's water system?

The water system is in good condition, due to years of exemplary maintenance by the operations and maintenance staff. However, due to the growth of the system and new regulations, many upgrades will be needed in the future.

Were the water charges projected to increase if maintained by the Town?

Yes. If the Town continued to operate and maintain the system, it will need to hire additional staff, purchase additional vehicles, complete upgrades and undertake laboratory testing to comply with new and proposed regulations.

The residential water rate would need to increase by \$1.09 to \$4.24/1,000 gallons to cover the additional costs of running this system.

Commercial users also would be subjected to higher costs. The commercial water rates would increase by \$1.09 to \$5.52/1,000 gallons.

By entering into this lease, all residential and commercial water users will now be charged a commodity charge of \$2.82 per 1,000 gallons. For many of our town homeowners and commercial users this savings is significant.

Rationale by the Town Board to Lease:

The Town Board factored in today's costs of maintaining the current system and compared the projected long term expenses to our residents in continuing to providing water and concludes that this decision was in the best interest of the current and future taxpayers.

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 POSITION DECEMBER 31, 2012

ASSETS

Cash and cash equivalents	\$ 11,409,580
Receivables	573,064
Due from State government	1,365,537
Prepaid expenses	137,769
Capital assets, net	<u>58,113,105</u>
Total assets	<u>71,599,055</u>

LIABILITIES

Accounts payable	290,106
Due to other funds, net	33,021
Accrued liabilities	111,235
Due to other governments	65,066
Long-term obligations -	
Due within one year	643,810
Due in more than one year	<u>2,417,088</u>
Total liabilities	<u>3,560,326</u>

NET POSITION

Net investment in capital assets	55,918,105
Restricted	7,164,078
Unrestricted	<u>4,956,546</u>
Total net position	<u>\$ 68,038,729</u>

The accompanying notes are an integral part of these statements.

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

**STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental activities -					
General governmental support	\$ 2,655,673	\$ 258,440	\$ 694,604	\$ -	\$ (1,702,629)
Public safety	2,689,058	148,841	-	-	(2,540,217)
Public health	16,540	1,540	-	-	(15,000)
Transportation	2,714,967	158,954	167,981	-	(2,388,032)
Economic assistance and opportunity	35,351	-	-	-	(35,351)
Culture and recreation	2,080,296	436,736	4,847	101,364	(1,537,349)
Home and community services	3,360,736	1,734,808	-	-	(1,625,928)
Interest on long-term debt	22,101	-	-	-	(22,101)
Total governmental activities	\$ 13,574,722	\$ 2,739,319	\$ 867,432	\$ 101,364	\$ (9,866,607)
GENERAL REVENUES:					
Real property taxes and real property tax items					2,342,196
Nonproperty tax items					5,128,878
Dedicated capital assets					423,234
Use of money and property					150,981
Sale of property and compensation for loss					54,836
Miscellaneous					35,978
Total general revenues					8,136,103
Change in net position					(1,730,504)
Net position - beginning of year					69,769,233
Net position - end of year					\$ 68,038,729

The accompanying notes are an integral part of these statements.

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

**BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	General Fund	Highway Fund Part-Town	Water Fund	Park Trust Fund	Total Nonmajor Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 2,286,076	\$ 2,947,301	\$ 4,682,716	\$ 885,089	\$ 608,398	\$ 11,409,580
Receivables	-	8,266	396,105	-	168,693	573,064
Due from other funds	685,131	36,513	25,413	9,000	1,329,074	2,085,131
Due from State government	309,859	1,055,678	-	-	-	1,365,537
Prepaid expenses	87,358	30,934	14,894	-	4,583	137,769
Total assets	\$ 3,368,424	\$ 4,078,692	\$ 5,119,128	\$ 894,089	\$ 2,110,748	\$ 15,571,081
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 134,215	\$ 32,563	\$ 94,681	\$ -	\$ 28,647	\$ 290,106
Accrued liabilities	44,952	37,942	4,871	-	2,219	89,984
Due to other funds	371	844,000	484,700	724,540	64,541	2,118,152
Due to other governments	-	-	-	-	65,066	65,066
Total liabilities	179,538	914,505	584,252	724,540	160,473	2,563,308
FUND BALANCES:						
Nonspendable	87,358	30,934	14,894	-	4,583	137,769
Restricted	1,603,171	1,028,545	4,517,000	-	15,362	7,164,078
Assigned	738,649	2,104,708	2,982	169,549	1,930,330	4,946,218
Unassigned	759,708	-	-	-	-	759,708
Total fund balances	3,188,886	3,164,187	4,534,876	169,549	1,950,275	13,007,773
Total liabilities and fund balances	\$ 3,368,424	\$ 4,078,692	\$ 5,119,128	\$ 894,089	\$ 2,110,748	\$ 15,571,081

