

TOWN OF VESTAL
Vestal, New York
FINANCIAL REPORT
December 31, 2010

TOWN OF VESTAL
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FOR THE YEAR ENDED DECEMBER 31, 2010

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INDEPENDENT AUDITOR'S REPORT

Town Board
Town of Vestal
Vestal, New York

We have audited the accompanying financial statements of the Town of Vestal (the Town), as of and for the year ended December 31, 2010. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, the Town prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the regulatory basis of accounting and budget laws of New York State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1. These differences, while not reasonably determinable, are presumed to be material.

In our opinion, because the Town's policy is to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town, as of December 31, 2010, or changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town as of December 31, 2010 and the changes in financial position of the Town for the year then ended, on the basis of accounting described in Note 1.

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In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2011, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



July 26, 2011
Ithaca, New York

TOWN OF VESTAL
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

| | General Townwide Fund | Special Revenue Funds | | | | |
|---|-----------------------------|--|---------------------------|------------------------|------------------|-------------------|
| | | Miscellaneous Special Revenue Fund | Public Library Fund | Special District Funds | | |
| | | | | Drainage Fund | Lighting Fund | Fire Fund |
| <u>ASSETS</u> | | | | | | |
| Assets: | | | | | | |
| Cash and cash equivalents - Unrestricted | \$ 865,875 | \$ 418,900 | \$ 336,545 | \$ 624 | \$ 68,684 | \$ 297,709 |
| Temporary investments | | | | | | 36,707 |
| Taxes receivable, net | | | | | | |
| Due from state and federal governments | 20,161 | | | | | |
| Due from other governments | 809,219 | | | | | |
| Prepaid expenses | 200,784 | | 9,052 | | | 823 |
| Other receivables, net | 148,464 | | | | | 1,789 |
| Restricted cash and cash equivalents | 1,290,439 | | | | | 53,406 |
| Restricted investments | 1,160,576 | 1,307,486 | | | | |
| Total Assets | \$ 4,495,518 | \$ 1,726,386 | \$ 345,597 | \$ 624 | \$ 68,684 | \$ 390,434 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 156,310 | | \$ 20,577 | | \$ 5,846 | \$ 24,022 |
| Accrued liabilities | 267,096 | | 17,999 | | | 1,347 |
| Due to other governments | | | | | | |
| Bond Anticipation Notes payable | | | | | | |
| Deferred revenues | 5,240 | | | | | |
| Total Liabilities | 428,646 | -0- | 38,576 | -0- | 5,846 | 25,369 |
| Fund Balances: | | | | | | |
| Fund Balances - Reserved: | | | | | | |
| Encumbrances | 134,021 | | 1,975 | | | 29,420 |
| Capital | 61,167 | | | | | 12,628 |
| Repairs | | | | | | 9,163 |
| Insurance | 2,335,805 | | | | | |
| Debt | 37,609 | | | 6 | | 2,180 |
| Other purposes | 27,646 | 1,726,386 | | | | 29,436 |
| Total Reserved | 2,596,248 | 1,726,386 | 1,975 | 6 | -0- | 82,827 |
| Fund Balances - Unreserved, Reported in: | | | | | | |
| General Fund: | | | | | | |
| Designated - Ensuing year's budget | 335,000 | | | | | |
| Undesignated | 1,135,624 | | | | | |
| Special Revenue Funds: | | | | | | |
| Designated - Ensuing year's budget | | | 150,000 | | 7,107 | 75,000 |
| Undesignated | | | 155,046 | 618 | 55,731 | 207,238 |
| Capital Projects Funds | | | | | | |
| Total Fund Balances | 4,066,872 | 1,726,386 | 307,021 | 624 | 62,838 | 365,065 |
| Total Liabilities and Fund Balances | \$ 4,495,518 | \$ 1,726,386 | \$ 345,597 | \$ 624 | \$ 68,684 | \$ 390,434 |

See Independent Auditor's Report and Notes to Financial Statements

| Special Revenue Funds | | | | | | |
|------------------------|---------------------|-----------------------------|--------------------------|-----------------------------|-------------------------|--------------------------------|
| Special District Funds | | Highway Townwide Fund | Special Grant Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
| Sewer Fund | Water Fund | | | | | |
| \$ 1,001,551 | \$ 281,368 | \$ 392,006 | \$ 46,402 | \$ 1,716,722 | \$ | \$ 5,426,386 |
| | 99,130 | | | | | 135,837 |
| | | | | | 56,400 | 56,400 |
| | | 18,594 | | 144,757 | | 183,512 |
| 98,167 | | 526,640 | | | | 1,434,026 |
| | 20,848 | 47,456 | | | | 278,963 |
| 541,754 | 656,129 | 393 | | | | 1,348,529 |
| 34,182 | 173,313 | 319,565 | | | 1,985 | 1,872,890 |
| | | | | | | 2,468,062 |
| <u>\$ 1,675,654</u> | <u>\$ 1,230,788</u> | <u>\$ 1,304,654</u> | <u>\$ 46,402</u> | <u>\$ 1,861,479</u> | <u>\$ 58,385</u> | <u>\$ 13,204,605</u> |
| | | | | | | |
| \$ 460,037 | \$ 44,518 | \$ 59,619 | \$ | \$ 23,966 | \$ | \$ 794,895 |
| | 39,264 | 82,740 | | | | 408,446 |
| | | 54,032 | | | | 54,032 |
| | | | | 12,440,000 | | 12,440,000 |
| 125,184 | 238,428 | | | | 56,400 | 425,252 |
| 585,221 | 322,210 | 196,391 | -0- | 12,463,966 | 56,400 | 14,122,625 |
| | | | | | | |
| 19,914 | 1,650 | 88,047 | | | | 275,027 |
| 6,792 | 131,020 | | | | | 211,607 |
| | | | | | | 9,163 |
| | | | | | | 2,335,805 |
| 27,389 | 42,293 | 319,565 | | | 1,985 | 431,027 |
| | | | | | | 1,783,468 |
| 54,095 | 174,963 | 407,612 | -0- | -0- | 1,985 | 5,046,097 |
| | | | | | | |
| | | | | | | 335,000 |
| | | | | | | 1,135,624 |
| | | | | | | |
| 259,956 | 147,303 | 150,000 | | | | 789,366 |
| 776,382 | 586,312 | 550,651 | 46,402 | | | 2,378,380 |
| | | | | (10,602,487) | | (10,602,487) |
| 1,090,433 | 908,578 | 1,108,263 | 46,402 | (10,602,487) | 1,985 | (918,020) |
| <u>\$ 1,675,654</u> | <u>\$ 1,230,788</u> | <u>\$ 1,304,654</u> | <u>\$ 46,402</u> | <u>\$ 1,861,479</u> | <u>\$ 58,385</u> | <u>\$ 13,204,605</u> |

TOWN OF VESTAL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

| | General Townwide Fund | Special Revenue Funds | | | | Fire Fund |
|--|-----------------------------|--|---------------------------|------------------------|------------|--------------|
| | | Miscellaneous Special Revenue Fund | Public Library Fund | Special District Funds | | |
| | | | Drainage Fund | Lighting Fund | | |
| REVENUES | | | | | | |
| Real property taxes | \$ 4,154,363 | \$ | \$ 517,851 | \$ | \$ 235,381 | \$ 1,072,217 |
| Real property tax items | 102,653 | | 8,874 | 89,902 | | |
| Nonproperty tax items | 3,485,139 | | | | | |
| Departmental income | 224,721 | | 18,063 | | | |
| Intergovernmental charges | | | | | | 9,100 |
| Use of money and property | 67,915 | 2,069 | 2,746 | 7 | 885 | 8,086 |
| Licenses and permits | 113,561 | | | | | |
| Fines and forfeitures | 141,372 | | | | | |
| Sale of property and compensation for loss | 76,016 | | 14,206 | | | 7,533 |
| Miscellaneous local sources | 37,784 | 183,279 | 216,554 | | | 9,040 |
| Interfund revenues | 316,997 | | | | | |
| State sources | 566,252 | | (293) | | | |
| Federal sources | 6,000 | | | | | |
| Total Revenues | 9,292,773 | 185,348 | 778,001 | 89,909 | 236,266 | 1,105,976 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General governmental support | 1,673,978 | 66,494 | | | | |
| Public safety | 3,276,727 | 1,753 | | | | 513,637 |
| Health | 1,023 | | | | | |
| Transportation | 389,218 | | | | 249,122 | |
| Economic assistance and opportunity | 18,468 | | | | | |
| Culture and recreation | 990,854 | | 717,632 | | | |
| Home and community services | 8,185 | | | 89,905 | | |
| Employee benefits | 1,168,852 | | 76,069 | | | 130,487 |
| Debt service: | | | | | | |
| Principal | 565,444 | | | | | 310,000 |
| Interest | 66,133 | | | | | 50,963 |
| Capital outlay | | | | | | |
| Total Expenditures | 8,158,882 | 68,247 | 793,701 | 89,905 | 249,122 | 1,005,087 |
| Excess of Revenues (Expenditures) | 1,133,891 | 117,101 | (15,700) | 4 | (12,856) | 100,889 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Interfund transfers in | 150,604 | 118,000 | | | | |
| Interfund transfers (out) | (1,674,668) | | (69,325) | | | (134,307) |
| Proceeds of obligations | | | | | | |
| Total Other Financing (Uses) Sources | (1,524,064) | 118,000 | (69,325) | -0- | -0- | (134,307) |
| Net Changes in Fund Balances | (390,173) | 235,101 | (85,025) | 4 | (12,856) | (33,418) |
| Fund Balances, Beginning of Year | 4,457,045 | 1,491,285 | 392,046 | 620 | 75,694 | 398,483 |
| Fund Balances, End of Year | \$ 4,066,872 | \$ 1,726,386 | \$ 307,021 | \$ 624 | \$ 62,838 | \$ 365,065 |

