

TOWN OF VESTAL
Vestal, New York
FINANCIAL REPORT
December 31, 2011

TOWN OF VESTAL
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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, 2011. 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, 2011, 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, 2011 and the changes in financial position of the Town for the year then ended, on the basis of accounting described in Note 1.

During the year ended December 31, 2011 the Town implemented Governmental Accounting Standards Board Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2012, 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 is the responsibility of management and was derived from and relates 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.

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

September 13, 2012
Ithaca, New York

TOWN OF VESTAL
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General Townwide Fund	Public Library Fund	Special Revenue Funds		
			Special District Funds		
			Drainage Fund	Lighting Fund	Fire Fund
<u>ASSETS</u>					
Assets:					
Cash and cash equivalents - Unrestricted	\$ 595,537	\$ 233,979	\$ 632	\$ 108,613	\$ 362,790
Temporary investments					36,546
Taxes receivable, net					
Due from other funds	87,562				
Due from state and federal governments	16,565	1,479			
Due from other governments	850,543				
Prepaid expenses	251,400	10,708			1,084
Other receivables, net	152,560	358			39,305
Restricted cash and cash equivalents	711,488				40,477
Restricted investments	1,704,698				
Total Assets	\$ 4,370,353	\$ 246,524	\$ 632	\$ 108,613	\$ 480,202
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 195,758	\$ 12,414	\$	\$ 27,831	\$ 63,677
Accrued liabilities	292,441	16,817			1,653
Due to other funds					
Bond Anticipation Notes payable					
Deferred revenues	4,300				57,490
Total Liabilities	492,499	29,231	-0-	27,831	122,820
Fund Balances:					
Nonspendable	251,400	10,708			1,084
Restricted	2,427,397		6		40,476
Assigned	314,162	206,585	626	80,782	315,822
Unassigned	884,895				
Total Fund Balances	3,877,854	217,293	632	80,782	357,382
Total Liabilities and Fund Balances	\$ 4,370,353	\$ 246,524	\$ 632	\$ 108,613	\$ 480,202

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
\$ 122,594	\$ (20,206)	\$ 35,348	\$ 46,586	\$ 2,385,138	\$	\$ 3,871,011
	99,198					135,744
					41,200	41,200
		376,144		3,742		467,448
269,407	64,709	179,651		2,271,708		2,803,519
1,315	769	559,174				1,411,801
	26,413	50,094				339,699
603,054	759,045	733				1,555,055
14,039	94,788	237,878			1,287	1,099,957
						1,704,698
<u>\$ 1,010,409</u>	<u>\$ 1,024,716</u>	<u>\$ 1,439,022</u>	<u>\$ 46,586</u>	<u>\$ 4,660,588</u>	<u>\$ 42,487</u>	<u>\$ 13,430,132</u>
\$ 151,117	\$ 76,676	\$ 471,395	\$	\$ 106,542	\$	\$ 1,105,410
	41,348	75,998				428,257
	3,742			463,706		467,448
				13,698,650		13,698,650
109,873	77,175				41,200	290,038
260,990	198,941	547,393	-0-	14,268,898	41,200	15,989,803
	26,413	50,094				339,699
14,038	94,788	237,878	46,586		1,287	2,862,456
735,381	704,574	603,657				2,961,589
				(9,608,310)		(8,723,415)
749,419	825,775	891,629	46,586	(9,608,310)	1,287	(2,559,671)
<u>\$ 1,010,409</u>	<u>\$ 1,024,716</u>	<u>\$ 1,439,022</u>	<u>\$ 46,586</u>	<u>\$ 4,660,588</u>	<u>\$ 42,487</u>	<u>\$ 13,430,132</u>

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

	General Townwide Fund	Public Library Fund	Special District Funds		
			Drainage Fund	Lighting Fund	Fire Fund
REVENUES					
Real property taxes	\$ 4,455,775	\$ 603,620	\$	\$ 262,836	\$ 1,161,860
Real property tax items	106,502	10,221	99,781		
Nonproperty tax items	3,672,722				
Departmental income	200,509	14,878			
Intergovernmental charges					7,075
Use of money and property	59,229	2,380		798	5,898
Licenses and permits	105,661				
Fines and forfeitures	143,172				
Sale of property and compensation for loss	54,676	12,075			133,319
Miscellaneous local sources	68,142	69,586			3,218
Interfund revenues	928,078				
State sources	678,275	14,972			
Federal sources	54,661				
Total Revenues	10,527,402	727,732	99,781	263,634	1,311,370
EXPENDITURES					
Current:					
General governmental support	1,848,215				
Public safety	3,342,961				679,204
Health	1,500				
Transportation	388,565			245,690	
Economic assistance and opportunity	18,227				
Culture and recreation	980,002	658,799			
Home and community services	567,880		99,773		
Employee benefits	1,365,182	77,476			149,230
Debt service:					
Principal	424,495				315,000
Interest	52,990				40,604
Capital outlay					
Total Expenditures	8,990,017	736,275	99,773	245,690	1,184,038
Excess of Revenues (Expenditures)	1,537,385	(8,543)	8	17,944	127,332
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	51,932				
Interfund transfers (out)	(1,778,335)	(81,185)			(135,015)
Proceeds of obligations					
Total Other Financing (Uses) Sources	(1,726,403)	(81,185)	-0-	-0-	(135,015)
Net Changes in Fund Balances	(189,018)	(89,728)	8	17,944	(7,683)
Fund Balances, Beginning of Year	4,066,872	307,021	624	62,838	365,065
Fund Balances, End of Year	\$ 3,877,854	\$ 217,293	\$ 632	\$ 80,782	\$ 357,382

