

TOWN OF HENRIETTA

Monroe County, New York

BASIC FINANCIAL STATEMENTS

For Year Ended December 31, 2011

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Raymond F. Wager, CPA, P.C.
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA
Thomas J. Lauffer, CPA
Thomas C. Zuber, CPA

Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

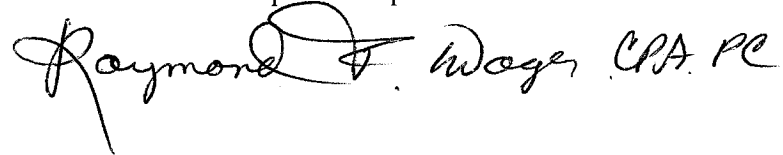
To the Honorable Town Council
The Town of Henrietta
Monroe County, New York

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Henrietta, Monroe County, New York (the Town) as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the accompanying table of contents. We also have audited the financial statements of each of the Town's nonmajor governmental funds presented as supplemental information in the accompanying combining and individual fund financial statements and schedules as of and for the year ended December 31, 2011, as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund, the highway fund, the sewer fund, and the drainage fund for the year ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Town, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Handwritten signature of Raymond F. Wager, CPA, PC.

April 23, 2012

Town of Henrietta, Monroe County, New York

Management's Discussion and Analysis (MD&A)

December 31, 2011

Introduction

Our discussion and analysis of the Town of Henrietta, Monroe County, New York's financial performance provides an overview of the Town's financial activities for the year ended December 31, 2011. It should be read in conjunction with the basic financial statements to enhance understanding of the Town's financial performance, which immediately follows this section.

Financial Highlights

Key financial highlights for year 2010 are as follows:

- ◆ On the government-wide financial statements, the total assets of the Town exceeded liabilities by \$55,370,147 (net assets) an increase of \$1,085,566. Of the current year amount, the unrestricted portion is \$12,409,425. The balance of net assets is either restricted for specific purposes or the net book value of capital assets.
- ◆ The Town's governmental fund financial statements report a combined ending fund balance of \$17,287,088, an increase of \$2,023,867 in comparison with the prior year. At the end of the current year, \$9,273,600 is available for spending at the Town's discretion.
- ◆ At the end of the current year, the fund balance of the General Fund was \$11,845,629 an increase of \$1,583,743 from the prior year.
- ◆ General revenues which include Sales Tax, State Aid-Mortgage Tax, Real Property Tax, Compensation for Loss, Investment Earnings, and Miscellaneous accounted for \$9,642,739 or 60% of all revenues. Program specific revenues in the form of Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions accounted for \$6,402,925 or 40% of total revenues.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Henrietta's basic financial statements. The Town's basic financial statements are comprised 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 schedules in addition to the basic financial statements.

1. Government-Wide Financial Statements

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

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

The government-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

2. Fund Financial Statements

- ◆ A *fund* is a 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, Sewer Fund, and Drainage Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for each fund. The Town has elected to report the Capital Fund, the Public Library Fund, the Street Lighting Fund, the Consolidated Sewer Fund, the Parks Fund, and the Transportation Fund as non-major funds.

- ◆ The Town adopts an annual budget for each of its major funds. A budgetary comparison statement has been provided for each major fund within the basic financial statements to demonstrate compliance with the budget.
- ◆ The *Fiduciary Funds* are used to account for assets held by the Town in an agency capacity which accounts for assets held by the Town on behalf of others. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of these funds are *not* available to support the Town's programs.

The financial statements for the Town of Henrietta, Monroe County, New York can be found in the basic financial statement section of this report.

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

3. *Notes to the 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. The notes to the financial statements can be found following the basic financial statement section of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Town's financial position. In the case of the Town of Henrietta, Monroe County, New York, net assets at the close of the current year were \$55,370,147.

Net Assets

The Town's combined net assets were larger on December 31, 2011, than they were the year before, as shown in table below:

<u>ASSETS</u>	<u>2011</u>	Restated <u>2010</u>	<u>%</u> <u>Variance</u>
Current Assets	\$ 18,041,526	\$ 16,732,920	7.82%
Capital Assets, Net	39,536,263	40,672,756	-2.79%
Total Assets	\$ 57,577,789	\$ 57,405,676	0.30%
<u>LIABILITIES</u>			
Current Liabilities	\$ 771,255	\$ 1,488,473	-48.18%
Noncurrent Liabilities			
Due in One Year	186,597	190,655	-2.13%
Due in More Than One Year	1,249,790	1,441,967	-13.33%
Total Liabilities	\$ 2,207,642	\$ 3,121,095	-29.27%
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 38,126,263	\$ 39,082,756	-2.45%
Restricted Capital Reserves	433,331	431,817	0.35%
Restricted Other Purposes	4,401,128	4,410,077	-0.20%
Unrestricted	12,409,425	10,359,931	19.78%
Total Net Assets	\$ 55,370,147	\$ 54,284,581	2.00%

By far, the largest component of the Town's net assets (69%) 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. Capital assets and net assets have been adjusted to reflect infrastructure assets dedicated during 2010.

There are restricted net asset balances in Capital Reserves, and Other Purposes, which constitute 9% of total net assets. The remaining balance of unrestricted net assets, which is a surplus of \$12,409,425 (22%), may be used to finance future operations.

Changes in Net Assets

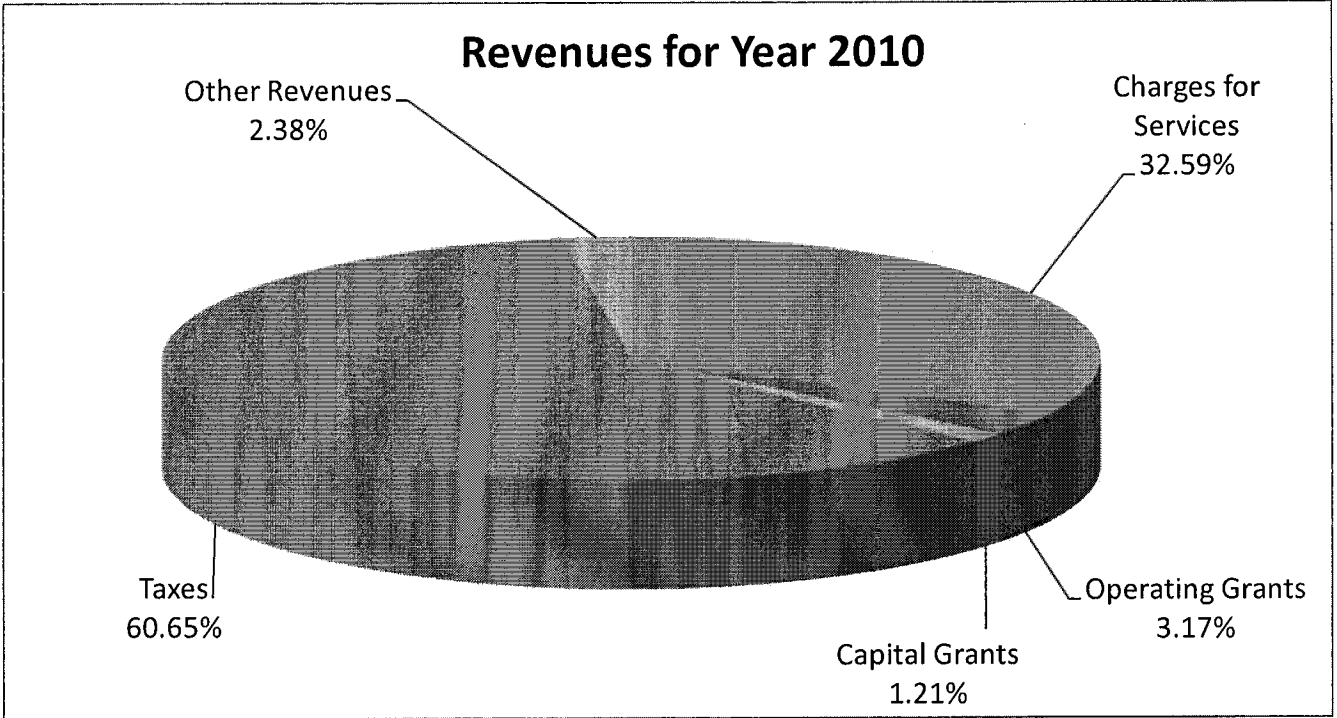
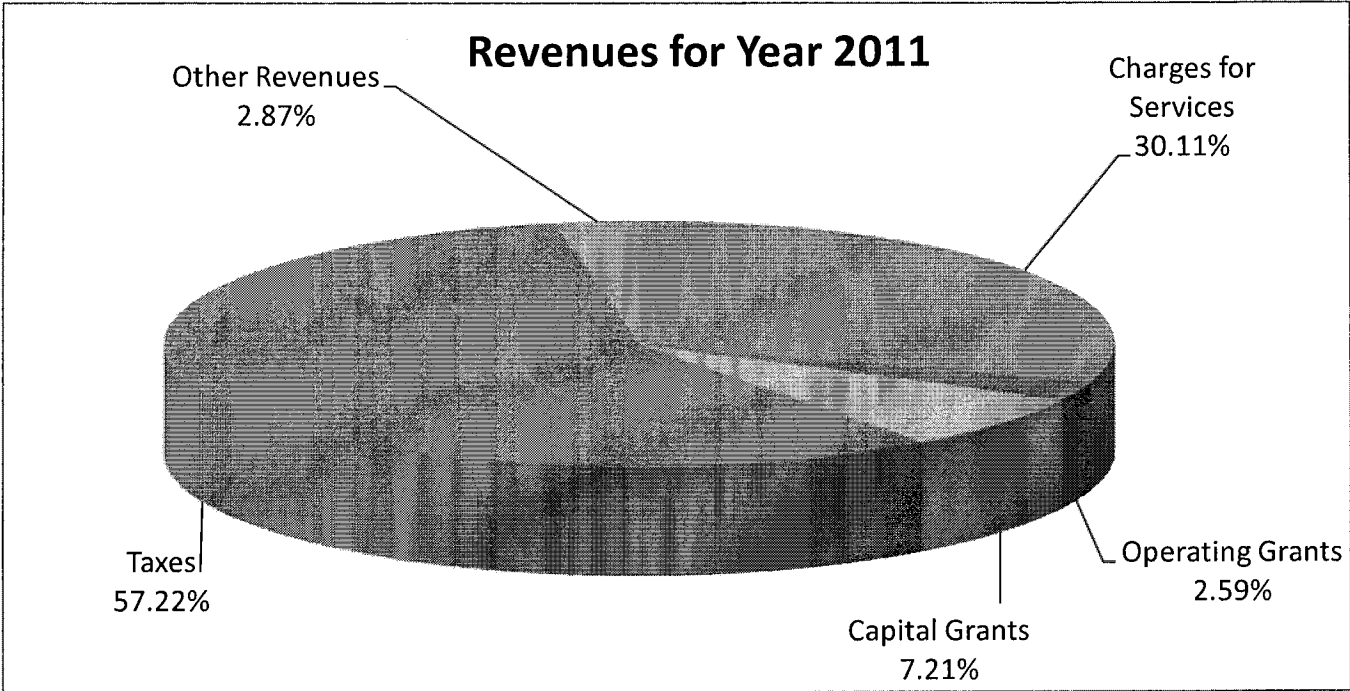
The Town's total revenues were more for 2011 than they were the year before, increasing by 13% to \$16,045,664. The Town relies upon taxes, charges for services, capital and operating grants as their primary revenue sources.