See Independent Auditor's Report and Notes to Financial Statements

Special Revenue Funds

| Special District Funds | | Highway | Special | Capital | Debt | Total |
|------------------------|------------|--------------|-----------|-----------------|-----------|--------------|
| Sewer | Water | Townwide | Grant | Projects | Service | Governmental |
| Fund | Fund | Fund | Fund | Fund | Fund | Funds |
| \$ 486,360 | \$ 316,375 | \$ 2,014,895 | \$ | \$ | \$ 36,924 | \$ 8,834,366 |
| | | 34,400 | | | | 235,829 |
| | | 2,093,946 | | | | 5,579,085 |
| 1,959,060 | 2,012,283 | | | | | 4,214,127 |
| | | 74,333 | | | | 83,433 |
| 4,400 | 9,554 | 9,059 | 221 | 9,716 | 43 | 114,701 |
| | | | | | | 113,561 |
| | | | | | | 141,372 |
| | | 61,730 | | | | 159,485 |
| 100,858 | 55,540 | 42,658 | | 1,100 | | 646,813 |
| | 257,234 | 89,696 | | | | 663,927 |
| | | 414,624 | | 30,656 | | 1,011,239 |
| | | 127,328 | | 643,793 | | 777,121 |
| 2,550,678 | 2,650,986 | 4,962,669 | 221 | 685,265 | 36,967 | 22,575,059 |
| | | | | | 140 | 1,740,612 |
| | | | | | | 3,792,117 |
| | | | | | | 1,023 |
| | | 3,243,066 | | | | 3,881,406 |
| | | | | | | 18,468 |
| | | | | | | 1,708,486 |
| 2,711,660 | 1,693,816 | | | | | 4,503,566 |
| | 166,516 | 420,931 | | | | 1,962,855 |
| 49,200 | 420,124 | 670,507 | | | 33,200 | 2,048,475 |
| 16,231 | 219,467 | 156,410 | | | 5,198 | 514,402 |
| | | | | 1,734,040 | | 1,734,040 |
| 2,777,091 | 2,499,923 | 4,490,914 | -0- | 1,734,040 | 38,538 | 21,905,450 |
| (226,413) | 151,063 | 471,755 | 221 | (1,048,775) | (1,571) | 669,609 |
| | | 3 | | 67,911 | | 336,518 |
| | (355,409) | (650,954) | | (140,107) | | (3,024,770) |
| | | | | 1,111,000 | | 1,111,000 |
| -0- | (355,409) | (650,951) | -0- | 1,038,804 | -0- | (1,577,252) |
| (226,413) | (204,346) | (179,196) | 221 | (9,971) | (1,571) | (907,643) |
| 1,316,846 | 1,112,924 | 1,287,459 | 46,181 | (10,592,516) | 3,556 | (10,377) |
| \$ 1,090,433 | \$ 908,578 | \$ 1,108,263 | \$ 46,402 | \$ (10,602,487) | \$ 1,985 | \$ (918,020) |

TOWN OF VESTAL
 BUDGETARY COMPARISON SCHEDULE
 GENERAL-TOWNWIDE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

| | <u>Original Budget</u> | <u>Final Budget</u> |
|--|----------------------------|-------------------------|
| <u>REVENUES</u> | | |
| Real property taxes | \$ 4,193,061 | \$ 4,154,339 |
| Real property tax items | 100,000 | 103,649 |
| Nonproperty tax items | 3,450,000 | 3,450,000 |
| Departmental income | 219,913 | 220,813 |
| Use of money and property | 55,030 | 55,030 |
| Licenses and permits | 92,200 | 92,200 |
| Fines and forfeitures | 165,000 | 165,000 |
| Sale of property and compensation for loss | 15,000 | 60,363 |
| Miscellaneous local sources | 55,834 | 62,062 |
| Interfund revenues | 316,997 | 316,997 |
| State sources | 614,817 | 643,361 |
| Federal sources | 4,000 | 10,000 |
| Total Revenues | 9,281,852 | 9,333,814 |
| <u>EXPENDITURES</u> | | |
| Current: | | |
| General governmental support | 1,811,695 | 1,776,870 |
| Public safety | 3,336,051 | 3,363,390 |
| Health | 1,500 | 1,500 |
| Transportation | 405,481 | 404,981 |
| Economic assistance and opportunity | 18,527 | 18,527 |
| Culture and recreation | 1,010,719 | 1,041,433 |
| Home and community services | 13,175 | 11,145 |
| Employee benefits | 1,192,838 | 1,261,396 |
| Debt service (principal and interest) | 525,952 | 632,978 |
| Total Expenditures | 8,315,938 | 8,512,220 |
| Excess of Revenues | 965,914 | 821,594 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | |
| Interfund transfers in | 33,000 | 147,399 |
| Interfund transfers (out) | (1,714,468) | (1,706,579) |
| Total Other Financing (Uses) Sources | (1,681,468) | (1,559,180) |
| Excess of Revenues and Other Financing Sources Over (Expenditures) and Other (Uses) | (715,554) | (737,586) |
| Appropriated Fund Balance | 715,554 | 737,586 |
| Net Change in Fund Balance | \$ -0- | \$ -0- |
| Fund Balance, Beginning of Year | | |
| Fund Balance, End of Year | | |

See Independent Auditor's Report and Notes to Financial Statements

| <u>Actual</u> | <u>Encumbrances</u> | <u>Fav. (Unfav.) Variance</u> |
|---------------|---------------------|-----------------------------------|
| \$ 4,154,363 | \$ | \$ 24 |
| 102,653 | | (996) |
| 3,485,139 | | 35,139 |
| 224,721 | | 3,908 |
| 67,915 | | 12,885 |
| 113,561 | | 21,361 |
| 141,372 | | (23,628) |
| 76,016 | | 15,653 |
| 37,784 | | (24,278) |
| 316,997 | | -0- |
| 566,252 | | (77,109) |
| 6,000 | | (4,000) |
| 9,292,773 | -0- | (41,041) |
| 1,673,978 | 15,532 | 87,360 |
| 3,276,727 | 3,717 | 82,946 |
| 1,023 | | 477 |
| 389,218 | | 15,763 |
| 18,468 | | 59 |
| 990,854 | 31,700 | 18,879 |
| 8,185 | | 2,960 |
| 1,168,852 | 83,072 | 9,472 |
| 631,577 | | 1,401 |
| 8,158,882 | 134,021 | 219,317 |
| 1,133,891 | (134,021) | 178,276 |
| 150,604 | | 3,205 |
| (1,674,668) | | 31,911 |
| (1,524,064) | -0- | 35,116 |
| (390,173) | \$ (134,021) | \$ 213,392 |
| -0- | | |
| (390,173) | | |
| 4,457,045 | | |
| \$ 4,066,872 | | |

TOWN OF VESTAL
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 PUBLIC LIBRARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

| | Original Budget | Final Budget |
|--|--------------------|-----------------|
| <u>REVENUES</u> | | |
| Real property taxes | \$ 522,488 | \$ 517,850 |
| Real property tax items | 9,200 | 9,200 |
| Departmental income | 21,500 | 21,500 |
| Use of money and property | 3,500 | 3,500 |
| Sale of property and compensation for loss | 9,400 | 12,848 |
| Miscellaneous local sources | 215,101 | 217,691 |
| State sources | 9,000 | 9,000 |
| Total Revenues | 790,189 | 791,589 |
| <u>EXPENDITURES</u> | | |
| Current: | | |
| Culture and recreation | 776,911 | 786,046 |
| Employee benefits | 82,316 | 82,316 |
| Total Expenditures | 859,227 | 868,362 |
| Excess of Revenues (Expenditures) | (69,038) | (76,773) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | |
| Interfund transfers (out) | (60,962) | (69,327) |
| Total Other Financing (Uses) Sources | (60,962) | (69,327) |
| Excess of Revenues and Other Financing Sources Over (Expenditures) and Other (Uses) | (130,000) | (146,100) |
| Appropriated Reserves | 130,000 | 146,100 |
| Net Change in Fund Balance | \$ -0- | \$ -0- |
| Fund Balance, Beginning of Year | | |
| Fund Balance, End of Year | | |