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
\$ 485,337	\$ 329,697	\$ 2,097,664	\$	\$	\$ 35,634	\$ 9,432,423
		35,510				252,014
		2,223,301				5,896,023
1,897,965	2,174,742					4,288,094
				500		7,575
3,604	8,090	6,757	184	8,014	30	94,984
						105,661
						143,172
	5,456	34,957				240,483
1,442	42,237	50,107		100,000	23	334,755
	265,780	1,830,713				3,024,571
67,352	15,941	206,382		545,197		1,528,119
202,055	53,936	(5,174)		1,726,511		2,031,989
2,657,755	2,895,879	6,480,217	184	2,380,222	35,687	27,379,863
						1,848,215
						4,022,165
						1,500
		3,125,517				3,759,772
						18,227
						1,638,801
2,946,723	1,828,095	1,486,151				6,928,622
	205,612	547,691				2,345,191
38,300	427,524	698,879			33,815	1,938,013
13,746	197,512	139,055			2,567	446,474
				3,941,694		3,941,694
2,998,769	2,658,743	5,997,293	-0-	3,941,694	36,382	26,888,674
(341,014)	237,136	482,924	184	(1,561,472)	(695)	491,189
	3	12,368		16,950		81,253
	(319,942)	(711,926)		(31,301)	(3)	(3,057,707)
				2,570,000		2,570,000
-0-	(319,939)	(699,558)	-0-	2,555,649	(3)	(406,454)
(341,014)	(82,803)	(216,634)	184	994,177	(698)	84,735
1,090,433	908,578	1,108,263	46,402	(10,602,487)	1,985	(2,644,406)
\$ 749,419	\$ 825,775	\$ 891,629	\$ 46,586	\$ (9,608,310)	\$ 1,287	\$ (2,559,671)

TOWN OF VESTAL
 BUDGETARY COMPARISON SCHEDULE
 GENERAL-TOWNWIDE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget
<u>REVENUES</u>		
Real property taxes	\$ 4,437,445	\$ 4,437,445
Real property tax items	109,300	109,300
Nonproperty tax items	3,680,000	3,680,000
Departmental income	227,193	227,193
Use of money and property	50,000	50,000
Licenses and permits	99,700	99,700
Fines and forfeitures	140,000	156,476
Sale of property and compensation for loss	15,000	38,078
Miscellaneous local sources	53,642	55,242
Interfund revenues	321,897	928,078
State sources	581,754	613,818
Federal sources	1,162	55,823
Total Revenues	9,717,093	10,451,153
<u>EXPENDITURES</u>		
Current:		
General governmental support	1,761,459	1,966,868
Public safety	3,318,276	3,401,749
Health	1,500	1,500
Transportation	407,599	415,299
Economic assistance and opportunity	18,442	18,442
Culture and recreation	951,899	1,036,936
Home and community services	12,540	572,860
Employee benefits	1,338,943	1,369,139
Debt service (principal and interest)	477,487	477,487
Total Expenditures	8,288,145	9,260,280
Excess of Revenues	1,428,948	1,190,873
<u>OTHER FINANCING SOURCES (USES)</u>		
Interfund transfers in	33,000	33,000
Interfund transfers (out)	(1,827,248)	(1,808,748)
Total Other Financing (Uses) Sources	(1,794,248)	(1,775,748)
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	(365,300)	(584,875)
Appropriated Fund Balance	365,300	584,875
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
\$ 4,455,775	\$	\$ 18,330
106,502		(2,798)
3,672,722		(7,278)
200,509		(26,684)
59,229		9,229
105,661		5,961
143,172		(13,304)
54,676		16,598
68,142		12,900
928,078		-0-
678,275		64,457
54,661		(1,162)
10,527,402	-0-	76,249
1,848,215		118,653
3,342,961		58,788
1,500		-0-
388,565		26,734
18,227		215
980,002		56,934
567,880		4,980
1,365,182		3,957
477,485		2
8,990,017	-0-	270,263
1,537,385	-0-	346,512
51,932		18,932
(1,778,335)		30,413
(1,726,403)	-0-	49,345
(189,018)	\$ -0-	\$ 395,857
(189,018)		
4,066,872		
\$ 3,877,854		