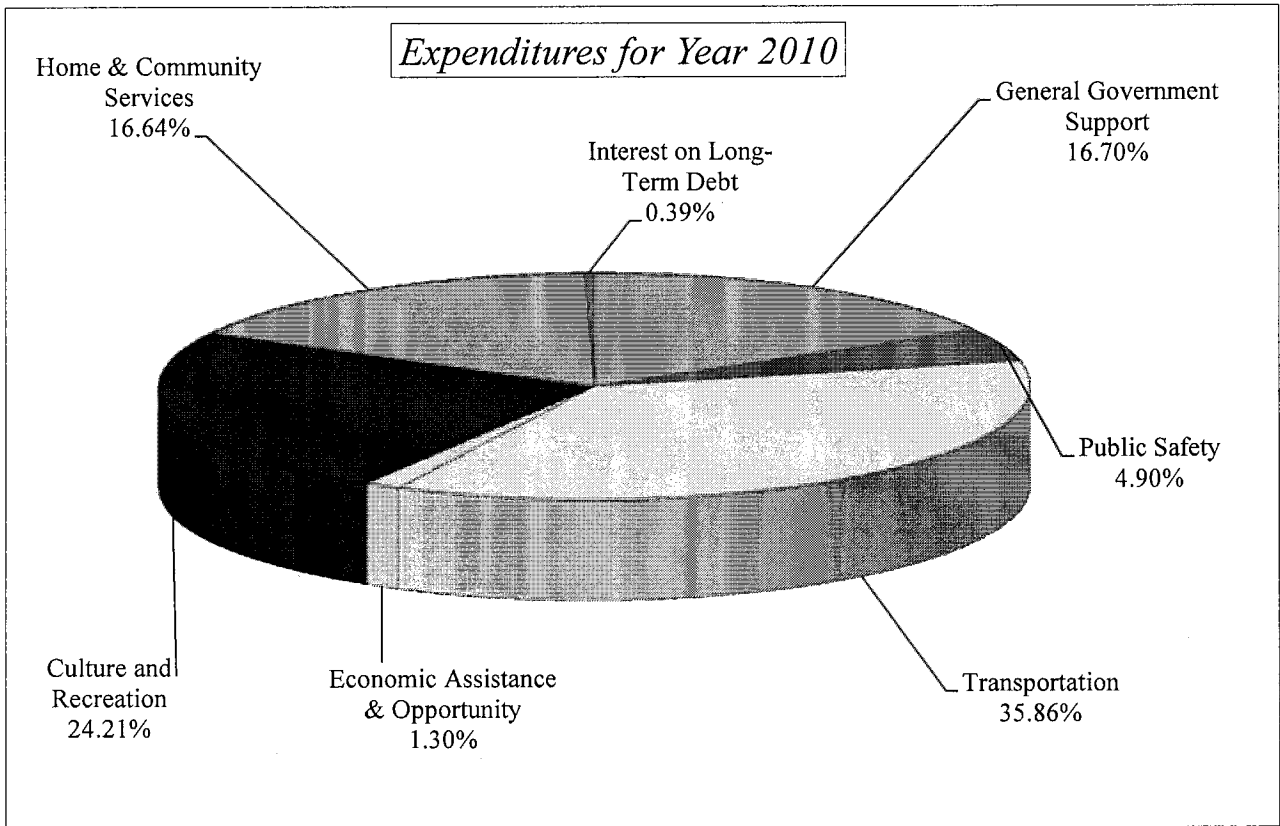
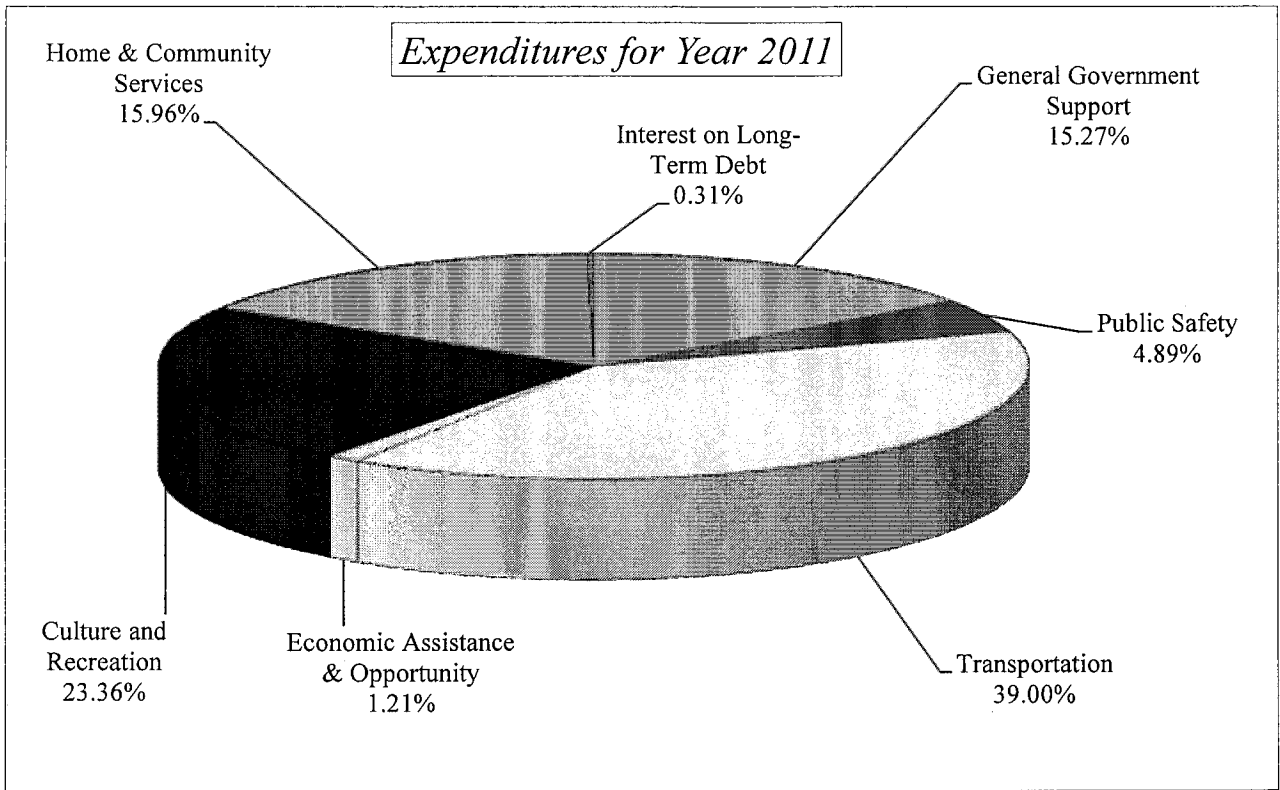
The Town's total expenditures were more for 2011 than they were the year before, increasing by 3% to \$14,960,098.