See Independent Auditor's Report and Notes to Financial Statements

| <u>Actual</u> | <u>Encumbrances</u> | <u>Fav. (Unfav.) Variance</u> |
|---------------|---------------------|-----------------------------------|
| \$ 517,851 | \$ | \$ 1 |
| 8,874 | | (326) |
| 18,063 | | (3,437) |
| 2,746 | | (754) |
| 14,206 | | 1,358 |
| 216,554 | | (1,137) |
| (293) | | (9,293) |
| 778,001 | -0- | (13,588) |
| | | |
| 717,632 | 1,975 | 66,439 |
| 76,069 | | 6,247 |
| 793,701 | 1,975 | 72,686 |
| | | |
| (15,700) | (1,975) | 59,098 |
| | | |
| (69,325) | | 2 |
| (69,325) | -0- | 2 |
| | | |
| (85,025) | \$ (1,975) | \$ 59,100 |
| | | |
| (85,025) | | |
| | | |
| 392,046 | | |
| | | |
| \$ 307,021 | | |

TOWN OF VESTAL
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 SPECIAL DISTRICT FUND - DRAINAGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

| | <u>Original Budget</u> | <u>Final Budget</u> |
|---------------------------------|----------------------------|-------------------------|
| <u>REVENUES</u> | | |
| Real property tax items | \$ 89,916 | \$ 89,916 |
| Use of money and property | | |
| Total Revenues | 89,916 | 89,916 |
| <u>EXPENDITURES</u> | | |
| Current: | | |
| Home and community services | 89,916 | 89,916 |
| Total Expenditures | 89,916 | 89,916 |
| Excess of Revenues | -0- | -0- |
| Net Change in Fund Balance | \$ -0- | \$ -0- |
| Fund Balance, Beginning of Year | | |
| Fund Balance, End of Year | | |

See Independent Auditor's Report and Notes to Financial Statements

| <u>Actual</u> | <u>Encumbrances</u> | <u>Fav. (Unfav.) Variance</u> |
|------------------|----------------------|-----------------------------------|
| \$ <u>89,902</u> | \$ <u> </u> | \$ <u>(14)</u> |
| <u>7</u> | <u> </u> | <u>7</u> |
| <u>89,909</u> | <u>-0-</u> | <u>(7)</u> |
| | | |
| <u>89,905</u> | <u> </u> | <u>11</u> |
| <u>89,905</u> | <u>-0-</u> | <u>11</u> |
| | | |
| <u>4</u> | \$ <u>-0-</u> | \$ <u>4</u> |
| | | |
| <u>4</u> | | |
| | | |
| <u>620</u> | | |
| | | |
| \$ <u>624</u> | | |

TOWN OF VESTAL
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 SPECIAL DISTRICT FUND - LIGHTING FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Original Budget | Final Budget |
|---------------------------------|--------------------|-----------------|
| <u>REVENUES</u> | | |
| Real property taxes | \$ 238,383 | \$ 236,804 |
| Use of money and property | 1,600 | 1,600 |
| Total Revenues | 239,983 | 238,404 |
| <u>EXPENDITURES</u> | | |
| Current: | | |
| Transportation | 260,000 | 258,421 |
| Total Expenditures | 260,000 | 258,421 |
| Excess of (Expenditures) | (20,017) | (20,017) |
| Appropriated Fund Balance | 20,017 | 20,017 |
| Net Change in Fund Balance | \$ -0- | \$ -0- |
| Fund Balance, Beginning of Year | | |
| Fund Balance, End of Year | | |

See Independent Auditor's Report and Notes to Financial Statements

| <u>Actual</u> | <u>Encumbrances</u> | <u>Fav. (Unfav.) Variance</u> |
|-------------------|-------------------------|-----------------------------------|
| \$ <u>235,381</u> | \$ <u> </u> | \$ <u>(1,423)</u> |
| <u>885</u> | <u> </u> | <u>(715)</u> |
| <u>236,266</u> | <u> -0-</u> | <u>(2,138)</u> |
| | | |
| <u>249,122</u> | <u> </u> | <u>9,299</u> |
| <u>249,122</u> | <u> -0-</u> | <u>9,299</u> |
| <u>(12,856)</u> | \$ <u> -0-</u> | \$ <u>7,161</u> |
| | | |
| <u>(12,856)</u> | | |
| <u>75,694</u> | | |
| \$ <u>62,838</u> | | |

TOWN OF VESTAL
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 SPECIAL DISTRICT FUND - FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

| | <u>Original Budget</u> | <u>Final Budget</u> |
|--|----------------------------|-------------------------|
| <u>REVENUES</u> | | |
| Real property taxes | \$ 1,088,070 | \$ 1,072,216 |
| Intergovernmental charges | | |
| Use of money and property | 16,425 | 20,487 |
| Sale of property and compensation for loss | | 5,852 |
| Miscellaneous local sources | | 2,100 |
| Total Revenues | 1,104,495 | 1,100,655 |
| <u>EXPENDITURES</u> | | |
| Current: | | |
| Public safety | 546,196 | 591,526 |
| Employee benefits | 130,775 | 130,775 |
| Debt service (principal and interest) | 360,963 | 360,963 |
| Total Expenditures | 1,037,934 | 1,083,264 |
| Excess of Revenues | 66,561 | 17,391 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | |
| Interfund transfers (out) | (134,500) | (134,308) |
| Total Other Financing (Uses) Sources | (134,500) | (134,308) |
| Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources | (67,939) | (116,917) |
| Appropriated Fund Balance | 67,939 | 116,917 |
| Net Change in Fund Balance | \$ -0- | \$ -0- |
| Fund Balance, Beginning of Year | | |
| Fund Balance, End of Year | | |

See Independent Auditor's Report and Notes to Financial Statements

| <u>Actual</u> | <u>Encumbrances</u> | <u>Fav. (Unfav.) Variance</u> |
|--------------------------|---------------------|-----------------------------------|
| \$ <u>1,072,217</u> | \$ _____ | \$ <u>1</u> |
| <u>9,100</u> | _____ | <u>9,100</u> |
| <u>8,086</u> | _____ | <u>(12,401)</u> |
| <u>7,533</u> | _____ | <u>1,681</u> |
| <u>9,040</u> | _____ | <u>6,940</u> |
| <u>1,105,976</u> | <u>-0-</u> | <u>5,321</u> |
| | | |
| <u>513,637</u> | <u>29,420</u> | <u>48,469</u> |
| <u>130,487</u> | _____ | <u>288</u> |
| <u>360,963</u> | _____ | <u>-0-</u> |
| <u>1,005,087</u> | <u>29,420</u> | <u>48,757</u> |
| | | |
| <u>100,889</u> | <u>(29,420)</u> | <u>54,078</u> |
| | | |
| <u>(134,307)</u> | _____ | <u>1</u> |
| <u>(134,307)</u> | <u>-0-</u> | <u>1</u> |
| | | |
| <u>(33,418)</u> | \$ <u>(29,420)</u> | \$ <u>54,079</u> |
| | | |
| <u>(33,418)</u> | | |
| | | |
| <u>398,483</u> | | |
| | | |
| \$ <u><u>365,065</u></u> | | |

TOWN OF VESTAL
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 SPECIAL DISTRICT FUND - SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Original Budget | Final Budget |
|--|--------------------|-----------------|
| <u>REVENUES</u> | | |
| Real property taxes | \$ 484,071 | \$ 484,071 |
| Departmental income | 2,056,500 | 2,056,500 |
| Use of money and property | 7,000 | 7,000 |
| Miscellaneous local sources | | 176,338 |
| Total Revenues | 2,547,571 | 2,723,909 |
| <u>EXPENDITURES</u> | | |
| Current: | | |
| Home and community services | 2,552,734 | 2,736,072 |
| Debt service (principal and interest) | 65,431 | 65,431 |
| Total Expenditures | 2,618,165 | 2,801,503 |
| Excess of (Expenditures) | (70,594) | (77,594) |
| <u>OTHER FINANCING (USES) SOURCES</u> | | |
| Interfund transfers (out) | | |
| Total Other Financing (Uses) Sources | -0- | -0- |
| Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources | (70,594) | (77,594) |
| Appropriated Fund Balance | 47,187 | 47,187 |
| Appropriated Reserves | 23,407 | 30,407 |
| Net Change in Fund Balance | \$ -0- | \$ -0- |
| Fund Balance, Beginning of Year | | |
| Fund Balance, End of Year | | |

See Independent Auditor's Report and Notes to Financial Statements

| <u>Actual</u> | <u>Encumbrances</u> | <u>Fav. (Unfav.) Variance</u> |
|----------------------------|---------------------|-----------------------------------|
| \$ 486,360 | \$ | \$ 2,289 |
| <u>1,959,060</u> | | <u>(97,440)</u> |
| 4,400 | | (2,600) |
| <u>100,858</u> | | <u>(75,480)</u> |
| <u>2,550,678</u> | <u>-0-</u> | <u>(173,231)</u> |
| | | |
| <u>2,711,660</u> | <u>19,914</u> | <u>4,498</u> |
| <u>65,431</u> | | <u>-0-</u> |
| <u>2,777,091</u> | <u>19,914</u> | <u>4,498</u> |
| | | |
| <u>(226,413)</u> | <u>(19,914)</u> | <u>(168,733)</u> |
| | | |
| | | <u>-0-</u> |
| <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| | | |
| <u>(226,413)</u> | <u>\$ (19,914)</u> | <u>\$ (168,733)</u> |
| | | |
| | | |
| <u>(226,413)</u> | | |
| | | |
| <u>1,316,846</u> | | |
| | | |
| \$ <u><u>1,090,433</u></u> | | |