TOWN OF VESTAL
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 PUBLIC LIBRARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>
<u>REVENUES</u>		
Real property taxes	\$ 600,937	\$ 600,937
Real property tax items	<u>9,700</u>	<u>9,700</u>
Departmental income	<u>20,000</u>	<u>20,000</u>
Use of money and property	<u>3,200</u>	<u>3,200</u>
Sale of property and compensation for loss	<u>13,800</u>	<u>13,800</u>
Miscellaneous local sources	<u>35,000</u>	<u>38,000</u>
State sources	<u>8,000</u>	<u>8,000</u>
Total Revenues	<u>690,637</u>	<u>693,637</u>
<u>EXPENDITURES</u>		
Current:		
Culture and recreation	<u>675,109</u>	<u>694,828</u>
Employee benefits	<u>84,598</u>	<u>84,598</u>
Total Expenditures	<u>759,707</u>	<u>779,426</u>
Excess of (Expenditures)	<u>(69,070)</u>	<u>(85,789)</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Interfund transfers (out)	<u>(80,930)</u>	<u>(81,186)</u>
Total Other Financing (Uses) Sources	<u>(80,930)</u>	<u>(81,186)</u>
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	<u>(150,000)</u>	<u>(166,975)</u>
Appropriated Reserves	<u>150,000</u>	<u>166,975</u>
Net Change in Fund Balance	<u>\$ -0-</u>	<u>\$ -0-</u>
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>
\$ 603,620	\$	\$ 2,683
10,221		521
14,878		(5,122)
2,380		(820)
12,075		(1,725)
69,586		31,586
14,972		6,972
727,732	-0-	34,095
658,799		36,029
77,476		7,122
736,275	-0-	43,151
(8,543)	-0-	77,246
(81,185)		1
(81,185)	-0-	1
(89,728)	\$ -0-	\$ 77,247
(89,728)		
307,021		
\$ 217,293		

TOWN OF VESTAL
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 SPECIAL DISTRICT FUND - DRAINAGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>
<u>REVENUES</u>		
Real property tax items	\$ 99,781	\$ 99,781
Total Revenues	<u>99,781</u>	<u>99,781</u>
<u>EXPENDITURES</u>		
Current:		
Home and community services	<u>99,781</u>	<u>99,781</u>
Total Expenditures	<u>99,781</u>	<u>99,781</u>
Excess of Revenues	<u>-0-</u>	<u>-0-</u>
Net Change in Fund Balance	<u>\$ -0-</u>	<u>\$ -0-</u>
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>99,781</u>	\$ <u> </u>	\$ <u>-0-</u>
<u>99,781</u>	<u>-0-</u>	<u>-0-</u>
<u>99,773</u>	<u> </u>	<u>8</u>
<u>99,773</u>	<u>-0-</u>	<u>8</u>
<u>8</u>	\$ <u><u>-0-</u></u>	\$ <u><u>8</u></u>
<u>8</u>		
<u>624</u>		
\$ <u><u>632</u></u>		

TOWN OF VESTAL
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 SPECIAL DISTRICT FUND - LIGHTING FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>
<u>REVENUES</u>		
Real property taxes	\$ <u>253,793</u>	\$ <u>253,793</u>
Use of money and property	<u>1,100</u>	<u>1,100</u>
Total Revenues	<u>254,893</u>	<u>254,893</u>
<u>EXPENDITURES</u>		
Current:		
Transportation	<u>262,000</u>	<u>262,000</u>
Total Expenditures	<u>262,000</u>	<u>262,000</u>
Excess of (Expenditures) Revenues	<u>(7,107)</u>	<u>(7,107)</u>
Appropriated Fund Balance	<u>7,107</u>	<u>7,107</u>
Net Change in Fund Balance	<u>\$ -0-</u>	<u>\$ -0-</u>
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>262,836</u>	\$ <u> </u>	\$ <u>9,043</u>
<u>798</u>	<u> </u>	<u>(302)</u>
<u>263,634</u>	<u>-0-</u>	<u>8,741</u>
<u>245,690</u>	<u> </u>	<u>16,310</u>
<u>245,690</u>	<u>-0-</u>	<u>16,310</u>
<u>17,944</u>	\$ <u><u>-0-</u></u>	\$ <u><u>25,051</u></u>
<u>17,944</u>		
<u>62,838</u>		
\$ <u><u>80,782</u></u>		

TOWN OF VESTAL
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 SPECIAL DISTRICT FUND - FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>
<u>REVENUES</u>		
Real property taxes	\$ 1,133,752	\$ 1,160,113
Intergovernmental charges	8,000	8,000
Use of money and property	7,500	7,500
Sale of property and compensation for loss		120,801
Miscellaneous local sources		
Total Revenues	<u>1,149,252</u>	<u>1,296,414</u>
<u>EXPENDITURES</u>		
Current:		
Public safety	581,253	757,826
Employee benefits	151,960	151,969
Debt service (principal and interest)	355,604	355,604
Total Expenditures	<u>1,088,817</u>	<u>1,265,399</u>
Excess of Revenues	<u>60,435</u>	<u>31,015</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Interfund transfers (out)	<u>(135,435)</u>	<u>(135,435)</u>
Total Other Financing (Uses) Sources	<u>(135,435)</u>	<u>(135,435)</u>
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	<u>(75,000)</u>	<u>(104,420)</u>
Appropriated Fund Balance	<u>75,000</u>	<u>104,420</u>
Net Change in Fund Balance	<u>\$ -0-</u>	<u>\$ -0-</u>
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>
\$ 1,161,860	\$	\$ 1,747
7,075		(925)
5,898		(1,602)
133,319		12,518
3,218		3,218
1,311,370	-0-	14,956
679,204		78,622
149,230		2,739
355,604		-0-
1,184,038	-0-	81,361
127,332	-0-	96,317
(135,015)		420
(135,015)	-0-	420
(7,683)	\$ -0-	\$ 96,737
(7,683)		
365,065		
\$ <u>357,382</u>		