See table below:

<u>Revenues:</u>	<u>2011</u>	Restated <u>2010</u>	<u>%</u> <u>Variance</u>
Charges for Services	\$ 4,831,744	\$ 4,637,366	4.19%
Operating Grants & Contributions	414,991	450,843	-7.95%
Capital Grants & Contributions	1,156,190	918,432	25.89%
Taxes	9,181,421	8,629,650	6.39%
Other Revenues	461,318	338,938	36.11%
Total Revenues	<u>\$ 16,045,664</u>	<u>\$ 14,975,229</u>	<u>7.15%</u>
<u>Expenditures:</u>			
General Government Support	\$ 2,284,470	\$ 2,417,033	-5.48%
Public Safety	731,285	709,731	3.04%
Transportation	5,834,402	5,190,502	12.41%
Economic Assistance	181,021	187,310	-3.36%
Culture & Recreation	3,495,412	3,504,474	-0.26%
Home & Community Services	2,388,329	2,408,721	-0.85%
Interest on Long-Term Debt	45,179	54,848	-17.63%
Total Expenditures	<u>\$ 14,960,098</u>	<u>\$ 14,472,619</u>	<u>3.37%</u>
 Change in Net Assets	 \$ 1,085,566	 \$ 502,610	
Net Assets - Beginning of Year	<u>54,284,581</u>	<u>53,781,971</u>	
Net Assets - End of Year	<u>\$ 55,370,147</u>	<u>\$ 54,284,581</u>	

Capital contributions for 2010 have been adjusted to include dedicated infrastructure values received during that year.





Financial Analysis of the Town of Henrietta'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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year and amounts to be applied against next years fund balance.

As of the end of the current year, the Town's combined governmental fund balances are \$17,287,088 which is greater than last year's ending fund balance of \$15,263,221.

Of the total combined fund balances, \$184,530 has been designated as nonspendable fund balance, \$4,921,053 has been designated as restricted fund balance, \$2,907,905 has been designated as assigned fund balance and the remaining balance of \$9,273,600 (unassigned fund balance) is primarily for providing cash flow and for future spending needs.

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 \$11,845,629, of which \$9,277,208 was unassigned. The fund balance for the Town of Henrietta's General Fund increased by \$1,583,743 compared with the prior year.

Budgetary Highlights

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

<u>Revenue Items</u>	<u>Budget Variance Amended Vs. Actual</u>	<u>Explanation for Budget Variance</u>
General Fund-Non-Property Taxes	\$1,079,726	Sales Tax: We budgeted conservatively as this category can fluctuate greatly. However, the revenue for 2011 increased by \$515,000 over 2010.
General Fund-Departmental Income	\$563,332	Due to the large "overage" in A.1560.0, Safety Inspection Fees, a.k.a. Building Permits/Inspections. Construction was not as slow as anticipated, but in large part this was due to the Large Project Surcharge that the Building Department charges for larger projects.
General Fund-Licenses and Permits	\$105,689	The amount received from Time-Warner for Cable TV Franchise Fee was \$104,000 more than anticipated in the budget. The anticipated revenue in the 2012 budget was increased by \$65,000.
General Fund-Fines and Forfeitures	(\$111,639)	The amount collected in fines by our Town Judges has steadily declined in recent years. Because it fell so short of the anticipated budgeted amount for 2011, the amount for 2012 was decreased by \$80,000.
General Fund-Miscellaneous	\$146,251	Mostly due to a RG&E refund totaling over \$100,000
General Fund-Interfund Revenues	\$276,493	Severely underestimated amount of General Service Garage chargebacks. The amount was increased by \$50,000 for 2012 but will still be too low.

<u>Revenue Items</u>	<u>Budget Variance Amended Vs. Actual</u>	<u>Explanation for Budget Variance</u>
Highway Fund-Intergovernmental Charges	\$368,000	Higher than usual reimbursement for snow/ice because of the bad weather in the 2010/2011 season (2011 portion). Also did \$52,000 project on Calkins Road for the County.
Highway Fund-Operating Transfers-In	(\$369,538)	The original budget contained this transfer-in to balance the budget for the year. However, the revenues exceeded our expenses by \$375,000 without the transfer, so after consulting with the Town Board, we did not make that transfer.
Sewer Fund-Departmental Income	(\$163,679)	Most of this decrease was due to our decision to change the fee structure for sewer charges for apartment units because of issues raised by apartment complex owners. We estimate that is costing us over \$130,000 annually as compared to the old structure.

<u>Expenditure Items</u>	<u>Budget Variance Amended Vs. Actual</u>	<u>Explanation for Budget Variance</u>
General Fund-General Government Support	\$685,349	Several positions that became vacant in 2010 were left vacant for 2011, e.g. Finance Director, Director of Sewers, Sidewalks & Parks, Deputy Assessor, Director of Recreation. Their duties and in some cases titles, were absorbed by others. Also did less large projects, including Sidewalks.
General Fund-Public Safety	\$134,672	Lower cost than anticipated for safety inspections and dog control.
General Fund-Transportation	\$124,750	Lower cost than anticipated for street lighting and street administration.
General Fund-Culture and Recreation	\$198,576	With replacement of former Director of Recreation, spending was brought back in line and there was more focus on meeting revenue goals.
General Fund-Employee Benefits	\$250,259	<ol style="list-style-type: none"> 1. A decrease in the number of full-time employees resulted in the elimination of benefit costs for those positions. 2. There was an increase in our health care costs but not as much as budgeted because of the Consortium that the Town is part of.
General Fund-Operating Transfers-Out	\$369,538	No transfer was made to Highway, as described above.
Highway Fund-Transportation	\$584,457	Expenses were lower throughout the Highway budget because of the mild start to the 2011-12 winter and also because we maintained a couple of vacant positions.
Sewer Fund-Home and Community Services	\$183,848	Spending down overall but especially Contractual - \$100,000 under budget.
Drainage Fund-Home and Community Services	\$202,826	No Capital Projects were identified that the Town Board wanted to proceed with so .300 capital outlay was under budget by \$160,000.

Capital Assets

A listing of capital assets, net of accumulated depreciation, is reflected below:

	<u>2011</u>	<u>2010</u>
Land	\$ 3,671,258	\$ 3,671,258
Infrastructure	26,899,779	28,380,703
Buildings and Improvements	4,963,920	5,057,759
Machinery and Equipment	3,457,790	3,457,452
Work in Progress	543,516	105,584
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 39,536,263</u>	<u>\$ 40,672,756</u>

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

Long-Term Debt

The general obligation and other long-term debt of the Town is as follows:

	<u>2011</u>	<u>2010</u>
Serial Bonds	\$ 510,000	\$ 630,000
Revolving Fund Revenue Bonds	900,000	960,000
Compensated Absences	26,387	42,622
Total	<u>\$ 1,436,387</u>	<u>\$ 1,632,622</u>

The amount of principal paid on outstanding debt was \$180,000. 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

Substantial rate increases announced by the New York State Employees' Retirement System, combined with expanding health insurance costs, will require increases in budgetary allocations over the next several years.

Requests for Information

This financial report is designed to provide a general overview of the Town of Henrietta's finances for all 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 Henrietta
475 Calkins Road
P.O. Box 999
Henrietta, New York 14467-0999

TOWN OF HENRIETTA, MONROE COUNTY, NEW YORK

Statement of Net Assets

December 31, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 15,896,271
Accounts receivable, net	881,948
Due from other governments, net	778,788
State and federal aid receivable	299,990
Deferred expenditures	184,529
Capital assets, net of accumulated depreciation:	
Land	3,671,258
Buildings	4,963,920
Equipment	3,457,790
Infrastructure	26,899,779
Work in progress	543,516
TOTAL ASSETS	<u>\$ 57,577,789</u>
LIABILITIES	
Accounts payable and other current liabilities	\$ 527,713
Accrued liabilities	243,542
Noncurrent liabilities:	
Due in one year	186,597
Due in more than one year	1,249,790
TOTAL LIABILITIES	<u>\$ 2,207,642</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 38,126,263
Restricted for:	
Capital reserves	433,331
Restricted other purposes	4,401,128
Unrestricted	12,409,425
TOTAL NET ASSETS	<u>\$ 55,370,147</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HENRIETTA, MONROE COUNTY, NEW YORK

Statement of Activities

For the Year Ended December 31, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary Government:					
Governmental Activities:					
General government support	\$ 2,284,470	\$ 30,458	\$ 383,581	\$ -	\$ (1,870,431)
Public safety	731,285	2,183,306	-	-	1,452,021
Transportation	5,834,402	993,167	-	837,110	(4,004,125)
Economic assistance and opportunity	181,021	-	-	-	(181,021)
Culture and recreation	3,495,412	702,721	31,410	-	(2,761,281)
Home and community services	2,388,329	922,092	-	319,080	(1,147,157)
Interest on long-term debt	45,179	-	-	-	(45,179)
Total Governmental Activities	\$ 14,960,098	\$ 4,831,744	\$ 414,991	\$ 1,156,190	\$ (8,557,173)
Total Primary Government	\$ 14,960,098	\$ 4,831,744	\$ 414,991	\$ 1,156,190	\$ (8,557,173)
General Revenues:					
Taxes:					
Property taxes					\$ 5,538,411
Non-property taxes					2,879,726
Mortgage tax					763,284
Compensation for loss					51,919
Investment earnings					80,458
Miscellaneous					328,941
Total General Revenues					\$ 9,642,739
Change in Net Assets					\$ 1,085,566
Net Assets - Beginning (restated)					54,284,581
Net Assets - Ending					\$ 55,370,147

The notes to the financial statements are an integral part of this statement.