TOWN OF VESTAL
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 SPECIAL DISTRICT FUND - WATER FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

| | Original Budget | Final Budget |
|--|--------------------|-----------------|
| <u>REVENUES</u> | | |
| Real property taxes | \$ 321,616 | \$ 318,109 |
| Departmental income | 2,170,516 | 2,170,516 |
| Use of money and property | 9,000 | 9,000 |
| Sale of property and compensation for loss | 100 | 100 |
| Miscellaneous local sources | | |
| Interfund revenues | 257,234 | 257,234 |
| Total Revenues | 2,758,466 | 2,754,959 |
| <u>EXPENDITURES</u> | | |
| Current: | | |
| Home and community services | 1,827,350 | 1,827,285 |
| Employee benefits | 183,528 | 183,528 |
| Debt service (principal and interest) | 639,593 | 639,593 |
| Total Expenditures | 2,650,471 | 2,650,406 |
| Excess of Revenues | 107,995 | 104,553 |
| <u>OTHER FINANCING (USES) SOURCES</u> | | |
| Interfund transfers in | | |
| Interfund transfers (out) | (314,851) | (355,409) |
| Total Other Financing (Uses) Sources | (314,851) | (355,409) |
| Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources | (206,856) | (250,856) |
| Appropriated Fund Balance | 168,303 | 168,303 |
| Appropriated Reserves | 38,553 | 82,553 |
| Net Change in Fund Balance | \$ -0- | \$ -0- |
| Fund Balance, Beginning of Year | | |
| Fund Balance, End of Year | | |

See Independent Auditor's Report and Notes to Financial Statements

| Actual | Encumbrances | Fav. (Unfav.) Variance |
|------------|--------------|---------------------------|
| \$ 316,375 | \$ | \$ (1,734) |
| 2,012,283 | | (158,233) |
| 9,554 | | 554 |
| | | (100) |
| 55,540 | | 55,540 |
| 257,234 | | -0- |
| 2,650,986 | -0- | (103,973) |
| 1,693,816 | 1,650 | 131,819 |
| 166,516 | | 17,012 |
| 639,591 | | 2 |
| 2,499,923 | 1,650 | 148,833 |
| 151,063 | (1,650) | 44,860 |
| | | -0- |
| (355,409) | | -0- |
| (355,409) | -0- | -0- |
| (204,346) | \$ (1,650) | \$ 44,860 |
| | | |
| | | |
| (204,346) | | |
| 1,112,924 | | |
| \$ 908,578 | | |

TOWN OF VESTAL
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 HIGHWAY TOWNWIDE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Original Budget | Final Budget |
|--|--------------------|-----------------|
| <u>REVENUES</u> | | |
| Real property taxes | \$ 2,034,726 | \$ 2,015,767 |
| Real property tax items | 34,820 | 34,820 |
| Nonproperty tax items | 2,080,000 | 2,086,162 |
| Intergovernmental charges | 74,333 | 74,333 |
| Use of money and property | 15,500 | 15,500 |
| Sale of property and compensation for loss | 11,000 | 61,730 |
| Miscellaneous local sources | | |
| Interfund revenues | 89,397 | 90,890 |
| State sources | 195,166 | 372,183 |
| Federal sources | | 169,771 |
| Total Revenues | 4,534,942 | 4,921,156 |
| <u>EXPENDITURES</u> | | |
| Current: | | |
| Transportation | 2,918,606 | 3,245,449 |
| Employee benefits | 442,670 | 509,025 |
| Debt service (principal and interest) | 826,916 | 826,917 |
| Total Expenditures | 4,188,192 | 4,581,391 |
| Excess of Revenues | 346,750 | 339,765 |
| <u>OTHER FINANCING (USES) SOURCES</u> | | |
| Interfund transfers in | | |
| Interfund transfers (out) | (656,668) | (650,955) |
| Total Other Financing (Uses) Sources | (656,668) | (650,955) |
| Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources | (309,918) | (311,190) |
| Appropriated Fund Balance | 309,918 | 311,190 |
| Net Change in Fund Balance | \$ -0- | \$ -0- |
| Fund Balance, Beginning of Year | | |
| Fund Balance, End of Year | | |

See Independent Auditor's Report and Notes to Financial Statements

| <u>Actual</u> | <u>Encumbrances</u> | <u>Fav. (Unfav.) Variance</u> |
|---------------------|---------------------|-----------------------------------|
| \$ 2,014,895 | \$ | \$ (872) |
| 34,400 | | (420) |
| 2,093,946 | | 7,784 |
| 74,333 | | -0- |
| 9,059 | | (6,441) |
| 61,730 | | - |
| 42,658 | | 42,658 |
| 89,696 | | (1,194) |
| 414,624 | | 42,441 |
| 127,328 | | (42,443) |
| 4,962,669 | -0- | 41,513 |
| | | |
| 3,243,066 | 2,196 | 187 |
| 420,931 | 85,851 | 2,243 |
| 826,917 | | -0- |
| 4,490,914 | 88,047 | 2,430 |
| | | |
| 471,755 | (88,047) | 43,943 |
| | | |
| 3 | | 3 |
| (650,954) | | 1 |
| (650,951) | -0- | 4 |
| | | |
| (179,196) | \$ (88,047) | \$ 43,947 |
| | | |
| -0- | | |
| | | |
| 1,287,459 | | |
| \$ <u>1,108,263</u> | | |

TOWN OF VESTAL
BALANCE SHEET
INTERNAL SERVICE FUND
DECEMBER 31, 2010

ASSETS

Assets:

| | |
|--|----------------------------|
| Cash and cash equivalents - Unrestricted | \$ <u>1,608,751</u> |
| Other receivables, net | <u>12,178</u> |
| Total Assets | \$ <u><u>1,620,929</u></u> |

LIABILITIES AND NET ASSETS

Liabilities:

| | |
|-------------------|-------------------|
| Accounts payable | \$ <u>379,321</u> |
| Total Liabilities | <u>379,321</u> |

Net Assets:

| | |
|----------------------------------|----------------------------|
| Internal Service Fund | <u>1,241,608</u> |
| Total Net Assets | <u>1,241,608</u> |
| Total Liabilities and Net Assets | \$ <u><u>1,620,929</u></u> |

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF VESTAL
STATEMENT ACTIVITIES
INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

OPERATING REVENUES

| | | |
|--|----|--------------------|
| Use of money and property | \$ | 7,415 |
| Sale of property and compensation for loss | | <u>73,617</u> |
| Miscellaneous local sources | | <u>208,335</u> |
| Interfund revenues | | <u>15,968</u> |
| Total Revenues | | <u>305,335</u> |

OPERATING EXPENSES

| | | |
|------------------------------------|--|------------------------|
| Current: | | |
| General governmental support | | 381,602 |
| Employee benefits | | <u>2,196,387</u> |
| Total Expenditures | | <u>2,577,989</u> |
| Excess of (Operating Expenses) | | <u>(2,272,654)</u> |

NON-OPERATING REVENUES

| | | |
|----------------------------------|----|-------------------------|
| Interfund transfers in | | <u>2,688,252</u> |
| Total Non-Operating Revenues | | <u>2,688,252</u> |
| Net Change in Net Assets | | <u>415,598</u> |
| Net Assets, Beginning of Year | | <u>826,010</u> |
| Net Assets, End of Year | \$ | <u><u>1,241,608</u></u> |

1

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF VESTAL
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

| | |
|---|----------------------------|
| Cash Flows from Operating Activities: | |
| Cash received from other funds | \$ <u>2,688,252</u> |
| Other operating revenue | <u>336,732</u> |
| Cash payments - Contractual | <u>(381,602)</u> |
| Cash payments - Hospital and medical | <u>(2,392,544)</u> |
| Net Cash Provided by Operating Activities | <u>250,838</u> |
| Net Cash Provided by Non-capital Financing Activities | <u>-0-</u> |
| Net Cash Provided by Capital and Related Financing Activities | <u>-0-</u> |
| Cash Flows from Investing Activities: | |
| Interest income received | <u>7,415</u> |
| Net Cash Provided by Investing Activities | <u>7,415</u> |
| NET INCREASE IN CASH EQUIVALENTS | <u>258,253</u> |
| Cash and Cash Equivalents, January 1, 2010 | <u>1,350,498</u> |
| Cash and Cash Equivalents, December 31, 2010 | \$ <u><u>1,608,751</u></u> |
| Reconciliation of Income from Operations to Net Cash Provided by Operating Activities: | |
| (Loss) from operations | \$ <u>408,183</u> |
| (Increase) in other receivables | <u>38,812</u> |
| Increase in accounts payable | <u>(196,157)</u> |
| Net Cash Provided by Operating Activities | \$ <u><u>250,838</u></u> |