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012**

Total fund balance - governmental funds			\$ 13,007,773
Total net position reported for governmental activities in the statement of net position 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	100,767,653	
	Accumulated depreciation	<u>(42,654,548)</u>	
			58,113,105
Compensated absences are not reported in the funds under fund accounting, but are expensed in the statement of activities as the liability is incurred.			
			(57,636)
Obligations for early termination benefits are not due and payable in the current period and; therefore, are not reported as a fund liability.			
			(88,468)
Accrued interest on long-term debt is an expense in the funds when paid, but a liability in the statement of net position when incurred.			
			(21,251)
Postemployment benefits are not reported in the funds under fund accounting, but are a liability in the statement of net position.			
			(719,794)
Long-term debt is not due and payable in the current period and; therefore, is not reported as a fund liability.			
			<u>(2,195,000)</u>
Total net position of governmental activities			<u>\$ 68,038,729</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, 2012**

	General Fund	Highway Fund Part-Town	Water Fund	Park Trust Fund	Total Nonmajor Governmental Funds	Total
REVENUES:						
Real property taxes and tax items	\$ 1,220,898	\$ -	\$ 144,738	\$ -	\$ 976,560	\$ 2,342,196
Nonproperty tax items	2,714,723	2,115,673	-	-	298,482	5,128,878
Departmental income	368,491	-	1,529,702	73,500	204,117	2,175,810
Intergovernmental charges	-	158,954	-	-	-	158,954
Use of money and property	69,994	9,412	70,135	733	707	150,981
Licenses and permits	251,614	-	-	-	4,100	255,714
Fines and forfeitures	148,841	-	-	-	-	148,841
Sale of property and compensation for loss	28,581	25,383	-	-	872	54,836
Miscellaneous	17,256	7,165	360	-	11,197	35,978
State aid	699,451	167,981	-	-	-	867,432
Federal aid	101,364	-	-	-	-	101,364
Total revenues	5,621,213	2,484,568	1,744,935	74,233	1,496,035	11,420,984
EXPENDITURES:						
General governmental support	2,006,706	40,351	125,896	-	239,229	2,412,182
Public safety	58,329	-	-	-	453,780	512,109
Public health	16,540	-	-	-	-	16,540
Transportation	173,202	2,028,058	44,229	-	74,339	2,319,828
Economic assistance and opportunity	30,823	-	-	-	-	30,823
Culture and recreation	1,649,469	-	-	208,655	7,220	1,865,344
Home and community services	827,963	-	1,377,160	-	213,274	2,418,397
Employee benefits	531,737	353,358	151,711	-	30,366	1,067,172
Debt service -						
Principal	195,000	-	25,000	-	390,000	610,000
Interest	27,300	-	2,768	-	36,939	67,007
Total expenditures	5,517,069	2,421,767	1,726,764	208,655	1,445,147	11,319,402
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	104,144	62,801	18,171	(134,422)	50,888	101,582
OTHER FINANCING SOURCES:						
Proceeds from debt issuance	-	-	-	-	1,250,000	1,250,000
Operating transfers - in	-	-	-	-	1,328,700	1,328,700
Operating transfers - out	-	(844,000)	(484,700)	-	-	(1,328,700)
Total other financing sources and uses	-	(844,000)	(484,700)	-	2,578,700	1,250,000
CHANGE IN FUND BALANCE	104,144	(781,199)	(466,529)	(134,422)	2,629,588	1,351,582
FUND BALANCE - beginning of year	3,084,742	3,945,386	5,001,405	303,971	(679,313)	11,656,191
FUND BALANCE - end of year	\$ 3,188,886	\$ 3,164,187	\$ 4,534,876	\$ 169,549	\$ 1,950,275	\$ 13,007,773