TOWN OF VESTAL
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 SPECIAL DISTRICT FUND - SEWER FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget
<u>REVENUES</u>		
Real property taxes	\$ 483,413	\$ 483,413
Departmental income	2,101,500	2,101,500
Use of money and property	4,400	4,400
Miscellaneous local sources	-	-
State sources	-	67,352
Federal sources	-	202,055
Total Revenues	2,589,313	2,858,720
<u>EXPENDITURES</u>		
Current:		
Home and community services	2,818,909	3,156,030
Debt service (principal and interest)	52,047	52,047
Total Expenditures	2,870,956	3,208,077
Excess of (Expenditures)	(281,643)	(349,357)
Appropriated Fund Balance	259,956	307,756
Appropriated Reserves	21,687	41,601
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>
\$ 485,337	\$	\$ 1,924
1,897,965		(203,535)
3,604		(796)
1,442		1,442
67,352		-0-
202,055		-0-
2,657,755	-0-	(200,965)
2,946,723		209,307
52,046		1
2,998,769	-0-	209,308
(341,014)	-0-	8,343
(341,014)		
1,090,433		
\$ <u>749,419</u>		

TOWN OF VESTAL
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 SPECIAL DISTRICT FUND - WATER FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget
<u>REVENUES</u>		
Real property taxes	\$ 320,121	\$ 320,121
Departmental income	2,205,378	2,205,378
Use of money and property	9,750	9,750
Sale of property and compensation for loss		
Miscellaneous local sources		
Interfund revenues	265,780	265,780
State sources		15,625
Federal sources		52,043
Total Revenues	2,801,029	2,868,697
<u>EXPENDITURES</u>		
Current:		
Home and community services	1,961,585	2,043,944
Employee benefits	218,060	218,279
Debt service (principal and interest)	625,038	625,038
Total Expenditures	2,804,683	2,887,261
Excess of Revenues	(3,654)	(18,564)
<u>OTHER FINANCING (USES) SOURCES</u>		
Interfund transfers in		
Interfund transfers (out)	(321,303)	(321,303)
Total Other Financing (Uses) Sources	(321,303)	(321,303)
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	(324,957)	(339,867)
Appropriated Fund Balance	147,303	160,563
Appropriated Reserves	177,654	179,304
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
\$ 329,697	\$	\$ 9,576
2,174,742		(30,636)
8,090		(1,660)
5,456		5,456
42,237		42,237
265,780		-0-
15,941		316
53,936		1,893
2,895,879	-0-	27,182
1,828,095		215,849
205,612		12,667
625,036		2
2,658,743	-0-	228,518
237,136	-0-	255,700
3		3
(319,942)		1,361
(319,939)	-0-	1,364
(82,803)	\$ <u><u>-0-</u></u>	\$ <u><u>257,064</u></u>
(82,803)		
908,578		
\$ <u><u>825,775</u></u>		

TOWN OF VESTAL
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 HIGHWAY TOWNWIDE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget
<u>REVENUES</u>		
Real property taxes	\$ 2,091,476	\$ 2,091,476
Real property tax items	37,600	37,600
Nonproperty tax items	2,220,000	2,220,000
Use of money and property	10,000	10,000
Sale of property and compensation for loss	8,000	12,750
Miscellaneous local sources		7,600
Interfund revenues	99,561	1,782,888
State sources	241,090	241,090
Federal sources		
Total Revenues	4,707,727	6,403,404
<u>EXPENDITURES</u>		
Current:		
Transportation	2,909,505	3,291,853
Home and community services		1,486,151
Employee benefits	544,370	607,786
Debt service (principal and interest)	836,563	837,935
Total Expenditures	4,290,438	6,223,725
Excess of Revenues	417,289	179,679
<u>OTHER FINANCING (USES) SOURCES</u>		
Interfund transfers in		
Interfund transfers (out)	(685,118)	(711,927)
Total Other Financing (Uses) Sources	(685,118)	(711,927)
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	(267,829)	(532,248)
Appropriated Fund Balance	267,829	532,248
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>
\$ 2,097,664	\$	\$ 6,188
35,510		(2,090)
2,223,301		3,301
6,757		(3,243)
34,957		22,207
50,107		42,507
1,830,713		47,825
206,382		(34,708)
(5,174)		(5,174)
6,480,217	-0-	76,813
3,125,517		166,336
1,486,151		
547,691		60,095
837,934		1
5,997,293	-0-	226,432
482,924	-0-	303,245
12,368		12,368
(711,926)		1
(699,558)	-0-	12,369
(216,634)	\$ style="text-align: center;">-0-	\$ 315,614
-0-		
1,108,263		
\$ <u>891,629</u>		