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF VESTAL
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2010

| | <u>Agency Fund</u> |
|---------------------------|-------------------------|
| <u>ASSETS</u> | |
| Cash: | |
| Unrestricted | \$ <u>11,834</u> |
| Total Assets | \$ <u><u>11,834</u></u> |
| <u>LIABILITIES</u> | |
| Other liabilities | \$ <u>11,834</u> |
| Total Liabilities | \$ <u><u>11,834</u></u> |

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF VESTAL
SCHEDULE OF NONCURRENT ASSETS AND LIABILITIES
DECEMBER 31, 2010

NONCURRENT GOVERNMENT ASSETS

| | |
|--|---------------------------------|
| Land | \$ <u>4,206,342</u> |
| Improvements, net of accumulated depreciation | <u>824,208</u> |
| Buildings, net of accumulated depreciation | <u>9,674,975</u> |
| Machinery and equipment, net of accumulated depreciation | <u>6,832,076</u> |
| Total Noncurrent Government Assets | \$ <u><u>21,537,601</u></u> |

NONCURRENT GOVERNMENT LIABILITIES

| | |
|---|--------------------------------|
| Bond Anticipation Notes payable | \$ <u>388,900</u> |
| Bonds payable | <u>6,362,710</u> |
| Total Noncurrent Government Liabilities | \$ <u><u>6,751,610</u></u> |

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Town of Vestal (the Town) have been prepared in conformity with the accounting principles prescribed by the New York State Office of the State Comptroller, and are not intended to be a complete presentation in accordance with accounting principles generally accepted in the United States. The financial statements do not include a Statement of Net Assets or a Statement of Activities for the Governmental Activities, prepared on the accrual basis of accounting, or a Management's Discussion and Analysis. The more significant of the Town's accounting policies are described below.

A. Financial Reporting Entity

The Town, which was founded in 1823, is governed by Town Law, and other general municipal laws of the State of New York, and various local laws. The Town Board is the legislative body responsible for overall operations; the Town Supervisor serves as chief executive officer and as chief fiscal officer.

The following basic services are provided: public safety, health, transportation (streets and highways), economic assistance and opportunity, culture and recreation, home and community services, planning and zoning, general administration, water and sewer.

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

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement Number 14, "The Financial Reporting Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations are Component Units." and GASB Statement Number 61, "The Financial Reporting Entity: Omnibus."

1. The primary government, which is the Town.
2. Organizations for which the primary government is financially accountable, and;
3. 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.

The decision to include a potential component unit in the reporting entity is based on the criteria set forth in GASB Statement Number 14, as amended by GASB Numbers 39 and 61, 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 reporting entity.

1. Fire District

Fire protection is provided by the Vestal Fire District (the Fire District). The Fire District is governed by the Board of Fire Commissioners, whose membership is the Town Board, ex officio. The Fire District is included in the reporting entity as a separate Governmental Fund.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

2. Public Library

The Vestal Public Library (Library) was established in 1949 by the Town and granted a charter by the State Board of Regents as provided in Article 5 of the Education Law. The Library Trustees are appointed by the Town Board. Taxes for Library purposes are raised by the Town and title to real property used by the Library is held by the Town, who also issues all Library indebtedness which is supported by the full faith and credit of the Town. The Library is included in the reporting entity as a separate Governmental Fund.

3. Emergency Squad

Effective December 1, 1996, the Town entered into a contract with VVES, Inc. (the Organization), a not-for-profit corporation, to provide general ambulance service within the Town boundaries. This Organization is not included in the Town reporting entity. The Town has no authority to appoint the governing authority or management of the Organization. In addition, the Town has no responsibility for deficits, no entitlement to surpluses, and does not guarantee debt of the Organization. The Organization has substantial financial independence, with the following exceptions. Fees imposed and collected by the Organization were established by the Town pursuant to the authority contained in Section 122-b(2) of General Municipal Law and are included in the contractual agreement. Under the provisions of the contract, title to certain Town assets was transferred to the Organization, who is contractually obligated to pay for these assets by reimbursing the Town for remaining debt service payments. The Organization uses the Town facilities rent free, but has responsibility for certain repairs and maintenance costs in exchange.

In 2006, the Town constructed a new building which houses the emergency squad's operations. In accordance with a written agreement, the Organization reimburses the Town for the debt service costs on the \$768,500 in notes issued and remains responsible for certain repair and maintenance costs. At December 31, 2010, \$641,100 remained outstanding on this debt.

B. Fund Accounting

The Town uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The Town records its transactions in the fund types described below:

1. Fund Categories

a. Governmental Fund Types

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources, and related liabilities are accounted for through Governmental Fund types. The measurement focus of the Governmental Fund types is based upon determination of financial position and changes in financial position. The following are the Town's Governmental Fund Types:

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

(1) General Townwide Fund

Principal operating fund; includes all operations not required to be recorded in other funds.

(2) Special Revenue Funds

Used to account for the proceeds of specific revenue sources legally restricted to expenditure for specified purposes.

The following Special Revenue Funds are utilized:

(a) Miscellaneous Special Revenue Fund

Established to account for Town Fire District trusts and other Special Revenue Activities.

(b) Public Library Fund

Established to account for activities of the Town of Vestal Public Library.

(c) Special District Funds

Established by the Town to account for activities in the following areas: Drainage, Lighting, Fire, Sewer, and Water.

(d) Highway Townwide Fund

Established pursuant to Highway Law, Section 141, to account for revenues and expenditures for highway purposes.

(e) Special Grant Fund

Accounts for proceeds of a specific revenue source, expenditures for which are legally restricted for purposes specified in the grant agreements.

(3) Capital Projects Fund

Used to account for and report financial resources to be used for the acquisition, construction, or renovation of major capital facilities, or equipment.

(4) Debt Service Fund

Used to account for current payments of principal and interest on general obligation long-term debt (and for financial resources accumulated in a reserve for payment of future principal and interest on long-term indebtedness).

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

b. Proprietary Funds

Proprietary Funds are used to account for ongoing organizations or activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. The following Proprietary Fund is utilized:

(1) Internal Service Fund

The Internal Service Fund is used to account for the accumulation of resources for payment of health insurance as authorized by General Municipal Law.

c. Fiduciary Fund Types

Fiduciary Fund Types are used to account for assets held by the local government in a trustee or custodial capacity. The following is the Town's Fiduciary Fund:

(1) Agency Fund

The Agency Fund is used to account for money and/or property received and held in the capacity of trustee, custodian, or agent.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

Modified Accrual Basis - All Governmental Funds are accounted for using the modified accrual basis of accounting. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis, which approximates the modified accrual basis of accounting.

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town recognizes receivables collected within 60 days after year end to be available and recognizes them as revenues of the current year.

Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges. 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:

- a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of the purchase.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

- b. Principal and interest on indebtedness are not recognized as an expenditure until due.
- c. Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid. See Note 1-H.
- d. General fixed assets are recorded at actual or estimated cost or, in the case of gifts and contributions, at the fair market value at the time received on the Schedule of Noncurrent Governmental Assets. No budgetary provision for depreciation is made. General long-term debt liabilities are recorded at the par value of the principal amount and reported in the Schedule of Noncurrent Governmental Liabilities. No liability is recorded for interest payable to maturity.

Accrual Basis

The Proprietary and Fiduciary Fund financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets and liabilities, including long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

D. Property Taxes

Town real property taxes are levied annually on January 1, and become a lien on that date. Taxes are collected during the period January 1 to March 31. The Town Receiver of taxes collects all real estate taxes for Town and County purposes. The Town Receiver distributes the collected tax money to the Town Supervisor prior to distributing the balance collected to the County on March 31. The Town thereby is assured of 100% tax collection. Responsibility for the collection of unpaid taxes rests with the County. Annually the County bills the Town for current and prior year adjustments to tax bills resulting from small claims decisions or court orders. The Town pays this bill before December 31st and nets these adjustments against the current year levy in reporting real property tax revenue.

E. Budgetary Data

- 1. Budget Policies - The budget policies are as follows:
 - a. No later than September 30, a tentative budget is submitted by the budget officer 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 governing board adopts the budget.
 - c. All modifications of the budget must be approved by the governing board. However, the Town Supervisor is authorized to transfer certain budgeted amounts within departments.
- 2. 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 for the General and Special Revenue Funds. Encumbrances are reported as reservations of fund balances, as they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

3. Budgetary Basis of Accounting

Budgets are adopted annually on a basis consistent with its prescribed basis of accounting. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

Budgetary controls for the Special Grant Fund are established in accordance with the applicable grant agreement, which covers a period other than the Town's fiscal year.

F. Cash and Cash Equivalents

For financial statement purposes, the Town considers all highly liquid investments with original maturities of three months or less as cash equivalents.