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 AND CHANGE IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - governmental funds \$ 1,351,582

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	1,526,154	
Depreciation	<u>(3,853,868)</u>	(2,327,714)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 610,000

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 position. (1,250,000)

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. 44,906

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. (2,514)

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. 29,136

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. (185,900)

Change in net position of governmental activities \$ (1,730,504)

The accompanying notes are an integral part of these statements.

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

**STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2012**

	Expendable <u>Trust</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 4,472	\$ 129,938
Due from other funds	<u>-</u>	<u>80,472</u>
Total assets	<u>4,472</u>	<u>210,410</u>
LIABILITIES		
Due to other funds	-	47,451
Other liabilities	<u>-</u>	<u>162,959</u>
Total liabilities	<u>-</u>	<u>210,410</u>
NET POSITION	<u>\$ 4,472</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 POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Expendable <u>Trust</u>
ADDITIONS	
Contributions	\$ <u> -</u>
Total additions	<u> -</u>
CHANGE IN NET POSITION	-
NET POSITION - BEGINNING OF YEAR	<u> 4,472</u>
NET POSITION - 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, 2012

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 2012, the Town contributed \$301,000 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 Position, 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 position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. 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 position 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 funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. Generally accepted accounting principles set forth minimum criteria (percentage of the assets/deferred inflows, liabilities/deferred outflows, 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.

- **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.
- **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.

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:

- **Capital Projects Fund** - used to account for financial resources to be used for the acquisition, construction or renovation of capital facilities; or the acquisition of equipment.
- **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
 - Fire Protection Fund
 - Consolidated Sewer 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 is 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	20 years
Machinery and equipment	3 - 20 years
Infrastructure:	
Bridges	30 years
Roads	20 years
Traffic Control Systems	40 years
Dams and Drainage Systems	50 years
Sewer Systems	40 years
Water Systems	40 years

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. Unearned Revenue

The Town reports unearned revenues in its basic financial statements, if applicable. Unearned 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. Unearned 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 unearned revenue is removed and revenue is recognized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Position.

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 position and displayed in three components:

- a. **Net investment in capital assets** - 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Equity Classifications (Continued)

1. Government-Wide Statements (Continued)

- b. **Restricted net position** - consists of net position 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 position** - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

2. Fund Statements

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* 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 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

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. 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, 2012	\$ 3,188,886
Less: Outstanding encumbrances	<u>(28,649)</u>
Budgetary basis fund balance at December 31, 2012	<u>\$ 3,160,237</u>
Highway Fund Part-Town:	
GAAP basis fund balance at December 31, 2012	\$ 3,164,187
Less: Outstanding encumbrances	<u>(779,616)</u>
Budgetary basis fund balance at December 31, 2012	<u>\$ 2,384,571</u>

No adjustments are necessary to convert the Water Fund'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	\$ 11,539,872	\$ 11,409,580
Fiduciary funds	<u>134,408</u>	<u>134,410</u>
Cash and cash equivalents	<u>\$ 11,674,280</u>	<u>\$ 11,543,990</u>
Category 1: Covered by FDIC insurance	\$ 538,686	
Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name	<u>11,353,838</u>	
	<u>\$ 11,892,524</u>	

4. RECEIVABLES

Receivables at December 31, 2012 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	\$ -	\$ -	\$ -	\$ -	\$ 103,627	\$ 103,627
Sewer rents	-	-	65,066	-	-	65,066
Other	-	8,266	-	-	-	8,266
4 th quarter water billings	<u>-</u>	<u>-</u>	<u>-</u>	<u>396,105</u>	<u>-</u>	<u>396,105</u>
Total	<u>\$ -</u>	<u>\$ 8,266</u>	<u>\$ 65,066</u>	<u>\$ 396,105</u>	<u>\$ 103,627</u>	<u>\$ 573,064</u>
Due from State government	<u>\$ 308,859</u>	<u>\$ 1,055,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,364,537</u>