TOWN OF VESTAL
BALANCE SHEET
INTERNAL SERVICE FUND
DECEMBER 31, 2011

ASSETS

Assets:

Cash and cash equivalents - Unrestricted	\$ <u>2,008,358</u>
Due from state and federal governments	<u>2,358</u>
Other receivables, net	<u>58,027</u>
 Total Assets	 \$ <u><u>2,068,743</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ <u>560,248</u>
 Total Liabilities	 <u>560,248</u>

Net Assets:

Assigned	<u>1,508,495</u>
 Total Net Assets	 <u>1,508,495</u>
 Total Liabilities and Net Assets	 \$ <u><u>2,068,743</u></u>

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF VESTAL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

OPERATING REVENUES

Use of money and property	\$	7,890
Sale of property and compensation for loss		151,416
Miscellaneous local sources		233,699
Interfund revenues		16,676
Total Revenues		409,681

OPERATING EXPENSES

Current:		
General governmental support		493,037
Employee benefits		2,508,211
Total Expenses		3,001,248
Excess of (Operating Expenses)		(2,591,567)

NON-OPERATING REVENUES

Interfund transfers in		2,858,454
Total Non-Operating Revenues		2,858,454
Net Change in Net Assets		266,887
Net Assets, Beginning of Year		1,241,608
Net Assets, End of Year	\$	1,508,495

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, 2011

Cash Flows from Operating Activities:	
Cash received from other funds	\$ <u>2,875,130</u>
Other operating revenue	<u>336,908</u>
Cash payments - Contractual	<u>(493,037)</u>
Cash payments - Hospital and medical	<u>(2,327,284)</u>
Net Cash Provided by Operating Activities	<u>391,717</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>7,890</u>
Net Cash Provided by Investing Activities	<u>7,890</u>
NET INCREASE IN CASH EQUIVALENTS	<u>399,607</u>
Cash and Cash Equivalents, January 1, 2011	<u>1,608,751</u>
Cash and Cash Equivalents, December 31, 2011	\$ <u><u>2,008,358</u></u>
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:	
Income from operations	\$ <u>258,997</u>
(Increase) in other receivables	<u>(48,207)</u>
Increase in accounts payable	<u>180,927</u>
Net Cash Provided by Operating Activities	\$ <u><u>391,717</u></u>

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF VESTAL
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011

	Agency Fund	Private Purpose Trust Fund
<u>ASSETS</u>		
Cash:		
Unrestricted	\$ 19,514	\$ 162,862
Restricted investments		1,618,777
Accounts receivable	225	
Total Assets	\$ 19,739	1,781,639
<u>LIABILITIES</u>		
Other liabilities	\$ 19,739	
Total Liabilities	\$ 19,739	-0-
NET ASSETS		
Restricted for fire service awards		\$ 1,781,639

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF VESTAL
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011

	<u>Private Purpose Trusts</u>
<u>ADDITIONS</u>	
Contributions	\$ 11,391
Investment earnings	<u>1,875</u>
Total Additions	<u>13,266</u>
 <u>DEDUCTIONS</u>	
General government support	<u>76,013</u>
Net Additions (deductions)	(62,747)
 <u>OTHER ADDITIONS AND DEDUCTIONS</u>	
Interfund revenues	<u>118,000</u>
Change in Net Assets	55,253
Net Assets - Beginning of Year	<u>1,726,386</u>
Net Assets - End of Year	<u>\$ 1,781,639</u>

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF VESTAL
SCHEDULE OF NONCURRENT ASSETS AND LIABILITIES
DECEMBER 31, 2011

NONCURRENT GOVERNMENT ASSETS

Land	\$ 4,206,342
Improvements, net of accumulated depreciation	<u>732,885</u>
Buildings, net of accumulated depreciation	<u>9,281,760</u>
Machinery and equipment, net of accumulated depreciation	<u>6,874,361</u>
 Total Noncurrent Government Assets	 <u>\$ 21,095,348</u>

NONCURRENT GOVERNMENT LIABILITIES

Bond Anticipation Notes payable	\$ 353,775
Bonds payable	<u>7,029,822</u>
 Total Noncurrent Government Liabilities	 <u>\$ 7,383,597</u>