G. Investments

Temporary investments consist of short-term treasury instruments and are stated at fair value.

Restricted investments consist of U.S. Treasury investments and are stated at fair value.

H. Vacation and Sick Leave and Compensatory Absences

Full-time employees earn from ten to twenty-five days of vacation leave per year depending on length of employment. Generally, vacation leave must be used by year end or forfeited, except that up to five days may be carried over to the next year. In the event of termination or upon retirement, an employee is entitled to payment of accumulated vacation at various rates subject to certain maximum limitations. Other part-time employees of the Town do not earn leave benefits. Part-time employees of the Library who work at least nineteen hours a week, nine months of the year earn vacation leave, prorated on the basis of the number of hours worked each week. Part-time Library employees who work less than nineteen hours a week do not earn any leave benefits.

Personal leave is granted in accordance with collective bargaining agreements or the Employee Handbook and is generally limited to six days per year with no accumulated balance. Similarly, the Town has no accumulated sick leave program. The Town does maintain an insured disability program, in which eligible employees are covered under a 30 day period for which the Town self-insures for the employee's full compensation.

Insurance benefits amount to two-thirds of pay with a weekly maximum. The weekly maximum is \$500 for members of the International Union of Operating Engineers Local Union 106, CSEA employees and non-union employees. The weekly maximum is \$800 for members of the Police Benevolent Association and \$1,000 for the Police Supervisors Association and non-union management. This insurance pays benefits for a one-year period only.

Vested valuation and compensation time is recorded as a liability and expenditure in the Governmental Funds. The liability for compensated absences was initially recorded in 2008 and as of December 31, 2010 equals \$98,815.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

I. Property, Plant, and Equipment

Fixed assets purchased for general governmental purposes are recorded as expenditures in the Governmental Funds and are capitalized at cost in the Schedule of Noncurrent Governmental Assets. Contributed fixed assets are recorded at fair market value on the date received. Fixed assets consisting of certain infrastructure type improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage and lighting systems, have not been capitalized.

The asset values, net of accumulated depreciation, appear in the Schedule of Noncurrent Governmental Assets within this report. Depreciation has been provided using the straight-line method over the estimated useful life of the asset. Interest on general fixed assets work in progress has not been capitalized.

J. Insurance

The Town maintains insurance coverage for most risk including, but not limited to, property damage and personal injury liability. The Town is self-insured for general liability and law enforcement liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. No settlements exceeded insurance coverage in any of the past three years. Claims in the last six years totaled \$113,022. Legal fees and incidental charges incurred to defend the town have totaled \$52,280 during this period. These figures include approximately \$78,000 in claims and legal costs to defend assessment challenges in 2009.

K. Use of Estimates

The presentation of financial statements in conformity with the prescribed basis of accounting as applied to governmental units requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Post Employment Benefits

The Town provides health insurance coverage for eligible retirees, consisting of full-time employees who have been employed by the Town for at least ten years and are age 55 or older (except for police officers, who have no age limit) at the time of retirement from Town employment. New employees are eligible for this coverage after twenty years of service. Covered individuals as of December 31, 2010 included 77 retirees, their spouses, if applicable, and any eligible dependents. During 2010, \$934,649 was paid into the health insurance fund in the form of a premium equivalent on behalf of the retirees. This cost is reported as an interfund transfer to the self insurance fund in the operating fund that employed the retiree as follows: General Fund: \$696,728; Public Library Fund: \$31,936; Highway Fund: \$145,307; and Special District - Consolidated Water Fund: \$60,678.

In addition, retirees are reimbursed for Medicare premiums paid. Medicare premium reimbursements are recorded as expenditures in the operating fund that employed the retiree. These expenditures are included in the report as part of Other Employee Benefits as follows: General Fund: \$47,497; Public Library Fund: \$4,160; Highway Fund: \$20,178; and Special District - Consolidated Water Fund: \$4,071.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

Upon retirement, retirees are entitled to a \$5,000 life insurance death benefit. When an employee is within five years of their retirement age and has at least ten years of service with the Town, the Town begins funding a retired lives reserve benefit consisting of a paid up \$5,000 life insurance policy that will be given to each respective employee upon retirement or when the paid up policy is fully funded, whichever is later. Cost of funding the retired lives reserve in 2010 was: General Fund: \$4,530; Highway Townwide Fund: \$264; and Special District Consolidated Water Fund: \$129. Other retirees are covered by term insurance with a total cost of \$778 in 2010. In 2008, the Town contracted for an actuarial analysis of their Other Postemployment Benefits (OPEB) liability. This liability has not been recorded.

Note 2 - Stewardship, Compliance, and Accountability

A. Deficit Fund Balance

1. Capital Fund Balance

The Capital Projects Fund had a deficit fund balance of \$10,602,487 at December 31, 2010. This deficit will be eliminated as short-term debt is converted to long-term financing.

Note 3 - Detail Notes on All Funds

A. Assets

1. Cash and Investments

The Town's investment policies are governed by State statutes. In addition, the Town has its own written investment policy. The Town monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The Comptroller is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit at 105 percent of all deposits not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, as well as obligations of the state, its municipalities and school districts.

Deposits and investments are categorized as either (1) insured and for which the securities are held by the Town's agent in the Town's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the Town's name, (3) uncollateralized.

Total financial institution (bank) balances at December 31, 2010, per the bank, were \$9,252,581. These deposits are either insured or collateralized in accordance with State statutes and Town investment policies.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

2. Investments

Investments are stated at fair value and are categorized as either (1) insured or registered, with investments held by the Town or the Town's agent in the Town's name, (2) uninsured and unregistered, with investments held by the financial institution's trust department in the Town's name, (3) uninsured and unregistered, with investments held by the financial institution or its trust department but not in the Town's name. The Town has the following investments in the following denominations:

| <u>Description</u> | <u>Fund Type</u> | <u>Category</u> | <u>Amount</u> |
|---------------------|--------------------------------|-----------------|---------------|
| U.S. Treasury Bonds | General Fund | (1) | \$ 406,616 |
| U.S. Treasury Bonds | Fire Fund | (1) | 36,707 |
| U.S. Treasury Bonds | Water Fund | (1) | 99,130 |
| Town of Vestal Note | General Fund Insurance Reserve | (1) | 753,960 |

In addition, the Town's Fire District Service Award program has investments of \$1,307,486 at December 31, 2010. This amount is invested in several different mutual funds, and is not insured. See Note 6 for a further description of the program.

3. Other Receivables

Other receivables for the year ended December 31, 2010 consisted of:

| | | |
|--|--|---------------------|
| General Townwide Fund: | | |
| Accounts receivable | | \$ 137,251 |
| Accrued interest receivable | | 11,213 |
| Total General Fund | | <u>148,464</u> |
| Special Revenue Funds: | | |
| Special District Funds: | | |
| Fire Fund: | | |
| Other receivables | | <u>1,789</u> |
| Sewer Fund: | | |
| Sewer rents receivable | | <u>541,754</u> |
| Water Fund: | | |
| Water rents receivable | | 619,443 |
| Accounts receivable | | 34,361 |
| Accrued interest receivable | | <u>2,325</u> |
| Total Special District Fund - Water Fund | | <u>656,129</u> |
| Highway Fund: | | |
| Accounts receivable | | <u>393</u> |
| Internal Service Fund: | | |
| Insurance reimbursements | | <u>12,178</u> |
| Total | | <u>\$ 1,360,707</u> |

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

4. Fixed Assets

The changes in fixed assets for the fiscal year ended December 31, 2010 are as follows:

| <u>Type</u> | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfer of Assets</u> | <u>Balance End of Year</u> |
|---------------------------|--|------------------|------------------|-------------------------------|------------------------------------|
| Land | \$ 4,206,342 | \$ | \$ | \$ | \$ 4,206,342 |
| Buildings | 19,136,498 | 43,845 | | | 19,180,343 |
| Improvements | 1,670,494 | 184,374 | | | 1,854,868 |
| Machinery and equipment | 18,117,409 | 1,126,191 | (190,508) | | 19,053,092 |
| Total | 43,130,743 | 1,354,410 | (190,508) | | 44,294,645 |
| Accumulated Depreciation: | | | | | |
| Buildings | (8,893,689) | (593,724) | | (17,955) | (9,505,368) |
| Improvements | (892,944) | (137,716) | | | (1,030,660) |
| Machinery and equipment | (10,916,738) | (1,465,681) | 143,448 | 17,955 | (12,221,016) |
| Total | (20,703,371) | (2,197,121) | 143,448 | -0- | (22,757,044) |
| Net Fixed Assets | \$ 22,427,372 | \$ (842,711) | \$ (47,060) | \$ -0- | \$ 21,537,601 |

B. Liabilities

1. Pension Plans

a. Plan Description

The Town participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS), and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer defined benefit retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems.

The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

b. Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

TOWN OF VESTAL
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

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

| <u>Year</u> | <u>ERS</u> | <u>PFRS</u> |
|-------------|------------|-------------|
| 2009 | \$ 548,626 | \$ 401,218 |
| 2008 | 310,531 | 316,055 |
| 2007 | 365,070 | 308,136 |

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

State law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2007. The Town has opted not to amortize.