5. CAPITAL ASSETS

A summary of changes in capital assets follows:

Type	Balance 1/1/12	Increases	Decreases	Transfers	Balance 12/31/12
Capital assets not being depreciated:					
Land	\$ 2,453,349	1	\$ -	-	\$ 2,453,350
Work-in-progress	<u>1,123,912</u>	<u>87,988</u>	-	<u>(589,277)</u>	<u>622,623</u>
Total capital assets not being depreciated	<u>3,577,261</u>	<u>87,989</u>	-	<u>(589,277)</u>	<u>3,075,973</u>
Depreciable capital assets:					
Buildings and improvements	10,919,665	172,790	-	-	11,092,455
Machinery and equipment	4,925,977	282,198	(62,756)	-	5,145,419
Infrastructure	<u>79,881,352</u>	<u>983,177</u>	-	<u>589,277</u>	<u>81,453,806</u>
Total depreciable capital assets	<u>95,726,994</u>	<u>1,438,165</u>	<u>(62,756)</u>	<u>589,277</u>	<u>97,691,680</u>
Less: Accumulated depreciation:					
Buildings and improvements	(5,980,521)	(208,189)	-	-	(6,188,710)
Machinery and equipment	(3,023,501)	(324,680)	62,756	-	(3,285,425)
Infrastructure	<u>(29,859,414)</u>	<u>(3,320,999)</u>	-	-	<u>(33,180,413)</u>
Total accumulated depreciation for depreciable capital assets, net	<u>(38,863,436)</u>	<u>(3,853,868)</u>	<u>62,756</u>	-	<u>(42,654,548)</u>
Total depreciable assets, net	<u>56,863,558</u>	<u>(2,415,703)</u>	-	<u>589,277</u>	<u>55,037,132</u>
Governmental activities capital assets, net	<u>\$ 60,440,819</u>	<u>\$ (2,327,714)</u>	-	<u>\$ -</u>	<u>\$ 58,113,105</u>

6. INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

Interfund receivables and payables at December 31, 2012 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 685,131	\$ 371
General Fund Part-Town	374	-
Water Fund	25,413	484,700
Capital Projects Fund	1,328,700	64,541
Highway Fund Part-Town	36,513	844,000
Agency Fund	80,472	47,451
Park Trust Fund	<u>9,000</u>	<u>724,540</u>
Total	<u>\$ 2,165,603</u>	<u>\$ 2,165,603</u>

Interfund transactions between governmental activities are eliminated on the Statement of Net Position. 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 NYRSSL, 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

Membership, benefits, and employer and employee obligations to contribute are described in the NYRSSL using the tier concept. Pension legislation established tier membership by the date a member last joined the Retirement System. They are as follows:

- Tier 1 - Those persons who last became members of the System before July 1, 1973.
- Tier 2 - Those persons who last became members on or after July 1, 1973, but before July 27, 1976.
- Tier 3 - Generally those persons who are State correction officers who last became members on or after July 27, 1976, and all others who last became members on or after July 27, 1976, but before September 1, 1983.
- Tier 4 - Generally, except for correction officers, those persons who last became members on or after September 1, 1983.
- Tier 5 - Those persons who last became members of the System on or after January 1, 2010.
- Tier 6 - Those persons who last became members of the System on or after April 1, 2012.

7. PENSION PLANS (Continued)

Funding Policy (Continued)

The Town's employees are among Tiers 2 through 6. Employees in Tier 3, 4, 5, and 6 are required to contribute at least 3% of their wages to the System. For employees in Tier 3 and 4, the 3% contribution ceases after 10 years of membership or 10 years of credited service.

The System is noncontributory for the employee 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. 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. Employees who join on or after April 1, 2012 will contribute 3% of their reportable salary. Beginning April 1, 2013, the contribution rate for Tier 6 members will vary based on each member's annual compensation varying between 3-6%.