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF VESTAL
 SCHEDULE OF NONSPENDABLE, RESTRICTED AND ASSIGNED FUND BALANCE - GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Special Revenue Funds					
	General Townwide Fund	Miscellaneous Special Revenue Fund	Public Library Fund	Special District Funds		
				Drainage Fund	Lighting Fund	Fire Fund
Nonspendable:						
Prepaid expenses	\$ 251,400	\$ -	\$ 10,708	\$ -	\$ -	\$ 1,084
Total Nonspendable	<u>\$ 251,400</u>	<u>\$ -0-</u>	<u>\$ 10,708</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,084</u>
Restricted:						
Insurance	\$ 2,260,217	\$ -	\$ -	\$ -	\$ -	\$ -
General	9,072					
Capital projects	61,402					24,676
Debt service	68,915			6		2,188
Other restricted	27,791					
Fire service awards		1,781,639				
Repairs						13,612
Special grant projects						
Total Restricted	<u>\$ 2,427,397</u>	<u>\$ 1,781,639</u>	<u>\$ -0-</u>	<u>\$ 6</u>	<u>\$ -0-</u>	<u>\$ 40,476</u>
Assigned:						
Fund balance appropriated to next years' budget	\$ 240,000	\$ -	\$ 90,000	\$ -	\$ 7,540	\$ 63,000
Encumbrances for:						
General governmental support	58,670					
Public safety	13,299					55,676
Transportation						
Culture and recreation	2,193		11,000			
Home and community services						
Total Encumbrances	74,162		11,000			55,676
Remaining fund balance			105,585	626	73,242	197,146
Total Assigned	<u>\$ 314,162</u>	<u>\$ -0-</u>	<u>\$ 206,585</u>	<u>\$ 626</u>	<u>\$ 80,782</u>	<u>\$ 315,822</u>

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	
\$	\$ 26,413	\$ 50,094	\$	\$	\$	\$	339,699
\$ -0-	\$ 26,413	\$ 50,094	\$ -0-	\$ -0-	\$ -0-	\$	339,699
\$	\$	\$	\$	\$	\$	\$	2,260,217
							9,072
6,818	54,780						147,676
7,220	40,008	237,878			1,287		357,502
							27,791
							1,781,639
							13,612
			46,586				46,586
\$ 14,038	\$ 94,788	\$ 237,878	\$ 46,586	\$ -0-	\$ 1,287	\$	4,644,095
\$ 260,681	\$ 149,156	\$ 80,000	\$	\$	\$	\$	890,377
							58,670
							68,975
		12,620					12,620
							13,193
8,033							8,033
8,033		12,620					161,491
466,667	555,418	511,037		(9,608,310)			1,909,721
\$ 735,381	\$ 704,574	\$ 603,657	\$ -0-	\$ (9,608,310)	\$ -0-	\$	2,961,589

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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.

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.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011, \$607,400 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:

(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.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

The following Special Revenue Funds are utilized:

(a) Public Library Fund

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

(b) Special District Funds

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

(c) Highway Townwide Fund

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

(d) 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).

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 are the Town's Fiduciary Funds:

(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.

(2) Private Purpose Trust

Established to account for Town Fire District trusts. During 2011, this fund was reclassified from Miscellaneous Special Revenues to more appropriately account for the activities of the fund.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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.
- 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 Balance Sheet and Statement of Fiduciary Net Assets. The Statements of Revenues, Expenditures and Changes in Fund Balances and Statement of Changes in Fiduciary Net Assets 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.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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 assignments of fund balance, as they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

3. Budgetary Basis of Accounting

Budgets are adopted annually on a basis consistent with its prescribed fund's 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 leave benefits.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011 equals \$129,105.

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 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. Paid claims in the last six years total \$188,317; \$5,000 of this amount was paid from general appropriations, and the remainder from the insurance reserve. Of the total above, approximately \$142,600 was paid for court-ordered assessment settlements. Legal fees and incidental charges incurred to defend the town have totaled \$124,605 during this period. Fees and charges incurred above do not include fees and charges associated with assessment challenges.

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.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011 included 81 retirees, some including family coverage. During 2011, \$1,089,313 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: \$790,240; Public Library Fund: \$33,352; Highway Fund: \$210,133; and Special District - Consolidated Water Fund: \$55,588.

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 Employee Benefits as follows: General Townwide Fund: \$49,445; Public Library Fund: \$5,310; Highway Townwide Fund: \$20,178; and Special District - Water Fund: \$4,602.

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 2011 was: General Townwide Fund: \$5,435; Highway Townwide Fund: \$822; and Public Library Fund: \$419. Other retirees are covered by term insurance with a total cost of \$930 in 2011. 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 \$(9,608,310) at December 31, 2011. 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.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011, per the bank, were \$7,305,829. These deposits are either insured or collateralized in accordance with State statutes and Town investment policies.