TOWN OF HENRIETTA, MONROE COUNTY, NEW YORK

Balance Sheet

Governmental Funds

December 31, 2011

	<u>Major</u>				<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Highway</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Assets						
Cash and cash equivalents	\$ 10,818,042	\$ 746,414	\$ 1,318,905	\$ 1,832,485	\$ 1,180,425	\$ 15,896,271
Receivables, net	453,803	850	427,295	-	-	881,948
Due from other governments, net	775,472	3,316	-	-	-	778,788
State and federal aid receivable	27,261	272,729	-	-	-	299,990
Deferred expenses	69,886	50,854	20,366	13,863	29,560	184,529
Total Assets	<u>\$ 12,144,464</u>	<u>\$ 1,074,163</u>	<u>\$ 1,766,566</u>	<u>\$ 1,846,348</u>	<u>\$ 1,209,985</u>	<u>\$ 18,041,526</u>
Liabilities and Fund Balance						
Liabilities:						
Accounts payable and other						
current liabilities	\$ 163,578	\$ 200,153	\$ 73,109	\$ 11,157	\$ 46,523	\$ 494,520
Accrued liabilities	102,752	52,175	24,792	14,944	32,062	226,725
Overpayments and						
collections in advance	32,505	-	688	-	-	33,193
Total Liabilities	<u>\$ 298,835</u>	<u>\$ 252,328</u>	<u>\$ 98,589</u>	<u>\$ 26,101</u>	<u>\$ 78,585</u>	<u>\$ 754,438</u>
Fund Balances:						
Nonspendable	\$ 69,886	\$ 50,854	\$ 20,366	\$ 13,863	\$ 29,561	\$ 184,530
Restricted	433,331	-	1,647,611	1,806,384	1,033,727	4,921,053
Assigned	2,065,204	770,981	-	-	71,720	2,907,905
Unassigned	9,277,208	-	-	-	(3,608)	9,273,600
Total Fund Balances	<u>\$ 11,845,629</u>	<u>\$ 821,835</u>	<u>\$ 1,667,977</u>	<u>\$ 1,820,247</u>	<u>\$ 1,131,400</u>	<u>\$ 17,287,088</u>
Total Liabilities and						
Fund Balances	<u>\$ 12,144,464</u>	<u>\$ 1,074,163</u>	<u>\$ 1,766,566</u>	<u>\$ 1,846,348</u>	<u>\$ 1,209,985</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	39,536,263
Long-term liabilities, including serial bonds payable, are not due in the current period and therefore are not reported in the funds.	(1,410,000)
Interest is accrued on outstanding bonds in the statement of net assets but not in the funds.	(16,817)
Compensated absences are not reported in the funds under fund accounting but are expensed as the liability is incurred in the statement of net assets.	(26,387)
Net Assets of Governmental Activities	<u>\$ 55,370,147</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HENRIETTA, MONROE COUNTY, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	Major				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Highway Fund	Sewer Fund	Drainage Fund		
Revenues:						
Real property and tax items	\$ 130,537	\$ 2,455,562	\$ 541,767	\$ 834,614	\$ 1,575,931	\$ 5,538,411
Non-property taxes	2,879,726	-	-	-	-	2,879,726
Departmental income	2,130,467	-	922,092	-	72,535	3,125,094
Intergovernmental charges	36,518	956,649	-	-	-	993,167
Use of money and property	52,877	6,913	6,227	7,629	6,812	80,458
Licenses and permits	520,122	-	-	-	-	520,122
Fines and forfeitures	193,361	-	-	-	-	193,361
Sale of property and compensation for loss	18,212	25,007	7,986	340	374	51,919
Miscellaneous	222,251	5,360	4,728	68,500	63,788	364,627
Interfund revenues	476,493	-	-	-	-	476,493
State and county aid	1,069,304	172,771	-	-	-	1,242,075
Federal aid	108,971	41,750	50,000	-	-	200,721
Total Revenues	\$ 7,838,839	\$ 3,664,012	\$ 1,532,800	\$ 911,083	\$ 1,719,440	\$ 15,666,174
Expenditures:						
Current:						
General government support	\$ 2,534,526	\$ 28,079	\$ 13,478	\$ 8,985	\$ 7,862	\$ 2,592,930
Public safety	584,328	-	-	-	-	584,328
Transportation	148,567	2,625,407	-	-	439,312	3,213,286
Economic assistance and opportunity	139,890	-	-	-	-	139,890
Culture and recreation	1,594,302	-	-	-	1,113,327	2,707,629
Home and community services	96,338	-	1,336,010	470,834	2,739	1,905,921
Employee benefits	849,082	579,849	274,189	162,831	350,820	2,216,771
Debt Service:						
Debt service - principal	120,000	54,416	-	-	60,000	234,416
Debt service - interest and other charges	28,063	973	-	-	18,100	47,136
Total Expenditures	\$ 6,095,096	\$ 3,288,724	\$ 1,623,677	\$ 642,650	\$ 1,992,160	\$ 13,642,307
Excess (deficiency) of revenue over expenditures	\$ 1,743,743	\$ 375,288	\$ (90,877)	\$ 268,433	\$ (272,720)	\$ 2,023,867
Other Financing Sources and Uses:						
Operating transfers - in	\$ -	\$ -	\$ -	\$ -	\$ 160,000	\$ 160,000
Operating transfers - out	(160,000)	-	-	-	-	(160,000)
Total Other Financing Sources and Uses	\$ (160,000)	\$ -	\$ -	\$ -	\$ 160,000	\$ -
Net change in fund balances	\$ 1,583,743	\$ 375,288	\$ (90,877)	\$ 268,433	\$ (112,720)	\$ 2,023,867
Fund Balance - Beginning	10,261,886	446,547	1,758,854	1,551,814	1,244,120	15,263,221
Fund Balance - Ending	\$ 11,845,629	\$ 821,835	\$ 1,667,977	\$ 1,820,247	\$ 1,131,400	\$ 17,287,088

TOWN OF HENRIETTA, MONROE COUNTY, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 2,023,867

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Addition of assets	\$ 2,163,898	
Depreciation	(3,188,762)	
Gain/(Loss) on sale of assets	<u>(111,629)</u>	
		(1,136,493)

Bond and installment purchase debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets. The following details these items as they effect the governmental activities:

Debt repayment		180,000
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Compensated absences represents the value of the earned and unused portion of the liability for vacation and compensatory time. They are reported in the statement of activities but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the net change of compensated absences.

16,235

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

1,957

Change in Net Assets of Governmental Activities \$ 1,085,566

The notes to the financial statements are an integral part of this statement.

TOWN OF HENRIETTA, MONROE COUNTY, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General and Major Special Revenue Fund Types
For the Year Ended December 31, 2011

	GENERAL FUND				
	Original Budget (Incl. Carryover Encumbrances)	Budget (Amended)	Actual	Encumbrances	Variance
Revenues:					
Real property and tax items	\$ 90,000	\$ 90,000	\$ 130,537	\$ -	\$ 40,537
Non-property taxes	1,800,000	1,800,000	2,879,726	-	1,079,726
Departmental income	1,567,135	1,567,135	2,130,467	-	563,332
Intergovernmental charges	50,000	50,000	36,518	-	(13,482)
Use of money and property	63,000	63,000	52,877	-	(10,123)
Licenses and permits	414,433	414,433	520,122	-	105,689
Fines and forfeitures	305,000	305,000	193,361	-	(111,639)
Sale of property and compensation for loss	14,000	14,000	18,212	-	4,212
Miscellaneous	76,000	76,000	222,251	-	146,251
Interfund revenues	200,000	200,000	476,493	-	276,493
State and county aid	1,013,526	1,013,526	1,069,304	-	55,778
Federal aid	55,390	55,390	108,971	-	53,581
Total Revenues	\$ 5,648,484	\$ 5,648,484	\$ 7,838,839	\$ -	\$ 2,190,355
Expenditures:					
Current:					
General government support	\$ 3,235,873	\$ 3,245,518	\$ 2,534,526	\$ 25,643	\$ 685,349
Public safety	722,724	719,000	584,328	-	134,672
Transportation	277,892	273,317	148,567	-	124,750
Economic assistance and opportunity	130,111	150,716	139,890	35	10,791
Culture and recreation	1,852,805	1,832,200	1,594,302	39,322	198,576
Home and community services	103,771	107,495	96,338	2,087	9,070
Employee benefits	1,099,341	1,099,341	849,082	-	250,259
Debt Service:					
Debt service - principal	120,000	120,000	120,000	-	-
Debt service - interest and other charges	28,063	28,063	28,063	-	-
Total Expenditures	\$ 7,570,580	\$ 7,575,650	\$ 6,095,096	\$ 67,087	\$ 1,413,467
Excess (deficiency) of revenue over expenditures	\$ (1,922,096)	\$ (1,927,166)	\$ 1,743,743	\$ (67,087)	\$ 3,603,822
Other Financing Sources and Uses:					
Operating transfers - out	\$ (529,538)	\$ (529,538)	\$ (160,000)	\$ -	\$ 369,538
Total Other Financing Sources and Uses	\$ (529,538)	\$ (529,538)	\$ (160,000)	\$ -	\$ 369,538
Net change in fund balances	\$ (2,451,634)	\$ (2,456,704)	\$ 1,583,743	\$ (67,087)	\$ 3,973,360
Fund Balance - Beginning	10,261,886	10,261,886	10,261,886	-	-
Fund Balance - Ending	\$ 7,810,252	\$ 7,805,182	\$ 11,845,629	\$ (67,087)	\$ 3,973,360

The notes to the financial statements are an integral part of this statement.