The System cannot be diminished or impaired. Benefits can be reduced for future membership only by an act of the New York State Legislature. The Town's contributions for the years 2012, 2011 and 2010 were equal to the required contributions for the plan fiscal year as follows:

	<u>ERS</u>
2012	\$ 458,279
2011	\$ 406,389
2010	\$ 286,890

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

8. 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 receiving benefits at December 31, 2012. 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 2012 was approximately \$36,000.

8. POSTEMPLOYMENT HEALTH BENEFITS (Continued)

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>(36,143)</u>
Increase in net OPEB obligation	185,900
Net OPEB obligation - beginning of year	<u>533,894</u>
Net OPEB obligation - end of year	<u>\$ 719,794</u>

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>
2012	\$ 222,043	\$ 36,143	16.3%	\$ 719,794
2011	\$ 222,043	\$ 38,679	17.4%	\$ 533,894
2010	\$ 222,043	\$ 34,332	15.5%	\$ 350,530

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	12/31/12	\$ -	\$ 1,923,307	\$ 1,923,307	0.0%	\$ 2,853,349	67.4%
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%

8. POSTEMPLOYMENT HEALTH BENEFITS (Continued)

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 Bond Anticipation Notes (BANs) in order to finance the construction of the Town Hall building and a sewer improvement system. These BANs were paid off in the current year with the issuance of a new bond.

The following is a summary of changes in short-term debt for the year ended December 31, 2012:

Balance, January 1, 2012	\$ 1,250,000
Increases	-
Decreases	<u>(1,250,000)</u>
Balance, December 31, 2012	<u>\$ -</u>

10. LONG-TERM DEBT OBLIGATIONS

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.

10. LONG-TERM DEBT OBLIGATIONS (Continued)

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.

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.
- **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 liability balances and activity for the year are summarized below:

<u>Governmental Activities</u>	<u>Balance</u> <u>01/01/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/12</u>	<u>Classified as</u>	
					<u>Current</u>	<u>Non-Current</u>
Revolving fund revenue bonds	\$ 1,255,000	\$ -	\$ (350,000)	\$ 905,000	\$ 355,000	\$ 550,000
Serial bonds	300,000	1,250,000	(260,000)	1,290,000	245,000	1,045,000
Postemployment benefits	533,894	222,043	(36,143)	719,794	-	719,794
Early termination benefits	117,604	-	(29,136)	88,468	29,401	59,067
Compensated absences	<u>55,122</u>	<u>2,514</u>	<u>-</u>	<u>57,636</u>	<u>14,409</u>	<u>43,227</u>
Total	<u>\$ 2,261,620</u>	<u>\$ 1,474,557</u>	<u>\$ (675,279)</u>	<u>\$ 3,060,898</u>	<u>\$ 643,810</u>	<u>\$ 2,417,088</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>12/31/12</u>	<u>Final Maturity</u>
Serial Bonds:				
Public improvement	1992	6.15%	\$ 100,000	2013
Public improvement	1996	4.70 - 5.20%	75,000	2015
Public improvement	2012	1.00 - 2.00%	1,115,000	2020
Revolving Fund Revenue Bonds:				
State water pollution control	2005D	Various*	440,000	2014
State water pollution control	2002L	Various*	315,000	2015
State water pollution control	2011A	Various*	<u>150,000</u>	2017
Total			<u>\$ 2,195,000</u>	

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

10. LONG-TERM DEBT OBLIGATIONS (Continued)

Other Long-Term Debt (Continued)

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

Interest paid	\$	67,007
Plus: Interest accrued in the current year		21,251
Less: Interest accrued in the prior year		<u>(66,157)</u>
Total interest expense	\$	<u>22,101</u>

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

<u>Year</u>	<u>Bonds</u>	<u>Interest</u>
2013	\$ 600,000	\$ 49,750
2014	505,000	31,470
2015	290,000	18,661
2016	165,000	12,923
2017	170,000	11,263
2018 - 2020	<u>465,000</u>	<u>18,638</u>
Total	<u>\$ 2,195,000</u>	<u>\$ 142,705</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. \$755,000 of bonds outstanding were considered defeased at December 31, 2012.

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 2012, the Town collected lease payments and made debt principal and interest payments in the amount of \$1,106,250. As of December 31, 2012, the balance due on the remaining term bonds was \$2,000,000.

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 be 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 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.