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 Insurance Reserve	(1)	\$ 406,303
U.S. Treasury Bonds	Fire Fund	(1)	36,546
U.S. Treasury Bonds	Water Fund	(1)	99,198
Town of Vestal Note	General Fund Insurance Reserve	(1)	1,298,395

In addition, the Town's Fire District Service Award program has investments of \$1,618,777 at December 31, 2011. 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, 2011 consisted of:

General Townwide Fund:		
Accounts receivable		\$ 141,347
Accrued interest receivable		11,213
Total General Fund		<u>152,560</u>
Public Library Fund:		
Charges receivable		<u>358</u>
Special Revenue Funds:		
Special District Funds:		
Fire Fund:		
Other receivables		<u>39,305</u>
Sewer Fund:		
Sewer rents receivable		<u>603,054</u>
Water Fund:		
Water rents receivable		721,209
Accounts receivable		35,511
Accrued interest receivable		<u>2,325</u>
Total Special District Fund - Water Fund		<u>759,045</u>
Highway Fund:		
Accounts receivable		<u>733</u>
Internal Service Fund:		
Insurance reimbursements		<u>58,027</u>
Total		<u>\$ 1,613,082</u>

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

4. Fixed Assets

The changes in fixed assets for the fiscal year ended December 31, 2011 are as follows:

<u>Type</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Land	\$ 4,206,342	\$	\$	\$ 4,206,342
Buildings	19,180,343	186,111	(28,886)	19,337,568
Improvements	1,854,868	21,998	(16,000)	1,860,866
Machinery and equipment	19,053,092	1,518,116	(1,278,247)	19,292,961
Total	<u>44,294,645</u>	<u>1,726,225</u>	<u>(1,323,133)</u>	<u>44,697,737</u>
Accumulated Depreciation:				
Buildings	(9,505,368)	(579,326)	28,886	(10,055,808)
Improvements	(1,030,660)	(97,321)		(1,127,981)
Machinery and equipment	<u>(12,221,016)</u>	<u>(1,387,986)</u>	<u>1,190,402</u>	<u>(12,418,600)</u>
Total	<u>(22,757,044)</u>	<u>(2,064,633)</u>	<u>1,219,288</u>	<u>(23,602,389)</u>
Net Fixed Assets	<u>\$ 21,537,601</u>	<u>\$ (338,408)</u>	<u>\$ (103,845)</u>	<u>\$ 21,095,348</u>

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, 2011

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>
2011	\$ 817,876	\$ 440,907
2010	548,626	401,218
2009	310,531	316,055

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 total cost of the incentive was \$179,530, of which \$87,960 was charged to expenditures in the general fund and \$91,570 was charged to the highway townwide fund. The incentive was billed in December 2011, and is included in the \$817,876 above.

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>12,440,000</u>	\$ <u>13,698,650</u>	\$ <u>(12,440,000)</u>	\$ <u>13,698,650</u>

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, 2011</u>
05/18/2012	1.50%	\$ 10,316,000
05/18/2012	1.10%	1,282,650
12/22/2012	1.19%	<u>2,100,000</u>
		<u>\$ 13,698,650</u>

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Long-term BANs are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
BANs	\$ 388,900	\$ -0-	\$ (35,125)	\$ 353,775	\$ 35,125

Long-term BANs matured on February 3, 2011, including interest of 1.50%. BANs totaling \$353,775 were issued, with interest of 1.42% and will mature on February 3, 2012.

Interest expenditures on BANs totaled \$190,140.

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.

b. Changes in Serial Bonds

The following is a summary of changes in serial bonds for the year ended December 31, 2011:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year
Serial Bonds	\$ 6,362,710	\$ 1,554,077	\$ (886,965)	\$ 7,029,822	\$ 1,008,377

c. Summary of Serial Bonds

As of December 31, 2011, 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	9/01/2015	5.00%	\$ 6,520
Water District 7 - Part 3	9/01/2021	5.00%	9,225
Fire District Engines	7/15/2013	4.80%	185,000
Fire Equipment	6/15/2014	3.50-4.10%	320,000
Parks, Playground & Highway Equipment	7/15/2015	3.70%	265,000
Fire Tower Truck	6/18/2016	5.00-5.10%	210,000
Public Improvement Serial Bonds	7/14/2026	4.125-4.375%	4,480,000
Emergency Squad Building	5/15/2031	5.75-7.00%	600,000
Parks and Highway Equipment	5/15/2021	1.30-4.00%	954,077
			<u>\$ 7,029,822</u>

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,008,377	\$ 309,856	\$ 1,318,233
2013	999,320	238,630	1,237,950
2014	791,050	200,168	991,218
2015	651,050	171,280	822,330
2016	556,050	145,851	701,901
2017-2021	2,003,975	450,486	2,454,461
2022-2026	870,000	153,526	1,023,526
2027-2031	<u>150,000</u>	<u>26,213</u>	<u>176,213</u>
Total	<u>\$ 7,029,822</u>	<u>\$ 1,696,010</u>	<u>\$ 8,725,832</u>

In addition to the above, the Town has authorized \$5,128,000 in general long-term debt which remains unissued at December 31, 2011.

Interest expenditures on long-term debt totaled \$256,334.