TOWN OF HENRIETTA, MONROE COUNTY, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General and Major Special Revenue Fund Types
December 31, 2011

HIGHWAY FUND

	Original Budget (Incl. Carryover Encumbrances)	Budget (Amended)	Actual	Encumbrances	Variance
Revenues:					
Real property and tax items	\$ 2,373,672	\$ 2,373,672	\$ 2,455,562	\$ -	\$ 81,890
Intergovernmental charges	588,649	588,649	956,649	-	368,000
Use of money and property	5,000	5,000	6,913	-	1,913
Sale of property and compensation for loss	22,500	22,500	25,007	-	2,507
Miscellaneous	6,000	6,000	5,360	-	(640)
State and county aid	172,476	172,476	172,771	-	295
Federal aid	-	-	41,750	-	41,750
Total Revenues	\$ 3,168,297	\$ 3,168,297	\$ 3,664,012	\$ -	\$ 495,715
Expenditures:					
Current:					
General government support	\$ 54,727	\$ 54,727	\$ 28,079	\$ -	\$ 26,648
Transportation	3,210,338	3,210,338	2,625,407	474	584,457
Employee benefits	602,757	602,756	579,849	-	22,907
Debt Service:					
Debt service - principal	54,416	54,417	54,416	-	1
Debt service - interest and other charges	974	974	973	-	1
Total Expenditures	\$ 3,923,212	\$ 3,923,212	\$ 3,288,724	\$ 474	\$ 634,014
Excess (deficiency) of revenue over expenditures	\$ (754,915)	\$ (754,915)	\$ 375,288	\$ (474)	\$ 1,129,729
Other Financing Sources and Uses:					
Operating transfers - in	\$ 369,538	\$ 369,538	\$ -	\$ -	\$ (369,538)
Total Other Financing Sources and Uses	\$ 369,538	\$ 369,538	\$ -	\$ -	\$ (369,538)
Net change in fund balances	\$ (385,377)	\$ (385,377)	\$ 375,288	\$ (474)	\$ 760,191
Fund Balance - Beginning	446,547	446,547	446,547	-	-
Fund Balance - Ending	\$ 61,170	\$ 61,170	\$ 821,835	\$ (474)	\$ 760,191

The notes to the financial statements are an integral part of this statement.

TOWN OF HENRIETTA, MONROE COUNTY, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General and Major Special Revenue Fund Types
For the Year Ended December 31, 2011

	SEWER FUND				
	Original Budget				
	(Incl. Carryover	Budget			
	Encumbrances)	(Amended)	Actual	Encumbrances	Variance
Revenues:					
Real property and tax items	\$ 541,767	\$ 541,767	\$ 541,767	\$ -	\$ -
Departmental income	1,085,771	1,085,771	922,092	-	(163,679)
Use of money and property	10,000	10,000	6,227	-	(3,773)
Sale of property and compensation for loss	-	-	7,986	-	7,986
Miscellaneous	1,000	1,000	4,728	-	3,728
Federal aid	-	-	50,000	-	50,000
Total Revenues	\$ 1,638,538	\$ 1,638,538	\$ 1,532,800	\$ -	\$ (105,738)
Expenditures:					
Current:					
General government support	\$ 27,135	\$ 27,135	\$ 13,478	\$ -	\$ 13,657
Home and community services	1,520,124	1,520,124	1,336,010	266	183,848
Employee benefits	349,040	349,040	274,189	-	74,851
Total Expenditures	\$ 1,896,299	\$ 1,896,299	\$ 1,623,677	\$ 266	\$ 272,356
Excess (deficiency) of revenue over expenditures	\$ (257,761)	\$ (257,761)	\$ (90,877)	\$ (266)	\$ 166,618
Fund Balance - Beginning	1,758,854	1,758,854	1,758,854	-	-
Fund Balance - Ending	\$ 1,501,093	\$ 1,501,093	\$ 1,667,977	\$ (266)	\$ 166,618

The notes to the financial statements are an integral part of this statement.

TOWN OF HENRIETTA, MONROE COUNTY, NEW YORK

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General and Major Special Revenue Fund Types

For the Year Ended December 31, 2011

	DRAINAGE FUND			
	Original Budget			
	(Incl. Carryover	Budget		
	Encumbrances)	(Amended)	Actual	Variance
Revenues:				
Real property and tax items	\$ 834,614	\$ 834,614	\$ 834,614	\$ -
Use of money and property	8,500	8,500	7,629	(871)
Sale of property and compensation for loss	500	500	340	(160)
Miscellaneous	-	-	68,500	68,500
Total Revenues	\$ 843,614	\$ 843,614	\$ 911,083	\$ 67,469
Expenditures:				
Current:				
General government support	\$ 18,580	\$ 18,580	\$ 8,985	\$ 9,595
Home and community services	673,660	673,660	470,834	202,826
Employee benefits	194,834	194,834	162,831	32,003
Total Expenditures	\$ 887,074	\$ 887,074	\$ 642,650	\$ 244,424
Excess (deficiency) of revenue over expenditures	\$ (43,460)	\$ (43,460)	\$ 268,433	\$ 311,893
Fund Balance - Beginning	1,551,814	1,551,814	1,551,814	-
Fund Balance - Ending	\$ 1,508,354	\$ 1,508,354	\$ 1,820,247	\$ 311,893

The notes to the financial statements are an integral part of this statement.

TOWN OF HENRIETTA, MONROE COUNTY, NEW YORK

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2011

	<u>Expendable Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 2,993,940
Accounts receivable	-	3,500
	<u>-</u>	<u>3,500</u>
TOTAL ASSETS	\$ -	\$ 2,997,440
	<u>-</u>	<u>3,500</u>
LIABILITIES		
Parks capital	\$ -	\$ 1,090,907
Developer deposits	-	1,394,264
Other liabilities	-	512,269
	<u>-</u>	<u>512,269</u>
TOTAL LIABILITIES	\$ -	\$ 2,997,440
	<u>-</u>	<u>512,269</u>
NET ASSETS		
Unreserved	\$ -	
	<u>-</u>	
TOTAL NET ASSETS	\$ -	
	<u>-</u>	

The notes to the financial statements are an integral part of this statement.

TOWN OF HENRIETTA, MONROE COUNTY, NEW YORK

Notes To The Basic Financial Statements

December 31, 2011

I. Summary of Significant Accounting Policies:

The financial statements of the Town of Henrietta, Monroe County, New York (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

A. 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 Board, 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 Council persons are elected to serve four year terms with two Council persons on the ballot every two years.

The Town provides the following basic services to all or some residents of the Town: highway maintenance, recreation facilities and program, environmental services, sanitation and library services.

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 Town defines its reporting entity in accordance with GASB. Based on the criteria under this Statement, there are no component units to be included in the reporting entity.

B. Basis of Presentation

1. Government-Wide Statements

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

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

(I.) (Continued)

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 cannot be used to address activities or obligations of the Government, these funds are not incorporated into the government-wide financial statements.

The Town does not allocate indirect costs. An administrative service fee is charged by the General Fund to the Town's special district funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of services provided (finance, personnel, purchasing, legal, technology, management, etc.).

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

2. Fund Financial Statements

The emphasis in fund financial statements is on the major fund in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a 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 principal operating fund and includes all operations not required to be recorded in other funds.

Highway Fund - 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.

Sewer Fund - a special revenue fund used to account for user fees or other revenues which are raised to provide sewer services to Town residents.

Drainage Fund - a special revenue fund used to account for the financial transactions of drainage districts.

(I.) (Continued)

2. **Non-Major Governmental Funds**

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

Public Library Fund	Transportation Fund
Street Lighting Fund	Consolidated Sewer Fund
Parks 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 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.

C. **Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

1. **Measurement Focus**

On the government-wide Statement of Net Assets and the Statement of Activities the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery) and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Equity is classified as net assets.

In the fund financial statements, the “current financial resources” measurement focus is used. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

(I.) (Continued)

2. **Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter (within the year) to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

3. **Changes in Accounting Standards**

GASB has issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Town has implemented this statement for the year ended December 31, 2011.

4. **Future Changes in Accounting Standards**

The GASB has issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which will be effective for the year ending December 31, 2012.

The GASB has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which will be effective for the year ending December 31, 2012.

The GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus- an amendment of GASB Statements No. 14 and No. 34*, which will be effective for the year ending December 31, 2013.

The GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which will be effective for the year ending December 31, 2012.

The GASB has issued Statement No. 63, *Financial Reporting of deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which will be effective for the year ending December 31, 2012.

The GASB has issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions- an amendment of GASB Statement No. 53*, which will be effective for the year ending December 31, 2012.

The Town is currently studying these statements and plans on adoption as required.

(I.) (Continued)

D. Assets, Liabilities, and Equity

1. Cash and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

Investments are stated at cost, which approximates market value.

2. Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Management has deemed amounts to be fully collectible and as such no allowance has been provided. Major receivable balances for the governmental activities include sales tax and sewer fees.

3. Inventory

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.

4. Due To/From Other Funds

The amounts reported on the Governmental Funds Balance Sheet for due to and due from other funds represents amounts due between different fund types (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.

5. Deferred Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements.

6. Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations and whether they are reported in the government –wide or fund financial statements.

a. Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

(I.) (Continued)

Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. These assets (back to January 1, 1974) have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$2,500 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

<u>Class</u>	<u>Life in Years</u>
Buildings	15-20 Years
Water & Sewer Systems	30 Years
Machinery and Equipment	5-15 Years
Improvements; Parking Lots	5-10 Years
Roads, Sidewalks, Curbing, Light Systems, Gutters	30 Years

b. Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

7. Deferred Revenue

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

8. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the town-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, other post-employment benefits payable and compensated absences that will be paid from governmental funds are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

(I.) (Continued)

a. **Compensatory Absences**

Pursuant to contractual agreements, Town employees are credited with a maximum of 22 days vacation, on the employee's anniversary date; no more than five days of vacation leave credits may be carried into a subsequent anniversary period for bargaining unit employees. An individual who leaves the employment of the Town is entitled to be paid for unused vacation leave.

b. **Other Benefits**

Town employees participate in the New York State Employees' Retirement System.

In addition to providing pension benefits, the Town provides post-employment health coverage to retired employees in accordance with the provision of various employment contracts in effect at the time of retirement. The Town recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

9. **Encumbrances**

For financial reporting purposes encumbrances have been reclassified to assigned fund balance on the governmental funds for general fund and assigned or restricted fund balance in the highway and sewer fund. Encumbrance accounting, under which purchase orders, contracts or 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 general, town-wide capital improvement project and nonmajor funds.

10. **Equity Classifications**

a. **Government-Wide Statements**

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

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

(I.) (Continued)

b. **Financial Statements – Fund Balance**

As of December 31, 2011, fund balances of the governmental funds are classified as follows:

1. **Nonspendable fund balance** – Amounts that are not in a spendable form (i.e. inventory or prepaids) or are legally or contractually required to be maintained intact.
2. **Restricted fund balance** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
3. **Assigned fund balance** – Amounts a government intends to use for a specific purpose; intent can be expressed by the Board or by an official or body to which the Board delegates the authority.
4. **Unassigned fund balance** – Amounts that are available for town purposes pursuant to any Law restrictions. Any positive amounts are reported only in the general fund.

E. **Revenues, Expenditures/Expenses**

1. **Revenues**

Real Property taxes are levied annually, no later than December 31, and become a lien on January 1. Taxes are collected during the period January 1 to March 31. 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 June 1 are turned over to Monroe County for collection.

The County of Monroe currently imposes a *sales and use tax*. Based upon a complex formula, a portion of the total revenue collected is allocated annually to the Town in four quarterly installments.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

2. **Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by function)
	Debt Service
	Capital outlay

(I.) (Continued)

In the fund financial statements, governmental funds report expenditures of financial resources. Government-wide financial statements report expenses relating to use of economic resources.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

1. Fund Financial Statements

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

- a. **Interfund loan** – amounts provided with a requirement for repayment are reported as interfund receivables and payables.
- b. **Interfund services** – sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
- c. **Interfund reimbursements** – repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds
- d. **Interfund transfers** – flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

2. Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- a. **Internal balances** – amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental columns of the Statement of Net Assets, except for the net residual amounts due between governmental funds.
- b. **Internal activities** – amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

II. Stewardship, Compliance and Accountability:

By its nature as a local government unit, the Town is subject to various federal, state and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

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 fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- 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 Town 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

Budget(s) 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.

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.

B. Deposit and Investment Laws and Regulations

The Town's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

New York State Law governs the Town's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

III. Detail Notes on All Funds and Account Groups:

A. Cash

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, as discussed previously in these notes.

The Town's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year end, collateralized as follows:

Uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution		8,534,131
Collateralized within Trust department or agent		8,159,615
Total		<u>\$ 16,693,746</u>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end included \$121,070 within the governmental funds.

B. Receivables

Receivables at December 31, 2011 consisted of the following:

<u>Description</u>	<u>Amount</u>
State Aid	\$ 299,990
Monroe County Sales Tax	760,771
Monroe County, Miscellaneous	18,017
Fire Alarms	21,450
Fines, Fees, and Forfeitures	17,701
G.S.G. Charge Backs	198,474
Town Clerk Report	20,670
Building Report	74,870
Engineering	80,581
Sewer Rents Receivable	425,245
Property Maintenance	32,401
Miscellaneous	10,556
Total	<u>\$ 1,960,726</u>

C. Interfund Revenues and Expenditures

Interfund revenues and expenditures at December 31, 2011 were as follows:

<u>Fund</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General	\$ -	\$ 160,000
Library	160,000	-
Total	<u>\$ 160,000</u>	<u>\$ 160,000</u>

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Assets.

(III.) (Continued)

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.

D. Changes In Fixed Assets

A summary of changes in capital assets follows:

<u>Type</u>	<u>Balance</u> <u>01/01/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/11</u>
<u>Capital assets not being Depreciated:</u>				
Land	\$ 3,671,258	\$ -	\$ -	\$ 3,671,258
Work in progress	105,584	543,516	(105,584)	543,516
<i>Total capital assets not being depreciated</i>	<u>\$ 3,776,842</u>	<u>\$ 543,516</u>	<u>\$ (105,584)</u>	<u>\$ 4,214,774</u>
<u>Other capital assets:</u>				
Buildings and improvements	\$ 10,635,875	\$ 126,889	\$ -	\$ 10,762,764
Machinery and equipment	6,195,911	502,562	(365,823)	6,332,650
Infrastructure	61,295,480	1,096,515	-	62,391,995
<i>Total other capital assets at historical cost</i>	<u>\$ 78,127,266</u>	<u>\$ 1,725,966</u>	<u>\$ (365,823)</u>	<u>\$ 79,487,409</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	\$ 5,578,116	\$ 220,728	\$ -	\$ 5,798,844
Machinery and equipment	2,738,459	390,595	(254,194)	2,874,860
Infrastructure	32,914,777	2,577,439	-	35,492,216
<i>Total accumulated depreciation</i>	<u>\$ 41,231,352</u>	<u>\$ 3,188,762</u>	<u>\$ (254,194)</u>	<u>\$ 44,165,920</u>
<i>Other capital assets, net</i>	<u>\$ 36,895,914</u>	<u>\$ (1,462,796)</u>	<u>\$ (111,629)</u>	<u>\$ 35,321,489</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 40,672,756</u>	<u>\$ (919,280)</u>	<u>\$ (217,213)</u>	<u>\$ 39,536,263</u>

Depreciation expense for the period was charged to functions/programs as follows:

<u>Governmental Activities:</u>	
General Government	\$ 52,187
Public Safety	23,449
Transportation	2,360,623
Culture and Recreation	166,322
Home and Community Services	586,181
Total Depreciation Expense	<u><u>\$ 3,188,762</u></u>

E. Long-Term Debt

At December 31, 2011 the total outstanding obligations of the Town aggregated \$1,436,387 as follows:

1. **Environmental Facilities Corp./Revolving Fund Revenue Bonds** - The Town has borrowed money from the Environmental Facilities Corp. for water pollution control in the Town. The interest is subsidized by the Environmental Facilities Corp. through the State Revolving Fund by approximately one half.

(III.) (Continued)

2. **Serial Bonds** - The Town, borrows money in order to acquire land or 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 long-term liabilities 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 liquidation of the long-term liabilities.

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

Interest paid	\$ 47,136
<u>Less: interest accrued in the prior year</u>	<u>(18,774)</u>
<u>Plus: interest accrued in the current year</u>	<u>16,817</u>
Total interest expense	<u>\$ 45,179</u>

3. **Other Long-Term Obligations** - In addition to long-term bonded debt the Town had the following other obligations:

Compensated Absences - represents the value of earned and unused vacation leave and compensatory time.

4. **Summary of Debt** - The following is a summary of obligations outstanding at December 31, 2011:

	Balance			Balance		Classified As	
	<u>1/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2011</u>	<u>Current</u>	<u>Non-Current</u>	
Serial Bonds	\$ 630,000	\$ -	\$ 120,000	\$ 510,000	\$ 120,000	\$ 390,000	
Revolving Fund Revenue Bonds	960,000	-	60,000	900,000	60,000	840,000	
Compensated Absences	42,622	-	16,235	26,387	6,597	19,790	
Total Obligations	<u>\$ 1,632,622</u>	<u>\$ -</u>	<u>\$ 196,235</u>	<u>\$ 1,436,387</u>	<u>\$ 186,597</u>	<u>\$ 1,249,790</u>	

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

(III.) (Continued)

5. **Debt Maturity Schedule** - The following is a statement of bonds with corresponding maturity schedules:

<u>Purpose</u>	<u>Date</u>	<u>Interest</u>	<u>Amount Outstanding 12/31/11</u>	<u>Year of Final Maturity</u>
<u>Serial and Statutory -</u> Public Improvement	2001	4.25%	\$ 510,000	2015
<u>Revolving Fund Revenue Bonds -</u> State Water Pollution Control**	2010C	0.95%-3.38%*	225,000	2019
State Water Pollution Control**	2007D	3.63%*	675,000	2028
Total			\$ 1,410,000	

* This interest is subsidized by the Environmental Facilities Corporation through the State Revolving Fund by approximately one half.