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 \$88,000 and is included in the long-term obligations portion in the Statement of Net Position at December 31, 2012. The Town intends to fund the Program through a five-year payment amortization which began on February 1, 2012. The Town has made a payment of \$29,401 during the year ended December 31, 2012.

12. NET POSITION

A. Net Position - Restricted

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

<u>Special District</u>	<u>Restricted By</u>	<u>Amount</u>
Fire protection	Law	\$ 6,710
Special lighting	Law	8,652
Water fund	Law	<u>4,517,000</u>
Total restricted net position for special districts		<u>\$ 4,532,362</u>

In addition, the General Fund and the Highway Fund Part-Town have \$1,603,171 and \$1,028,545, respectively that is restricted by law at December 31, 2012.

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, 2012, fund balances are composed of the following:

	General Fund	Highway Fund Part- Town	Water Fund	Park Trust Fund	Nonmajor Governmental Funds	Total
Nonspendable -						
Prepaid expenditures	\$ 87,358	\$ 30,934	\$ 14,894	\$ -	\$ 4,583	\$ 137,769
Restricted -						
Law	1,603,171	1,028,545	4,517,000	-	15,362	7,164,078
Assigned -						
Culture and recreation	28,649	-	-	-	-	28,649
Machinery and equipment	-	779,616	-	-	-	779,616
Appropriations	700,000	-	2,982	43,000	1,220,000	1,965,982
Other spendable amounts	10,000	1,325,092	-	126,549	710,330	2,171,971
Unassigned	<u>759,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>759,708</u>
Total	<u>\$ 3,188,886</u>	<u>\$ 3,164,187</u>	<u>\$ 4,534,876</u>	<u>\$ 169,549</u>	<u>\$ 1,950,275</u>	<u>\$ 13,007,773</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. Under GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, the assets and the corresponding liabilities of the Plan have been removed from the agency fund. As of December 31, 2012, the market value of the assets of the Plan totaled \$1,874,894.

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, 2012 is fully funded.

For the year ended December 31, 2012, 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 Town also paid as additional rent those costs, expenses, taxes, assessments, and insurance premiums set forth in the lease agreement on top of the base rent. The Town's agreement with Blossom Properties expires on June 30, 2015.

16. OPERATING LEASES (Continued)

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:

2013	\$	217,788
2014	\$	220,932
2015	\$	167,502
2016	\$	75,000

The total lease expense in 2012 was approximately \$215,000.

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, 2012 totaled approximately \$103,000. All leases have an option to renew after five years. The future minimum amounts expected from these agreements are:

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, 2012, the contract still has not been renewed; however, the Town received payments at the 15% rate during 2012 totaling \$5,223.

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.

18. INTER-MUNICIPAL AGREEMENTS (Continued)

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. SUBSEQUENT EVENT

On February 28, 2013, the Town and Monroe County Water Authority (the Authority) agreed that the Town would lease the entire water plant, storage and distribution system of the Town to the Authority. This agreement expires in forty years.

21. IMPACT OF FUTURE GASB PRONOUNCEMENTS

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, 2012

	GENERAL FUND			
	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES:				
Real property taxes and tax items	\$ 1,237,830	\$ 1,237,830	\$ 1,220,898	\$ (16,932)
Nonproperty tax items	2,488,425	2,488,425	2,714,723	226,298
Departmental income	380,200	380,200	368,491	(11,709)
Use of money and property	45,000	45,000	69,994	24,994
Licenses and permits	130,040	130,040	251,614	121,574
Fines and forfeitures	220,000	220,000	148,841	(71,159)
Sale of property and compensation for loss	54,750	54,750	28,581	(26,169)
Miscellaneous	200	200	17,256	17,056
State aid	556,000	556,000	699,451	143,451
Federal aid	78,492	78,492	101,364	22,872
Total revenues	<u>5,190,937</u>	<u>5,190,937</u>	<u>5,621,213</u>	<u>430,276</u>
EXPENDITURES:				
General governmental support	2,088,183	2,131,088	2,035,355	95,733
Public safety	138,350	138,350	58,329	80,021
Public health	19,700	19,700	16,540	3,160
Transportation	260,769	224,941	173,202	51,739
Economic assistance and opportunity	55,920	40,720	30,823	9,897
Culture and recreation	1,788,513	1,743,925	1,649,469	94,456
Home and community services	783,950	853,682	827,963	25,719
Employee benefits	505,768	539,081	531,737	7,344
Debt service	239,784	232,259	222,300	9,959
Total expenditures	<u>5,880,937</u>	<u>5,923,746</u>	<u>5,545,718</u>	<u>378,028</u>
CHANGE IN FUND BALANCE	(690,000)	(732,809)	75,495	808,304
FUND BALANCE - beginning of year	<u>3,084,742</u>	<u>3,084,742</u>	<u>3,084,742</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 2,394,742</u>	<u>\$ 2,351,933</u>	<u>\$ 3,160,237</u>	<u>\$ 808,304</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 - HIGHWAY FUND PART-TOWN
FOR THE YEAR ENDED DECEMBER 31, 2012**