Pursuant to Chapter 105 of the Laws of 2010, on August 25, 2010, the Town adopted a resolution to make available a retirement incentive program to eligible employees. The estimated total cost of the incentive is \$168,922, of which \$83,072 will be charged to expenditures in the general fund and \$85,850 will be charged to the highway townwide fund. The incentive will be billed and can be paid in full or over a 5 year period, beginning in December 2011.

2. Short-term Debt

a. Bond Anticipation Notes (BANs)

Liabilities for short-term BANs are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually beginning with the second complete year of origination.

State law requires BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects, may be renewed for periods to the maximum life of the permanent financing, provided stipulated annual reductions of principal are made.

BANs renewed prior to issuance of the financial statements for a one year period are considered long-term obligations as of the balance sheet date and as such are reported in the Schedule of Long-term Liabilities.

Short-term BANs are as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|------|------------------------------|----------------------|------------------------|---------------------------|
| BANs | \$ <u>12,720,000</u> | \$ <u>12,440,000</u> | \$ <u>(12,720,000)</u> | \$ <u>12,440,000</u> |

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

Maturity dates and interest rates for short-term BANs are as follows:

| <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Balance at December 31, 2010</u> |
|----------------------|----------------------|---|
| 05/20/2011 | 1.50% | \$ 11,625,000 |
| 05/20/2011 | 1.50% | 735,000 |
| 05/20/2011 | 1.37% | <u>80,000</u> |
| | | <u>\$ 12,440,000</u> |

Long-term BANs are as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|------|------------------------------|------------------|--------------------|---------------------------|
| BANs | \$ <u>424,825</u> | \$ <u>-0-</u> | \$ <u>(35,925)</u> | \$ <u>388,900</u> |

Long-term BANs matured on February 3, 2010, including interest of 1.37%. BANs totaling \$388,900 were issued, with interest of 1.50%; and will mature on February 4, 2011.

Interest expenditures on BANs totaled \$219,760.

3. Long-term Debt

a. Serial Bonds and Installment Purchase Debt

The Town borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Schedule of Noncurrent Governmental Liabilities. 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.

C. Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2010:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> | <u>Due within One Year</u> |
|----------------|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| Serial Bonds | \$ 7,264,260 | \$ -0- | \$ (901,550) | \$ 6,362,710 | \$ 886,965 |
| Long-term BANs | <u>424,825</u> | <u>-0-</u> | <u>(35,925)</u> | <u>388,900</u> | <u>35,125</u> |
| Total | <u>\$ 7,689,085</u> | <u>\$ -0-</u> | <u>\$ (937,475)</u> | <u>\$ 6,751,610</u> | <u>\$ 922,090</u> |

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

D. Summary of Serial Bonds

As of December 31, 2010, Serial Bonds, including issue and maturity dates and interest rates, consisted of the following:

| Description of Issue | Final Maturity | Interest Rate | Payable to Maturity |
|---------------------------------------|----------------|---------------|---------------------|
| Serial Bonds: | | | |
| Water District 7 - Part 2 | 9/1/2015 | 5.00% | \$ 8,760 |
| Water District 7 - Part 3 | 9/1/2021 | 5.00% | 10,200 |
| Fire District Engines | 7/15/2013 | 4.80% | 270,000 |
| Fire Equipment | 6/15/2014 | 3.50-4.10% | 435,000 |
| Highway Equipment | 7/15/2011 | 3.81% | 18,750 |
| Parks, Playground & Highway Equipment | 7/15/2015 | 3.70% | 335,000 |
| Fire Tower Truck | 6/18/2016 | 5.00-5.10% | 245,000 |
| Public Improvement Serial Bonds | 7/14/2026 | 4.125-4.375% | 5,040,000 |
| | | | <u>\$ 6,362,710</u> |

The following is a summary of maturing debt service requirements for serial bonds:

| Year | Principal | Interest | Total |
|-----------|---------------------|---------------------|---------------------|
| 2011 | \$ 886,965 | \$ 256,333 | \$ 1,143,298 |
| 2012 | 884,300 | 218,965 | 1,103,265 |
| 2013 | 874,320 | 181,623 | 1,055,943 |
| 2014 | 666,050 | 146,477 | 812,527 |
| 2015 | 526,050 | 121,097 | 647,147 |
| 2016-2020 | 1,650,025 | 350,565 | 2,000,590 |
| 2021-2025 | 735,000 | 109,484 | 844,484 |
| 2026 | 140,000 | 3,063 | 143,063 |
| Total | <u>\$ 6,362,710</u> | <u>\$ 1,387,607</u> | <u>\$ 7,750,317</u> |

In addition to the above, the Town has authorized \$4,554,000 in general long-term debt which remains unissued at December 31, 2010.

Interest expenditures on long-term debt totaled \$294,642.

Note 4 - Interfund Balances

Interfund balances at December 31, 2010 are as follows:

| | Revenues | Expenditures |
|------------------------------------|---------------------|---------------------|
| General Townwide Fund | \$ 150,604 | \$ 1,674,668 |
| Miscellaneous Special Revenue Fund | 118,000 | |
| Public Library Fund | | 69,325 |
| Special District Fund - Fire Fund | | 134,307 |
| Special District Fund - Water Fund | | 355,409 |
| Highway Townwide Fund | 3 | 650,954 |
| Capital Projects Fund | 67,911 | 140,107 |
| Internal Service Fund | 2,688,252 | |
| Total | <u>\$ 3,024,770</u> | <u>\$ 3,024,770</u> |

TOWN OF VESTAL
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

The Town typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. There were no interfund receivables or payables at December 31, 2010.

Note 5 - Fund Equity

Funds reserved for other purposes at December 31, 2010 are as follows:

| | |
|-------------------------------------|---------------------|
| General Fund: | |
| DARE program | \$ 4,101 |
| Crime Proceeds | 13,184 |
| Handicapped Parking Education | 1,355 |
| General reserve | <u>9,006</u> |
| Total | <u>\$ 27,646</u> |
| Miscellaneous Special Revenue Fund: | |
| Fire service awards | \$ 1,697,636 |
| Parks improvements | 18,955 |
| Fire equipment | 5,016 |
| Police equipment | <u>4,779</u> |
| Total | <u>\$ 1,726,386</u> |
| Special District - Fire Fund: | |
| General purposes | <u>\$ 29,436</u> |

Note 6 - Fire Service Award Program

Pursuant to Article 11-A of the General Municipal Law, a special election of the Fire District was held on February 15, 1996 to approve the establishment of a Service Award Program for volunteer firefighters. The Service Award Program is a package of defined benefits (cash distributions and life insurance) designed to retain, attract, and recruit volunteer firefighters. The Service Award Program is a non-qualified plan and is not subject to Employee Retirement Income Security Act (ERISA) requirements. The annual estimated cost of the Service Award Program is \$118,000 and this cost is borne entirely by the Fire District. Funding of program distributions and benefits began in 1997.

Financial transactions of the program are accounted for in the Miscellaneous Special Revenue Fund.

The information contained in this note is based on information for the Town of Vestal/Vestal Fire District Service Award Program for the program year ending on December 31, 2010.

A. Length of Service Awards Program - LOSAP

The Town of Vestal/Vestal Fire District established a defined benefit Service Award Program (referred to as a "LOSAP" - length of service award program - under Section 457(e)(11) of the Internal Revenue Code) effective January 1, 1996 for active volunteer firefighter members of the Fire Department. The program was established pursuant to Article 11-A of the New York State General Municipal Law. The program provides municipally-funded deferred compensation to volunteer firefighters to facilitate recruitment and retention of active volunteer firefighters. The Town of Vestal/Vestal Fire District is the sponsor of the program and the program administrator.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
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B. Program Description

Under the program, participating volunteers begin to be paid a service award upon attainment of the program "entitlement age." The amount of the service award paid to a volunteer is based upon the number of years of service credit earned for performing active volunteer firefighter activities.

1. Participation, Vesting and Service Credit

Active volunteer firefighters who have reached the age of 16 and completed one year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five (5) years of firefighting service or upon attaining the program's entitlement age (65) while an active volunteer. An active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain firefighter activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five (5) years of active volunteer firefighting service rendered prior to the establishment of the program as an active volunteer firefighter member of the Fire Department.

2. Benefits

A participant's service award benefit is paid as a ten year certain and continuous monthly payment life annuity.

The amount payable each month equals \$15 multiplied by total number of years of service credit earned by the volunteer under the point system. The maximum number of years of service credit a participant may earn is 40 years under the program. Currently, there are no other forms of payment of a volunteer's earned service award under the Program. Except in the case of death or total and permanent disablement, service awards commence to be paid when a participant attains entitlement age. Volunteers who continue to be active after attaining entitlement age and beginning to receive a service award continue to have the opportunity to earn program credit and thereby increase service award payments.