** The interest paid on these bonds was paid net of interest revenue earned as follows:

<u>Bond</u>	<u>Gross Interest Expense</u>	<u>Interest and Subsidy Revenue</u>	<u>Net Interest Paid</u>
2010C	\$ 5,630	\$ 2,815	\$ 2,815
2007D	30,416	15,131	15,285
Total	\$ 36,046	\$ 17,946	\$ 18,100

The Town had entered into an agreement with South Central Pure Waters District of Monroe County, whereby the District assumed responsibility for the operation and maintenance costs of the Town's sewage treatment.

6. The following table summarizes the Town's future debt service requirements as of December 31, 2011:

<u>Year</u>	<u>Bonds</u>	<u>Interest</u>
2012	\$ 180,000	\$ 57,368
2013	190,000	50,376
2014	190,000	42,678
2015	195,000	34,822
2016	65,000	26,631
2017-21	285,000	97,271
2022-26	215,000	46,940
2027-28	90,000	4,261
Total	\$ 1,410,000	\$ 360,347

In prior years, the Town defeased certain general 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. \$225,000 of bonds outstanding are considered defeased.

(III.) (Continued)

F. Fund Balances/Net Assets

1. Fund Balances

a. Nonspendable

The Town has the following nonspendable funds:

Nonspendable Prepaid Items - The Town has prepaid various items and the cash is no longer available therefore those funds are nonspendable.

b. Restricted

Currently, New York State laws still use the terminology reserves. The Town currently utilizes the following reserves which are classified as restricted funds:

Special Districts – Town special districts fund balance is considered restricted as the revenues are raised by a specific taxing jurisdiction and can only be expended for that purpose. The Town has the following special districts:

Street Lighting	Consolidated Sewer	Parks
Sewer	Drainage	Transportation

Capital Reserves - As provided in General Municipal Law Section 6, the Town has established the following Capital Reserve:

<u>General Fund -</u>	<u>Balance</u>			<u>Balance</u>
	<u>01/01/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/11</u>
Capital Building Reserve	<u>\$ 431,817</u>	<u>\$ 1,514</u>	<u>\$ -</u>	<u>\$ 433,331</u>

c. Assigned

The Town has the following assigned funds:

- | | |
|--------------------|---------------------------|
| General Fund – | 1. Appropriated for Taxes |
| | 2. Encumbrances |
| Highway Fund – | 1. Year End Equity |
| | 2. Encumbrances |
| Sewer Fund – | 1. Year End Equity |
| | 2. Encumbrances |
| Capital Projects – | 1. Year End Equity |
| Library Fund – | 1. Year End Equity |
| | 2. Appropriated for Taxes |

Encumbrances represent purchase commitments made by the Town’s purchasing agent through their authorization of a purchase order prior to year end. The Town assignment is based on the functional level of expenditures.

(III.) (Continued)

Significant encumbrances for the general fund, management has determined that amounts in excess of \$9,500 are considered significant and are summarized below:

- Operation of plant/buildings at \$14,500, central garage at \$11,100, and parks at \$39,300.

The remaining funds do not have encumbrances that are considered significant.

d. Unassigned

Unassigned funds include the residual classification for the Town's general fund and all spendable amounts not contained in other classifications.

The following table summarizes the Town's fund balance according to the descriptions above:

<u>FUND BALANCE:</u>	<u>General Fund</u>	<u>Highway Fund</u>	<u>Sewer Fund</u>	<u>Drainage Fund</u>	<u>Capital Projects</u>	<u>Special Revenue Funds</u>	<u>Total</u>
<u>Nonspendable -</u>							
Prepaid items	\$ 69,886	\$ 50,854	\$ 20,366	\$ 13,863	\$ -	\$ 29,561	\$ 184,530
Total Nonspendable	\$ 69,886	\$ 50,854	\$ 20,366	\$ 13,863	\$ -	\$ 29,561	\$ 184,530
<u>Restricted -</u>							
Appropriated for taxes	\$ -	\$ -	\$ 364,401	\$ -	\$ -	\$ 33,170	\$ 397,571
Capital project #2	-	-	-	-	116,280	-	116,280
Sewer project	-	-	-	-	2,612	-	2,612
DPW project	-	-	-	-	2,178	-	2,178
Capital reserve	433,331	-	-	-	-	-	433,331
Transportation	-	-	-	-	-	620,403	620,403
Sewer	-	-	1,283,210	-	-	-	1,283,210
Street lighting	-	-	-	-	-	198,785	198,785
Consolidated sewer	-	-	-	-	-	60,299	60,299
Drainage	-	-	-	1,806,384	-	-	1,806,384
Total Restricted	\$ 433,331	\$ -	\$ 1,647,611	\$ 1,806,384	\$ 121,070	\$ 912,657	\$ 4,921,053
<u>Assigned -</u>							
Appropriated for taxes	\$ 1,998,117	\$ 451,160	\$ -	\$ -	\$ -	\$ 7,689	\$ 2,456,966
Highway	-	319,347	-	-	-	-	319,347
Library	-	-	-	-	-	64,031	64,031
General government support	25,643	-	-	-	-	-	25,643
Transportation	-	474	-	-	-	-	474
Economic opportunity and development	35	-	-	-	-	-	35
Culture and recreation	39,322	-	-	-	-	-	39,322
Home and community service	2,087	-	-	-	-	-	2,087
Total Assigned	\$ 2,065,204	\$ 770,981	\$ -	\$ -	\$ -	\$ 71,720	\$ 2,907,905
Unassigned	\$ 9,277,208	\$ -	\$ -	\$ -	\$ -	\$ (3,608)	\$ 9,273,600
TOTAL FUND BALANCE	\$ 11,845,629	\$ 821,835	\$ 1,667,977	\$ 1,820,247	\$ 121,070	\$ 1,010,330	\$ 17,287,088

(III.) (Continued)

The following special revenue funds restricted fund balances have monies appropriated for 2012 taxes:

	<u>Total</u>
Street Lighting	\$ 9,412
Parks	<u>23,758</u>
Total Special Revenue	
Restricted Appropriated for Taxes	<u>\$ 33,170</u>

2. **Net Assets - Restricted for Other Purposes**

Represents those amounts which have been restricted by enabling legislation or Board Resolutions.

	<u>Total</u>
Sewer	\$ 1,667,977
Consolidated Sewer	60,299
Drainage	1,820,247
Street lighting	208,197
Parks	24,005
Transportation	<u>620,403</u>
Total Net Assets - Restricted	
for Other Purposes	<u>\$ 4,401,128</u>

IV. **Other Notes:**

A. **Employee Pension and Other Benefit Plans**

1. **Pension Plans**

Plan Description

The Town participates in the New York State and Local Employees' Retirement System (ERS). This is a cost sharing multiple employer retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transactions 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.

(IV.) (Continued)

Funding Policy

The System is noncontributory for the employee, except for those who joined the system after July 27, 1976 and before January 1, 2010 with less than ten years membership, who contribute 3% of their salary. Those joining on or after January 1, 2010 are required to contribute 3.5% of their annual salary for their entire career. For NYSERS the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund.

The Town of Henrietta, Monroe County, New York is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>
2011	\$ 676,647
2010	\$ 427,832
2009	\$ 320,881

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

2. Deferred Compensation Plan

The Town maintains a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code for which Town employees have the option to participate.

3. Postemployment Benefits

The Town does not provide postemployment benefits in the form of health insurance after retirement, however, the Town does provide life insurance coverage and survivor benefits for retired employees. Substantially all of the Town's employees may become eligible for these benefits if they reach normal retirement age while working for the Town. The life insurance is provided through an insurance company whose premiums are based on the benefits paid during the year. The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid.

The amount of life insurance will be equal to 90% of the amount for which an employee would be insured prior to retirement. This amount will decrease by 10% on each anniversary thereafter. Each reduced amount will be rounded to the nearest multiple of \$1,000, if not already an even multiple thereof, subject to a minimum of \$5,000. Amounts ending in \$500 will be rounded to the next higher multiple of \$1,000.

The Town's cost for postemployment life insurance to cover 29 retirees during 2011 was \$1,884. Since this is an immaterial amount the Town will continue on a pay as you go basis and no actuarial computation is anticipated to be completed.

(IV.) (Continued)

4. Compensatory Absences

Pursuant to contractual agreements, Town employees are credited with a maximum of 22 days vacation, on the employee's anniversary date; no more than five days of vacation leave credits may be carried into a subsequent anniversary period for bargaining unit employees. An individual who leaves the employment of the Town is entitled to be paid for unused vacation leave. The expense for those fringe benefits is recorded at the time the benefit is paid. The Town's computed accrued vacation pay liability at December 31, 2011 amounts to \$26,387.

Also, pursuant to agreement, employees can receive disability for a maximum of 165 days per year; a portion of the expense of this benefit is covered by insurance.