	HIGHWAY FUND - PART-TOWN			
	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES:				
Nonproperty tax items	\$ 2,115,673	\$ 2,115,673	\$ 2,115,673	\$ -
Intergovernmental charges	240,000	240,000	158,954	(81,046)
Use of money and property	9,000	9,000	9,412	412
Sale of property and compensation for loss	200	200	25,383	25,183
Miscellaneous	350	350	7,165	6,815
State aid	<u>120,000</u>	<u>120,000</u>	<u>167,981</u>	<u>47,981</u>
Total revenues	<u>2,485,223</u>	<u>2,485,223</u>	<u>2,484,568</u>	<u>(655)</u>
EXPENDITURES:				
General government	97,800	99,195	40,351	58,844
Transportation	2,626,949	3,004,446	2,807,674	196,772
Employee benefits	<u>445,474</u>	<u>445,474</u>	<u>353,358</u>	<u>92,116</u>
Total expenditures	<u>3,170,223</u>	<u>3,549,115</u>	<u>3,201,383</u>	<u>347,732</u>
EXCESS (DEFICIENCY) OR REVENUES OVER EXPENDITURES	<u>(685,000)</u>	<u>(1,063,892)</u>	<u>(716,815)</u>	<u>347,077</u>
INTERFUND TRANSFERS - OUT	<u>(844,000)</u>	<u>(844,000)</u>	<u>(844,000)</u>	<u>-</u>
CHANGE IN FUND BALANCE	(1,529,000)	(1,907,892)	(1,560,815)	347,077
FUND BALANCE - beginning of year	<u>3,945,386</u>	<u>3,945,386</u>	<u>3,945,386</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 2,416,386</u>	<u>\$ 2,037,494</u>	<u>\$ 2,384,571</u>	<u>\$ 347,077</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 - WATER FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	WATER FUND			
	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES:				
Real property and tax items	\$ 144,738	\$ 144,738	\$ 144,738	\$ -
Departmental income	2,080,082	2,080,082	1,529,702	(550,380)
Use of money and property	82,300	82,300	70,135	(12,165)
Miscellaneous	50	50	360	310
Total revenues	<u>2,307,170</u>	<u>2,307,170</u>	<u>1,744,935</u>	<u>(562,235)</u>
EXPENDITURES:				
General governmental support	214,150	218,821	125,896	92,925
Transportation	40,000	44,229	44,229	-
Home and community services	1,626,554	1,626,554	1,377,160	249,394
Employee benefits	171,508	171,508	151,711	19,797
Debt service -				
Principal	85,000	85,000	25,000	60,000
Interest	19,958	19,958	2,768	17,190
Total expenditures	<u>2,157,170</u>	<u>2,166,070</u>	<u>1,726,764</u>	<u>439,306</u>
EXCESS (DEFICIENCY) OR REVENUES OVER EXPENDITURES	<u>150,000</u>	<u>141,100</u>	<u>18,171</u>	<u>(122,929)</u>
INTERFUND TRANSFERS - OUT	<u>(734,700)</u>	<u>(734,700)</u>	<u>(484,700)</u>	<u>250,000</u>
CHANGE IN FUND BALANCE	(584,700)	(593,600)	(466,529)	127,071
FUND BALANCE - beginning of year	<u>5,001,405</u>	<u>5,001,405</u>	<u>5,001,405</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 4,416,705</u>	<u>\$ 4,407,805</u>	<u>\$ 4,534,876</u>	<u>\$ 127,071</u>