The program provides death and disability benefits equal to the actuarial value of the participant's earned service award at the time of death or disablement (for participants who were active volunteers at death, the minimum death benefit payable is \$10,000). The program does not provide extra line-of-duty death or disability benefits. Except for the minimum guaranteed death benefit of \$10,000 (funded through Group Term Life Insurance), all death and disability benefits are "self insured" and paid from the program trust fund.

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

C. Fiduciary Investment and Control

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

Beginning with the listing prepared for the 2007 calendar year, the listing was forwarded to an actuary. The Town Board/Board of Fire Commissioners is required to retain an actuary to determine the Town/Fire Department's contributions to the plan.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
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The Town Board/Board of Fire Commissioners has retained Douglas Bulman of The Bulman Agency to assist in the administration of the program.

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

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

The actuary retained by the Town/Fire Department during 2008 and 2009 is Penflex, Inc. Portions of the following information are derived from a report dated March 29, 2011 prepared by the actuary.

Program Financial Condition:

Assets and Liabilities:

| | |
|--|--------------------------|
| Actuarial Present Value of Accrued Service Awards as of 12/31/10 | \$ <u>1,452,779</u> |
| Less: Assets Available for Benefits | |
| Total Investments (100% invested in cash and cash equivalents) | 1,697,636 |
| Less: Benefits Payable | <u>(14,773)</u> |
| Total Net Assets Available for Benefits | <u>1,682,863</u> |
| Excess Contributions | 230,084 |
| Less: Unfunded Liability for Separately Amortized Costs | <u>-0-</u> |
| Excess Available for Normal Benefits | <u><u>\$ 230,084</u></u> |

Separately Amortized Costs:

Prior service costs have been amortized and paid.

Receipts and Disbursements:

| | |
|------------------------------------|----------------------------|
| Plan Net Assets, Beginning of Year | \$ 1,460,930 |
| Changes During the Year: | |
| Plus: Plan contributions | 118,000 |
| Plus: Investment income earned | 30,052 |
| Plus: Change in market value | 155,148 |
| Less: Change in benefit payable | (14,773) |
| Less: Administrative Fees/Paid | (9,014) |
| Less: Plan benefit withdrawals | <u>(57,480)</u> |
| Plan Net Assets, End of Year | <u><u>\$ 1,682,863</u></u> |

Contributions:

| | |
|--|--------------------------|
| Amount of Town/Fire District's contribution recommended by actuary | \$ <u>56,621</u> |
| Amount of Town/Fire District's actual contribution | <u><u>\$ 118,000</u></u> |

Administration Fees:

| | |
|--|----------|
| Fees paid to administrative/ services provider | \$ 3,750 |
| Fees paid for actuary | 5,264 |
| Other administrative fees (insurance) | -0- |

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

D. Funding Methodology and Actuarial Assumptions

1. Normal Costs

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

Assumed rate of return on program investments: 6.0%

Tables used for:

| | |
|---|--|
| Post Entitlement Age mortality: | 1994 Unisex Pensioner Male Mortality Table projected with scale AA to 2007 |
| *Pre Entitlement Age mortality: | None |
| *Pre Entitlement Age disability: | None |
| *Pre Entitlement Age withdrawal: | None |
| *Pre Entitlement Age service credit accruals: | 100% |

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

Note 7 - Deferred Compensation Plan

Effective June 1985, the Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Town began participation in the New York State Deferred Compensation Plan (the Plan) on January 1, 2000. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

In October 1997, the GASB issued Statement Number 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans." This statement established accounting and financial reporting standards for Internal Revenue Code Section 457 deferred compensation plans for state and local governments.

On October 1, 1997, the New York State Deferred Compensation Board (the Board) created a Trust and Custody agreement making JP Morgan Chase Bank the Trustee and Custodian of the Plan. Consequently, GASB Statement Number 32 became effective for the Plan as of October 1, 1997. Because the Board is not the Trustee of the Plan, the Plan no longer meets the criteria for inclusion in the Town's financial statements.

Note 8 - Federal Housing Program

Prior to 1999, the Town participated in a Section 8 housing program of the U.S. Department of Housing and Urban Development. This program was, by contractual arrangement, administered by the Town of Union in all respects other than the receipt and disbursement of funds. Effective October 1, 1999, the Town agreed to the merger of its program with the Town of Union's program. The Town of Union thereby assumed the Town of Vestal annual contribution contract and administration obligations. The use of the Federal Funds and interest earnings remaining in the Town's custody is restricted to housing programs.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 9 - Sales and Franchise Taxes

A. County Sales Tax

A 4% sales tax is levied in the County of Broome under the general authority of Article 29 of the Tax Law. This tax is administered and collected by the State Tax Commission in the same manner as that relating to the state imposed 4.00% sales and compensating use tax. The County evenly splits the remaining 75% of sales tax with the municipalities within it based on population. Sales tax revenue increased 0.31% from \$5,218,591 in 2009 to \$5,234,865 in 2010.

B. Franchise Tax

The cable television company providing service in the Town of Vestal must pay a franchise fee of 5% to the Town on gross receipts generated in the Town. In 2010, this fee totaled \$344,220; up 4.7% from \$328,860 received in 2009.

Note 10 - Significant Effects of Subsequent Events

A. Subsequent Events

The Town Board at its meeting on February 23, 2011 authorized a bond resolution in the amount of \$305,000 for the purchase of highway equipment.

The Town Board at its meeting on March 23, 2011 authorized a bond resolution in the amount of \$65,000 for the purchase of computer equipment and software.

The Town Board at its meeting on April 14, 2011 authorized bond resolutions as follows:

- \$1,800,000 for road improvements
- \$90,000 for the purchase and installation of a new communications tower
- \$42,650 for the local share of a bridge reconstruction project
- \$16,950 for the local share of a bridge painting project

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

Town Board
Town of Vestal
Vestal, New York

We have audited the financial statements of the Town of Vestal (the Town) as of and for the year ended December 31, 2010, and have issued our report thereon dated July 26, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management the Town Board and others within the Town, and is not intended to be and should not be used by anyone other than these specified parties.

Cianchi, Nuttall, Little, Middleman, & Company, LLP

July 26, 2011
Ithaca, New York

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Town Board
Town of Vestal
Vestal, New York

Compliance

We have audited the compliance of the Town of Vestal with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2010. The Town of Vestal's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Vestal's management. Our responsibility is to express an opinion on the Town of Vestal's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Vestal's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Vestal's compliance with those requirements.

In our opinion, the Town of Vestal complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of the Town of Vestal is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Vestal's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Town Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cianchi, D'Andrea, Little, Middleman, & Company, LLP

July 26, 2011
Ithaca, New York

TOWN OF VESTAL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

| <u>Federal Grantor/ Pass-Through Grantor/ Program Title</u> | <u>Federal CFDA #</u> | <u>Pass-Through Grantor #</u> | <u>Expenditures</u> |
|---|---------------------------|-----------------------------------|--------------------------|
| <u>Department of Homeland Security</u> | | | |
| <u>Passed through State Emergency Management Office:</u> | | | |
| Public Assistance Grants | 97.036 | 1589DR NY | \$ <u>127,328</u> |
| Total Department of Homeland Security | | | <u>127,328</u> |
| <u>Department of Transportation</u> | | | |
| <u>Passed through NYS Department of Transportation:</u> | | | |
| Highway Planning and Construction - ARRA | 20.205 | (1) | 560,000 |
| Highway Planning and Construction - ARRA | 20.205 | (1) | <u>83,793</u> |
| Subtotal Highway Planning and Construction Cluster | | | 643,793 |
| Occupent Protection Incentive Grants | 20.602 | (1) | 3,336 |
| State and Community Highway Safety | 20.600 | (1) | <u>4,300</u> |
| Total Department of Transportation | | | <u>651,429</u> |
| <u>Department of Justice</u> | | | |
| <u>Passed through Department of Criminal Justice Services</u> | | | |
| Bulletproof Vest Partnership Program | 16.607 | (1) | <u>3,456</u> |
| Total Department of Justice | | | <u>3,456</u> |
| <u>Department of Energy</u> | | | |
| <u>Passed through NYS Energy Research and Development Agency</u> | | | |
| Energy Efficiency and Conservation Block Grant - ARRA | 81.128 | (1) | <u>6,000</u> |
| Total Department of Energy | | | <u>6,000</u> |
| Total Expenditures of Federal Awards | | | \$ <u><u>788,213</u></u> |

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

TOWN OF VESTAL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial award programs administered by the Town of Vestal (the Town), an entity as defined in Note 1 to the Town's financial statements. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through from other government agencies, is included on the Schedule of Expenditures of Federal Awards.

Note 2 - Basis of Accounting

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

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

Note 3 - Indirect Costs

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented.

TOWN OF VESTAL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|--|
| <u>20.205</u> | <u>Highway Planning and Construction Cluster</u> |

Dollar threshold used to distinguish between type A and type B Programs: \$ 300,000

Auditee qualified as low-risk? yes no

Section II - Financial Statement Findings: None

Section III - Federal Award Findings and Questioned Costs: None