Note 4 - Interfund Balances

Interfund balances at December 31, 2011 are as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Expenditures</u>
General Townwide Fund	\$ 87,562	\$	\$ 51,932	\$ 1,778,335
Private Purpose Trust Fund			118,000	
Public Library Fund				81,185
Special District Fund - Fire Fund				135,015
Special District Fund - Water Fund		3,742	3	319,942
Highway Townwide Fund	376,144		12,368	711,926
Capital Projects Fund	3,742	463,706	16,950	31,301
Debt Service Fund				3
Internal Service Fund			<u>2,858,454</u>	
Total	<u>\$ 467,448</u>	<u>\$ 467,448</u>	<u>\$ 3,057,707</u>	<u>\$ 3,057,707</u>

The Town typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

Note 5 - Fund Equity

In the year ending December 31, 2011, the Town implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 54 changes the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

TOWN OF VESTAL
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

- **Nonspendable**
 Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowment principal.
- **Restricted**
 Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the Town's legally adopted reserves are reported here.
- **Committed**
 Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, which requires the same level of formal action to remove said constraint.
- **Assigned**
 Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- **Unassigned**
 Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

The Town has not adopted any resolutions to commit fund balance. The Town's policy is to apply expenditures against restricted fund balance, assigned fund balance, and unassigned fund balance in this respective order. Nonspendable, restricted, and assigned fund balances are reported on the Schedule of Nonspendable, Restricted, and Assigned Fund Balance.

Funds restricted for other purposes at December 31, 2011 are as follows:

General Fund:	
DARE program	\$ 3,870
Crime Proceeds	22,542
Handicapped Parking Education	1,379
Total	\$ 27,791

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.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Financial transactions of the program are accounted for in the Private Purpose Trust 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, 2011.

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.

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 payment 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.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
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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.

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 is Penflex, Inc. Portions of the following information are derived from a report dated March 29, 2011 prepared by the actuary.

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED DECEMBER 31, 2011

Program Financial Condition:

Assets and Liabilities:

Actuarial Present Value of Accrued Service Awards as of 12/31/11	\$ <u>1,557,291</u>
Less: Assets Available for Benefits	
Total Investments (100% invested in cash and cash equivalents)	1,752,700
Less: Benefits Payable	<u>(14,773)</u>
Total Net Assets Available for Benefits	<u>1,737,927</u>
Excess Contributions	180,636
Less: Unfunded Liability for Separately Amortized Costs	<u>-0-</u>
Excess Available for Normal Benefits	<u><u>\$ 180,636</u></u>

Separately Amortized Costs:

Prior service costs have been amortized and paid.

Receipts and Disbursements:

Plan Net Assets, Beginning of Year	\$ 1,682,863
Changes During the Year:	
Plus: Plan contributions	118,000
Plus: Investment income earned	33,172
Less: Change in market value	(20,095)
Less: Administrative Fees/Paid	(8,843)
Less: Plan benefit withdrawals	<u>(67,170)</u>
Plan Net Assets, End of Year	<u><u>\$ 1,737,927</u></u>

Contributions:

Amount of Town/Fire District's contribution recommended by actuary	\$ <u>57,394</u>
Amount of Town/Fire District's actual contribution	<u><u>\$ 118,000</u></u>

Administration Fees:

Fees paid to administrative/ services provider	\$ 3,437
Fees paid for actuary	5,406
Other administrative fees (insurance)	-0-

TOWN OF VESTAL
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011

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 6.18% from \$5,234,865 in 2010 to \$5,558,253 in 2011.

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 2011, this fee totaled \$337,770; down 1.87% from \$344,220 received in 2010.

Note 10 - Significant Effects of Subsequent Events

A. Subsequent Events

The Town Board, at its meeting on February 8, 2012, authorized a bond resolution in the amount of \$83,000 for the purchase of police vehicles.

The Town Board, at its meeting on April 25, 2012, authorized borrowing on a previously approved bond resolution in the amount of \$650,000 for highway road reconstruction. These funds were included in a Bond Anticipation Note issued May 17, 2012.

The Town Board, at its meeting on April 25, 2012, authorized bond resolutions for the purchase of machinery and apparatus, totaling \$546,000. The borrowing of these funds is anticipated to occur later in 2012.

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Frederick J. Ciaschi, C.P.A.

**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, 2011, and have issued our report thereon dated September 13, 2012. 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, Nutcracker, Little, Middleman, & Company, LLP

September 13, 2012
Ithaca, New York

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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, 2011. 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, 2011.

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

September 13, 2012
Ithaca, New York

TOWN OF VESTAL
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

<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>			
Passed through State Emergency Management Office:			
Public Assistance Grants	97.036	1993DR NY	\$ 243,510
Public Assistance Grants	97.036	4031DR NY	<u>1,676,964</u>
Total Department of Homeland Security			<u>1,920,474</u>
<u>Department of Transportation</u>			
Passed through NYS Department of Transportation:			
Highway Planning and Construction	20.205	(1)	<u>177,960</u>
Total Department of Transportation			<u>177,960</u>
<u>Department of Energy</u>			
Passed through NYS Energy Research and Development Agency:			
Energy Efficiency and Conservation Block Grant - ARRA	81.128	(1)	<u>54,661</u>
Total Department of Energy			<u>54,661</u>
Total Expenditures of Federal Awards			<u>\$ 2,153,095</u>

(1) Denotes - Unable to Obtain from Pass-Through Entity

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, 2011

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, 2011

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>97.036</u>	<u>Public Assistance Grants</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