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

TOWN OF VICTOR, ONTARIO COUNTY, NEW YORK

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	Special Lighting Fund	General Fund Part-Town	Bicentennial Fund	Fire Protection Fund	Consolidated Sewer Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 9,195	\$ 260,043	\$ 4,472	\$ 6,710	\$ 327,978	\$ -	\$ 608,398
Due from other funds	-	374	-	-	-	1,328,700	1,329,074
Receivables	-	103,627	-	-	65,066	-	168,693
Prepaid expenses	-	4,583	-	-	-	-	4,583
Total assets	\$ 9,195	\$ 368,627	\$ 4,472	\$ 6,710	\$ 393,044	\$ 1,328,700	\$ 2,110,748
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	\$ 543	\$ 27,634	\$ 414	\$ -	\$ 56	\$ -	\$ 28,647
Due to other funds	-	-	-	-	-	64,541	64,541
Due to other governments	-	-	-	-	65,066	-	65,066
Accrued liabilities	-	2,219	-	-	-	-	2,219
Total liabilities	543	29,853	414	-	65,122	64,541	160,473
FUND BALANCES:							
Nonspendable	-	4,583	-	-	-	-	4,583
Restricted	8,652	-	-	6,710	-	-	15,362
Assigned	-	334,191	4,058	-	327,922	1,264,159	1,930,330
Total fund balances	8,652	338,774	4,058	6,710	327,922	1,264,159	1,950,275
Total liabilities and fund balances	\$ 9,195	\$ 368,627	\$ 4,472	\$ 6,710	\$ 393,044	\$ 1,328,700	\$ 2,110,748

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

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, 2012

	Special Lighting Fund	General Fund Part-Town	Bicentennial Fund	Fire Protection Fund	Consolidated Sewer Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES:							
Real property taxes and tax items	\$ 62,250	\$ -	\$ -	\$ 459,111	\$ 455,199	\$ -	\$ 976,560
Nonproperty tax items	-	290,032	-	-	8,450	-	298,482
Departmental income	-	204,117	-	-	-	-	204,117
Licenses and permits	-	4,100	-	-	-	-	4,100
Sale of property and compensation for loss	-	872	-	-	-	-	872
Miscellaneous	-	222	10,975	-	-	-	11,197
Use of money and property	-	704	3	-	-	-	707
Total revenues	62,250	500,047	10,978	459,111	463,649	-	1,496,035
EXPENDITURES:							
General governmental support	-	173,458	-	-	1,230	64,541	239,229
Public Safety	-	-	-	453,780	-	-	453,780
Transportation	57,629	16,710	-	-	-	-	74,339
Culture and recreation	-	-	7,220	-	-	-	7,220
Home and community services	-	204,636	-	-	8,638	-	213,274
Employee benefits	-	30,366	-	-	-	-	30,366
Debt service -							
Principal	-	-	-	-	390,000	-	390,000
Interest	-	-	-	-	36,939	-	36,939
Total expenditures	57,629	425,170	7,220	453,780	436,807	64,541	1,445,147
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,621	74,877	3,758	5,331	26,842	(64,541)	50,888
OTHER FINANCING SOURCES:							
Proceeds from debt issuance	-	-	-	-	360,000	890,000	1,250,000
Operating transfers - in	-	-	-	-	-	1,328,700	1,328,700
Total other financing sources and uses	-	-	-	-	360,000	2,218,700	2,578,700
CHANGE IN FUND BALANCE	4,621	74,877	3,758	5,331	386,842	2,154,159	2,629,588
FUND BALANCE - beginning of year	4,031	263,897	300	1,379	(58,920)	(890,000)	(679,313)
FUND BALANCE - end of year	\$ 8,652	\$ 338,774	\$ 4,058	\$ 6,710	\$ 327,922	\$ 1,264,159	\$ 1,950,275

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