5. Health Reimbursement Account

Effective for year 2011, the Town implemented a Health Reimbursement Account Plan (HRA). The Town contributes to the Plan for eligible employees based upon employment criteria as outlined in the Plan document. The eligible expenses allowed for reimbursement under the Plan are medical expenses as defined by IRS Code Section 213(d) and eligible over the counter medical expenses.

The Plan is accounted for on a calendar year basis. Any participant's funds remaining in the account at the end of a Plan year will be rolled over and added to the account of the next Plan year. The Plan is accounted for in the Town's Trust and Agency Fund and any unfunded liability is recorded proportionately in the funds. The balance in the account at December 31, 2011 totaled \$48,409.

B. Risk Management

1. General Information

The Town is exposed to various risks of loss related to injuries to employees, theft, damages, natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

C. Commitments and Contingencies

1. Contingent Liabilities

Program and administrative costs are subject to audit and adjustment by various State agencies. Differences between ultimate settlements and estimated costs included in the financial statements are recorded in the year of settlement. Town management believes that it is in substantial compliance with all program requirements.

2. Litigation

As of the report date, there are several pending notices of claim and one summons and complaint that have been filed against the Town, however, management believes they will be covered by the Town's insurance.

(IV.) (Continued)

3. Leases

a. Operating Leases

The Town of Henrietta court facilities currently rents space on a month to month basis. The total cost of renting this space for 2011 totaled \$59,500.

The Town of Henrietta recreation facilities currently rents space on a month to month basis. The total cost of renting this space for 2011 totaled \$58,500.

b. Monroe County Water Authority Retail Lease Agreement

The Monroe County Water Authority executed a retail lease agreement with the Town on July 8, 2002. The agreement states that the Authority will lease, maintain, repair, and operate the facilities of the District. As part of the agreement, the Authority agreed to undertake a capital improvement program to make improvements to the water system to be completed within five years of the agreement. The retail lease agreement has a term of 40 years and will automatically renew for two additional periods of 20 years each unless notice of cancellation is given by either party.

D. Rental of Town Property

The Town rents property to Sprint, Cricket, and T-Mobile Cellular for cellular tower usage. The Town also rents property for agricultural purposes. The total rental income received and accrued for the year ended December 31, 2011 totaled \$68,827.

V. Restatement of Net Assets:

The January 1, 2011 balances were restated to reflect dedicated infrastructure as follows:

	<u>Government-Wide Statements</u>
	<u>Governmental Activities</u>
Investment in Capital Assets, net of related debt December 31, 2010	\$ 53,538,625
Adjustment - Fixed asset Infrastructure	<u>745,956</u>
Investment in Capital Assets, net of related debt December 31, 2010	<u>\$ 54,284,581</u>

TOWN OF HENRIETTA, MONROE COUNTY, NEW YORK

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2011

	Capital Projects Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 121,070	\$ 1,059,355	\$ 1,180,425
Deferred expenses	-	29,560	29,560
Total Assets	\$ 121,070	\$ 1,088,915	\$ 1,209,985
 Liabilities and Fund Balance			
Liabilities:			
Accounts payable and other current liabilities	\$ -	\$ 46,523	\$ 46,523
Accrued wages and benefits	-	32,062	32,062
Total Liabilities	\$ -	\$ 78,585	\$ 78,585
 Fund Balances:			
Nonspendable	\$ -	\$ 29,561	\$ 29,561
Restricted	121,070	912,657	1,033,727
Assigned	-	71,720	71,720
Unassigned	-	(3,608)	(3,608)
Total Fund Balances	\$ 121,070	\$ 1,010,330	\$ 1,131,400
Total Liabilities and Fund Balances	\$ 121,070	\$ 1,088,915	\$ 1,209,985

TOWN OF HENRIETTA, MONROE COUNTY, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2011

	Capital Projects Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
Revenues:			
Real property and tax items	\$ -	\$ 1,575,931	\$ 1,575,931
Departmental income	-	72,535	72,535
Use of money and property	434	6,378	6,812
Sale of property and compensation for loss	-	374	374
Miscellaneous	54,416	9,372	63,788
Total Revenues	\$ 54,850	\$ 1,664,590	\$ 1,719,440
Expenditures:			
Current:			
General government support	\$ -	\$ 7,862	\$ 7,862
Transportation	-	439,312	439,312
Culture and recreation	-	1,113,327	1,113,327
Home and community services	-	2,739	2,739
Employee benefits	-	350,820	350,820
Debt Service:			
Debt service - principal	-	60,000	60,000
Debt service - interest and other charges	-	18,100	18,100
Total Expenditures	\$ -	\$ 1,992,160	\$ 1,992,160
Excess (deficiency) of revenue over expenditures	\$ 54,850	\$ (327,570)	\$ (272,720)
Other Financing Sources and Uses:			
Operating transfers - in	\$ -	\$ 160,000	\$ 160,000
Total Other Financing Sources and Uses	\$ -	\$ 160,000	\$ 160,000
Net change in fund balances	\$ 54,850	\$ (167,570)	\$ (112,720)
Fund Balance - Beginning	66,220	1,177,900	1,244,120
Fund Balance - Ending	\$ 121,070	\$ 1,010,330	\$ 1,131,400

TOWN OF HENRIETTA, MONROE COUNTY, NEW YORK

Combining Balance Sheet

Nonmajor Special Revenue Funds

December 31, 2011

	Public Library Fund	Street Lighting Fund	Consolidated Sewer Fund	Parks Fund	Transportation Fund	Total Nonmajor Special Revenue Funds
Assets						
Cash and cash equivalents	\$ 100,841	\$ 231,354	\$ 60,299	\$ 30,403	\$ 636,458	\$ 1,059,355
Deferred expenses	25,706	-	-	3,854	-	29,560
Total Assets	\$ 126,547	\$ 231,354	\$ 60,299	\$ 34,257	\$ 636,458	\$ 1,088,915
 Liabilities and Fund Balance						
Liabilities:						
Accounts payable and other current liabilities	\$ 155	\$ 23,157	\$ -	\$ 7,156	\$ 16,055	\$ 46,523
Accrued wages and benefits	28,966	-	-	3,096	-	32,062
Total Liabilities	\$ 29,121	\$ 23,157	\$ -	\$ 10,252	\$ 16,055	\$ 78,585
 Fund Balances:						
Nonspendable	\$ 25,706	\$ -	\$ -	\$ 3,855	\$ -	\$ 29,561
Restricted	-	208,197	60,299	23,758	620,403	912,657
Assigned	71,720	-	-	-	-	71,720
Unassigned	-	-	-	(3,608)	-	(3,608)
Total Fund Balances	\$ 97,426	\$ 208,197	\$ 60,299	\$ 24,005	\$ 620,403	\$ 1,010,330
Total Liabilities and Fund Balances	\$ 126,547	\$ 231,354	\$ 60,299	\$ 34,257	\$ 636,458	\$ 1,088,915

TOWN OF HENRIETTA, MONROE COUNTY, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2011

	Public Library Fund	Street Lighting Fund	Consolidated Sewer Fund	Parks Fund	Transportation Fund	Total Nonmajor Special Revenue Funds
Revenues:						
Real property and tax items	\$ 1,035,943	\$ 261,680	\$ 84,170	\$ 194,138	\$ -	\$ 1,575,931
Departmental income	72,535	-	-	-	-	72,535
Use of money and property	1,991	1,266	73	377	2,671	6,378
Sale of property and compensation for loss	374	-	-	-	-	374
Miscellaneous	9,372	-	-	-	-	9,372
Total Revenues	<u>\$ 1,120,215</u>	<u>\$ 262,946</u>	<u>\$ 84,243</u>	<u>\$ 194,515</u>	<u>\$ 2,671</u>	<u>\$ 1,664,590</u>
Expenditures:						
Current:						
General government support	\$ 6,739	\$ -	\$ -	\$ 1,123	\$ -	\$ 7,862
Transportation	-	278,762	-	-	160,550	439,312
Culture and recreation	961,676	-	-	151,651	-	1,113,327
Home and community services	-	-	2,739	-	-	2,739
Employee benefits	292,865	-	-	57,955	-	350,820
Debt Service:						
Debt service - principal	-	-	60,000	-	-	60,000
Debt service - interest and other charges	-	-	18,100	-	-	18,100
Total Expenditures	<u>\$ 1,261,280</u>	<u>\$ 278,762</u>	<u>\$ 80,839</u>	<u>\$ 210,729</u>	<u>\$ 160,550</u>	<u>\$ 1,992,160</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (141,065)</u>	<u>\$ (15,816)</u>	<u>\$ 3,404</u>	<u>\$ (16,214)</u>	<u>\$ (157,879)</u>	<u>\$ (327,570)</u>
Other Financing Sources and Uses:						
Operating transfers - in	<u>\$ 160,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,000</u>
Total Other Financing Sources and Uses	<u>\$ 160,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,000</u>
Net change in fund balances	\$ 18,935	\$ (15,816)	\$ 3,404	\$ (16,214)	\$ (157,879)	\$ (167,570)
Fund Balance - Beginning	<u>78,491</u>	<u>224,013</u>	<u>56,895</u>	<u>40,219</u>	<u>778,282</u>	<u>1,177,900</u>
Fund Balance - Ending	<u>\$ 97,426</u>	<u>\$ 208,197</u>	<u>\$ 60,299</u>	<u>\$ 24,005</u>	<u>\$ 620,403</u>	<u>\$ 1,010,330</u>